

National  
**PC Bank Ltd**  
"Committed to Growth & Development"



# 2022

## THE YEAR OF A NEW BEGINNING

National People's Co-operative Bank Of Jamaica Ltd.

### Special General Meeting

Golf View Hotel, 5 ½ Caledonia Road, Mandeville, Manchester.

**August 29, 2023, at 10:30**



## VISION STATEMENT

NPCB will be an efficient, profitable and agile organization, becoming the number one Jamaica Agricultural Cooperative Financial Institution.

## MISSION STATEMENT

To improve the financial well-being of our members.

## CORE VALUES

- INTEGRITY
- PROFESSIONALISM
- SUPERIOR CUSTOMER SERVICE
- GOOD GOVERNANCE





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# NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of the National People's Co-operative Bank Limited will be held at the Golf View Hotel, 5 ½ Caledonia Road, Mandeville, Manchester on August 29, 2023, at 10:30 a.m. and virtually via Zoom to transact the following business:

1. To receive the Audited Financial Statements for the years ended December 31, 2022, together with the Reports of the Provisional Committee of Management thereon.

Members are asked to consider and if thought fit, pass the following resolutions:

## **Resolution 1**

“Be it resolved that the Audited Financial Statements for the years ended December 31, 2022, together with the Report of the Provisional Committee of Management thereon be and are hereby approved.”

2. To appoint an Auditor of the NPCB for a term and remuneration to be determined by the Provisional Committee.
3. To consider the proposals to amend the Rules of the society as follows:
  - a. To increase the minimum subscription to permanent shares
  - b. To introduce preference shares
  - c. To introduce the position of Treasurer.
  - d. To introduce fixed term limits for the various positions of Directors and members of the Executive Committee.

Members unable to physically attend the meeting may participate via Zoom using the following link:

**Meeting ID: 813 5753 9991**

**Passcode: 308340**

Dated the 2nd August, 2023

*Kemilee Mclymont*  
Corporate Secretary

National People's Co-operative Bank Ltd  
19 Nashville Sub-division  
Mandeville, Manchester

# **AGENDA**

**NATIONAL PEOPLE'S COOPERATIVE BANK OF JAMAICA LTD. (NPCB)  
HELD ON AUGUST 29, 2023 • COMMENCING AT 10:30 A.M.  
AT GOLF VIEW HOTEL**

- ▶ Call to Order
- ▶ Prayer
- ▶ Apologies for Absence
- ▶ Welcome and Opening Remarks
- ▶ Confirmation of Minutes of Meeting of September 14, 2022
- ▶ Matters Arising from the Minutes of Meeting of September 14, 2022
- ▶ Registrar's Greetings & Presentation
- ▶ Presentation of Report of Provisional Committee of Management
- ▶ Presentation of Audited Financial Statements for FY 2022
- ▶ Approval of Audited Financial Statements for FY 2022
- ▶ Notice of Rules to be Amended
- ▶ Appointment of Auditor
- ▶ Question & Answer Session
- ▶ Adjournment



# **MINUTES OF SPECIAL GENERAL MEETING**

**NATIONAL PEOPLE'S CO-OPERATIVE BANK OF JAMAICA LIMITED (NPCB)  
HELD ON SEPTEMBER 14, 2022  
COMMENCING AT 10:00 A.M. AT GOLF VIEW HOTEL**

**Present were:**

**Members of the Provisional Committee**

<b>Mr. Glenworth Francis</b>	<b>-</b>	<b>Chairman</b>
<b>Mr. Howard P. Brown</b>	<b>-</b>	<b>Member</b>
<b>Miss Paulette Kirkland</b>	<b>-</b>	<b>Member</b>
<b>Mr. Michael Gillings</b>	<b>-</b>	<b>Member</b>
<b>Mr. Joseph Gyles</b>	<b>-</b>	<b>Member</b>
<b>Reverend Don T. Lewis</b>	<b>-</b>	<b>Member</b>
<b>Mr. Winston Fletcher</b>	<b>-</b>	<b>Member</b>

**In attendance:**

<b>Mr. Donovan Cunningham</b>	<b>-</b>	<b>General Manager</b>
<b>Mrs. Stacy-Ann Johnson</b>	<b>-</b>	<b>Assistant General Manager, Finance</b>
<b>Mrs. Kemilee Mclymont</b>	<b>-</b>	<b>Legal Counsel &amp; Corporate Secretary</b>
<b>Ms. Crystal Anderson</b>	<b>-</b>	<b>Human Resource Officer</b>
<b>Mr. Kirk Green</b>	<b>-</b>	<b>Risk and Operations Manager</b>
<b>Mr. Iva Reynolds</b>	<b>-</b>	<b>Property Manager</b>
<b>Mr. Peter Whyte</b>	<b>-</b>	<b>Marketing &amp; Allied Services Manager</b>
<b>Mr. Rupert Johnson</b>	<b>-</b>	<b>Consultant, NPCB</b>
<b>Mr. Anthony Shaw</b>	<b>-</b>	<b>DBJ, Managing Director</b>
<b>Mr. Errol Gallimore</b>	<b>-</b>	<b>Registrar, DCFS</b>
<b>Ms. Tanesha Facey</b>	<b>-</b>	<b>DCFS, Representative</b>
<b>Mrs. Ann-Marie Wallace</b>	<b>-</b>	<b>DCFS Representative</b>
<b>Ms. Natalie Balfour</b>	<b>-</b>	<b>DCFS, Representative</b>
<b>Mr. Sixto Coye</b>	<b>-</b>	<b>Auditor, Mair Russell Grant Thornton</b>

## **1. Call to order**

1.1 The meeting was called to order at 11:03 a.m. by the Chairman and Reverend Lewis prayed.

## **2. Opening Remarks**

2.1 The Chairman welcomed the attendees and introduced the members of the Provisional Committee and the Zonal Committee Chairmen as follows:

<b>Zone 1</b>	<b>-</b>	<b>Mr. Everton Hanson</b>
<b>Zone 2</b>	<b>-</b>	<b>Mr. Howard P. Brown</b>
<b>Zone 3</b>	<b>-</b>	<b>Reverend Don T. Lewis</b>
<b>Zone 4</b>	<b>-</b>	<b>Mr. Sieviewright Dixon</b>

- 2.2 The Chairman also acknowledged the presence of Mr. Anthony Shaw from the DBJ, the DCFS representatives, Mr. Rupert Johnson, the Bank's consultant and the former General Manager, Mr. Bellamy.
- 2.3 The Chairman apologized for the delay in holding the SGM stating that it was due to the requirement to hold the zonal committee meetings first. He committed to improve logistics so the meeting could be held earlier next year.

### **3. Apologies for Absences**

- 3.1 Apologies for absence were tendered for Mr. Calvin Shirley and Ms. Carmelita Earl, from the Maldon Branch, as well as Mr. Wayne Pink and Ms. Ruby Anderson from the Buff Bay Branch.

### **4. Confirmation of Quorum**

- 4.1 At 11:10 a.m. the Corporate Secretary confirmed that there was a quorum to include delegates present in person and on-line.

### **5. Confirmation of minutes of Special General Meeting of October 13, 2021**

- 5.1 The minutes of the meeting of October 13, 2021 were taken and read and confirmed on a motion by Mr. Rupert Scott and seconded by Mr. Gordon Sharpe subject to the following corrections:
- Page 4 paragraph 18 of the Action Items correction for Charles Donell to Charles Howell
  - Page 20 paragraph 30 correction from Sievewright to Seivewright
  - Page 22 paragraph 37 change "Albert Stichell from St. Thomas" to "Osbert Stichell from Portland"
  - Page 24 "Any Other Business" should read "Questions and Answers"
  - The following names in Appendix 1 were corrected: Vittel Barnett, Ashley Grave, Colette Houston, Patricia Binns, Saverna Braham-Smith and Yule Dixon

### **6. Matters Arising**

- 6.1 The Chairman stated that the meeting marked the 117<sup>th</sup> year of the Bank's existence, it being among the oldest in Jamaica. He recounted that the Bank had experienced poor governance and high delinquency which led to it being required by the DCFS to institute certain structure and governance changes. Now that those measures were in place the Bank was looking to lend to good borrowers. He explained that the deposit base of the Bank was \$6.5 Billion and that losses had significantly reduced year over year from over \$200 Million to \$70 Million in 2021, with the hope of reducing losses even further. He reminded members that while, the Bank played a role in development especially with food security and farming, the Bank was looking into other areas to diversify its risk.
- 6.2 In response to a question from Franklyn Brown, the Chairman noted that once the bank was on stable financial footing it was expected that it would be returned to members, however the persons to assume management would need corporate governance training. Mr. Dixon asked why NPCB had repaid DBJ loan, whether it made financial sense and whether DBJ could have been asked to write off the loan. The Chairman explained that the decision was taken on strict economic grounds as the Bank was highly liquid and was making less interest on investments than what it had to pay on DBJ's loan interest, consequently the decision resulted in the Bank saving money.
- 6.3 Mr. Dixon thanked Management and especially the General Manager in answering the call for the PEP bursaries. He asked about the Banks absence at Denbigh 2022 and was informed that it was due to a miscommunication with DBJ.
- 6.4 Mr. Norman Grant, commended Management on its work to date but stated that he was not satisfied with the response to the question regarding the return of the management of the Bank to members. He noted that this Provisional Committee had been in place for almost 5 years and queried whether the Bank had performed better under the Provisional Committee. Mr. Everton



Hanson in addition asked how sound financial footing was defined. The Chairman responded to say that it would be when the Bank was profitable and properly capitalized.

- 6.5 Mr. Horace O'gilvie questioned what analysis was done to inform the closure of a branch, in particular the Llandewey Branch. It was explained that analysis was done on projected income and operating costs to determine the potential profitability of the branch. In respect of Llandewey the costs of staffing, security and poor internet connectivity were factors that influenced the decision to close the branch. He suggested that branches may not be profitable because the branch managers were not marketing the Bank in the communities. He asked that Management revisit the decision to close Llandewey as the closest branch for persons living in that community, was Morant Bay which was 40 miles away and expensive to travel to. The Chairman pointed out that while there was consideration for the inconvenience that the closure caused to members, the decision was necessary for the Bank to survive and to continue to serve members in the long run.
- 6.6 In response to a question from Mr. Garth Tomlin regarding the status of the loan to the Christiana Potato Growers Association, the Chairman stated that the loan was closed as all assets were sold.
- 6.7 Mr. Norman Grant again questioned whether the Bank had performed better under the Provisional Committee and called for the management of the Bank to be returned to members and for the Bank to offer shares to the public by listing on the Junior Stock Exchange. He stated that East Rural St. Andrew needed the NPCB and was in no better position after the appointment of the Provisional Committee. The Chairman stated that the Bank tried to keep the business at the branch but business was slow and an offer was made to utilize Mr. Grant's business place to operate 2-3 times per week and same was refused. Security and IT costs were prohibitive and the branch could not have survived on just clearing cheques. The Chairman stated further that in its current state, the Bank would not be attractive on the stock exchange. Mr. Grant disagreed and recommended that a closer examination of the Bank's balance sheet be done and a prospectus developed, that the bad and uncollectable loans be removed from the portfolio and a PAR value could be arrived at to earn a \$500Million investment. The Chairman stated that he did not share the view that the Bank could be sold on a future prospectus.
- 6.8 Mr. Henry Marshall from the Bog Walk branch stated that a number of delegates were concerned about closure of some branches and being unable to explain the rationale for the closures. The Chairman agreed to share the rationale once any such decision was taken again in the future, but explained that the Bank would usually look at the economy of the area, operating costs of the branch and opportunities for growth.
- 6.9 Ms. Karen White from New Market branch asked what were the criteria for scholarships. The Chairman stated that each parish received a tablet and the Zones decided who they would issue it to. Mr. Wilburn Carr asked whether the Bank could re-open a branch in Manchioneal as some economic stability had returned to the area. The Chairman agreed to review the situation and have Management conduct an analysis on the matter.
- 6.10 Mr. Everton Hanson called for a review of the reasons the Regulator took over the management of the Bank 7 years ago. He stated that if those reasons were resolved then the Regulator should return the management of the Bank to its members and called for a forum in which the issues could be ventilated. The Chairman responded to state that by 2023 the Bank should be profitable and noted that the DCFS was working with the Bank to restore profitability. Mr. Grant called for the Bank to be viewed as a financial institution and not a friendly society. The Chairman said the Provisional Committee would have a meeting with the Registrar to communicate the views of members.
- 6.11 Mr. Boswell Mullings from the Grange Hill branch suggested that if the Bank was undercapitalized it should be put to members to invite them to increase their shares. The Chairman stated that the Provisional Committee had been going over measures to raise capital and by next year's general meeting a proposal would be brought to members for discussion.

6.12 Mr. Dixon stated that zonal committee members were not being made aware of new staff appointments in branches. The Chairman agreed to have Management advise the zonal committee members of any permanent staff changes.

## **7. Greetings from the Department of Co-operative and Friendly Societies (DCFS)**

7.1 Ms. Tanesha Facey brought the message from the DCFS. She stated that the Bank had to adopt to survive in the competitive financial environment. The Bank continued to show weakness in its financial operations when the PEARLS standard was applied and delinquency remained a major concern although there was significant improvement in the portfolio. She stated that profit was anticipated within the next 2 years. In 2017, 4 branches were closed and the indices for the Bank were trending in the right direction, with delinquency reduced and the loan portfolio increased.

7.2. Ms. Facey said that note was taken of the desire to have the management of the Bank returned to members, however the Provisional Committee would remain in place until the Registrar was satisfied with the improvement in operational efficiencies, solvency and reduced delinquency. She stated that the Registrar wanted members to resume management and with effect from 2023 would start to look at volunteers who could satisfy the fit and proper criteria and screen for the right skills sets. It would be proposed for the membership committee to start for a period of 2 years to allow for smooth transition and to ensure that the progress of the successive Provisional Committees was not undone.

