

ANNUAL REPORT 2024

*Strengthening the Pillars - Driving Growth
and Development*

Our Vision, Mission & Values

Our Vision

To be a leading financial institution elevating the lives of the people we serve.

Our Mission

We offer targeted financial solutions and superior customer service driven by our highly engaged and creative employees, our operational excellence, thus ensuring success and rewards for our employees, customers, shareholders and communities.

Our Values



CORE VALUES



Integrity

We hold ourselves to the highest standard of integrity, ensuring that our actions are always ethical, responsible, and transparent. We safeguard confidentiality, respect privacy, and remain unwavering in our commitment to doing what is right.



Mindfulness

We embrace mindfulness as a guiding principle in our corporate culture, enhancing performance, productivity, and well-being. By staying present, reflecting on experiences, and integrating lessons learned, we continuously improve both individually and collectively. This intentional approach allows us to evolve, adapt, grow, and drive meaningful progress within our organisation.



Passion

We are deeply committed to making a difference and take pride in elevating the lives of our customers. Our passion fuels creativity, innovation, agility, and a relentless pursuit of excellence. We embrace challenges with optimism, stride boldly towards our goals, and continuously seek new ways to improve and lead in our industry. Empowered by our values, we have the courage to act decisively and deliver outstanding results.



Accountability

We foster a culture of individual and collective accountability. By focusing on solutions and results, we uphold our commitments and protect the Bank's assets, reputation, and financial standing. We hold ourselves accountable to our customers, stakeholders, and each other, ensuring that our work reflects the highest standards of reliability and trustworthiness.



Customer Focus

Our customers are at the heart of everything we do. We are dedicated to delivering superior service with respect, courtesy, empathy, and inclusion. Through accessibility, responsiveness, and efficiency, we strive to exceed expectations and build lasting relationships based on trust and excellence.



Teamwork

We are united by a shared vision and common goals, working together with mutual respect and open communication. By leveraging diverse perspectives, experiences, and expertise, we strengthen our collective impact and drive meaningful progress for our customers and our organization.



Annual General Meeting Notice

Notice is hereby given that the Twenty-First Annual General Meeting of Shareholders of the National Bank of Dominica Ltd. will be held on Thursday, 9th April 2026 at 3:00 p.m. at the St. Alphonsus Parish Hall, Goodwill, Dominica, for the following purposes:

1. To consider the Chairperson's and Directors' Reports for the year ended June 30th, 2024.
2. To consider the Managing Director's Report for the year ended June 30th, 2024.
3. To review the Minutes of the Twentieth (20th) Annual General Meeting held on May 22nd, 2025.
4. To consider Matters Arising from Minutes of the Twentieth (20th) Annual General Meeting held on May 22nd, 2025.
5. To receive the Report of the Auditors and consider the Audited Financial Statements for the year ended June 30th, 2024.
6. To declare a dividend for the financial year ended June 30th, 2024.
7. To fix the remuneration of the Directors.
8. To reappoint Grant Thornton as External Auditors for the year ending June 30th, 2025, and to authorise the Board to fix their remuneration.
9. To discuss any other business that may be given consideration at an Annual General Meeting.

BY ORDER OF THE BOARD OF DIRECTORS



Macina Bethel
Corporate Secretary



A shareholder has the right to appoint someone else (proxy) to attend the meeting and vote on their behalf if a poll is taken. This proxy does not have to be a shareholder of the Bank.

An instrument appointing a proxy must be in writing and signed by the shareholder or his attorney. It must be deposited or received at the National Bank of Dominica Ltd, 64 Hillsborough Street, Roseau, Dominica, no later than 4:00 p.m. (local time) on Tuesday, April 7th, 2026.

Attendees of the Annual General Meeting will be asked to present photo identification.



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Explanation of Resolution

to be Passed at the Annual
General Meeting by
Shareholders





01

Confirmation/Approval of Annual General Meeting Minutes

The Bank is required to present the minutes of the previous Annual General Meeting to shareholders at the current Annual General Meeting for their review.



02

To receive the report of the External Auditors and consider the Audited Financial Statements for the year ended June 30, 2024

The Bank is required to present its audited financial statements for the year ended June 30, 2024, along with the accompanying report from the external auditors. During this agenda item, shareholders will have the opportunity to discuss the financial results, assess the Bank's performance, and consider its future prospects. If shareholders find the financial statements satisfactory, they will be expected to approve and receive the audited financial statements.



03

To fix the remuneration of the Directors

The Bank's Directors are entitled to remuneration for their services. Shareholders must approve the Directors' remuneration by ordinary resolution. In approving this remuneration, shareholders should ensure that the amount is aligned with market standards and appropriately reflects the Directors' contributions to the Bank's governance, strategic direction, and long-term sustainability.



04

To appoint External Auditors for the year ending June 30, 2025, and to authorise the Board to fix their remuneration

The Bank's auditors must be appointed at each Annual General Meeting and shall hold office until the conclusion of the next Annual General Meeting. This resolution seeks shareholders' approval for the re-appointment of Grant Thornton Inc. as the external auditors for the Bank's 2025 fiscal year. In addition, shareholders are asked to authorise the Board of Directors to fix the remuneration of the external auditors for the audit services to be performed during the financial year.

Corporate Information

Our Corporate Profile

National Bank of Dominica Ltd. (NBD) stands as Dominica's leading financial institution, with assets totalling XCD \$1.77 billion (USD \$655.9million) as of June 30, 2024. Since opening its doors in 1978, the Bank has been dedicated to empowering individuals, businesses, and communities through innovative, wealth-building financial solutions and strategic investments.

With a strong local footprint and expanding regional and international reach, NBD offers a full suite of services—from personal and business banking to corporate financing. Clients are served through four convenient branches, a robust network of ATMs, and seamless digital banking platforms.

A market leader across its core business lines, NBD has earned recognition from the Eastern Caribbean Central Bank (ECCB) for its outstanding role as a corporate citizen. The Bank is deeply committed to driving economic and social progress in Dominica—championing community development and sustainable growth at every step.

REGISTERED OFFICE ADDRESS

64 Hillsborough Street
Roseau
Commonwealth of Dominica
Telephone: (767) 255 2300
Fax: (767) 448 3982
Website: www.nbdominica.com
Email: customersupport@nbd.dm

NBD SUBSIDIARY

The National Investment Corporation Ltd. (NIC) is NBD's subsidiary. This company is solely owned by NBD.

Registered Office Address

64 Hillsborough Street
Roseau
Commonwealth of Dominica
nic@nbd.dm



Locations

Portsmouth Branch

Michael Douglas Boulevard
Portsmouth

Canefield Branch

Canefield Highway
Canefield

Hillsborough Street Branch

64 Hillsborough Street
Roseau

Bayfront Branch

Dame Eugenia Charles Boulevard
Roseau

EXTERNAL AUDITORS

Grant Thornton Inc.
Point Seraphine
P.O.Box 195 Castries
St. Lucia

REGULATORS

Eastern Caribbean Central Bank (ECCB)
Eastern Caribbean Securities Regulatory Commission (ECSRC)

Correspondent Banks

REGIONAL

Eastern Caribbean Central Bank St. Kitts

Antigua Commercial Bank Antigua

Bank of Saint Lucia Ltd. Saint Lucia

Bank of St Vincent and the Grenadines Ltd.
St. Vincent

Republic Bank (Barbados) Ltd. Barbados

Republic Bank (Grenada) Ltd. Grenada

Republic Bank Trinidad & Tobago Ltd. Trinidad

St Kitts-Nevis-Anguilla National Bank Ltd. St. Kitts

Sagicor Bank Ltd. Jamaica

INTERNATIONAL

Bank of America London, England, UK

Bank of America Miami, Florida, USA

Bank of America New York, New York, USA

Bank of America Toronto, Canada

Performance at a Glance

2024	2023
Total Assets: 1,770,895,546	Total Assets: 1,848,144,250
Net Profit: 18,486,477	Net Profit: 11,957,760
Net Interest Margin: 3.39%	Net Interest Margin: 3.11%
Capital Adequacy Ratio: 18.72%	Capital Adequacy Ratio: 18.13%
Return on Equity: 9.80%	Return on Equity: 7.54%
Basic Earnings per share: 0.65	Basic Earnings per share: 0.42
Efficiency Ratio: 48.32%	Efficiency Ratio: 57.20%
Common Equity Tier 1 Ratio: 15.62%	Common Equity Tier 1 Ratio: 15.11%
Market Share: 81.01%	Market Share: 75.78%
Number of Employees: 206	Number of Employees: 184

Chairperson's Report





To the Shareholders of the National Bank of Dominica Ltd. (NBD)

Within the pages of this year's annual report, you will find a comprehensive account on how NBD delivered in the financial year July 1, 2023 to June 30, 2024 and how it continues to deliver to its shareholders, employees, customers and community.

I would first and foremost like to thank our NBD team for driving the growth that we experienced this financial year. **2024 financial year was a good year for NBD!**

The Bank continued to build on the strong foundation established in prior years, advancing a program of transformation while navigating an increasingly complex and competitive financial landscape. Our strategy remained anchored in strengthening financial performance, elevating customer experience, enhancing operational excellence, deepening governance and compliance maturity, and investing in our people and culture.

The structure and priorities of this report reflect the Bank's Annual Performance Plan financial year 2023–2024, ensuring full alignment between strategy, execution, and accountability.