7.3 In closing Ms. Facey thanked the initial Provisional Committee chaired by Mr. Rex James and the former General Manager for the work done and commended the current Provision Committee lead by Mr. Francis and the current General Manager for advancing that work. She thanked the DBJ for its support and guidance to the Bank and thanked the members for their patience, co-operation and continued support.

(The Registrar joined the meeting via Zoom and addressed the meeting)

7.4 The Registrar stated that the DCFS became involved in the management of the Bank when the Agricultural Credit Board, being the previous regulator gave up control in 2018. He stated that it was his intention to return the bank to members when the Provisional Committee's term ended in June 2023, but he needed to be satisfied that the new committee members would have the financial expertise, corporate governance and credit administration knowledge to prevent the repeat of the issues which caused the Bank to be placed under the management of the Regulator in the first place. He stated that the Bank still had some challenges, but they are not insurmountable and with the right skill sets the Bank could move forward. He said that he would take time to ensure that the necessary safeguards were in place before handing over the operations to members and hoped that there would be no external shocks to upstage his plans for hand over.

7.5 The Registrar stated that most governance and human resource issues were resolved and that the financial challenges were mainly what remained. He stated that the days of borrowing and not repaying were over.

7.6 Mr. Grant thanked the Registrar for his presentation and suggested that listing on the Jamaica Stock Exchange (JSE) could assist with the recapitalization of the Bank. He asked whether the Registrar would consider listing on the JSE in the Bank's strategic plan and whether DBJ could assist with exploring the option. The Registrar stated that it was something that could be considered as a part of the duties of a transitional committee and that DBJ's support was always welcomed. He also noted that this move would require research and data. In closing he commended the work of the Provisional Committee over the last five years and added that the return of the management of the Bank would come with conditionalities.

7.7 Members paused for a minute to recognize other members who had passed away over the passe year, namely, Osbert Stichell, Trevor Johnson and Carol Brown.



## **8. Greetings from the Development Bank of Jamaica Limited (DBJ)**

- 8.1 The message from DBJ was brought by the Managing Director, Mr. Anthony Shaw. He stated that the DBJ and NPCB shared a long history. He stated that he looked forward to restoring the Bank as an AFI and working the NPCB in the future. He committed DBJ's continued support of the Bank and wished the members a successful meeting.

## **9. Presentation of Report from the Provisional Committee**

- 9.1 The Chairman introduced the members of the Provisional Committee and pointed out that, Ms. Kirkland, Mr. Fletcher and Reverend Lewis recently joined the Committee and during the year Mr. Leo Nesbeth exited the Committee. He stated that the contract for Mr. Bellamy was not renewed and Mr. Cunningham was engaged as the General Manager. The issues of COVID 19 continued into 2021 and the war between Russia and Ukraine lead to increases in inflation. Although delinquency increased over the period from 32% to 35%, since 2022 it had been reduced to 20%. He stated that the new banking system was projected to be in place by 2023 and encouraged members to borrow and service their loans. He thanked the DCFS, DBJ and external auditors for the support they availed over the period.
- 9.2 Mr. Hanson congratulated the Provisional Committee for repaying the loan from DBJ. He stated that it was still important to nurture the relationship with DBJ and to explore accessing grants from DBJ. Mr. Marshall commended the Bank on the new banking system and asked how the Bank would benefit from this. The Chairman stated that the system would help with the smooth running of the Bank and enable online banking, ATM usage, making loans online and to aid in the migration from passbooks to periodic statements. He advised that the system was expensive to acquire and operate. Mr. Marshall asked that the Bank push forward with the system so that members can market the Bank.
- 9.3 In response to Mr. Scott's question as to how a pending recession in United States economy could pose a potential external shock and threaten to derail the return of the management of the Bank to members, the Chairman stated that by improving the Bank's marketing, growing the loan portfolio and making good loans the plan should not be derailed.
- 9.4 Mr. Eccleston Campbell from the Morant Bay branch commended the Management of Bank. He asked what measures are in place to address concerns for cyber security and cybercrime and whether the Bank would look into ATM usage to boost business. The Chairman stated that in respect of cyber threats staff and members were being educated and that robust IT measures were to be put in place including cyber security insurance. With regards to ATMs, the cost of investing in independent machines was prohibitive however the Bank would look into using the existing ATM network locally.
- 9.5 Mr. Dixon commended the Chairman and the Management of the Bank and welcomed Ms. Kirkland to the Committee expressing that she was strong in marketing and training and hoped that the Committee utilized her skills. He stated that he hoped all Provisional Committee members had an investment in the Bank. He stated that the Bank had excellent products but did not believe they were being properly marketed and that the marketing team needed to be strengthened. He further stated that the Bank was moving in the right direction and that the Chairman and General Manager were very responsive.
- 9.6 Mr. Bernard Neil also commended the Provisional Committee and cautioned that it be mindful of the Ministry of Agriculture wanting to make money available to farmers through the Bank without security. He noted that borrowers saw this money as a grant. He noted that one of the reasons NPCB was not attractive to younger demographics was because it was not accessible through ATMs or online. He commended the move to acquire the new banking system and encouraged the General Manager to be brave and continue to stand up for the best interest of the Bank. In response to Mr. Howard Wright from the Highgate branch, the Chairman confirmed that there would be public education for members on the use of the software.

## **10. Presentation of General Manager's Report**

- 10.1 The report was presented by the Mr. Cunningham. He stated that the Bank had much to celebrate as despite the ravages of the COVID 19 pandemic, rising inflation and supply chain issues, the Bank recorded growth and had reversed the negative trend. He stated that there was growth in permanent shares and members deposits and decline in bad debt and operating expenses. He thanked the Provisional Committee for the improved quality of governance as well as the Zonal Committees for their support. He thanked the DCFS for its guidance and thanked members who saved and borrowed from the Bank, for their demonstration of confidence. On a motion by Mr. Dixon and seconded by Mr. Charles Howell from the Chapelton branch the report from the General Manager was accepted.

## **11. Presentation of the Audited Financial Statements for FY2021**

- 11.1 The Audited Financial Statements for the financial year ended 2021 were presented by the Mr. Sixto Coye, auditor with the Bank's external auditors, Mair Russell Grant Thornton. Mr. Coye summarized the report stating that the financial statements gave a true and fair picture of the financial position of the Bank in accordance with the law and the International Financial Reporting Standards (IFRS). He stated that the financial year ended on December 31, 2021 with a net loss of \$72,653,000 versus \$92,091,000 in 2020 and the Bank's current liabilities exceeded assets by \$2.2 Billion versus \$2.6 Billion in 2020. The auditor's pointed out that the Bank's ability to continue as a going concern was dependent on future profitable operations and the repayment of loans by members in accordance with their loan agreements.
- 11.2 The Chairman next invited questions from members on the audited financials. Mr. Clive Larmond from the Morant Bay branch asked whether the properties at Middleton and Lincoln in St. Thomas were sold since they were not in use. The Chairman stated that all properties not being used would be disposed of and that some had already been sold. He agreed to provide a list of all properties sold to the zonal committees. He stated that the process for sale included doing a valuation and then advertising the property for sale on the open market.
- 11.3 In response to Mr. Hanson the Chairman stated that 60% of the loan portfolio was in agriculture. About 50% of the loans were scheduled to mature in the short term hence the approach was to bolster the portfolio by making more long term loans. With respect to the low spend in staff costs and training the Chairman stated that there were provisions in the budget to spend more in the year 2022.
- 11.4 On a motion by Mr. Glenroy Mason seconded by Mr. Wilburn Carr the meeting unanimously accepted the audited financial statements for the year 2021 and passed the following resolution:

"Be is resolved that the Audited Financial Statements for the year ended December 31, 2021 together with the Report of the Provisional Committee of Management thereon be and are hereby approved."

## **12. Resolution for the Appointment of Auditors**

- 12.1 The following resolution was unanimously passed on a motion by Leonard Gordon of the Portland branch and seconded by Clive Larmond of the Morant Bay branch:

"Be it resolved that the auditors, Mair Russell, Grant Thornton be appointed as auditors of the Bank for another year and the Committee be authorized to negotiate the auditors fees."

## **13. Amendment of Rule 28.6**

- 13.1 The Company Secretary read the proposed amendments to the rule and reminded members that the amendments had been circulated through the zones and considered by the zonal committees. The following resolution for the amendment of the rules was carried with 40 delegates voting in support of the resolution, 19 voting against and one abstention:



“WHEREAS Section 9.2 and Regulations 3 of Industrial and Provident Societies Act and Regulations respectively provides for the amendment of the Rules of the National Peoples Co-operative Bank Ja. Ltd (NPCB); and

WHEREAS Rule 30.2(a) allows for amendments to the Rules of the NPCB; and

WHEREAS Rule 28.6 is being proposed for amendment in the Rules of the NPCB. and

WHEREAS the NPCB has agreed to adopt and accept all the interpretations so ascribed under this proposed rule amendment which is not in conflict with the Industrial and Provident Societies Act and Regulations and the Agricultural loan Societies and Approved Organization Act and Regulations; and

WHEREAS Regulations number 7 of the Agricultural loan Societies and Approved Organization Regulations, 2021 provides that: "In addition to the duties set out in Section 25 of the Act, every agricultural loan society and every approved organization shall, within two months of the close of the financial year, submit to the Registrar, the following items-

- (a) A certified copy of the Annual Returns;
- (b) A copy of the most recent Audited Financial Statements;
- (c) A copy of the report of the auditors made by the Agricultural loan Society or the Approved Organization under section 13 of the Industrial and Provident Societies Act; and
- (d) Any other reports required under any other relevant enactment affecting such Society and Approved Organization. "

Be it Resolved that Rule 28.6 which now reads:

"Within four (4) months after the end of the financial year, the Board of Directors shall transmit a copy of the Annual Report to the Registrar. "

Be amended to read:

"Within two (2) months after the end of the financial year, the Board of Directors shall transmit a copy of the Annual Report to the Registrar"

Members further resolve that the Secretary is permitted to make such further grammatical, formatting, typographical and minor corrections as required for the purposes of ensuring the accuracy of the amendments herein.”

## **14. Questions & Answers**

- 14.1 Ms. Caren Walker of the New Market branch asked why the decision was taken to remove the Bank from schools. She called for more involvement in schools and other community activity and sensitization. The Chairman stated that teachers did not want the duty to keep banking records for the children, but the Marketing department would be asked to explore how the Bank could re-introduce the programme to schools.
- 14.2 Mr. Glenroy Mason from Highgate branch stated that delegates need some form of identification when carrying out official business for the Bank and the General Manager was asked to look into this issue.
- 14.3 Members raised concerns about crowding of the front of some of the branches. Management agreed to examine the problem and come up with a solution. Members again called for improved marketing to grow membership and expose products. They also called for better flow of information to zonal committees so that the committees could help to promote the Bank. The Chairman committed to pass on information to the zonal committees for dissemination. Mr. Hanson suggested that the zonal committee reports could be expanded on for future SGMs.
- 14.4 Mr. Marshall asked why there was no member from each zone on the Provisional Committee, and it was stated that the Registrar would be asked to take this into consideration when structuring the new committee.

- 14.5 Ms. Patrina Nelson asked about the Bank's social media presence and Mr. Peter Knight stated that the social media presence and website had been improved and there was increased activity despite more work being needed.
- 14.6 In response to a concern about the state of the New Market branch, the Chairman stated that the possibilities for improving the location or relocating would be explored. With regard to the May Pen branch members complained that the information desk was not operational and members had to wait outside to gain access to the branch. Management was asked to address the issue. With regard to marketing efforts it was suggested that the Bank could set up booths at the upcoming football matches since the country was in football season. A further suggestion was made for NPCB to look at funding for cold storage to manage glut.

## 15. Termination

- 15.1 The Chairman thanked members for their patience and involvement and stated that he was optimistic about the future of the bank and grateful for the continuous support of members.
- 15.2 The meeting was terminated at 2:41p.m.

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# REPORT OF THE PROVISIONAL COMMITTEE FOR THE YEAR ENDING 2022

## Performance Overview

Despite a difficult operating environment, the National Peoples Co-operative Bank made its first profit in over a decade in 2022. The bank made a profit of \$50.5 million. Congratulations to members for their continued support and the hard-working staff that made this possible. Delinquency also ended the year at its lowest for a long time, 14.4% down from 35%. The foundation

has been set for the continued progression of the Bank towards fulfilling its mandate of providing financial services to farmers and other small entrepreneurs to become successful and to develop their communities and the country.

## Global Economic Background

During the year, the world started emerging from the global pandemic that strained the resources of countries and took the lives of millions of people which also resulted in a global logistic chain problem combined with the war in Ukraine causing shortages and higher prices for goods and services. It has been taking some time for factories to ramp up production to fill the inventory gap and for the logistic challenges to be straightened out.

## Local Economic Background

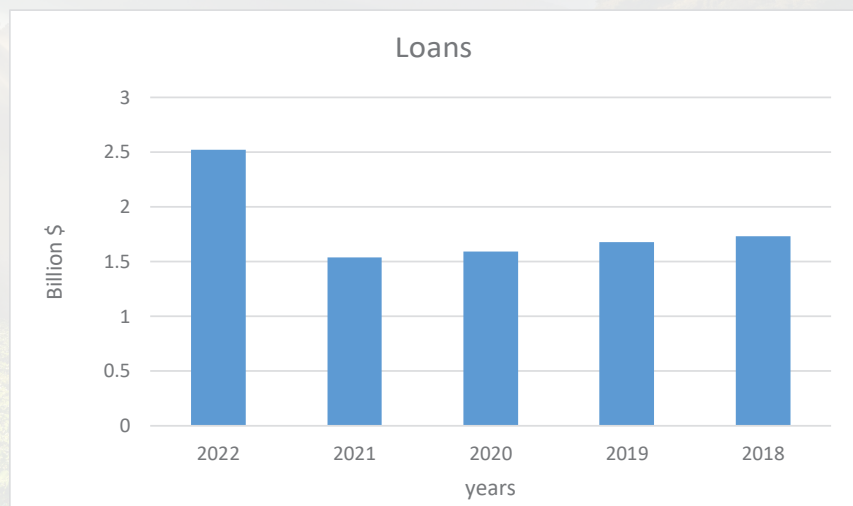
Here in Jamaica, the global challenges have hit us hard with the prices of some products like petroleum coming down slowly and the central Bank easing of its aggressive stand of increasing interest rates aimed at bringing down inflation. The court ruling in September declaring security guards as workers has set the framework for a massive increase in the cost of security services and disruption in the service. The ever-present threat of cybercrime has also resulted in the passage of the Data Security Act requiring institutions to implement a robust data protection environment in their institutions at great cost.