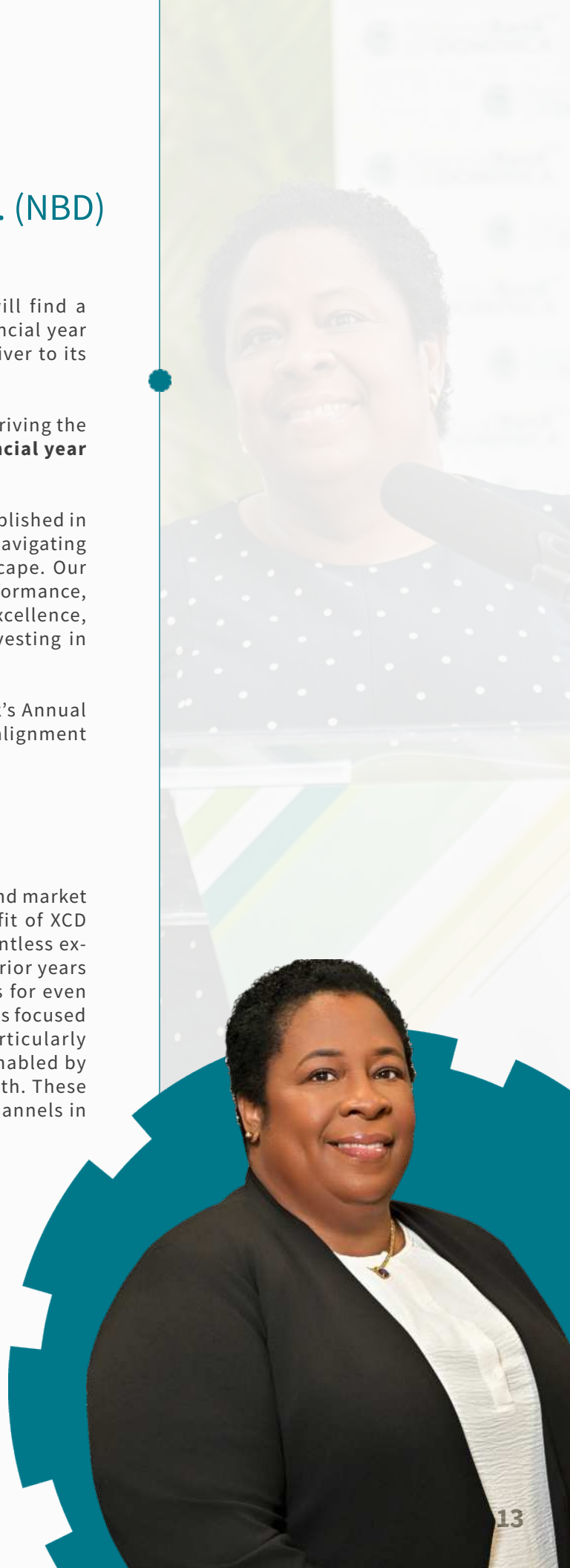
Sustained Finance and Market Performance

NBD made meaningful progress in advancing its financial and market performance objectives for the year. Achieving a net profit of XCD \$18M is no easy feat. This is the result of clear vision, relentless execution and an exceptional team. The decisions made in prior years laid a strong foundation for this outcome and position us for even greater returns in the next financial year. Strategic initiatives focused on increasing revenues from products and services- particularly new card-related offerings, such as credit card services enabled by the FISERV platform supported year on year revenue growth. These efforts reflected the Bank's priority to diversify income channels in line with evolving customer needs.

Improving asset quality remained a key corporate priority. The Bank advanced initiatives outlined in the plan to reduce the Non-Performing Loan (NPL) ratio closer to its strategic target. This included the sale of impaired debts to a third-party agency, the implementation of a delinquency notice system, and the development of protocols for proactive transfer of potentially vulnerable accounts to the Recoveries Unit. Together, these efforts reinforced NBD's commitment to prudent credit management, reduced credit risk exposure, and strengthened portfolio sustainability.

Urania Williams

*Chairperson of the Board
National Bank of Dominica Ltd. (NBD)*



Superior Customer Value

Delivering superior value to customers remained at the heart of NBD's strategic priorities in 2023–2024. Guided by the Customer Experience (CeX) Framework, the Bank advanced several initiatives aimed at improving service consistency and quality across all engagement channels. The framework incorporates service delivery standards, performance guides, service level agreements, customer recovery mechanisms, and training programs that reflect best practice in the financial services industry. All of these efforts contributed to higher customer satisfaction scores.

The Bank also strengthened its communication practices during the year by refining the mechanisms used to inform customers about key service-related matters, such as ATM availability, temporary branch closures, or infrastructure upgrades. This initiative enhanced the transparency, reliability, and responsiveness of customer interactions, supporting the broader goal of delivering a worldclass service experience across all touchpoints.

Environmental, Social and Governance (ESG) and Public Image

NBD continued to strengthen its role as a socially responsible, environmentally conscious institution by investing in the communities we serve. The implementation of the Bank's ESG priorities ensures that our business is sustainable while improving the lives of the people we serve, today and in the future.

The introduction of initiatives such as the Sustainable School Gardening Program and efforts to reduce the Bank's carbon footprint are some of the direct ways, we achieve this.

To further enhance its standing in the marketplace, NBD developed an integrated communication approach intended to improve brand perception, strengthen customer outreach, and align messaging more closely with stakeholder needs. This approach supported the Bank's thrust of increasing public perception of NBD as a trustworthy and reputable financial institution, reinforcing its standing as a leader within the local banking sector.

Operations Excellence

Operational excellence remained an essential foundation of the Bank's long-term strategy. A significant area of focus this year was the advancement of the Risk and Capital Framework, aligned with Basel II/III principles, to bolster NBD's resilience and strengthen

risk-based decision making. The Bank also progressed the implementation of its Anti Money Laundering (AML) framework, making headway in areas such as policy development, mandatory training, high risk reviews, software assessment, and the design of automated control tasks. These efforts supported the Bank's aim of improving its audit posture and enhancing the robustness of its governance and compliance environment.

NBD also advanced improvements in service reliability, particularly relating to ATM and card services. This work contributed to a reduction in service-related complaints and improved convenience for customers relying on these mission critical channels.

In addition, the Bank strengthened its information security and technology infrastructure by progressing the implementation of the Information Security Framework, enhancing physical and digital security controls, increasing redundancy of critical systems and upgrading network equipment. These activities laid the groundwork for a more resilient, reliable, and secure technology environment.

Internal Capacity, Competence, and Culture

NBD continued its focus on making the organization a great place to work by building a strong, capable workforce aligned with its long-term strategic objectives. The Bank advanced the implementation of its annual training calendar, which supports the development of competencies in key areas such as customer service, risk management, leadership, information security, and change management. We continued to invest in each of the areas in 2024 and plan to continue to do so in the years ahead including advancing the implementation of a Human Resource Information System (HRIS) solution to enhance workforce planning, improve data-driven decision making-making, and enrich the employee experience. These initiatives supported improvements in employee engagement and helped cultivate a more agile, well aligned organizational-aligned organizational culture.

We are proud that these investments contributed to strengthening employee performance and supported improvements in employee engagement and helped cultivate a more agile, well aligned organizational culture.

Futureproofing for Sustainability and Growth

During the year, NBD maintained its commitment to future-proofing the Bank for long-term sustainability and growth. This is in accordance with the strategic aims outlined in the performance plan. This included an emphasis on recruiting forward thinking talent that can drive service excellence, forging new partnerships, strengthening internal capacity and improving customer retention. The Bank also emphasized ESG principles and the opportunities to reduce costs through improved efficiencies, and modernized systems.

Looking Ahead

As we look toward the upcoming fiscal year, NBD remains focused on deepening the transformation agenda that took shape during 2023–2024. The Bank will prioritize continued progress on digital modernization, capitalizing on the capabilities of the various platforms and other technologies to expand product offerings, optimize internal processes, and enhance service delivery. Strengthening the Bank's governance frameworks will remain a priority as well, with continued advancement of the Risk and Capital Framework and the AML initiative to reinforce regulatory alignment and institutional resilience.

Operational reliability, especially in ATM and card services, will continue to receive strong emphasis, with the aim of ensuring consistent service availability for customers. The Bank will also increase the depth and reach of its ESG initiatives by scaling programs and embedding structured measurement practices to assess community and environmental outcomes.

NBD will also continue investing in its people, further enhancing training, refining organizational structures that support a modern, collaborative, and high performing culture. These focus areas will enable the Bank to remain agile, competitive, and responsive to stakeholder needs, while strengthening its position for long term, sustainable growth. performing culture. These focus areas will enable the Bank to remain agile, competitive, and responsive to stakeholder needs, while strengthening its position for long term, sustainable growth.

Acknowledgments

All of this work and achievements require the leadership of a dedicated Board of Directors and innovative Executive Management Team. I want to thank the team for their efforts to help ensure NBD is strong both today and in the future.





I once again extend sincere appreciation to the employees of NBD. Their dedication and professionalism continue to drive the Bank's progress. Their resilience and commitment to service excellence have enabled us to navigate a year of significant transformation and development.

Most importantly, to you our shareholders, Thank You for your investment in NBD. We are honoured for the opportunity you have given to us to deliver for you, both now and in the years to come.

Conclusion

The financial year 2023–2024 marked another important step in NBD's long-term journey of transformation and growth. The Bank has strengthened its operational foundations, enhanced service delivery, modernized critical processes, advanced governance and risk management frameworks, and invested in building a more capable and resilient workforce -term journey of transformation and growth. The Bank has strengthened its operational foundations, enhanced service delivery, modernized critical processes, advanced governance and risk management frameworks, and invested in building a more capable and resilient workforce.