## Performance of the Bank

### Operations

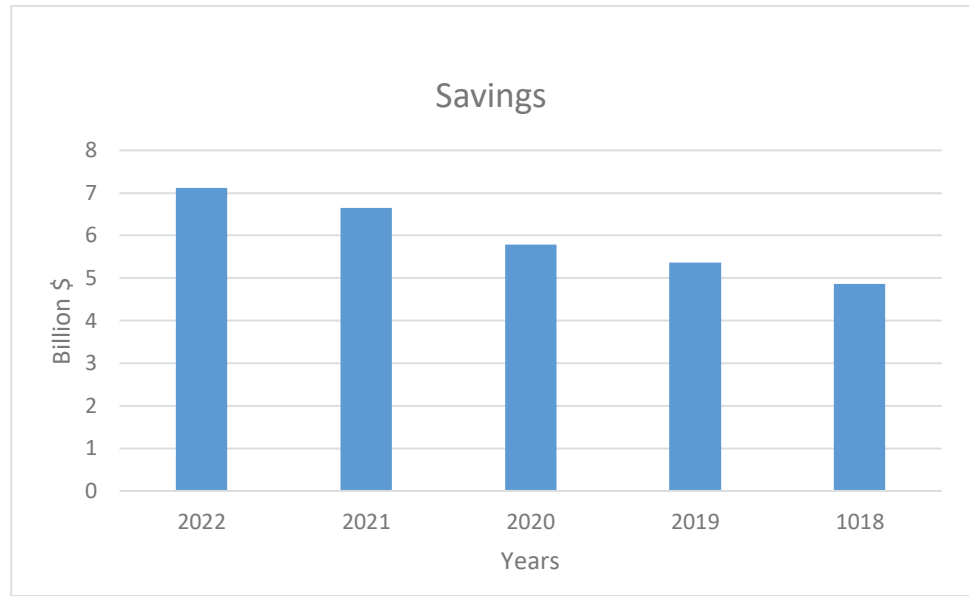
In the face of all the difficulties, the NPCB forged ahead with its programme of improving the Bank's operation; implementing policies and procedures to tighten its operation, developing its human resources, and implementing systems to improve service delivery. There was a significant increase in the loan portfolio of 60% for the year which contributed significantly to the Bank making a profit. The portfolio moved from \$1.72 million to \$2.66 Billion.

**TABLE 1:  
LOAN BALANCES**



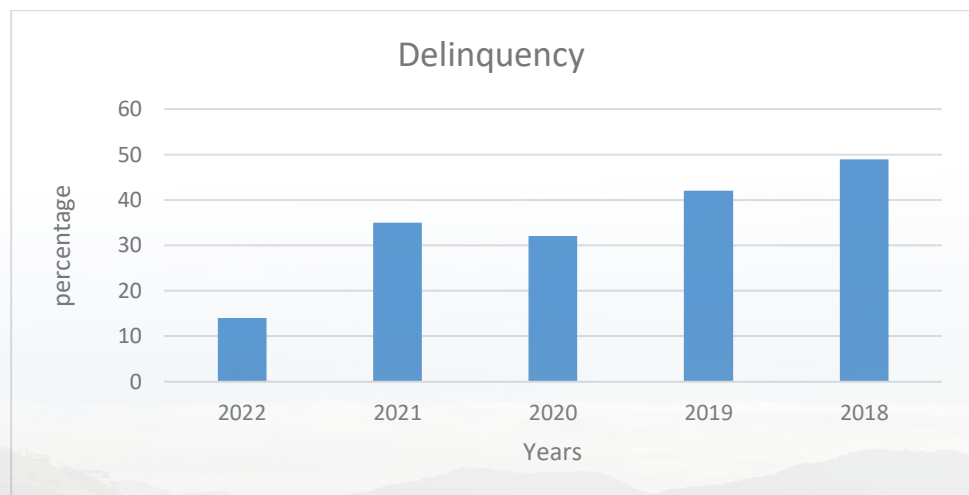
Members continued to demonstrate confidence in the Bank by increasing their savings. There was also a 7% increase in savings moving from \$6.65 million to \$7.12 million.

**TABLE 2:  
SAVINGS**



Delinquency has always been the bane of the Bank and in 2022 there was a 60% reduction moving from 33.6% in 2021 to 14.43%.

**TABLE 3:  
DELINQUENCY**



The increase in the loan portfolio certainly helped to achieve this reduction but there was also a reduction in the absolute figure as well, which moved from \$575 million to \$384 million. When delinquency is analyzed, it has been established that by far the largest portion has been the hardcore legacy delinquency going back many years. If dissected properly, it will be found that loans of recent vintage have a delinquency rate of under 3%. Congratulations to the staff of the delinquency department and to the Delinquency committee for a job well done. The provisional Committee, the Delinquency Committee, Management, and the staff have been relentless in chasing down delinquent borrowers to bring them to books. The policy is that once you borrow the members' money from the Bank it must be paid back whoever you are.

The combination of increased savings and loans and the reduction of delinquency resulted in the bank making a profit for the year under review of \$50.54 million.



**TABLE 4:  
FINANCIAL  
OUTTURN**



Income increased by 30% while expenses increased at a lower rate of 5% resulting in income exceeding expenses hence a profit was achieved.

## Human Resource

The human resources of any organization is its greatest asset and the NBPC is no exception. During the year, the Bank undertook a number of training courses for the staff to upgrade their skills and make them more efficient. Courses were held in Governance, Credit, Proceeds of Crime Act and Money Laundering and the Financing of Terrorism among others and a number of the staff are pursuing professional training. There was also an overhauling of the structure of the organization and the compensation system to make it more structured and transparent.

## Governance

Policies and procedures are the instruments that ensure that current and future Boards know how to operate, and they also provide a blueprint for staff to operate. A comprehensive look was taken at the policies governing the Bank with several of them overhauled and new ones developed. There is the fit and proper policy for directors, committee members and management, the ethics policy for volunteers and employees, the whistle blowing policy and the governance policy to name a few.

## Information Technology

Significant effort had to be expended as the Bank prepared for the installation of the new information technology (IT) software. This new software will replace the old legacy software that the Bank has been using for the past 20 years. When fully operational it will allow members access to their account, conduct online transactions and facilitate Automatic Banking Machine Transactions (ABM). This is a significant investment being made by the Bank to upgrade the system and improve services for members. It is a very costly exercise but a necessary one if the NPCB is to continue providing banking operation in this competitive environment.

## **Future Plans**

### **Capital**

The Bank is undercapitalized and in fact it has negative capital, having operated for so many years at a loss. The first step in rebuilding its capital is for the Bank to consistently make profits which will add to the capital. However, to rebuild the capital this will be a slow process and a method will have to be found to accelerate the process of capital building. This means that members will have to be prepared to inject additional capital into the business. Along with increasing permanent capital through additional subscription and bringing in new members who will subscribe to capital, a look should be taken at offering some deferred shares (Preference shares) for a fixed period at a fixed interest rate. This should be explored in the coming months.

### **Information Technology**

Significant investment will have to be made in IT to become and remain competitive. Investment must be made to complete the implementation of the new IT system and to bring on online banking and ABM services. The IT area is moving very fast, and we are now in the age of artificial intelligence (AI). Industries are fast adopting this aspect of the technology in their operations and the Bank will have to follow suit. This will become a significant area of cost for the Bank and adequate preparation will have to be made to leverage IT to improve services and garner additional business to improve income and offset the costs.

### **Cyber Security**

The advent of IT brings increased risk of cybercrime and data breaches. The Data Security Act has been passed which now requires the Bank to institute a robust data protection regime with a designated officer in charge. The system must be tested regularly for security to ensure that all loopholes are plugged. Again, this will involve significant costs for the business. Operating a financial institution involves significant costs, the cost of doing business. As they say, "if you can't stand the heat stay out of the kitchen". A way must be found to fund every aspect of the operation. The business of the bank will have to increase significantly for it to survive and stay relevant.

### **Consolidation**

The bank will have to consolidate its business into a tighter, more efficient, more cost-effective operation. The Provisional Committee has commenced this process by looking at some of the less profitable branches with less economic prospects for contraction of the overall branch network. Some branches have already been amalgamated into others and this process will have to be continued. The largest Credit Union with more than twice the asset of the entire PC Bank network has a branch network less than a half of the PC Bank's. It is not sustainable for the Bank to have so many branches, some of which do not even earn enough to cover the cost of providing for their security.

### **Appreciation**

The Provisional Committee would like to express thanks to the members for their continued confidence in the Bank by leveraging its services. We implore you to continue to save and borrow to increase the business of the Bank. We would also like to express our sincere appreciation to the Management and staff for their abiding commitment to the Bank and its vision and for their hard work during the year. The Bank owes a debt of gratitude to them for their sterling effort. We would like to thank our Auditors for their continued efficient and professional service to the Bank by consistently completing their work within the timeframe to allow the financial report to be filed within the statutory deadline. Our appreciation is also extended to the Department of Co-operative and Friendly Societies, the Regulator, for its continued guidance to the Bank. Thanks, is also due to all our other Business partners among them the Development Bank of Jamaica with which we have a special relationship.



The term of duty of the provisional Committee will soon come to an end and this will be the final meeting where we will report to you the members on our stewardship. We are extremely grateful to the members for allowing us to serve for the past five years. Your support has meant a lot to us and made our job easier. I would like to thank the members of the committee for their hard work, commitment, dedication, and sacrifice. This has been a labour of love: love for our people, love of community and love of country. As we take our leave, we want to wish the Bank continued future success and charge those who will succeed us that the interest of the members and the Bank must be foremost in all their actions. Whatever you do ask yourselves how this will benefit the Bank and advance the interest of its members.

As the Bank strives to provide quality services to its members and the community, let us put our shoulders to the wheel and work to enable it to achieve its full potential. If we all work together our goals can be realized.

May God Bless the National Peoples Co-operative Band, its members, and staff in your future endeavours.

For and on behalf of the Provisional Committee.

*Winston Fletcher*  
Winston Fletcher- Chairman

## NPCB PROVISIONAL COMMITTEE MEMBERS



STANDING (L-R): Mr. Howard Brown • Rev. Don Lewis • Mr. Michael Gillings • Mr. Donovan Cunningham  
SEATED: Ms. Kimmilee McLymont • Mr. Glenworth Francis • MISSING (Inset): Mr. Joseph Gyles



## **MESSAGE FROM THE GENERAL MANAGER FOR THE YEAR ENDING 2022**

Members of the Provisional Committee of Management, Registrar of Co-operative and Friendly Societies, our External Auditor, Shareholders, colleagues; it is indeed a privilege to welcome you all to the Special General Meeting of the National Peoples Cooperative Bank of Jamaica Limited.

Since we met at the last Special General Meeting, several activities have taken place in the financial environment. Central Banks around the world continue to take steps to arrest elevated inflation which has threatened the stability of major economies, emanating from the Russian war with Ukraine as well as a spike in global energy prices. Here in Jamaica, our current rate of inflation has started to trend down but is still slightly above the projected target of 6% set by the Bank of Jamaica (BOJ)

The PC Bank, not immune from the Macro economy, has experienced a marginal decline in its core business for the first six (6) months of this year when compared to the year 2022 as the BOJ undertakes necessary steps to rein in inflation resulting in the tightening of credit and consumer spending as households experience pressure on their disposable income.

Notwithstanding what has been happening altogether, we are here to report on our stewardship over the past year.

### **Institution Performance**

The year 2022 culminated with the PC bank showing growth in some of its key measurable areas. The loan portfolio grew by \$939,308,135.70 or 54 % year over year closing at \$2.66 B while simultaneously the bank reduced delinquency from 33.36 % to 14.43% at the end of December 2022.

Membership however grew at a slower rate than forecasted, and at the end of the year the Bank added 2842 new members against a forecast of 5,000 members with a cumulative share value of \$13.55 M.

Members' deposits continue to trend positively, resulting in an increase of \$459M or 7% growth over the previous year.

The performance highlighted was the direct result of a carefully thought-out strategic plan pursued by the Board to arrest the cumulative losses and return the bank to profitability. The blueprint given to management resulted in an Audited profit of \$50.55M, erasing the previous year's loss of \$72.6M, a significant achievement which eluded the Bank for more than a decade.

### **Challenges**

The work to reach this milestone was a very challenging task, and I pause to thank the members, for their patience and for the confidence reposed in the management team over the years. To the Provisional Committee of Management, our Shareholders owe you a debt of gratitude for selflessly giving up your personal time to guide the management whilst enforcing governance and accountability. Collectively you have distinguished yourselves as professional volunteers, worthy of your calling.



## Outlook

Last year's performance indicates that the Bank has the potential to be profitable and if managed properly will be able to overtime pay dividends to the shareholders on record. The road ahead still has tremendous headwinds, but working together we will be able to build upon the foundation laid.

On behalf of the Management Team, I want to thank the Regulator, the Provisional Committee of Management, the committed staff, and you, our shareholders, for entrusting your financial investment to us. While we may not have resolved all the issues affecting the bank within the year, the work to place it firmly on a path of growth has begun. In the words of Harry Hoover" If you have the courage to begin, you have the courage to succeed".

Yours Cooperatively

*D. Cunningham*

Donovan Cunningham  
General Manager



**GOOD  
CUSTOMER  
SERVICE**

*Is our Motta*

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**National People's Co-operative  
Bank of Jamaica Limited**

Financial Statements  
December 31, 2022



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# National People's Co-operative Bank of Jamaica Limited

December 31, 2022

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## Independent auditor's report

To the Members of  
National People's Co-operative Bank of Jamaica Limited  
(A society registered under the Industrial and Provident Societies Act)

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of National People's Co-operative Bank of Jamaica Limited ("the Bank"), which comprise the statements of financial position as at December 31, 2022, statement of income and expenditure, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirement of the Jamaican Companies Act.

#### **Basis for Opinion**

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

#### **Material Uncertainty Related to Going Concern**

We draw attention to Note 3(b) in the notes to financial statements, which indicates that the Bank's total liabilities exceeded its total assets by \$497,826,000 as at December 31, 2022. This indicates that a material uncertainty exist that may cast doubt on the Bank's ability to continue as a going concern. The Bank's ability to continue as a going concern is dependent on future profitable operations and obtaining any necessary funding. Our opinion is not modified in respect of this matter.

#### **[hlbjm.com](http://hlbjm.com)**

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## Independent auditor's report (cont'd)

To the Members of  
National People's Co-operative Bank of Jamaica Limited  
(A society registered under the Industrial and Provident Societies Act)

### **Report on the Audit of the Financial Statements (cont'd)**

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### Impairment losses on loans

As at December 31, 2022 loans after provision for impairment amounted to \$2.5 Billion or 38% of the total assets of the Bank on which expected credit loss of \$154 Million have been recognised.

We focused on the impairment assessment as the assumptions used for estimating both the amount and timing of future cash flows are complex and involve significant judgement by management, including:

- Classification of loans as impaired: we focused on the completeness of the customer accounts that are included in the impairment assessment.

- Valuation of property, equipment and motor vehicles pledged as collateral: this is the most significant repayment source for impaired loans. The estimation of collateral values is impacted by market trends and involves judgment and specialised skills.

- The key assumptions and judgments made by management when calculating the provision for individually impaired loans.

#### How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of the controls over impairment data and calculations. These controls included those over identification of which loans and advances were impaired. We determined we could rely on these controls for the purposes of our audit.

The criteria we used to determine if there is objective evidence of impairment included:

- Default or delinquency in interest or principal payments;
- Concessions granted to a borrower that would not otherwise be considered due to the borrower's financial difficulty.

We tested the completeness of management's listing of potentially impaired loans by reperforming the process using management's impairment criterion. Based on the testing, no adjustments were considered necessary.

We evaluated the performance of the loan portfolio subsequent to the end of the reporting period to identify significant adjusting subsequent events and did not identify any such events.

## Independent auditor's report (cont'd)

To the Members of  
National People's Co-operative Bank of Jamaica Limited  
(A society registered under the Industrial and Provident Societies Act)

### **Report on the Audit of the Financial Statements (cont'd)**

#### **Other information**

Management is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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

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

The Bank's ability to continue as a going concern is dependent on future profitable operations and the repayment of loans by members in accordance with their loan agreements. Our opinion is not modified in respect of this matter.



## Independent auditor's report (cont'd)

To the Members of  
National People's Co-operative Bank of Jamaica Limited  
(A society registered under the Industrial and Provident Societies Act)

### **Report on the Audit of the Financial Statements (cont'd)**

Responsibilities of Management and those charged with governance for the financial statements (cont'd)

#### Auditor's Responsibilities for the Audit of the financial statements

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

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

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

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

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

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

## Independent auditor's report (cont'd)

To the Members of  
National People's Co-operative Bank of Jamaica Limited  
(A society registered under the Industrial and Provident Societies Act)

### **Report on the Audit of the Financial Statements (cont'd)** Auditor's Responsibilities for the Audit of the financial statements (cont'd)

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

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

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

### **Report on additional matters as required by the Industrial and Provident Societies Act**

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Industrial and Provident Societies Act, in the manner so required.

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

Kingston, Jamaica

February 27, 2023

A handwritten signature in blue ink that reads 'HLB Mair Russell'. Below the signature, the words 'Chartered Accountants' are printed in a smaller, blue, sans-serif font.



# National People's Co-operative Bank of Jamaica Limited

## Statement of financial position

December 31, 2022

	Note	2022 \$'000	2021 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Earning</b>			
Investment property	(6)	233,037	207,853
Repurchase agreements	(7)	329,524	258,837
Financial investments	(8)	158,306	169,408
Loans, after provision for loan impairment	(9)	1,837,054	490,671
		<b>2,557,921</b>	<b>1,126,769</b>
<b>Non-earning</b>			
Investment property	(6)	26,586	32,464
Property, plant and equipment	(10)	659,570	586,809
		<b>686,156</b>	<b>619,273</b>
<b>Total non-current assets</b>		<b>3,244,077</b>	<b>1,746,042</b>
<b>Current assets</b>			
<b>Earning</b>			
Repurchase agreements	(7)	234,135	671,916
Financial investments	(8)	2,279,157	2,540,497
Loans, after provision for loan impairment	(9)	683,363	1,077,374
		<b>3,196,655</b>	<b>4,289,787</b>
<b>Non-earning</b>			
Bank and cash balances	(11)	182,131	146,892
Receivables and prepayments	(12)	43,376	76,323
		<b>225,507</b>	<b>223,215</b>
<b>Total current assets</b>		<b>3,422,162</b>	<b>4,513,002</b>
<b>Total assets</b>		<b>6,666,239</b>	<b>6,259,044</b>

# National People's Co-operative Bank of Jamaica Limited

## Statement of financial position

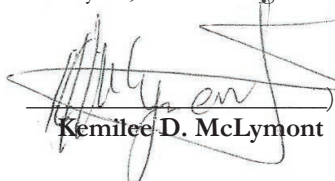
December 31, 2022 (cont'd)

	Note	2022 \$'000	2021 \$'000
<b>Capital and liabilities</b>			
<b>Capital and deficit</b>			
Members' permanent share capital	(13)	322,020	308,465
Non-Institutional capital	(14)	918,614	907,910
Accumulated deficit		(1,738,460)	(1,846,854)
<b>Total capital and deficit</b>		<b>(497,826)</b>	<b>(630,479)</b>
<b>Liabilities</b>			
<b>Non-current</b>			
<b>Interest bearing</b>			
Members' voluntary shares	(15)	61,011	58,927
Borrowings	(16)	-	95,943
<b>Total non-current liabilities</b>		<b>61,011</b>	<b>154,870</b>
<b>Current</b>			
<b>Interest bearing</b>			
Members' deposits	(17)	7,063,495	6,587,153
Borrowings	(16)	-	102,179
		<b>7,063,495</b>	<b>6,689,332</b>
<b>Current Non-interest bearing</b>			
Accounts payable and accruals	(18)	39,559	45,321
		<b>39,559</b>	<b>45,321</b>
<b>Total current liabilities</b>		<b>7,103,054</b>	<b>6,734,653</b>
<b>Total liabilities</b>		<b>7,164,065</b>	<b>6,889,523</b>
<b>Total capital and liabilities</b>		<b>6,666,239</b>	<b>6,259,044</b>

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

Approved for issue by the Board of Directors on February 27, 2023 and signed on its behalf by:

  
 \_\_\_\_\_) Chairman  
 Glenworth Francis

  
 \_\_\_\_\_) Company Secretary  
 Kemilee D. McLymont



# National People's Co-operative Bank of Jamaica Limited

## Statement of income and expenditure and Other comprehensive income

Year ended December 31, 2022

	Note	2022 \$'000	2021 \$'000
<b>Interest income</b>			
Members' loans		358,520	230,296
Investments		124,080	130,963
		<b>482,600</b>	<b>361,259</b>
<b>Interest expense</b>			
Interest on members' deposits		(42,197)	(65,265)
Interest on borrowings		(2,937)	(10,726)
		<b>(45,134)</b>	<b>(75,991)</b>
<b>Net interest income</b>		<b>437,466</b>	<b>285,268</b>
Decrease in expected credit loss during the year		10,169	16,017
Loan written-off during the year		-	(3,912)
Total movement on loan impairment provision	(9)	10,169	12,105
<b>Net interest income after loan impairment provision</b>		<b>447,635</b>	<b>297,373</b>
<b>Non-interest income</b>			
Fees and other income	(19)	136,064	138,923
Fair Value gain on revaluation of investment properties		22,476	-
		<b>158,540</b>	<b>138,923</b>
Less: Operating expenses	(20)	606,175 (555,621)	436,296 (508,949)
<b>Net profit/(loss) and total comprehensive profit/ (loss) for the year</b>		<b>50,554</b>	<b>(72,653)</b>

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

# National People's Co-operative Bank of Jamaica Limited

## Statement of changes in equity

Year ended December 31, 2022

	Permanent Share Capital \$'000	Non- Institutional Capital \$'000	Accumulated Deficit \$'000	Total \$'000
<b>Balance at January 1, 2021</b>	295,221	907,910	(1,774,201)	(571,070)
Net loss for the year	-	-	(72,653)	(72,653)
<b>Total comprehensive loss for the year</b>	-	-	<b>(72,653)</b>	<b>(72,653)</b>
<b>Transaction with owners:</b>				
Increase in permanent share capital reserve	13,244	-	-	13,244
	13,244	-	-	13,244
<b>Balance at December 31, 2021</b>	<b>308,465</b>	<b>907,910</b>	<b>(1,846,854)</b>	<b>(630,479)</b>
Transfer of revaluation reserve on investment property	-	(57,840)	57,840	-
Revaluation increase	-	68,544	-	68,544
Profit for the year	-	-	50,554	50,554
<b>Total comprehensive loss for the year</b>	-	-	<b>50,554</b>	<b>50,554</b>
<b>Transaction with owners:</b>				
Increase in permanent share capital reserve	13,555	-	-	13,555
<b>Balance at December 31, 2022</b>	<b>322,020</b>	<b>918,614</b>	<b>(1,738,460)</b>	<b>(497,826)</b>



# National People's Co-operative Bank of Jamaica Limited

## Statement of changes in equity

Year ended December 31, 2022

	Permanent Share Capital \$'000	Non- Institutional Capital \$'000	Accumulated Deficit \$'000	Total \$'000
<b>Balance at January 1, 2020</b>	280,377	907,919	(1,682,110)	(493,814)
Net loss for the year	-	-	(92,091)	(92,091)
<b>Total comprehensive loss for the year</b>	-	-	-	<b>(92,091)</b>
<b>Transaction with owners:</b>				
Increase in permanent share capital reserve	14,845	(9)	-	14,845
	<b>14,845</b>	<b>(9)</b>	-	<b>14,845</b>
<b>Balance at December 31, 2020</b>	<b>295,222</b>	<b>907,910</b>	<b>(1,774,201)</b>	<b>(571,060)</b>
Net loss for the year	-	-	(72,653)	(72,653)
<b>Total comprehensive loss for the year</b>	-	-	<b>(72,653)</b>	<b>(72,653)</b>
<b>Transaction with owners:</b>				
Increase in permanent share capital reserve	13,244	-	-	13,244
	<b>13,244</b>	-	-	-
<b>Balance at December 31, 2021</b>	<b>308,465</b>	<b>907,910</b>	<b>(1,846,854)</b>	<b>(630,469)</b>

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

## National People's Co-operative Bank of Jamaica Limited

### Statement of changes in equity

Year ended December 31, 2022

	Non-Institutional Capital					Total
	General Reserve \$'000	Capital Expenditure Reserve \$'000	Fair Value Reserve \$'000	Permanent Share Reserve \$'000	Special Reserve \$'000	\$'000
<b>Balance at January 1, 2021</b>	30,212	815,956	4,992	18,751	38,009	907,910
<b>Balance at December 31, 2021</b>	<b>30,212</b>	<b>815,956</b>	<b>4,992</b>	<b>18,741</b>	<b>38,009</b>	<b>907,910</b>
Transfer of revaluation reserve on investment property	-	(57,840)	-	-	-	(57,840)
Revaluation increase	-	68,544	-	-	-	68,544
<b>Balance at December 31, 2022</b>	<b>30,212</b>	<b>826,660</b>	<b>4,992</b>	<b>18,741</b>	<b>38,009</b>	<b>918,614</b>

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

# National People's Co-operative Bank of Jamaica Limited

## Statement of cash flows

Year ended December 31, 2022

	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities:</b>		
Net profit/ (loss) for the year	50,554	(72,653)
Adjustments for:		
Depreciation	21,884	20,764
Interest income	(358,520)	(230,296)
Interest expense	2,937	10,726
Gain on disposal of property	(985)	(952)
Fair value gain on revaluation of investment properties	(22,477)	-
Decrease in expected credit loss during the year	(10,169)	(16,017)
	<b>(316,776)</b>	<b>(288,428)</b>
Changes in operating assets and liabilities		
Loans to members	(929,931)	36,159
Other assets	32,948	5,157
Members' deposits	476,354	850,759
Other liabilities	(5,762)	7,604
<b>Net cash provided by operating activities</b>	<b>(743,167)</b>	<b>611,251</b>
<b>Cash flows from investing activities:</b>		
Reverse repurchase agreements	367,094	(98,490)
Financial investments	272,442	(622,290)
Interest received	346,237	230,296
Purchase of property, plant and equipment	(23,931)	(41,418)
<b>Net cash used in investing activities</b>	<b>961,842</b>	<b>(531,902)</b>
<b>Cash flows from financing activities:</b>		
Borrowings	(198,122)	(92,919)
Proceed from sale of property	1,985	16,456
Share capital	13,555	13,244
Members' voluntary shares	2,083	704
Interest paid	(2,937)	(10,726)
<b>Net cash used in financing activities</b>	<b>(183,436)</b>	<b>(73,241)</b>
<b>Net increase/(decrease) in bank and cash balances</b>	<b>35,239</b>	<b>6,108</b>
<b>Bank and cash balances at beginning of year</b>	<b>146,892</b>	<b>140,784</b>
<b>Bank and cash balances at end of year (Note 11)</b>	<b>182,131</b>	<b>146,892</b>

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



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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 1. General information and nature of operations

- a. The Bank is a Co-operative and operates under the Industrial and Provident Societies Act. The Bank is incorporated and domiciled in Jamaica.
- b. The main activities of the Bank are receiving the savings of members and investing them, granting credit to its members and fostering co-operation between the members to promote economic, social and co-operative education.
- c. The Bank formerly operated as the St. Andrew Integrated People's Co-operative Bank Limited and its name was changed to the National People's Co-operative Bank of Jamaica Limited by a special resolution and entered on the Register of Industrial and Provident Societies on November 23, 2004.