As we move forward, the Bank is well positioned to seize emerging opportunities, navigate shifting economic conditions, and continue delivering value to its customers, shareholders, and the communities we serve. With disciplined execution, strong governance, and a continued commitment to excellence, NBD will continue to evolve and build a future defined by sustainability, innovation, and growth.

Thank you for your continued trust and support in the National Bank of Dominica Ltd., **Your Partner, Your Bank.**

Urania Williams

*Chairperson of the Board
National Bank of Dominica Ltd. (NBD)*

Corporate Governance

ANNUAL REPORT



Board Responsibilities

NBD benefits from the leadership of a committed and highly effective Board of Directors, entrusted with setting the Bank's strategic direction and safeguarding its long-term success. The work of the Board is guided by a formal Corporate Governance Framework, aligned with the Eastern Caribbean Central Bank (ECCB) Prudential Guidelines on Corporate Governance. Strong corporate governance practices and robust internal controls that promote sound risk assessment and management. This framework is regularly reviewed and updated to ensure alignment with evolving best practices.

The Board is responsible for defining the Bank's purpose, values, mission, and behaviours; ensuring adequate resources to support strategic priorities and objectives; delegating appropriate levels of authority to support efficient decision-making; establishing a sound and prudent system of internal controls; and safeguarding the integrity and effectiveness of these controls, reporting, and risk management systems.

Independence of the Board

The Board remains steadfast in its commitment to the highest standards of corporate governance, guided by a fiduciary duty to act objectively and always in the best interest of the Bank and its shareholders. Independent/non-executive directors, who are formally assessed on an annual basis, play a critical role by providing an external perspective that enhances governance, strengthens oversight, and promotes accountability. The Board does not participate in the Bank's day-to-day operations nor engage in any business dealings with the Bank, ensuring their independence is preserved. To further safeguard this independence, a clear distinction is maintained between the roles of the Chairperson and the Managing Director, in accordance with best practice. The same individual may not occupy both positions. As the sole Executive Director, the Managing Director is tasked with overseeing the Bank's daily management. This separation of roles promotes balanced decision-making, mitigates the concentration of authority, and reinforces a culture of accountability at every level of the Bank.

Conflicts of Interest

According to the Bank's Conflict of Interest Policy, all Directors must disclose any actual or potential conflicts of interest.

Upon appointment, each director signs a Disclosure of Conflict-of-Interest Statement, which is updated annually throughout their tenure. Directors must also inform the Chairperson and Corporate Secretary of any material changes to these interests as they arise. In cases where a conflict arises, the Director must disclose it to the Chairperson or Corporate Secretary either in advance or at the start of the meeting, abstain

either in advance or at the start of the meeting, abstain from participation, withdraw from the meeting during deliberations, and refrain from voting. All such disclosures are formally documented in the meeting minutes to ensure transparency, integrity, and accountability in all Board proceedings.

Board of Directors' Tenure

In accordance with the Bank's By-Laws, directors—excluding the Managing Director—serve a three-year term, commencing from the date of election or appointment and concluding at the close of the third Annual General Meeting of shareholders. Directors remain eligible for re-election or reappointment, provided they continue to meet the prescribed requirements. The Managing Director, who serves as an ex officio director, retires per the terms outlined in their employment contract.

Directors are selected from nominees submitted by shareholders, with elections conducted among those who accept their nominations.

Board size and Composition

The size of the Board is governed by Article 4.2 of the Bank's By-Laws, which prescribes a nine-member Board structure. Eight members are appointed or elected by the shareholders, while the Managing Director serves as an ex officio member, appointed by and accountable to the Board of Directors. In accordance with the By-Laws, any shareholder holding 12.5% of the issued ordinary shares is entitled to appoint one director for each 12.5% held. Shareholders appointing a director on this basis are not eligible to vote for those shares in the election of other directors.

Currently, the Government of the Commonwealth of Dominica is the Bank's largest shareholder and, by virtue of its shareholding, has the right to appoint Directors to the Board. The composition of the Board reflects a careful balance of skills, expertise, and experience, ensuring that it is well-equipped to meet the Bank's strategic needs and fulfil the expectations of its stakeholders.



Board of Directors' Qualifications/Profile



Urania Williams

Profession: Certified Marketer
Type of Director: Non-Executive
Appointed: July 27th, 2020
Qualifications:

- MCPM
- CMktr
- Acc. Dir.

Skills:

- Business Acumen
- Marketing
- Strategic Planning



Irving Williams

Profession: Tax Consultant
Type of Director: Non-Executive
Appointed: July 27th, 2020
Qualifications:

- MBA
- CAT
- CMIT-CC
- CTA
- Acc. Dir.
- HRCC
- CSP

Skills:

- Business Acumen
- Marketing
- Human Resources
- Strategic Planning



Jodie Luke

Profession: Attorney-at-Law
Type of Director: Non-Executive
Appointed: November 17th, 2020
Qualifications:

- LLB
- LEC
- RCC
- Acc. Dir.

Skills:

- Finance/Financial Literacy/Oversight
- Human Resources
- Business Acumen,
- Risk Management/Oversight



Gibbs Stephenson

Profession: Accountant
Type of Director: Non-Executive
Appointed: February 24th, 2012
Qualifications:

- ACCA
- Acc. Dir.
- ACC
- RCC
- SOC

Skills:

- Finance/Financial Literacy/Oversight
- Human Resources
- Business Acumen,
- Risk Management/Oversight



Hezron Seraphin

Profession: Insurance Agent
Type of Director: Non-Executive
Appointed: July 27th, 2020
Qualifications:

- DFSP
- DFSS
- LUTCF
- Acc. Dir.
- RCC

Skills:

- Business Acumen
- Human Resources
- Risk Management/Oversight



**Claudette
Dangleben-Eusebe**

Profession: Manager
Type of Director: Non-Executive
Appointed: November 17th, 2020
Qualifications:

- Adv. Dip. BOE
- QMS LA
- CLP
- Acc. Dir.
- HRCC

Skills:

- Business Acumen
- Human Resources
- Marketing



Shane Carriere

Profession: Information Technology Specialist

Type of Director: Non-Executive

Appointed: March 26th, 2021

Qualifications:

- CTS
- ECS
- ECP
- Acc. Dir.
- RCC

Skills:

- Business Acumen
- Information Technology & Information Management



Oliver Henderson

Profession: Accountant

Type of Director: Non-Executive

Appointed: July 27th, 2020

Qualifications:

- C&G IT
- ACCA
- CSP
- Acc. Dir.
- ACC
- SOC

Skills:

- Finance/Financial Literacy/Oversight
- Business Acumen
- Risk Management/Oversight
- Strategic Planning



Board of Directors Skills-Matrix

To effectively set strategic direction and create long-term value for shareholders, the Board is dedicated to fostering a balanced and diverse group of Directors, each contributing a broad spectrum of skills and expertise.

The Board conducts an annual assessment of collective skills to ensure alignment with the Bank's strategic needs. Key competency areas include: human resources, business acumen, corporate governance, marketing, legal expertise, information technology and management, risk management, banking, and strategic planning. The insights derived from this review inform the Board's development strategy, identify areas for further training or education, and assist shareholders in making informed decisions when selecting new Directors.



Board of Directors Remuneration/Fees

The remuneration paid to Directors is determined by the shareholders and may be adjusted from time to time at their discretion. In addition to their regular duties, Directors can undertake special assignments or provide services beyond the ordinary scope of Board responsibilities and receive additional compensation. This special remuneration does not require shareholder approval. Further, Directors who are required to represent the Bank at meetings, seminars, conferences or training are entitled to be paid for their travelling and other expenses incurred in connection with the affairs of the Bank.

The Board is responsible for conducting periodic reviews of Director remuneration, considering factors such as directors' qualifications, experience, expertise, prevailing market trends, and the time commitment required. Should a review suggest adjustments, the Board must submit a recommendation or proposal to the shareholders for consideration. The shareholders must approve any changes to the remuneration structure based on the Board's recommendation.

Following the most recent review, the Board's fee structure was found to be broadly comparable to those of other indigenous banks, except that ex gratia payments are made to retiring Directors at the conclusion of their tenure.

The current shareholder-approved fee structure for the Board is as follows:

- Chairman: \$4,000.00 per month
- Directors: \$850.00 per meeting
- Chairman of a Board Sub-Committee: \$850.00 per meeting
- Directors serving on Sub-Committees: \$425.00 per meeting

Notably, during the financial year, directors undertook special services without additional compensation, further demonstrating their commitment to the Bank's success.

Board of Directors Changes

Independent/Non-Executive Directors are initially appointed to serve a three-year term. The composition of the Board of Directors did not change during the fiscal year.

Board of Directors' Beneficial Interests

The table below provides an overview of the directors' shareholdings as of June 30th, 2024, compared with the figures from the previous year. This comparison offers valuable insight into any changes in the Directors' ownership stakes, reflecting shifts in their personal

investments within the Bank.

During the year, no Director held any material interest in any contract or arrangement involving the Bank or any of its subsidiary.

DIRECTORS	BENEFICIAL INTEREST 2023	BENEFICIAL INTEREST 2024
Urania Williams	Nil	Nil
Jodie Luke	Nil	Nil
Irving Williams	8,400	8,400
Claudette Dangleben-Eusebe	1,000	1,000
Hezron Seraphin	1,000	1,000
Shane Carriere	Nil	Nil
Oliver Henderson	27	27
Gibbs Stephenson	Nil	Nil
Annette Severin-Lestrade	6,873	6,873

Board Sub-Committees and Their Roles

To enhance oversight and governance across key areas of the Bank's operations, the Board of Directors established standing and ad hoc sub-committees. Each sub-committee operates under formal terms of reference, clearly defining its purpose, authority, responsibilities, membership requirements, and reporting obligations to the Board. These governing documents are reviewed annually to ensure alignment with the Bank's strategic priorities and leading governance practices. Directors often serve on multiple committees, fostering cross-committee collaboration, broad visibility, and a holistic understanding of matters that impact the Bank.