### 2. Regulation

The Bank is an agricultural loan society regulated by the Registrar of Co-operative and Friendly Societies under the Agricultural Loan Societies Act.

### 3. Statement of compliance with IFRS and going concern assumptions

#### (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (b) Going concern

The preparation of the financial statements in accordance with IFRS assumes that the Bank will continue in operation for the foreseeable future. This means, in part, that the statement of financial position and statement of income and expenditure assume no intention or necessity to liquidate the Bank or curtail the scale of its operations. This is commonly referred to as the going concern basis. However, the Bank's total liabilities exceeded its assets by \$497,826,000. This indicates that a material uncertainty exist that may cast doubt on the Bank's ability to continue as a going concern. The Bank's ability to continue as a going concern is dependent on future profitable operations and obtaining any necessary funding. Our opinion is not modified in respect of this matter.

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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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#### 4. Changes in accounting policies

##### **New and revised standards that are effective during the current year**

Certain new and amended standards and interpretations to existing standards have been published and became effective during the current financial year. The Bank has assessed the relevance of all such new standards, interpretations and amendments and determined that the following does not have a material impact on the Company's statement.

**Amendments to IAS 1, Presentation of financial statements', on classification of liabilities,** (effective for annual periods beginning on or after January 1, 2022). These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

**A number of narrow-scope amendments to IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9 and IFRS 16,** (effective for annual periods beginning on or after January 1, 2022). Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments and the Illustrative examples accompanying IFRS 16, 'Leases'.

##### **Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Bank**

At the date of approval of these financial statements, certain new standards amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the Bank.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

New standards, interpretations and amendments not early adopted or listed below are not expected to have a material impact on the Bank's financial statements.

**Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8,** (effective for annual periods beginning on or after January 1, 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 5. Summary of significant accounting policies

#### a Basis of preparation

The Bank's financial statements have been prepared on an accrual basis and under the historical cost convention except for the revaluation of properties and equity investments.

These financial statements are expressed in Jamaican Dollars (J\$).

#### b Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and impairment losses. No depreciation is considered necessary in respect of land and work-in-progress. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuation by a professionally qualified valuer. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

Depreciation is charged on assets from the date of acquisition.

Depreciation is provided on the straight line basis at such rates as will write off the cost or revalued assets over the period of their expected useful lives. The useful lives are:

Buildings	2½%
Computers and equipment	20%
Furniture fixtures	10%
Motor vehicle	25%

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

#### c Investment properties

Investment properties, which are properties held to earn rentals, and/or for capital appreciation, is stated at cost less any accumulated depreciation and impairment losses at the statement of financial position date.

The gain or loss arising on the disposal or retirement of an investment property is determined as the difference between the sales proceeds and the carrying amount of the property and is recognised in income.

Investment properties, other than land, are depreciated on a straight line basis over their estimated useful lives on the following basis:

Buildings 2½%



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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 5. Summary of significant accounting policies (cont'd)

#### d Foreign currency translation

##### *Functional and presentation currency*

The financial statements are prepared and presented in Jamaican dollars, which is the functional currency of the Bank.

##### *Foreign currency translations and balances*

- (i) Foreign currency balances at the date of the statement of financial position have been translated at rates of exchange ruling at that date;
- (ii) Transactions in foreign currency are converted at rates of exchange ruling at the dates of those transactions;
- (iii) Gains/losses arising from fluctuations in exchange rates are included in the Statement of comprehensive income.

#### e Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis, using the effective yield method, based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discounts or premiums on discounted instruments.

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

Where collection of interest income is considered doubtful or where the loan is in non-performing status (payment of principal or interest is outstanding for 90 days or more) the related financial instruments are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

#### f Fees and other income

Fees and other income are recognised on an accruals basis. Loan origination fees are deferred and are recognised over the life of the loan, as an adjustment to the effective yield on the loans.

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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 5. Summary of significant accounting policies (cont'd)

#### g Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred. Expenditure for warranties is recognised when the Bank incurs an obligation, which is typically when the related goods are sold.

#### h Financial instruments

##### Recognition and derecognition

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

##### Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

In the periods presented the company does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 5. Summary of significant accounting policies (cont'd)

#### h Financial instruments (cont'd)

##### Subsequent measurement of financial assets

##### Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Bank's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

##### Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

The category also contains equity investments. The Bank accounts for these equity investments at FVTPL and did not make the irrevocable election to account for these equity investments at fair value through other comprehensive income (FVOCI).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

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

The Bank accounts for financial assets at FVOCI if the assets meet both of the following conditions:

- they are held under a business model whose objective is achieved by both collecting the contractual cash flows and selling the financial assets and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses are recognised in other comprehensive income (OCI).



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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 5. Summary of significant accounting policies (cont'd)

#### h Financial instruments (cont'd)

##### Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Bank first identifying a credit loss event. Instead, the Bank considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

##### Trade and other receivables and contract assets

The Bank makes use of a simplified approach in accounting for impairment of trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Bank uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Bank assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due.

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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### **5. Summary of significant accounting policies (cont'd)**

#### **h Financial instruments (cont'd)**

##### **Impairment of financial assets (cont'd)**

##### **Classification and measurement of financial liabilities**

The Bank's financial liabilities include borrowings, members deposit, members shares, accounts payable and accruals.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs, unless the Bank designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

#### **i Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **j Impairment of non-current assets**

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 5. Summary of significant accounting policies (cont'd)

#### k Employee benefits

(i) Defined contribution plan

The Bank operates a contribution based pension scheme which is administered by a separate trustee. Pension costs included in the Bank's statement of comprehensive income represents contributions to the scheme, made on the basis provided for in the rules and are accrued and the charged off when due.

(ii) Leave accrual

All outstanding leave is recognised in the statement of comprehensive income.

#### l Accounts payable

Accounts payable are initially recorded at fair value and subsequently stated at amortised cost using the effective interest method.

#### m Provisions

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

#### n Members' permanent shares

Permanent shares may be transferred by members to another but are not available for withdrawal. Permanent shares are classified as equity.

#### o Members' voluntary shares

Members' voluntary shares represent deposit holdings of the Bank's members, to satisfy membership requirements and to facilitate eligibility for loans and other benefits. These shares are classified as financial liabilities. Dividends payable on these shares are determined at the discretion of the Bank and reported as interest in the statement of comprehensive income in the period in which they are approved.

#### p Borrowings and borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings. Borrowings costs are recognised as expense in the period in which they are incurred.



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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 5. Summary of significant accounting policies (cont'd)

#### q Non-institutional capital

Non-institutional capital includes various reserves established from time to time which, in the opinion of the directors, are necessary to support the operations of the Bank.

#### r Leases

At inception of a contract, the Bank considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank.
- the Bank as the right to obtain substantially all of the economic benefits from use of identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Bank has the right to direct the use of the identified asset throughout the period of use.

The Bank assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Bank recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### **5. Summary of significant accounting policies (cont'd)**

#### **r Leases (cont'd)**

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

#### **s Critical accounting estimates and judgements in accounting policies**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **Depreciable assets**

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Bank applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 6. Investment properties

#### Earning

	2022 \$'000
<b>Gross carrying amount</b>	
Balance at December 31, 2021	223,265
Revaluation increase	19,070
Transfer	8,000
<b>Balance at December 31, 2022</b>	<b>250,335</b>
<b>Amortisation and impairment</b>	
Balance at December 31, 2021	(15,412)
Charge for the year	(1,886)
<b>Balance at December 31, 2022</b>	<b>(17,298)</b>
<b>Carrying amount at December 31, 2022</b>	<b>233,037</b>
<b>Gross carrying amount</b>	
Balance at December 31, 2020	239,265
Disposal of property	(16,000)
<b>Balance at December 31, 2021</b>	<b>223,265</b>
<b>Amortisation and impairment</b>	
Balance at December 31, 2020	(11,824)
Charge for the year	(3,588)
<b>Balance at December 31, 2021</b>	<b>(15,412)</b>
<b>Carrying amount at December 31, 2021</b>	<b>207,853</b>

The Bank's revalued some of its investment properties in 2022 by Scott's Reality, license real estate dealer and valuation consultants and others were revalued in 2018 by Allison Pitter & Company, license real estate dealer and valuation consultants respectively. The valuations were done on the basis of open market value. The revaluation surplus was credited to Statement of Profit and Loss.

The income earned by the Bank from its investment properties, all of which are leased under operating leases, amounted to \$13,101 (2021 - \$13,073). There were no direct operating expenses arising from investment properties during the year.



# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 6. Investment properties (cont'd)

#### Non-earning

	2022 \$'000
<b>Gross carrying amount</b>	
Balance at December 31, 2021	34,200
Depreciation Elimination on revaluation	(706)
Revaluation increase	3,406
Transfer	(8,000)
(Disposal	(1,000)
<b>Balance at December 31, 2022</b>	<b>27,900</b>
<b>Amortisation and impairment</b>	
Balance at December 31, 2021	(1,736)
Depreciation Elimination on revaluation	706
Charge for the year	(284)
<b>Balance at December 31, 2022</b>	<b>(1,314)</b>
<b>Carrying amount at December 31, 2022</b>	<b>26,586</b>

The Bank's revalued some of its investment properties in 2022 by Scott's Reality, license real estate dealer and valuation consultants and others were revalued in 2018 by Allison Pitter & Company, license real estate dealer and valuation consultants respectively. The valuations were done on the basis of open market value. The revaluation surplus was credited to Statement of Profit and Loss.

	2022 \$'000
<b>Gross carrying amount</b>	
Balance at December 31, 2020	34,200
<b>Balance at December 31, 2021</b>	<b>34,200</b>
<b>Amortisation and impairment</b>	
Balance at December 31, 2020	(1,280)
Charge for the year	(456)
<b>Balance at December 31, 2021</b>	<b>(1,736)</b>
<b>Carrying amount at December 31, 2021</b>	<b>32,464</b>

# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 7. Repurchase agreements

The Bank enters into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its collateral obligations. At December 31, 2022, the Bank held securities representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements. Included in reverse repurchase as follows:

	2022 \$'000	2021 \$'000
<b>Non-current:</b>		
Bank of Jamaica (BOJ)	329,524	258,837
<b>Current:</b>		
JN Fund Managers	234,135	671,916
<b>Total</b>	<b>563,659</b>	<b>930,753</b>

### 8. Financial investments

	2022 \$'000	2021 \$'000
<b>Non-current</b>		
<b>Amortised cost</b>		
Bank of Jamaica (BOJ) Bonds	157,921	169,164
Sigma Fund	385	244
	<b>158,306</b>	<b>169,408</b>
<b>Current</b>		
<b>Amortised cost</b>		
Barita Investment	163,032	136,143
NCB Capital Market	427,661	293,912
Jamaica Money Market Brokers	578,376	385,915
	<b>1,169,069</b>	<b>815,970</b>
<b>Fair value through profit or loss</b>		
Proven Wealth	388,941	660,606
Sagicor	492,600	469,282
Jamaica Money Market Brokers	-	195,393
NCB Capital Market	-	160,596
Bank of Nova Scotia	228,547	238,650
	<b>1,110,088</b>	<b>1,724,527</b>
<b>Total current</b>	<b>2,279,157</b>	<b>2,540,497</b>
<b>Total</b>	<b>2,437,463</b>	<b>2,709,905</b>

# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 9. Loans, after provision for loan impairment

#### (a) Movement in loans during the year

	2022 \$'000	2021 \$'000
Balance at the beginning of the year	1,723,448	1,762,058
Add: Disbursement during the year	2,221,277	1,032,624
	<b>3,944,725</b>	<b>2,794,682</b>
Less: Repayment	(1,281,969)	(1,071,234)
	<b>2,662,756</b>	<b>1,723,448</b>
Add: Interest receivable	12,283	9,388
	<b>2,675,039</b>	<b>1,732,836</b>
Less: Expected credit losses (Note 25(b))	(154,622)	(164,791)
	<b>2,520,417</b>	<b>1,568,045</b>
Less: Current portion	(683,363)	(1,077,374)
<b>Total</b>	<b>1,837,054</b>	<b>490,671</b>

#### (b) Expected credit losses

	2022 \$'000	2021 \$'000
Provision for impairment at beginning of year	164,791	180,808
Reduction amounts provided for during the year	(10,169)	(16,017)
Provision for impairment at end of year	<b>154,622</b>	<b>164,791</b>

#### (c) Net movement on loan impairment provision:

	2022 \$'000	2021 \$'000
Decrease in loan loss provision during the year	(10,169)	(16,017)
Loan written-off during the year	-	3,912
Charged to income and expenditure and appropriations account during the year	<b>(10,169)</b>	<b>(12,105)</b>



# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 9. Loans, after provision for loan impairment (cont'd)

(d) Delinquent loans

At December 31, 2022, One thousand one hundred and twelve (1,112) delinquent loans aged two months and over. These loans are summarised as follows:

2022				
Number of months in arrears	Total number of loans	Delinquent loans \$'000	Rates %	PEARLS Provision on loan balances \$'000
2 - 3	16	1,324	10	132
3 - 6	19	6,239	30	1,872
6 - 12	42	17,983	60	10,790
Greater than 12	1,035	341,549	100	341,549
<b>Total</b>	<b>1,112</b>	<b>367,095</b>		<b>354,343</b>

2021				
Number of months in arrears	Total number of loans	Delinquent loans \$'000	Rates %	PEARLS Provision on loan balances \$'000
2 - 3	16	2,729	10	273
3 - 6	36	20,225	30	6,068
6 - 12	33	2,746	60	1,648
Greater than 12	1,057	487,353	100	487,353
<b>Total</b>	<b>1,142</b>	<b>513,053</b>		<b>495,342</b>