During the fiscal year, the Board established an ad hoc Selection and Recruitment Committee. This committee was mandated to oversee the recruitment and selection process for key Executive Manager positions – Chief Internal Auditor, Human Resources and Talent Management, and Risk and Compliance.



Board of Directors' Induction/ Orientation and Training and Development

Directors must participate in a tailored induction program, which outlines responsibilities and expectations and supports a deeper understanding of the Bank's business and the wider financial industry. Each programme is customized to address the specific needs and background of each individual Director.

Notable training initiatives included:

- 41st Annual Caribbean Conference of Accountants – Thriving Together in the Multigenerational Workplace
- Board of Directors and Executives Corporate Governance and Ethics Training
- Interactive Session with Fund Managers
- Anti-Money Laundering and Counter-Terrorism Financing
- Information System Security Course
- Strategic Oversight Training

The Corporate Secretary maintains a professional development log for each Director. All current Directors are fully accredited and renew their professional designations each year.

Board of Directors' Annual Evaluation

The Board conducted its annual evaluation to assess the performance of the Board, its sub-committees, and individual Directors. This included formal discussions and an online survey, gathering input from Directors and Senior Management. The evaluation confirmed that the Board and sub-committees are functioning effectively, with strong leadership and the right skills, competencies, and experience in place. The evaluation also identified both strengths and areas for improvement. An action plan was developed to address these areas, and by the time of reporting, all identified improvements had been successfully implemented.

Board of Directors' Meeting and Attendance Report

The Board and its Sub-Committees held regular meetings, both in person and virtually, fully embracing technology to streamline communication and operations. To ensure efficiency and confidentiality, a secure Board portal was used to support the advanced preparation and distribution of meeting materials. This created a dynamic environment where Directors could challenge proposals, engage in thought-provoking debates, and actively shape the discussions.



Below shows the attendance of directors at the Board and Committees meetings during the financial year 2023/2024

Directors	Board	Corporate Governance and Strategic Oversight Committee	Risk and Compliance Committee	Credit/Loan Portfolio Management Committee	Audit Committee	Human Resources Committee
	Meetings Held					
	27	8	7	5	14	13
Urania Williams	26	8				
Gibbs Stephenson	24		7	5	13	
Irving Williams	27	8			14	13
Hezron Seraphin	24		7	5		12
Claudette Dangleben- Eusebe	27			5		13
Jodie Luke	26	7	7			
Shane Carriere	26		7			13
Oliver Henderson	27	8		5	13	

Board & Shareholder Relations



Shareholders Engagement

The Board values strong relationships with shareholders and is committed to open, meaningful dialogue. To support this, the Board approved a Shareholder Engagement Policy outlining formal communication guidelines.

During the year, shareholders were encouraged to update their accounts and support the Bank's "Green Initiative" by opting for electronic delivery of annual reports and related materials. Shareholders who have not yet registered can visit any branch to complete the Shareholders Communication Preference Form.

The Bank also continued efforts to update shareholders' information to reduce returned mail and unclaimed dividend cheques.

Key shareholder information is available at the Shareholder Centre on the Group's corporate website.

Shareholders Meetings

During this financial year, the Bank's Nineteenth Annual General Meeting (AGM) of Shareholders was held on June 13th, 2024.

Shareholding Distribution

A substantial shareholder is any person holding an interest in 5% or more of the Company's issued shares. Based on this definition, the Bank's substantial shareholders are the Government of the Commonwealth of Dominica (51.9%) and the Dominica Social Security (6.7%).

Dividend Payment

In accordance with the Bank's By-Laws, Companies Act and subject to the provisions of the Banking Act and the Bank's internal Dividend policy, the Board may declare dividends from time to time by resolution.

SIZE OF HOLDING	NO. OF SHAREHOLDERS PER CATEGORY
1-999	1,287
1000-4,999	643
5,000-9,999	128
10,000-14,999	55
15,000-19,999	21
20,000-49,999	64
50,000-99,999	24
100,000-499,999	16
500,000-999,999	4
1,000,000-12,000,000	2

Executive Management & Senior Management Teams



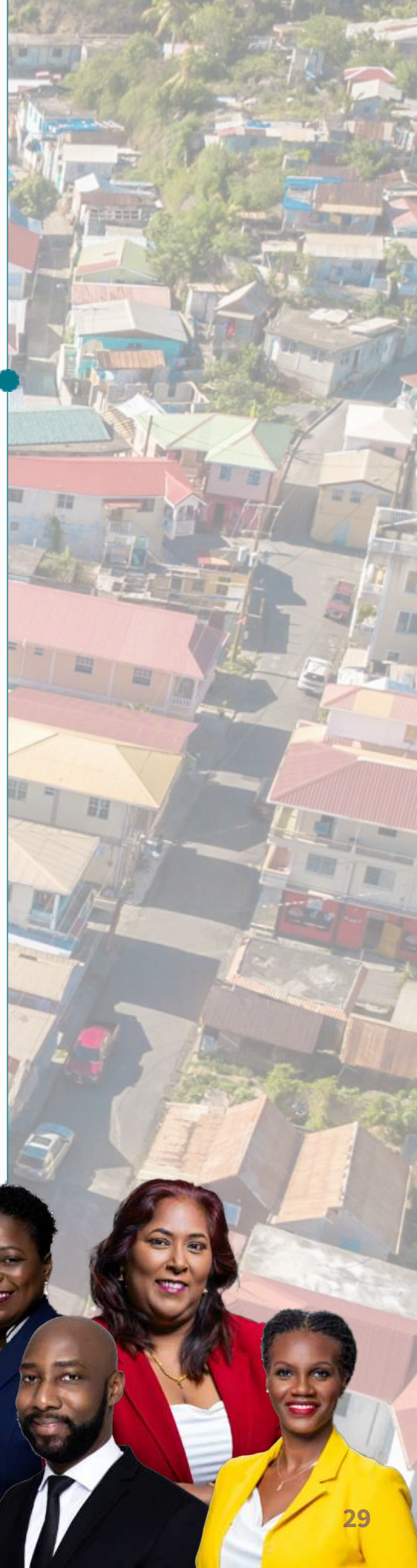


Executive Leadership Updates

During the financial year, the Bank experienced the departure of several senior executives, including the Head of Internal Audit, the Executive Manager of Risk and Compliance, and the Executive Manager of Human Resources and Talent Management. In response, the Board responded promptly, initiating a comprehensive recruitment campaign across the Bank's website, social media channels, local newspapers, and a regional recruitment agency. The Bank successfully secured talented professionals to fill these critical leadership positions and ensure continued operational strength.

Strategic Planning

In April 2024, the Board, Executive Management, and Senior Managers participated in the Annual Strategic Planning Workshop. The session assessed the Bank's performance against targets and established strategic priorities for the 2024/2025 financial year, focused on strengthening the Bank's core business, enhancing sales capabilities and customer relationship management, improving operational and cost efficiency, driving sustainable growth and profitability, re-engaging employees, and protecting the Bank's market position.



Leadership Profile



Annette Severin-Lestrade

Postion: Managing Director

Qualifications:

- MBA
- BBA
- AICB
- C. Dir
- ACFCS
- ACAMS
- CSO
- CHRCC
- COSO ERM Certification
- Financial Governance



Tracey Joseph

Postion: Executive Manager, Human Resources and Talent Management

Qualifications:

- MSc
- BSc
- SHRM-CP
- IWC



Kathleen Kanhai-Bujhawan

Postion: Executive Manager Finance and Investments

Qualifications:

- MBA
- FCCA



Suzanne Joseph-Piper

Position: Executive Manager, Marketing

Qualifications:

- MBA
- BBA
- CSSGB



Minerve Blanchard

Position: Executive Manager, Commercial and Small Business Development

Qualifications:

- MSC
- BSC



Fernillia Felix-Frederick

Position: Executive Manager, Legal Services

Qualifications:

- LL.M
- LEC
- LL.B



Lambert Lewis

Position: Chief Internal Auditor

Qualifications:

- CIA
- CFSA
- CAMS
- B.A



Melvyn Baptiste

Position: Executive Manager, Risk and Compliance

Qualifications:

- MSc
- BSc
- IRMcert
- FRM
- CC
- SCR
- CAMS



Michael Joseph

Position: Executive Manager, Personal Banking

Qualifications:

- CB
- MBA
- CBC
- CSBC
- IIL



Macina Bethel

Postion: Corporate Secretary

Qualifications:

- MSc
- BSc
- GradCG
- ASc
- Acc. Dir
- HRCCC
- CSP



Sheldon Eugene

Postion: Executive Manager, Information Technology and Operations

Qualifications:

- BSc
- CAPM
- Dip. Sup. Mgmt
- GSLC

Senior Management Team



Ann Coipel-Grell

Postion: Investment Manager

Qualifications:

- MSc.
- BSc.
- ECSMC



Chad Augustine

Postion: Manager, Operational Risk & ERM

Qualifications:

- CBCS
- CICRA
- AMLCA
- CPM
- ASTD-CT



Irwani Simon

Postion: Card and Merchant Services Manager

Qualifications:

- MPM.
- BSc.



Celia M Richardson



Farida Karam



Caryl Blanchard

Postion: Branch Manager- Sales and Services

Qualifications: • BBA

Postion: Manager, Recoveries

Qualifications: • BSc.

Postion: Branch Manager- Sales and Services

Qualifications: • EDM
• ASM
• CMU
• CCAT



Cathleen Bazil-Grove



Shona Durand



Ian Lazare

Postion: Finance and Accounting Manager

Qualifications: • BSc.

Postion: Credit and Business Development Manager

Qualifications: • BSc.

Postion: Operations Manager

Qualifications: • CIM



John Sebastien

Position: Valuations & Facilities Manager

Qualifications:

- MBA.
- MPM.
- CID.



Kareem Bertrand

Position: Manager, Human Resources & Talent Management

Qualifications:

- BSc.
- C. Dir



Kelly Hamilton

Position: Manager, Information Technology

Qualifications:

- Level 2 TEE



Sherma Vidal

Position: Manager, Compliance

Qualifications:

- CAMS
- MBA.
- AICB

NBD and You

NBD's Purpose: Beyond Banking

NBD's work across 2023–2024 reflects a consistent purpose: to be a responsible financial institution that contributes meaningfully to Dominica's social, economic, and environmental progress. Our investments focus on improving quality of life, expanding opportunity, and supporting national resilience.



Corporate Social Responsibility

Honouring & Empowering Seniors

In 2023, NBD collaborated with the Dominica Council on Ageing Inc. to celebrate Seniors Month under the theme “We Are Older, Not Over.” This initiative reaffirmed our commitment to supporting and empowering the senior community. Activities included a Seniors’ Paint Day, a health fair, financial workshops, free health screenings, and a seniors’ fun day—each designed to promote holistic well-being and active lifestyles.



Supporting Youth, Sports, and Culture

In September 2023, NBD provided a \$10,000 sponsorship to the Eastern Caribbean Under-23 Female Volleyball Tournament hosted in Dominica. This contribution created a valuable platform for young athletes across the Caribbean to showcase their talents and strengthen regional sporting bonds, reinforcing our dedication to sports development and long-term community impact.



Children's Christmas Party & Holiday Giving

Continuing a decade-long tradition, NBD hosted its annual Children's Christmas Party in December 2023 at Atkinson Primary School. With an investment of \$10,000, the event delivered joy to children in need, while the school received a 55-inch Smart TV to enhance learning. We also donated 10 grocery hampers to deserving families, inviting the public to nominate recipients and ensuring broad community participation.



Beyond Banking Program Staff-Led Community Projects

The Beyond Banking Program empowers employees to submit and lead community-based projects. In 2023, NBD invested \$15,000 in transformative initiatives, including:

- **Wotten Waven Primary School Library:** Construction and painting of a new bookshelf and donation of diverse books to enrich learning.
- **Christian Union Primary School Character Development:** Creation of character count pillars, a hopscotch area, and an alphabet snail, alongside donations of gardening tools and supplies.
- **Cochrane Village Bus Stop:** Construction of a community bus stop in partnership with the Cochrane Village Improvement Committee, meeting a critical need ahead of hurricane season.





Advancing Education & Thought Leadership

In May 2024, NBD partnered with the UWI Global Campus Dominica for the 12th Annual Distinguished Lecture, “Navigating the Landscape of AI in Human Resource Management.” This free hybrid event expanded public understanding of AI’s potential and implications for the Caribbean.



Recognizing Academic Achievement

In 2024, NBD donated cash to 28 primary and secondary schools for graduation ceremonies and awarded a plaque to an outstanding State College student for Excellence in Economics, reaffirming our commitment to youth development.



Strengthening Grassroots Football

NBD remains proud of its 16-year partnership with the Ministry of Sports through the NBD/Sports Division Primary Schools Football Championship. With participation from 50 primary schools and over \$250,000 invested to date, this program continues to nurture the next generation of national athletes.

Environmental Stewardship and ESG Progress

ESG Program Launch – Empowering Communities, Impacting Lives

In 2023, NBD advanced its climate resilience efforts through the launch of its Environmental, Social, and Governance (ESG) program, anchoring our commitment to environmental awareness and long-term sustainability.

Environmental Preservation



Through Local Initiatives

#CanefieldHighway
#MaintainedbyNBD

PLANT-A TREE INITIATIVE

45 YEARS, 87 TREES



To commemorate NBD's 45th anniversary in November 2023, we introduced our inaugural ESG project: the "Plant-A-Tree" initiative. Key outcomes include:

- Employees planted 45 trees, symbolizing each year of NBD's legacy.
- The initiative was expanded to include public participation and collaborations with 12 schools, donating fruit trees to enhance feeding programs and agricultural learning.
- Due to overwhelming support and buy-in, a total of **87 trees** were planted.
- The Forestry, Wildlife & Parks Division provided education on planting techniques and maintenance, significantly elevating project visibility.
- The initiative also featured an **Agri-Man Poetry Competition**, encouraging primary school students to build an Agri-Man figure from recyclable materials and compose a poem—an engaging approach to cultivating environmental responsibility.

Zero Waste Initiative

Strengthening Recycling Culture

In collaboration with the Dominica Solid Waste Management Corporation, NBD supported the Zero Waste initiative under the OECS Recycling Demonstration Project. We adopted three schools, pledging ongoing support for recycling and community-based zero-waste programs across the island.



Customer Experience & Accessibility

Relationship Banking Transition

Beginning July 2024, NBD transitioned to a Relationship Banking model, transforming branches into one-stop shops for comprehensive financial needs. Customer portfolios are now assigned to specialized officers, ensuring tailored support. To strengthen this model, NBD added two branch managers and a sales coach, enhancing service quality and operational efficiency.

Bayfront Branch Extended Hours

To meet the needs of visitors during the World Creole Festival, NBD opened the Bayfront Branch on extended hours in October and November 2023. This initiative offered convenient foreign exchange and other services to tourists, while positioning the bank as a welcoming financial partner.

Onsite Account Opening for International Students

Supporting students at the American Canadian School of Medicine, NBD introduced onsite account-opening services during orientation—streamlining processes and improving access for international students.

Visiting Seniors Program

NBD expanded accessibility for senior customers by offering personalized home or care-facility visits for essential banking services. This initiative strengthens trust, prioritizes client dignity, and ensures seniors face no barriers to managing their financial affairs.

Voice of the Customer Data-Driven Improvement

NBD conducts Voice of the Customer surveys to ensure services align with evolving needs. Insights from these surveys guide product innovation, customer-experience enhancements, and strategic decision-making.



Customer Appreciation Initiatives

We engaged customers through appreciation activities—most notably the “Noela Weva Branch Pop-Up” featuring a Spin-the-Wheel experience, distributed gifts as part of NBD’s 46th anniversary, and ensured home delivery for customers who could not visit a branch.



Introducing Pre-Approved Financial Products

Subsequent to the Financial Year, on August 26th 2024, NBD launched three pre-approved products:

- Beginner Credit Card – manageable limit for new credit users
- Professional Credit Card – higher limits for professionals
- Overdraft Facility – flexible, short-term access to additional funds

These offerings enhance convenience and meet a broad spectrum of customer needs.

Upgraded Facilities and ATMs

To expand accessibility and security, NBD installed six new ATMs across key locations, including Bayfront and Portsmouth branches. Renovations at the Bayfront Branch improved security and added private offices for new-account consultations.

Merchant Forum

NBD hosted a Merchant Forum to educate vendors on POS systems, providing hands-on demonstrations and support. The forum reinforced our commitment to enabling a modern, cashless economy.

Diaspora Roadshow

The NBD Diaspora Roadshow connects directly with Dominicans abroad. The team visited Texas and Miami.

Financial Education and Empowerment

NBD continued its leadership in financial literacy through partnerships, workshops, school engagements, and national initiatives—empowering seniors, SMEs, students, young professionals, and entrepreneurs with essential financial knowledge.

Highlights include:

- Senior financial literacy workshops with the Dominica Council on Ageing
- ECCB's Financial Information Month programs
- Young Professionals Financial Empowerment Event
- Pre-School Month bank tours
- Business Week engagements with St. Martin Secondary School
- Gold Sponsorship of Progressism 2024
- Job fairs with Dominica State College, Portsmouth Secondary, and businesses
- Sixth annual Math Power Contest (investment: \$20,000+)
- Studentpreneur Summer Camp with Maanz Ltd.
- Sponsorship for small business participation at Micro Business Games Workshop



Eye on Strategy: Strategic Initiatives

NBD's ESG strategy journey began with the Managing Director's attendance at the CAB CEO and Director's forum in 2022. An Associate Partner at Ernst & Young presented on the change from Corporate Social Responsibility (CSR) to Environmental, Social, and Governance (ESG). A shift from being qualitative only to measuring quantitative value. NBD empowered its middle managers to design an ESG framework as part of its corporate strategy.

Protecting the environment is crucial as we combat climate change and other environmental challenges. Our regional focus is on sustainable food production and self-sustainability, while locally, we are working to build a climate-resilient nation.

For the financial year 2022/2023, the middle managers were tasked with:

1. Development of an ESG Framework; and
2. Identification of a flagship project.

NBD's anticipated strategic outcome from this exercise was to improve its public image among stakeholders as a bank with sustainable practices that consider ESG issues.

The middle managers formed a project team to execute their strategic tasks. They collaboratively worked on designing a program that would set the stage for NBD's corporate strategy, fit for the future. The program focused on issues affecting society, both internal and external.

The managers proposed an ESG programme via two streams:

1. Reducing NBD's carbon footprint; and
2. Sustainable school gardening program.



Support to MSMEs

NBD strengthened its commitment to micro-small and medium-sized enterprises (MSMEs) through targeted financing, technical support, and community engagement. The Bank issued \$2.1M in MSME loans across key sectors such as agriculture, fishing, transportation, entertainment, and services, where access to financing remains essential for growth.