(e) Comparison of loan loss provision using the Expected Credit Loss (ECL) model in IFRS 9 and PEARLS:

	2022 \$'000	2021 \$'000
Provision for impairment at beginning of year	164,791	180,808
(Reduction)/additional of amounts provided for during the year	(10,169)	(16,017)
Provision for impairment at end of year – IFRS (9b)	<b>154,622</b>	<b>164,791</b>
PEARLS (9d)	<b>354,343</b>	<b>495,341</b>
Difference between IFRS and PEARLS	<b>199,721</b>	<b>350,551</b>

# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 10. Property, plant and equipment

The carrying amounts for property, plant and equipment for the years included in these financial statements as at December 31, 2022 can be analysed as follows:

	Land and Buildings \$'000	Furniture and Fixtures \$'000	Motor Vehicles \$'000	Computer \$'000	Equipment \$'000	Total \$'000
<b>Gross carrying amount</b>						
Balance at December 31, 2021	577,852	17,032	2,739	107,500	35,174	740,297
Depreciation elimination on revaluation	(19,511)					(19,511)
Revaluation Increase	68,544					68,544
Additions	9,853	1,900		3,130	9,049	23,932
<b>Balance at December 31, 2022</b>	<b>636,738</b>	<b>18,932</b>	<b>2,739</b>	<b>110,630</b>	<b>44,223</b>	<b>813,262</b>
<b>Depreciation</b>						
Balance at December 31, 2021	(35,526)	(14,564)	(2,738)	(76,022)	(24,638)	(153,488)
Depreciation elimination on revaluation	19,511					19,511
Charge for the year	(11,340)	(893)		(4,207)	(3,275)	(19,715)
<b>Balance at December 31, 2022</b>	<b>(27,355)</b>	<b>(15,457)</b>	<b>(2,738)</b>	<b>(80,229)</b>	<b>(27,913)</b>	<b>(153,692)</b>
<b>Carrying amount at December 31, 2022</b>	<b>609,383</b>	<b>3,475</b>	<b>1</b>	<b>30,401</b>	<b>16,310</b>	<b>659,570</b>

# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 10. Property, plant and equipment (cont'd)

	Land and Buildings \$'000	Furniture and Fixtures \$'000	Motor Vehicles \$'000	Computer \$'000	Equipment \$'000	Total \$'000
<b>Gross carrying amount</b>						
Balance at December 31, 2020	569,888	16,829	2,739	82,953	26,470	698,879
Additions	7,964	203	-	24,547	8,704	41,418
<b>Balance at December 31, 2021</b>	<b>577,852</b>	<b>17,032</b>	<b>2,739</b>	<b>107,500</b>	<b>35,174</b>	<b>740,297</b>
<b>Depreciation</b>						
Balance at December 31, 2020	(25,988)	(13,267)	(2,738)	(73,140)	(22,130)	(137,263)
Charge for the year	(9,538)	(1,297)	-	(2,882)	(2,508)	(16,225)
<b>Balance at December 31, 2021</b>	<b>(35,526)</b>	<b>(14,564)</b>	<b>(2,738)</b>	<b>(76,022)</b>	<b>(24,638)</b>	<b>(153,488)</b>
<b>Carrying amount at December 31, 2021</b>	<b>542,326</b>	<b>2,468</b>	<b>1</b>	<b>31,478</b>	<b>10,536</b>	<b>586,809</b>

The Bank's revalued some of its freehold land and buildings in 2022 by Scott's Reality, license real estate dealer and valuation consultants other freehold land and building were revalued in 2018 by Allison Pitter & Company, license real estate dealer and valuation consultants respectively. The valuations were done on the basis of open market value. The revaluation surplus was credited to capital reserve.



# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 11. Bank and cash balances

	2022 \$'000	2021 \$'000
Cash in hand	83,299	75,437
Current accounts	98,832	71,455
<b>Total</b>	<b>182,131</b>	<b>146,892</b>

### 12. Receivables and prepayment

	2022 \$'000	2021 \$'000
Dairy loan	-	34,454
Withholding tax	66,016	58,899
Prepayments	5,731	6,226
Rent receivable	1,751	1,192
Bank robberies receivable	96	5,770
	<b>73,594</b>	<b>106,541</b>
Less: Provision for doubtful debt	(30,218)	(30,218)
<b>Total</b>	<b>43,376</b>	<b>76,323</b>

All amounts are short-term and the carrying value is considered a reasonable approximation of fair value.

Provision of \$30 Million for withholding tax.

### 13. Members' share capital

	2022 \$'000	2021 \$'000
Balance at beginning of year	308,465	295,221
Share capital issued	13,555	13,244
<b>Total</b>	<b>322,020</b>	<b>308,465</b>

Members' permanent shares are transferrable at their nominal value in the event of death, resignation or expulsion of a member or in the event of the winding up, insolvency or dissolution of the entity.

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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 14. Non-institutional reserve

	2022 \$'000	2021 \$'000
(a) General reserve	30,212	30,212
(b) Revaluation reserve	820,160	809,456
(c) Fair value reserve	4,992	4,993
(d) Permanent share reserve fund	18,741	18,741
(e) Special reserve	27,999	27,999
(f) Land grant	10,010	10,009
(g) Maintenance fee	6,500	6,500
<b>Total</b>	<b>918,614</b>	<b>907,910</b>

#### (a) General reserve

This reserve represents transfers made from surplus earnings as required under the Rules of the PC Bank.

#### (b) Revaluation reserve

This reserve represents realised gain on disposal of fixed assets and the unrealised gain on revaluation of land and buildings.

#### (c) Fair value reserve

This represents the unrealised surplus on the revaluation of available-for-sale investments.

#### (d) Permanent share reserve fund

This represents amount set aside from equity to be ascribed as permanent shares for members.

#### (e) Special reserve

This represents balances due to the AC Board and the Development Bank of Jamaica that were written off and transferred to a special reserve.

#### (f) Land grant

This represents amount received from the AC Board and the Development Bank of Jamaica to assist with land projects.

#### (g) Maintenance fee

This represents amount set aside for maintenance of banking system.

# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 15. Members' voluntary shares

	2022 \$'000	2021 \$'000
Balance at the beginning of the year	58,927	58,223
Add: Savings	2,937	1,538
	<b>61,864</b>	<b>59,761</b>
Less: Withdrawals and transfers	(853)	(834)
<b>Total</b>	<b>61,011</b>	<b>58,927</b>

### 16. Borrowings

	2022 \$'000	2021 \$'000
Development Bank of Jamaica:		
Non-current portion	-	95,943
Current portion	-	102,179
<b>Total</b>	<b>-</b>	<b>198,122</b>

The Development Bank of Jamaica loans was repaid in full during the year.

Included in the 2021 balance is an amount of \$34,645,271 (principal and interest) in respect of Dairy Loan balances.

### 17. Members' deposits

	2022 \$'000	2021 \$'000
Balance at the beginning of the year	6,587,156	5,736,394
Add: Savings and interest	10,593,018	9,567,333
	<b>17,180,174</b>	<b>15,303,727</b>
Less: Withdrawals during the year	(10,116,679)	(8,716,574)
<b>Total</b>	<b>7,063,495</b>	<b>6,587,153</b>

### 18. Accounts payable and accruals

	2022 \$'000	2021 \$'000
Withholding tax	2,437	2,367
Payroll related liabilities	12,277	8,367
Audit fee	3,289	3,132
Paymaster	4,526	5,252
Away branch	3,180	4,142
Customer payable	4,323	3,684
Compensation fund	1,202	1,182
Other payables	8,325	10,996
Cuna Mutual	-	6,199
<b>Total</b>	<b>39,559</b>	<b>45,321</b>

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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 19. Non-interest income

	2022	2021
	\$'000	\$'000
Rental income	13,101	13,073
Commitment fees	33,832	13,534
Service charge fees	66,751	59,642
Legal and mortgage fees	4,856	3,937
Paymaster commission	3,848	3,919
FIP commission	6,629	5,950
Exchange gain	-	33,785
Salary assistance – DBJ	2,800	2,800
Others	4,247	2,283
<b>Total</b>	<b>136,064</b>	<b>138,923</b>



# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 20. Operating expenses

	2022 \$'000	2021 \$'000
<b>Staff costs</b>		
Salaries and statutory deductions	270,340	255,200
Staff welfare and allowances	21,276	19,055
Staff travelling	18,004	17,660
Pension	8,409	8,351
Training	1,787	850
<b>Total staff expense</b>	<b>319,816</b>	<b>301,116</b>
<b>Administrative</b>		
Motor vehicle expenses	767	1,093
Repairs and maintenance	19,307	15,814
Courier	15,424	14,680
Advertising and promotion	1,942	1,770
Auditors' remuneration	4,933	4,698
Bank charges	1,763	1,893
Loss on foreign exchange	6,634	-
Loan insurance scheme	4,403	4,729
Golden Harvest premium	453	399
Gifts and donations	8	21
Legal and professional fees	11,711	8,520
Bailiff fees	1,554	2,524
Bank robbery amount irrecoverable	1,816	-
Office expenses	8,766	8,586
Printing, postage and stationery	6,850	6,763
Security	59,728	43,879
Telephone	24,601	30,006
Other expenses	796	1,440
Depreciation:		
Building and leasehold	13,510	14,078
Furniture, fixtures and equipment	-	6,686
Motor vehicle	8,374	-
Audit expenses	330	510
<b>Total administrative expenses</b>	<b>193,670</b>	<b>168,089</b>
<b>Premises costs</b>		
Maintenance	1,544	1,670
Electricity	18,034	16,133
Insurance	10,299	8,812
Taxes and water	3,185	2,905
Rental	3,790	4,643
<b>Total premises costs</b>	<b>36,852</b>	<b>34,163</b>
<b>Co-operative expenses</b>		
Committee expense	1,462	1,588
Travelling	2,007	1,981
Annual General Meeting	1,814	2,012
<b>Total Co-operative expenses</b>	<b>5,283</b>	<b>5,581</b>
<b>Total operating expenses</b>	<b>555,621</b>	<b>508,949</b>

There were two hundred and six (206) (2021 – two hundred and sixteen (216)), employees at the year-end.

# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 21. Leases

Lease payment not recognised as a liability.

The Bank leases six (6) office spaces. Five lease agreements expired prior to December 31, 2022, and the remaining lease agreement is below US\$5,000. The Bank has an option to renew, however, at the reporting date the documentation to give effect to the terms of the new lease agreement had not been finalised. The Bank has therefore elected not to recognise a lease liability.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2022	2021
	\$	\$
Lease of office	3,790	4,643
<b>Total</b>	<b>3,790</b>	<b>4,643</b>

### 22. Pension plan

The Bank is a participant in a contributory pension scheme and managed by Guardian Life Insurance Company Limited. For the year ended December 31, 2022 the Bank's contributions amounted to \$8,409,306 (2021 - \$8,351,711).

### 23. Comparison of ledger balances

The detailed records of balances relating to loans to members, qualifying and ordinary share differ from their respective control accounts as follows:

	General ledger control accounts	Detailed records	Variance
	\$'000	\$'000	\$'000
Loans to members	2,662,756	2,662,756	-
Members' deposits	7,063,495	7,063,495	-
Permanent shares	322,020	322,020	-
Members' voluntary shares	61,011	61,011	-

### 24. Related party transactions and balances

The Bank entered into the following transactions with related parties:

#### (a) Loan balances (including interest)

	2022	2021
	\$'000	\$'000
Board and committee members	55,310	-
Members of staff	60,686	66,723
<b>Total</b>	<b>115,996</b>	<b>66,723</b>

At December 31, 2022 loans owing by Board and committee member's staff were being repaid in accordance with their loan agreements.

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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 24. Related party transactions and balances (cont'd)

(b) Deposits and shares

	2022 \$'000	2021 \$'000
Board and committee members	47,274	-
Members of staff	22,925	27,626

(c) Compensation of key management personnel

The remuneration of key members of management during the year was as follows:

	2022 \$'000	2021 \$'000
Salaries and other short-term benefits	113,731	111,622

This includes all managers at head office and branches.

### 25. Risk management policies

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risk. Taking risk is core to the financial services industry, and operational risk is an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and returns and minimise potential adverse effects on the Bank's financial performance. The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Bank's risk management policies and strategies and is committed to complying with all the regulations and legislation under which the Bank operates. In addition, an effective compliance programme is an important element of its risk management system.

The Board has established committees/units for managing and monitoring risks as follows:

(i) Compliance

The Bank ensures conformity with regulatory requirements. The Financial department ensures that all regulatory requirements of the Bank of Jamaica and the Financial Investigating Unit of the Ministry of Finance and Planning are met.

(ii) Credit Committee

The Credit Committee oversees the approval and disbursement of credit facilities to members. It is also primarily responsible for monitoring the quality of the loan portfolio.

# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 25. Risk management policies (cont'd)

#### (iii) Internal audit department

Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported directly to the Board of Directors.

The Bank is exposed to credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk and interest rate risk.

#### a Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises mainly from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Risk and Compliance Officer who monitors price movements of financial assets on the local market. Market risk exposures are measured using sensitivity analysis. There has been no change to the Bank's exposure to market risk or the manner in which it manages and measures the risk.

#### i Currency risk

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

Foreign exchange risk occurs when the Bank takes on open positions in a currency. To control this exchange risk, the Investment Committee has approval limits for net open positions and has also adhered to the mandate of the Bank of Jamaica to discontinue additional foreign currency investments.

The Bank also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Bank's net exposure is kept to an acceptable level as it has not been purchasing new investments in foreign currencies. Foreign currencies purchased/(received) are sold immediately to the commercial banks.

Concentrations of currency risk on and off-statement of financial position financial instruments.

The Bank is exposed to foreign currency movement through investments held in reverse repurchase agreements and liquid asset investments as follows:

	2022		
	Jamaican \$'000	US\$ \$'000	Total \$'000
Financial investment	1,340,878	1,096,586	2,437,464
Reverse repurchase agreements	563,659	-	563,659
<b>Total</b>	<b>1,904,537</b>	<b>1,096,586</b>	<b>3,001,123</b>



# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 25. Risk management policies (cont'd)

#### a Market risk (cont'd)

##### i Currency risk (cont'd)

	2021		
	Jamaican \$'000	US\$ \$'000	Total \$'000
Financial investment	2,344,052	365,853	2,709,905
Repurchase agreements	930,753	-	930,753
<b>Total</b>	<b>3,274,805</b>	<b>365,853</b>	<b>3,640,658</b>

#### Foreign currency sensitivity

The following table indicates the currencies to which the Bank had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at year end for the percentage changes in foreign currency rates as indicated below. The sensitivity of the net surplus was as a result of reverse repurchase agreements and financial investments.

There would be no impact on equity other than through net surplus.

	Change in currency rate 2022 %	Effect on net surplus 2022 \$'000	Change in currency rate 2021 %	Effect on net surplus 2021 \$'000
<b>Currency: Devaluation</b>				
USD	4	43,863	6	1,525
<b>Revaluation</b>				
USD	1	10,965	2	1,120

##### ii Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates, and arises mainly from investments, loans and deposits.

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

The Bank's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by the Investment Committee.

## National People's Co-operative Bank of Jamaica Limited

### Notes to the financial statements

Year ended December 31, 2022

#### 25. Risk management policies (cont'd)

##### a Market risk (cont'd)

##### ii Interest rate risk (cont'd)

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

2022

	Within Three Months \$'000	Three to Twelve Months \$'000	One to Five Years \$'000	Over Five Years \$'000	Non-Rate Sensitive \$'000	Total \$'000
<b>Financial assets</b>						
<b>Earning assets</b>						
Repurchase agreements	234,135	-	329,524	-	-	563,659
Financial investments	2,279,157	-	158,306	-	-	2,437,463
Loans, net of impairment provision	255,548	427,794	697,388	1,139,687	-	2,520,417
Bank and cash	-	-	-	-	182,131	182,131
Non-earning assets	-	-	-	-	43,376	43,376
<b>Total financial assets</b>	<b>2,768,841</b>	<b>427,794</b>	<b>1,185,218</b>	<b>1,139,687</b>	<b>225,507</b>	<b>5,747,046</b>
<b>Interest bearing liabilities</b>						
Members' deposits	7,063,495	-	-	-	-	7,063,495
Members' voluntary shares	-	-	-	-	61,011	61,011
Non-interest-bearing liabilities	-	-	-	-	39,559	39,559
<b>Total financial liabilities</b>	<b>7,063,495</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,570</b>	<b>7,164,065</b>
<b>Total interest rate Sensitivity Gap</b>	<b>(4,294,655)</b>	<b>427,794</b>	<b>1,185,218</b>	<b>1,139,687</b>	<b>124,937</b>	<b>(1,417,019)</b>
<b>Cumulative Gap</b>	<b>(4,294,655)</b>	<b>(3,866,860)</b>	<b>(2,681,642)</b>	<b>(1,541,955)</b>	<b>(1,417,019)</b>	<b>(1,417,019)</b>

# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 25. Risk management policies (cont'd)

#### a Market risk (cont'd)

##### ii Interest rate risk (cont'd)

	2021					Total \$'000
	Within Three Months \$'000	Three to Twelve Months \$'000	One to Five Years \$'000	Over Five Years \$'000	Non-Rate Sensitive \$'000	
<b>Financial assets</b>						
<b>Earning assets</b>						
Repurchase agreements	671,916	-	258,837	-	-	930,753
Financial investments	2,540,497	-	169,408	-	-	2,709,905
Loans, net of impairment provision	59,154	143,251	842,505	230,731	292,403	1,568,045
Bank and cash	-	-	-	-	146,892	146,892
Non-earning assets	-	-	-	-	76,323	76,323
<b>Total financial assets</b>	<b>3,271,567</b>	<b>143,251</b>	<b>1,270,750</b>	<b>230,731</b>	<b>515,618</b>	<b>5,431,918</b>
<b>Interest bearing liabilities</b>						
Members' deposits	6,587,153	-	-	-	-	6,587,153
Members' voluntary shares	-	-	-	-	58,927	58,927
Borrowings	19,050	83,130	51,797	44,145	-	198,122
Non-interest bearing liabilities	-	-	-	-	45,321	45,321
<b>Total financial liabilities</b>	<b>6,606,203</b>	<b>83,130</b>	<b>51,797</b>	<b>44,145</b>	<b>104,248</b>	<b>6,889,523</b>
<b>Total interest rate Sensitivity Gap</b>	<b>(3,334,636)</b>	<b>60,121</b>	<b>1,218,953</b>	<b>186,586</b>	<b>411,370</b>	<b>(1,457,606)</b>
<b>Cumulative Gap</b>	<b>(3,334,636)</b>	<b>(3,274,515)</b>	<b>(2,055,562)</b>	<b>(1,868,976)</b>	<b>(1,457,606)</b>	

# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 25. Risk management policies (cont'd)

#### a Market risk (cont'd)

##### ii Interest rate risk (cont'd)

Average effective yields on interest rate sensitive financial instruments by the earlier of the contractual re-pricing or maturity dates:

	2022				
	Within Three Months %	Three to Twelve Months %	One to Five Years %	Over Five Years %	Weighted Average %
<b>Financial assets</b>					
<b>Earning assets</b>					
Repurchase agreements	9.65	-	6.15	-	3.95
Financial investments	5.30	-	7.90	-	6.60
Loans, net of impairment provision	23.30	23.30	23.30	23.30	23.30
<b>Interest bearing liabilities</b>					
Members' deposits	0.50	-	-	-	0.50



# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 25. Risk management policies (cont'd)

#### a Market risk (cont'd)

##### ii Interest rate risk (cont'd)

2021

	Within Three Months %	Three to Twelve Months %	One to Five Years %	Over Five Years %	Weighted Average %
<b>Financial assets</b>					
<b>Earning assets</b>					
Repurchase agreements	6	-	8	-	7
Financial investments	5.5	-	8	-	6.75
Loans, net of impairment provision	15	15	15	15	15
<b>Interest bearing liabilities</b>					
Members' deposits	1	-	-	-	1
Borrowings	3	3	3	3	3

(1) Yields are based on book values, net of allowances for credit losses and contractual interest rates.

(2) Yields are based on contractual interest rates.

# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 25. Risk management policies (cont'd)

#### a Market risk (cont'd)

##### ii Interest rate risk (cont'd)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Bank's net surplus.

The sensitivity of the surplus is the effect of the assumed changes in interest rates on net surplus based on liquid assets, reverse repurchase agreements, financial investments and members' deposits. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to the changes in each variable, variables had to be analysed on an individual basis. It should be noted that movements in these variables are non-linear.

Change in basis points 2022	Effect on Net Surplus 2022 \$'000	Change in basis points 2021	Effect on Net Surplus 2021 \$'000
J\$ instruments		J\$ instruments	
-50	77,098	-50	51,139
+100	154,196	+100	102,278
US\$ instruments		US\$ instruments	
-50	548	-50	334
+100	1,096	+100	668

##### iii Other price risk

The Bank is exposed to equity securities price risk because of investments classified at fair value through profit or loss. The investments in quoted equity securities are of other entities that are publicly traded on the Jamaica Stock Exchange.

#### *Sensitivity to changes in price of equity securities*

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

The sensitivity of the profit or loss is the effect of the assumed fair value changes of investment securities classified at fair value through profit or loss. The sensitivity of other comprehensive income is the effect of the assumed fair value changes of investment securities classified as available-for-sale.

The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

The Bank is not exposed to this risk.

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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 25. Risk management policies (cont'd)

#### b Credit risk analysis

The Bank takes on exposure to credit risk, which is the risk that its members or counterparties will cause a financial loss for the Bank by failing to discharge their contractual obligations carefully manages its exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in financial instruments not included in the statement of financial position, such as loan commitments. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty, related counterparties and industry segments.

#### Credit review process

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

##### (i) Loans

The Bank assesses the probability of default of borrowers. Exposure to credit risk is managed in part by obtaining collateral and personal guarantees. The credit quality review process allows the Bank to assess the potential loss as a result of the risk to which it is exposed and take corrective action.

##### (ii) Investments

The Bank limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality, and in Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

#### Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

- Mortgages over real estate
- Bills of sale on motor vehicles
- Hypothecated financial instruments such as certificates of deposits with regulated banks
- Liens on members' deposits maintained with the Bank

Management monitors the market value of collateral, during its review of the adequacy of the provision for credit losses.

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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 25. Risk management policies (cont'd)

#### b Credit risk analysis

##### Loans to members and expected credit loss

The Bank applies the “three stage” model under IFRS 9 in measuring the expected credit losses on loans, and makes estimations about likelihood of defaults occurring, associated loans ratios, changes in market conditions, and expected future cash flows. This is measured using the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) for loans.

Probability of Default – This represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.

Exposure at Default – This represents the expected balance at default, taking into account the repayment of principal and interest from the statement of financial position date to the default event together with any expected drawdowns of committed facilities.

Loss Given Default – The LGD represents the expected losses on the EAD given the event of default, taking into account the mitigating effect of collateral value at the time it is expected to be realised and also the time value of money.

The “three stage” model is used to categorise financial assets according to credit quality as follows:

Stage 1 – financial assets that are not credit impaired on initial recognition or are deemed to have low credit risk. These assets generally abide by the contractual credit terms. The ECL is measured using a 12 month PD, which represents the probability that the financial asset will default within the next 12 months.

Stage 2 – financial assets with a significant increase in credit risk (SICR) since initial recognition, but are not credit impaired. The ECL is measured using a lifetime PD.

Stage 3 – credit impaired financial assets. The ECL is measured using a lifetime PD.

##### Transfer between stages

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment.

In measuring the expected credit losses, the loan to member have been assessed on a case by case basis as they possess different credit risk characteristics. They have been grouped based on the loan type (motor vehicle, real estate, cash secured and unsecured), past due days and also according to the geographical location of customers.

# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 25. Risk management policies (cont'd)

#### b Credit risk analysis

The expected loss rates are based on the payment profile for customers over the past three years before December 31, 2022 and January 1, respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Bank has identified interest rate, exchange rate gross domestic product (GDP) and unemployment rates of Jamaica to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors.

On the above basis the expected credit loss for loan members receivables as at December 31, 2022 and January 1, 2022 was determined as follows:

#### Expected credit loss summarise by stage

Loan stage	December 31, 2022		Expected credit loss rate %
	Total loan balance \$'000	Expected credit loss \$'000	
Stage 1	2,288,345	23,120	1
Stage 2	2,170	53	2
Stage 3	372,241	131,449	35
<b>Total</b>	<b>2,662,756</b>	<b>154,622</b>	

#### Expected credit loss summarise by stage

Loan stage	December 31, 2021		Expected credit loss rate %
	Total loan balance \$'000	Expected credit loss \$'000	
Stage 1	1,196,036	20,627	2
Stage 2	12,037	530	4
Stage 3	515,375	143,633	29
<b>Total</b>	<b>1,723,448</b>	<b>164,790</b>	

#### Maximum exposure to credit risk

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

For items on the statement of financial position, the exposures are based on net carrying amounts as reported in the statement of financial position.



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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 25. Risk management policies (cont'd)

#### b Credit risk analysis

The following table explains the changes in the loan loss provision between the beginning and the end of the financial year.

(i) Expected credit losses

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for impairment at beginning of year	164,791	180,808
Reduction amounts provided for during the year	(10,169)	(16,017)
Provision for impairment at end of year	<b>154,622</b>	<b>164,791</b>

(ii) Renegotiated loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. As at December 2021 and 2022, there were no renegotiated loans.

(iii) Repossessed collateral

The Bank has no repossessed collateral in its possession as at December 31, 2022.

Repossessed collateral is sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Bank does not occupy repossessed property for business use. There is no transfer of title to the Bank and it therefore does not recognise the property as an asset.

# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 25. Risk management policies (cont'd)

#### b Credit risk analysis

##### (iv) Debt securities

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

	2022 \$'000	2021 \$'000
Government of Jamaica	487,445	428,001
Banks and securities dealers	2,513,878	3,212,657
<b>Total</b>	<b>3,001,123</b>	<b>3,640,658</b>

The disclosures provided in this note are based on the Bank's investment portfolio as at December 31, 2022 and 2021.

##### (v) Loans

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

	2022 \$'000	2021 \$'000
Manufacturing	464,968	628,334
Agriculture	1,981,374	259,365
Consumer loans	216,415	835,749
	<b>2,662,757</b>	<b>1,723,448</b>
Less: Provision for impairment	(154,622)	(164,791)
	<b>2,508,135</b>	<b>1,558,657</b>
Interest receivable	12,283	9,388
<b>Total</b>	<b>2,520,418</b>	<b>1,568,045</b>

#### c Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet its commitments associated with financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay members and fulfil commitments to lend.

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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 25. Risk management policies (cont'd)

#### c Liquidity risk (cont'd) Liquidity risk management process (cont'd)

##### Liquidity risk management process

The Bank's liquidity risk management processes are monitored by the Investment Committee includes:

- (i) monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash outflows and the availability of cash to meet these outflows;
- (ii) maintaining a balanced portfolio between financial investments and liquid assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) optimising cash returns on investments;
- (iv) maintaining committed lines of credit; and
- (v) monitoring statement of financial position liquidity ratios against internal and regulatory requirements.

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

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Bank. It is unusual for financial institutions to ever be completely matched since business transacted is often on uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

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

# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 25. Risk management policies (cont'd)

#### c Liquidity risk (cont'd)

The tables below represent the cash flows of the Bank for financial liabilities held for managing liquidity risk by remaining contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows (principal and interest cash flows).