NBD extended \$1.5M in credit to its partner, the National Development Foundation of Dominica (NDFD), for on-lending, enabling micro-businesses with limited direct access to banking services to secure needed financing. To date, the NDFD has drawn \$1.0M of these funds.

Beyond financing, NBD actively supported MSME development through participation in the BizConnect Small Business Fair, NDFD's Creole in the Streets, and a Young Professionals Event. Through these platforms, entrepreneurs in both urban and rural areas, received one-on-one consultations and insights into financial tools such as the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC) guarantee program, which expands lending opportunities for clients with limited collateral. NBD collaborated with ECPCGC to host townhall meetings in Dominica to educate small business owners about the financial tools and resources available to assist in securing their funding needs. By providing a platform for dialogue between MSMEs and financial institutions, these events have also helped to build trust and foster stronger relationships within the business community.

NBD joined a panel discussion on tourism opportunities in northern Dominica, focusing on financing packages for MSMEs and support services like e-commerce and online banking. The discussion was timely given the region's developments, including new hotels, a marina, and an international airport, which create new opportunities for small businesses.

NBD also collaborated with partners including DEXIA, Global Green Growth Institute (GGGI), ISRA-Aid, and local schools to offer training on financial management, digital marketing, business planning, branding, and proposal writing; equipping entrepreneurs with practical skills and market-readiness. The Bank further supported five small businesses through sponsorship of the Micro Business Games Workshop and promoted local manufacturers by co-branding Dominican-made products distributed locally and during the 2024 Diaspora Roadshow.

NBD partnered with local small-business Dominican manufacturers to create co-branded products like soaps, coffees, oils, and other beauty items, which the Bank purchased as tokens for customers, shareholders, and business partners. These tokens were distributed locally and to diaspora clients during NBD's 2024 Diaspora Roadshow in Texas and Florida. This initiative boosted the visibility of Dominican-made products both locally and internationally.

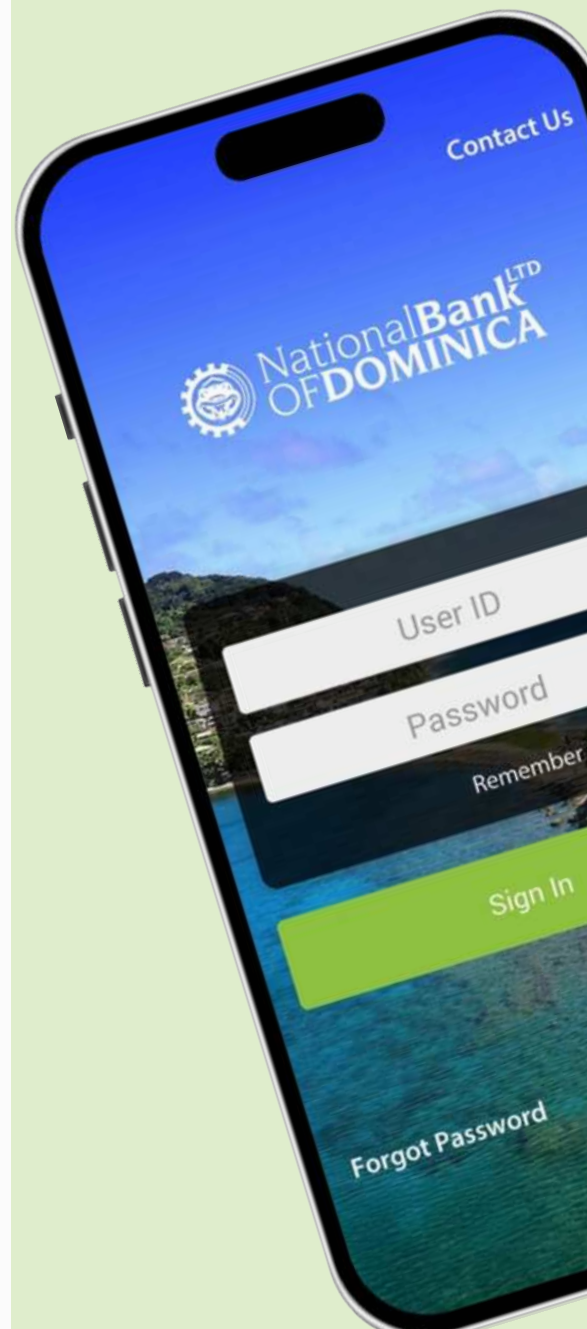
Collaboration with local manufacturers and integration of their products into stakeholder engagement efforts is a testament to NBD's support for small businesses and dedication to fostering economic growth within the community. Additionally, the inclusion of these products in international events reflects the Bank's proactive approach to enhancing the global visibility of Dominican enterprises.

To deepen service to MSMEs, NBD is partnering with the Government of Dominica to deploy at least fifty POS terminals across tourism sites, airport taxis, and vendor locations to encourage technology adoption, digital payments, and strengthen income opportunities particularly for craft vendors and small operators within the sector.

The Bank has initiated the development of a dedicated Small Business Unit,

supported by a consultant reviewing products, lending processes, and officer training, with full implementation targeted for June 2025.

Together, these efforts demonstrate NBD's holistic approach to MSME support—combining financing, capacity building, market access, and strategic partnerships to foster a resilient and vibrant small-business ecosystem.



People Management Report



Putting People First: NBD's Human Resources and Talent Management Journey in 2023–2024

At NBD, our people are the heart of everything we do. Throughout 2023–2024, the Human Resources and Talent Management Department remained focused on futureproofing our workforce, enhancing organisational strength, and fostering a culture rooted in engagement, wellness, and continuous learning.

Strengthening Talent for the Future

As the Bank prepared for restructuring, we partnered with Olive Strachan Consultancy to deliver targeted Recruitment and Selection Training for managers and supervisors. The goal: improve interviewing skills, reinforce recruitment best practices, and ensure alignment with our evolving structure.

Revamping Performance and Job Clarity

We introduced a revamped performance appraisal framework, aligning it with newly defined competencies, strategic goals, and development needs. In addition, we engaged an external consultant to conduct a comprehensive review of job descriptions, ensuring role clarity, consistency, and strategic alignment across the Bank.

Enhancing the Employee Journey

We refreshed our onboarding experience to ensure new hires feel welcomed, informed, and supported. A new six-week post-orientation assessment now helps

measure integration success and identify opportunities for improvement. To further refine our recruitment process, we launched a candidate experience survey, helping us better reflect our values at every stage.

Recognising Excellence and Contributions

In March 2024, we proudly hosted the NBD Staff Awards and Gala, celebrating long-service awardees and individuals who went above and beyond. These moments of recognition play a vital role in strengthening morale and celebrating the impact of our people.

Promoting Employee Wellness

Well-being was a major focus. We rolled out the Calm meditation app, shared regular health and mental wellness tips, and encouraged healthy living through various initiatives. The highlight: our vibrant Sports Day, where Team Mindfulness—clad in purple, our colour for the core value of mindfulness—captured first place in a spirited day of fun and camaraderie.

Listening to Our People

We conducted the 2024 Employee Engagement Survey to gather insights directly from staff. The findings were shared with leadership and served as a springboard for team-level conversations. Managers and supervisors were encouraged to work closely with their teams to co-create solutions and prepare for the year ahead.

Looking Ahead

As we move forward, the Human Resources and Talent Management Department remains committed to driving growth, fostering engagement, and supporting the well-being of every member of the NBD team.



Managing Director's Report





Review of Financial Year 2023–2024

I sincerely thank the Board of Directors for the continued confidence entrusted to management to lead the National Bank of Dominica Ltd. (NBD) in serving our valued customers, shareholders, employees, and the wider community. The journey of transformation continues, and this financial year marked a period of disciplined execution, renewed profitability, strengthened governance, and strategic alignment.

As the largest and most systemically important financial institution in Dominica, NBD carries a responsibility that extends beyond financial performance. It requires resilience, sound governance, technological readiness, and a deep commitment to elevating the lives of the communities we serve.

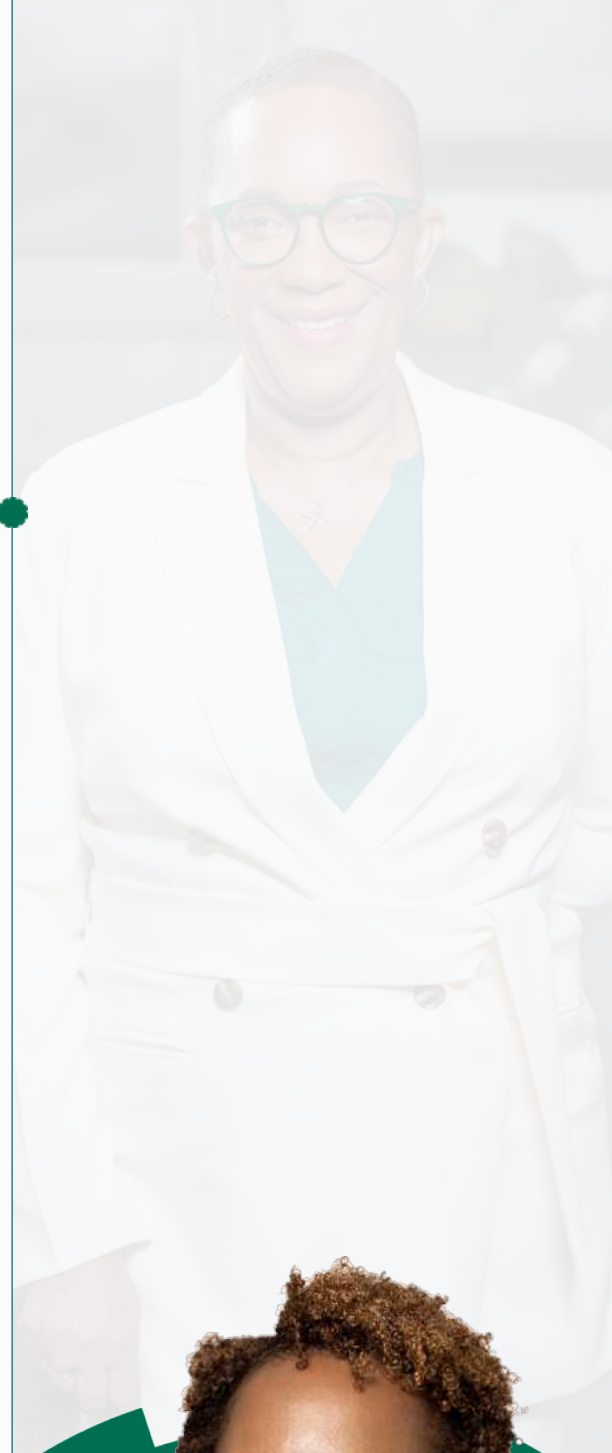
The 2023–2024 financial year represented a pivotal transition point. Following the conclusion of the Bank's previous strategic period, management focused on strengthening core operations, modernizing processes, enhancing governance and accountability, investing in people and infrastructure, and reinforcing systems required to meet evolving customer and regulatory expectations.

Despite global and regional uncertainties, the Bank remained resilient and forward-looking. Through disciplined human capital management, a continued focus on customer service, and prudent financial stewardship, NBD balanced growth, stability, and responsibility. This period also allowed for reflection, stakeholder engagement, and alignment of initiatives with the Bank's long-term strategic direction. This year was characterized by deliberate, measured action rather than rapid change, laying the groundwork for sustainable transformation. The progress achieved reflects management's commitment to positioning NBD for the demands of modern banking while remaining firmly rooted in its mission to serve the people of Dominica.

Situational Analysis

The prior financial year established a clear commitment to transformation, accountability, and long-term value creation. The 2023–2024 period marked the first phase of executing this agenda. Our management team focused on strengthening organizational and operational foundations while maintaining financial resilience amid evolving economic and regulatory conditions.

Opportunities and challenges persisted, reinforcing the need for disciplined execution, prudent risk management, and sustained investment in people, systems, and governance. Throughout, the Bank remained guided by its vision and mission: to elevate the lives of the people and communities it serves through responsible and targeted financial solutions, while deepening engagement with local and diaspora customers alike.



Strategic reflections during the period reinforced several ongoing imperatives:

- Deepening customer relationships and segmentation;
- Enhancing risk and compliance frameworks in line with Basel II/III and ICAAP requirements;
- Modernizing technology infrastructure and digital capabilities;
- Strengthening organizational accountability and performance alignment;
- Embedding Environmental, Social, and Governance (ESG) principles into operations.

We recognized that resilience is built not through reaction, but through preparation. This year reflected intentional progress across these dimensions.

Translating Strategy into Action

During the financial year, the Bank made deliberate progress in converting strategic intent into tangible outcomes.

Environmental, Social and Governance (ESG)

The launch of the ESG Program marked a significant step in embedding sustainability and social responsibility into the Bank's operations and decision-making. Structured engagements with strategic partners, including the Inter-American Institute for Cooperation on Agriculture (IICA) and the Dominica Solid Waste Management Corporation (DSWM), supported visible initiatives such as the Plant a Tree campaign and school-based educational competitions. These initiatives align with the Bank's broader commitment to environmental responsibility, community development, and long-term national impact.

Customer Engagement and Market Presence

The Bank undertook island-wide roadshows and village pop-ups, bringing banking services closer to communities. Targeted diaspora engagement initiatives strengthened international relationships and encouraged reactivation of accounts and improved data integrity.

Customer segmentation efforts advanced significantly, with defined personas and structured segment plans incorporating product offerings, sales strategies, channel experiences, and operational support enhancements.

Internal Capacity and Governance

Management prioritized internal capabilities through a comprehensive review of job descriptions to clarify roles, align with strategic objectives, and enhance accountability. Investment in leadership development further strengthened management capability, succession planning, and a performance-driven culture.

Strategic and Operational Achievements

The year under review was marked by significant strategic and operational achievements, demonstrating the Bank's commitment to strengthening its foundation, enhancing governance, and delivering value to stakeholders.

Card and ATM Services

The Bank engaged external financial institutions and businesses on expressions of interest for card business and ATM service partnerships, engaging local credit unions and regional businesses. A contract was executed with American Express to convert and expand the merchant portfolio, strengthening service accessibility and diversification.

Deployment of additional ATMs improved customer convenience and expanded transactional capabilities.

Acquisition Integration and Project Management

Following regulatory approval in January 2024, transition meetings and structured project oversight continued in relation to acquisition integration activities. Data mapping and sanitization processes were completed, supporting operational continuity and risk mitigation.

Credit Risk and Recoveries

Targeted action on early delinquency accounts strengthened recovery efforts. Pending asset sales and restructuring negotiations are expected to meaningfully reduce the Non-Performing Loan (NPL) ratio. Alternative asset management discussions are underway to enhance recoveries strategy.

Risk, Compliance, and ICAAP

The Basel II/III and ICAAP implementation progressed, with structured vendor engagement, data preparation, and regulatory oversight meetings continuing. The Bank remains aligned with ECCB timelines and regulatory expectations.

AML enhancements included policy updates, bank-wide training, automation initiatives, high-risk backlog clearance, and proof-of-concept software trials. These measures collectively strengthened the Bank's risk culture and compliance posture.

Technology and Infrastructure

Cloud migration approvals were secured. A Security Information and Event Management (SIEM) proof of concept was executed. Portfolio investment management software evaluations were completed. Infrastructure upgrades and ATM deployments enhanced digital and physical service capacity.

Human Resources and Organizational Development

Board-approved restructuring initiatives progressed, with significant recruitment completed against approved positions. HRIS upgrades and project charters advanced workforce management modernization. Employee engagement surveys achieved strong participation levels, reinforcing management's commitment to cultivating a performance-driven and psychologically safe work environment.

These accomplishments collectively reflect the Bank's ongoing commitment to operational excellence, customer experience, governance, and strategic transformation.

Financial Performance Indicators

For the financial year ended June 2024, the Bank recorded notable improvements across key profitability, efficiency, and balance sheet utilization indicators, reflecting strengthened earnings performance, disciplined cost management, and effective deployment of assets.

Net Interest Margin (NIM): Net Interest Margin measures the difference between interest income generated and interest expense incurred relative to average earning assets. It reflects the Bank's effectiveness in managing its asset-liability mix and pricing strategy. For FY 2024, Net Interest Margin improved to 3.39%, compared with 3.11% in June 2023. The increase reflects stronger net interest income performance driven by improved investment yields, strategic loan repricing, and increased deployment of liquidity into income-generating assets, while the Bank's cost of funds remained relatively stable during the period.

Yield on Loans: Yield on Loans represents the average return earned on the Bank's loan portfolio and reflects loan pricing, portfolio composition, and competitive market conditions. The yield on loans moderated slightly to 5.40%, compared with 5.65% in the previous year. This movement reflects changes in portfolio composition and lending mix during the year. Notwithstanding this adjustment, the loan portfolio continued to expand, contributing positively to overall interest income and supporting growth in net interest income.

Allowance for Loan and Lease Losses to Loans: This ratio measures the level of provisioning relative to the Bank's total loan portfolio and indicates the adequacy of credit loss reserves maintained to absorb potential losses. The ratio increased to 6.55%, up from 5.85% in June 2023, reflecting the Bank's continued prudent approach to credit risk management and provisioning coverage. The higher coverage ratio ensures that the Bank maintains sufficient buffers to address potential credit losses while supporting ongoing portfolio growth.

Loans to Deposits Ratio (LDR): The Loans-to-Deposits Ratio measures the proportion of customer deposits deployed into lending activities and provides an indication of liquidity utilization and balance sheet efficiency. The ratio increased to 53.74% from 48.27% in the previous year. This reflects continued loan portfolio growth and improved utilization of available liquidity, achieved despite a modest reduction in customer deposits during the year.

Return on Equity (ROE): Return on Equity measures profitability relative to shareholders' funds and indicates the Bank's ability to generate value from its capital base. ROE increased to 9.80%, compared with 7.54% in the previous year, reflecting stronger earnings performance and improved operational efficiency during the period.

Efficiency Ratio: The efficiency ratio measures the Bank's operating expenses relative to total revenue and provides an indication of cost discipline and operational effectiveness. The ratio improved significantly to 48.32%, compared with 57.20% in 2023, reflecting the combined effect of strong revenue growth, particularly in net interest income, and continued cost management across the Bank's operations.

Overall, the Bank's financial performance indicators demonstrate strengthened profitability, improved operating efficiency, and effective balance sheet management. The improvement in key ratios reflects continued progress in executing the Bank's strategic priorities while maintaining prudent risk management and capital discipline.

Positioning for the Future

Looking ahead, Management remains focused on building upon the progress achieved. Key priorities include:

- Continued modernization of core banking and digital platforms;
- Implementation of Governance, Risk and Compliance systems;
- Strengthening talent management and succession planning;
- Enhancing ESG impact and sustainability initiatives;
- Aligning performance metrics more directly to strategic objectives;
- Expanding investments as a structured product offering;
- Strengthening correspondent banking relationships.