	2022					Total \$'000
	Within Three Months \$'000	Three to Twelve Months \$'000	One to Five Years \$'000	Over Five Years \$'000	Non-Rate Sensitive \$'000	
<b>Interest bearing liabilities</b>						
Members' deposits	7,063,495	-	-	-	-	7,063,495
Members' voluntary shares	-	-	-	-	61,011	61,011
<b>Non-interest bearing liabilities</b>	-	-	-	-	39,559	39,559
<b>Total financial liabilities</b>	<b>7,063,495</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,570</b>	<b>7,164,065</b>
	2021					Total \$'000
	Within Three Months \$'000	Three to Twelve Months \$'000	One to Five Years \$'000	Over Five Years \$'000	Non-Rate Sensitive \$'000	
<b>Interest bearing liabilities</b>						
Members' deposits	6,653,024	-	-	-	-	6,653,024
Members' voluntary shares	-	-	-	-	58,927	58,927
Borrowings	19,622	85,624	53,351	45,469	-	204,066
<b>Non-interest bearing liabilities</b>	-	-	-	-	45,321	45,321
<b>Total financial liabilities</b>	<b>6,672,646</b>	<b>85,624</b>	<b>53,351</b>	<b>45,469</b>	<b>104,248</b>	<b>6,961,338</b>

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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 25. Risk management policies (cont'd)

#### d Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to identify operational risk is assigned to the Board and management. This responsibility is supported by overall Bank standards for the management of operational risk in the following areas:

- (i) requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- (ii) requirements for the appropriate segregation of duties, including the independent authorisation of transactions
- (iii) requirements for the reconciliation and monitoring of transactions
- (iv) compliance with regulatory and other legal requirements
- (v) documentation of controls and procedures
- (vi) requirements for the reporting of operational losses and proposed remedial action
- (vii) development of contingency plans
- (viii) training and professional development
- (ix) ethical and business standards
- (x) risk mitigation, including insurance where this is effective

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

### 26. Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

Market price is used to determine fair value where an active market exists, as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a number of financial assets and liabilities held and issued by the Bank. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the statement of financial position date.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates.



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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### 26. Fair value estimation (cont'd)

The following methods and assumptions have been used in determining or estimating the fair value of the Bank's financial instruments:

- (i) The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.
- (ii) The fair value of members' deposits is assumed to be the amount payable on demand at the statement of financial position date.
- (iii) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.
- (iv) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans, the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.
- (v) Financial investments classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques. Unquoted equities classified as available-for-sale are measured at historical cost less impairment, as their fair values cannot be reliably determined.
- (vi) Financial investments classified as held-to-maturity are measured at amortised cost.
- (vii) The estimated fair values of the off-statement of financial position financial instruments is assumed to approximate the amount committed at year end.
- (viii) The carrying value of borrowings approximates fair value as the borrowings are carried at amortised cost reflecting its contractual obligations, and the interest rates are reflective of current rates for similar transactions.

Financial instruments that are measured in the statement of financial position at fair value are grouped based on the degree to which the fair value is observable:

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

# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

### 26. Fair value estimation (cont'd)

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2; and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following table presents the Bank's financial assets that are measured at fair value:

#### December 31, 2022

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available for-sale financial assets				
Fixed and other deposits	-	3,001,123	-	3,001,123
<b>Total</b>	<b>-</b>	<b>3,001,123</b>	<b>-</b>	<b>3,001,123</b>

#### December 31, 2021

There has been no transfer between levels 1 and 2 in the reporting period.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available for-sale financial assets				
Fixed and other deposits	-	3,640,658	-	3,640,658
<b>Total</b>	<b>-</b>	<b>3,640,658</b>	<b>-</b>	<b>3,640,658</b>

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# National People's Co-operative Bank of Jamaica Limited

## Notes to the financial statements

Year ended December 31, 2022

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### **27. Capital management, policies and procedures**

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

- (i) to maintain the members' confidence in the safety and viability of the Bank;
- (ii) to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns and benefits for its members;
- (iii) to continuously meet statutory and any other regulatory requirements as required by the Registrar of Co-operative and Friendly Societies;
- (iv) to maintain a capital adequacy ratio that is monitored by the Bank's management according to the guidelines in its Capital Adequacy Management Policy. The rules of National People's Co-operative Bank of Jamaica Limited currently requires it to maintain a minimum level capital base of 20% of its total prescribed liabilities. As at December 31, 2022 the capital base was – (-7) % (2021 – (-9%));
- (v) to maintain a strong capital base to support the development of its business through the allocation of at least 25% of net surplus to general reserve. However, the Bank has not made these transfers.

# **RESOLUTION FOR AMENDMENTS OF RULES AT SPECIAL GENERAL MEETING OCTOBER 13, 2021**

WHEREAS Section 9.2 and Regulations 3 of the Industrial and Provident Societies Act and Regulations respectively provides for the amendment of Rules;

WHEREAS Rule 30.2 (a) allows for amendments to the Rules of the NPCB; and

WHEREAS Rules 8.7, 8.13, 13.5, 14.4, 18.1, 18.9, 18.11 and 30.2 are being proposed for amendments in the Rules of the NPCB and

WHEREAS it is being proposed that meetings of members may be conducted by attendance at a physical location, or by electronic means only or partially; and

WHEREAS electronic attendance by a member shall be construed as if the members were present at the physical location where the meeting is being convened or on the virtual meeting platform used to convene the meeting; and

WHEREAS members attending meetings through an electronic media (means) shall be counted as part of the quorum for a legally convened meeting of members of the Society; and

WHEREAS the NPCB has agreed to adopt and accept all the interpretations so ascribed under these proposed rule amendments which are not in conflict with the Industrial and Provident Societies Act and Regulations,

**BE IT RESOLVED that Rule 18.1 which now reads:**

**"For the purposes of this section, the word "meeting" shall mean the assemblies or meetings of all the Society's Organs, as well as those of special committees formed by the Board, if applicable."**

**Be amended to read:**

"For the purposes of this section, the word "meeting" shall mean the assemblies or meetings of all the Society's Organs, whether physically or by electronic means, inclusive of special committees formed by the Board, if applicable"

**BE IT RESOLVED that Rule 18.11 which now reads: "Meetings by Telephone"**

The normal rules shall apply to a meeting held by means of a conference call or any other technique allowing participants to communicate with each other orally. However, there shall be no minimum period required between calling and holding such a meeting. Moreover, if Members have not given their consent before the meeting or it has not been recorded in the Minutes, they shall indicate their consent by affixing their signatures to the end of said minutes".

**Be amended to read:**

**"Meetings by Electronic Means"**

- (i) A meeting may be convened and held in a physical location only or via electronic-only and/or in a hybrid manner through a combination of both physical location and electronic means. Members in attendance whether at the physical location or by electronic means shall be deemed to be present at that meeting for all purposes of the Rules and applicable laws and said attendance shall be construed to allow the Member present in any one of these meetings to attend and fully participate in any such meetings.



- (ii) A Member's participation in the business of any meeting, shall include without limitation the right to communicate, to vote, and to have access in hard copy or electronic form to all documents which are required to participate in the business of a meeting; and participation in such a meeting shall constitute presence in person at such meeting and shall count towards the quorum and for all other voting processes.
- (iii) References to "electronic means" shall mean any communication systems including, without limitation, webcast, video, any form of conference call systems, virtual meeting platform or otherwise.
- (iv) If a separate physical meeting place is linked to the main physical location of a meeting by any electronic means, such Member present at the separate physical meeting place shall be taken to be present at the meeting and entitled to exercise all rights as if the member was present at the main physical location of the meeting.
- (v) All General Meetings (including a Special or Annual General Meeting or a Zonal Special or Zonal Annual General Meeting or any adjourned or postponed meeting thereof) may be held as a physical meeting or by electronic means or by a combination of both, (hereinafter referred to as a hybrid-meeting".
- (vi) An electronic-only or hybrid-meeting may be held in Jamaica and any part of the world and at one or more locations as may be determined by the National Board of Directors in its absolute discretion or Zonal Committee in its absolute discretion where applicable; however, the principal place and time of such meeting shall be construed to be held in the jurisdiction of Jamaica.
- (vii) Votes at any meeting (whether by a show of hands or ballot or by way of a poll) may be cast through or by electronic means or otherwise.
- (viii) If voting is to take place at any meeting, there must be reasonable measures in place to verify that every person voting at the meeting by electronic means is sufficiently identified, and the Secretary shall keep record of any vote or action taken.

**BE IT RESOLVED THAT Rule 13.5 which now reads: "Place, Frequency and Notice of Meetings"**

The Board shall have a regular meeting once a month and extraordinary meetings as the need arises, on the Society's premises or at any other location designated by a decision of the Chairman or Vice-Chairman and Secretary or Chairman and Secretary or Manager."

**BE AMENDED TO READ:**

**"Place, Frequency and Notice of Meetings"**

The Board shall have a regular meeting at least quarterly and extraordinary meetings as the need arises, in accordance with rule 18.11 (i) and as designated by a combination of any two of the following persons:

- a. the Chairman;
- b. the Vice-Chairman, or
- c. Secretary. "

**BE IT RESOLVED THAT Rule 14.4 which now reads:**

**"Place and Notice of Meetings"**

Meetings shall generally be held on the Society's premises or such other location as the National Board may approve and be called by a decision of the Zonal Committee Chairperson or Secretary."

**BE AMENDED TO READ:**

**"Place and Notice of Meetings"**

Meetings shall generally be held in accordance with rule 18.11 (i) as the National Board may approve and be called by a decision of the Zonal Committee Chairperson or Secretary. "



**BE IT RESOLVED THAT Rule 18.9 which now reads: "Secret Ballot Voting at all meetings shall be by a show of hands or asking Members to stand. A secret ballot shall be held when:**

- a. stipulated in the Rules;
- b. the matter under the discussion is among those covered by the Rule 18.10.
- c. requested by twenty-five percent (25%) of Members present and entitled to vote at a General Meeting, twenty percent (20%) at a Board of Directors/ Committee meeting, or by a Board/ Committee Member at other meetings."

**BE AMENDED TO READ:**

**"Secret Ballot Voting at all meetings shall be held in accordance with rule 18.11"**

(vii) and (viii.) A secret ballot shall be held when:

- a. stipulated in the Rules;
- b. the matter under the discussion is among those covered by the Rule 18.10.
- c. requested by twenty five percent (25%) of Members present and entitled to vote at a General Meeting, twenty percent (20%) at a Board of Directors/ Committee meeting, or by a Board/ Committee Member at other meetings."

**BE IT RESOLVED THAT Rule 8.7 which now reads:**

**Notice of General Meetings**

No earlier than two (2) months and no later than fourteen (14) days before a General Meeting, a Notice of Meeting indicating the matters to be discussed shall be issued to Members either by:

- a. Written publication by electronic and/or other modes of communication;
- b. Publications at least once in one or more newspapers with a wide circulation in the Society's territory, with only the first appearance being subject to the deadline specified above; or
- c. The Notice of Meeting shall also be posted in full view on the branches of the Society

**BE AMENDED TO READ:**

**"Notice of General Meetings"**

No earlier than two (2) months and no later than fourteen (14) days before the date of any Annual or Special General Meeting;

- a. The Secretary shall cause a written notice of the meeting to be delivered by electronic means and/ or publication in one daily newspaper to Members. If by publication same shall be at least once in one or more newspapers with a wide circulation in the Society's territory, with only the first appearance being subject to the timeline specified herein.
- b. The Secretary shall cause the notice of the meeting to provide an electronic link and instructions for attendance and participation, including voting by Members electronically.
- c. Where the meeting is held as an electronic only or hybrid-meeting and during the meeting the number of Members participating by electronic means cease to be able to participate in the meeting, at any time and for any period during the meeting that the number of Members falls below the quorum requirement for that meeting, all business transacted thereafter, including matters put to the vote and any resolution passed, shall be void"

**BE IT RESOLVED THAT Rule 8.13 which now reads:**

**"Notice of Zonal Annual General Meeting"**

No earlier than one (1) month and no later than ten (10) days before a Zonal Annual General Meeting, a Notice of Meeting indicating the matters to be discussed shall be issued to members either by:

- a. written publication, through electronic and or other modes of communication;
- b. shall also be posted in full view on the premises of the Branches comprising the Zone."

**BE AMENDED TO READ:**

**"Notice of Zonal Annual General Meeting"**

- a. No earlier than one (1) month and no later than ten 10 days before the date of any Zonal Annual General Meeting or Special Zonal General Meeting, a notice of meeting indicating the matters to be discussed shall be delivered by electronic means and/or published in one daily newspaper to Members within the relevant Zone. If by publication same shall be published at least once in newspapers with a wide circulation in the Society's territory, with only the first appearance being subject to the timeline specified herein ..
- b. Where a Zonal Annual General Meeting or Special Zonal General Meeting is either by electronic means only or is to be a hybrid-meeting, the Secretary shall cause the notice of the meeting to provide and electronic link and instructions for attendance and participation, including voting by Members electronically. "

**BE IT RESOVLED THAT RULE 30.2 which now reads:**

**"Amendment to the Society's Rules"**

- (a) Notwithstanding Rules 8.1 and 8.5 of these Rules, any resolution to adopt or change the Rules of the society shall be voted at a general meeting by a two-third majority of the votes cast by the delegates present and voting.
- (b) Every new Rule and amendment to any Rule shall immediately affect and be binding on all members of the Society."

**BE AMENDED TO READ:**

**"Amendment to the Society's Rules"**

- (a) Notwithstanding Rules 8.1 and 8.5 of these Rules, any resolution to adopt or change the Rules of the Society shall be voted on a General Meeting called in accordance with Rule 8.9 and 8.10, for the purpose and shall be approved by no less than a two-third majority of the votes cast by the delegates present and voting
- (b) Every new Rule and amendment to any Rule shall immediately affect and be binding on all members of the Society subject only to approval by the Registrar.

Members further resolve that the Secretary is permitted to make such further grammatical, formatting, typographical and minor corrections as required for the purposes of ensuring the accuracy of the amendments herein.







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