Transformation is an ongoing journey. The actions undertaken in 2023–2024 have strengthened governance, opera-

tional capability, and strategic direction, positioning NBD to navigate future challenges and opportunities while delivering sustainable value to customers, communities, and shareholders.

Our Journey Onwards

This year marked more than financial progress; it marked alignment. Alignment between who we are, how we operate, and where we are going. As we transition into a renewed strategic horizon, we do so with clarity of purpose and confidence in our direction.

Financial Year 2023–2024 affirmed that when strategy, governance, people, and disciplined execution are unified, meaningful results follow. We are shaping a bank that is resilient, digitally progressive, customer-centered, and grounded in strong governance and accountability.

Together with the Board, Executive Team, and every employee across the NBD family, we will continue to move forward with courage, innovation, and purpose. With renewed commitment and unwavering resolve, we face the future together, determined not merely to participate in a changing financial landscape, but to help shape it.

The actions undertaken in FY 2023–2024 have strengthened our foundations, enhanced governance, modernized infrastructure, and positioned NBD to deliver sustained and measurable impact. The coming years will build on this momentum as we execute a bold and forward-looking strategy designed to create enduring value.

I extend my sincere appreciation to the Board of Directors for their steady guidance and strategic oversight during this period of progress. I am equally grateful to the Executive Team for their leadership and disciplined execution in turning our ambitions into reality. To our dedicated staff across all branches and departments, your professionalism, resilience, and unwavering commitment continue to form the backbone of NBD's success. Together, through shared purpose and collective effort, we will continue to strengthen our institution and uplift the communities we serve.

Annette Severin-Lestrade

Managing Director

National Bank of Dominica Ltd. (NBD)



Management Analysis

FOR THE YEAR ENDED JUNE 30, 2024



Overview And Key Highlights

The 2024 financial year reflects a continuation of the Bank's positive earnings momentum, with the NBD delivering a net profit of EC\$18.49 million, representing a 54.6% increase over the prior year (2023: EC\$11.96 million). This strong performance was underpinned by robust growth in net interest income, supported by higher yields on earning assets and continued expansion in the loan portfolio, alongside sustained contributions from foreign exchange trading and investment activities. While credit impairment charges increased in line with portfolio growth and forward-looking provisioning requirements, overall revenue growth continued to outpace expense pressures.

Earnings per share improved to EC\$0.65 (2023: EC\$0.42), while total comprehensive income increased to EC\$29.98 million, reflecting both higher profitability and favorable valuation movements on investment securities recognized through other comprehensive income. Total assets closed at EC\$1.77 billion (2023: EC\$1.85 billion), reflecting a shift in balance sheet composition during the year, while shareholders' equity strengthened significantly by 18.9% to EC\$188.63 million, reinforcing the Bank's capital position. The Bank remained well capitalized throughout the year, with capital adequacy ratios comfortably above regulatory requirements, providing a strong foundation to support ongoing operations and future growth.

Major Factors Impacting Operations

During the financial year ended June 30, 2024, the Bank operated within a dynamic economic environment shaped by elevated global interest rates, moderating inflationary pressures, and continued geopolitical uncertainty. While global economic growth remained uneven, conditions within the Eastern Caribbean showed relative stability, supported by sustained tourism activity, public sector investment, and ongoing post-pandemic economic normalization. These factors collectively influenced customer behavior, funding dynamics, and credit demand across the Bank's operations.

- **Interest Rate and Monetary Environment:** Global monetary conditions remained tight for most of the financial year, with policy rates staying elevated as central banks sought to anchor inflation expectations. This environment supported higher yields on earning assets and contributed positively to net interest income. At the same time, competitive pressures on deposit pricing and shifts in customer funding preferences influenced the

Bank's balance sheet composition and liquidity management decisions.

- **Credit Demand and Portfolio Dynamics:** Credit demand remained resilient across key retail and commercial segments, supported by ongoing economic activity within Dominica and the wider region. Increased utilization of short-term facilities, particularly overdrafts, reflected higher working capital needs among business customers, while mortgage lending continued to grow steadily. Credit provisioning levels increased during the year, reflecting portfolio growth and the application of forward-looking assumptions, with management maintaining a prudent and conservative approach to credit risk management.
- **Liquidity and Funding Conditions:** Following the exceptionally strong deposit inflows recorded in the prior year, customer deposit levels moderated during the period under review. This normalization influenced the Bank's liquidity position and resulted in a measured deployment of surplus liquidity accumulated in earlier periods. Despite this adjustment, the Bank maintained adequate liquidity buffers throughout the year, remaining comfortably within regulatory requirements.
- **Market and Investment Conditions:** Financial markets experienced periods of volatility during the year, influenced by shifting expectations around the future path of interest rates and ongoing geopolitical developments. Against this backdrop, the Bank continued to actively manage its investment portfolio, benefiting from favorable valuation movements on certain investment securities while maintaining a diversified mix of liquid placements and longer-term instruments.

Overall, the operating environment during the year required disciplined balance sheet management, prudent risk oversight, and flexibility in responding to changing market conditions. Management remains satisfied that the Bank navigated these challenges effectively, delivering strong earnings performance while reinforcing capital strength and balance sheet resilience.

Financial Performance Analysis

The Bank delivered a strong financial performance in the year ended June 30, 2024, building on the recovery achieved in 2023. Profit for the year increased by 54.6% to EC\$18.49 million (2023: EC\$11.96 million), supported by robust growth in net interest income, continued strength in foreign exchange trading, and higher gains

on investment securities. Earnings per share improved to EC\$0.65, up from EC\$0.42 in the prior year.

Net revenue expanded by 21.0% to EC\$77.19 million (2023: EC\$63.82 million), outpacing the growth in operating and impairment-related expenses. While credit impairment charges increased in line with portfolio growth and forward-looking provisioning overlays, overall profitability remained resilient.

Total assets closed at EC\$1.77 billion (2023: EC\$1.85 billion), representing a 4.18% year-on-year reduction. While the Bank recorded growth in core earning areas such as loans and investments, total assets declined year-on-year, driven primarily by a normalization in customer deposit levels.

Liquidity And Cash Flow Management

Liquidity management remained a key focus during the year. Net cash used in operating activities amounted to EC\$113.14 million (2023: net inflows of EC\$130.08 million), driven primarily by changes in customer deposits and commercial paper, as well as growth in the loan portfolio.

Cash and cash equivalents declined to EC\$507.43 million at year-end (2023: EC\$609.76 million), reflecting the Bank's strategy to actively deploy excess liquidity accumulated in prior periods. Despite this reduction, liquidity levels remained comfortably above regulatory requirements, supported by a diversified deposit base and strong access to liquid investment instruments.

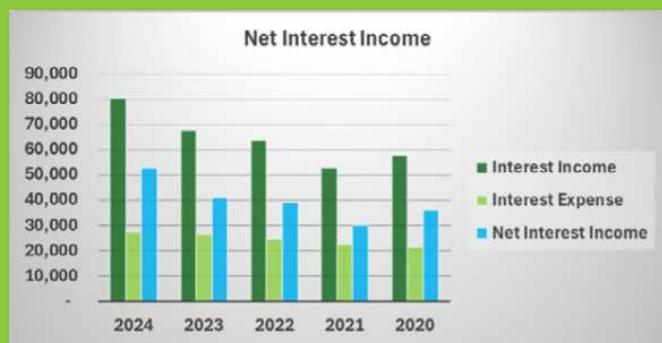
Investing activities generated a net inflow of EC\$10.92 million, reflecting disciplined portfolio rebalancing, while financing activities remained minimal following the settlement of lease-related obligations.



Net Interest Income

Net interest income increased by 28.3% to EC\$52.67 million (2023: EC\$41.05 million), representing one of the most significant contributors to overall earnings growth. Interest income rose to EC\$80.29 million, reflecting higher yields on investments and continued expansion of the loan portfolio.

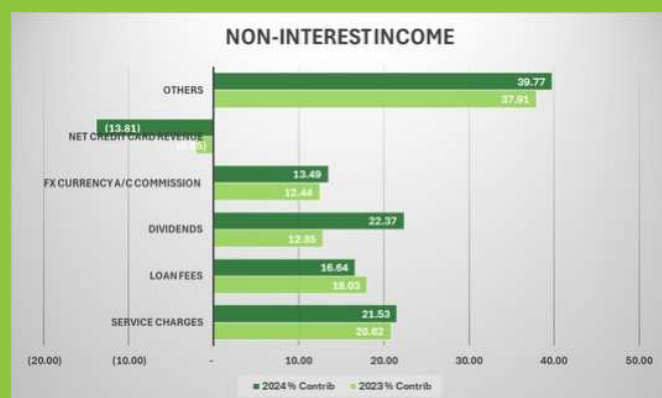
Interest expense increased marginally to EC\$27.62 million (2023: EC\$26.41 million), primarily due to the higher average deposit base. The widening spread between interest earned and interest paid demonstrates the Bank's effective asset-liability management and disciplined pricing approach in a high-rate environment.



Non-Interest Income

Non-interest income remained a stable and diversified contributor to revenue. Net foreign exchange trading income amounted to EC\$10.06 million (2023: EC\$10.57 million), reflecting sustained customer transaction volumes despite some moderation in market activity.

Net commission and other income totaled EC\$8.89 million (2023: EC\$9.49 million), with marginal declines attributable to changes in transaction mix and competitive pricing pressures. These were partially offset by higher net gains from investment securities measured at fair value through profit or loss, which increased to EC\$5.57 million (2023: EC\$2.70 million), benefiting from favorable market movements.

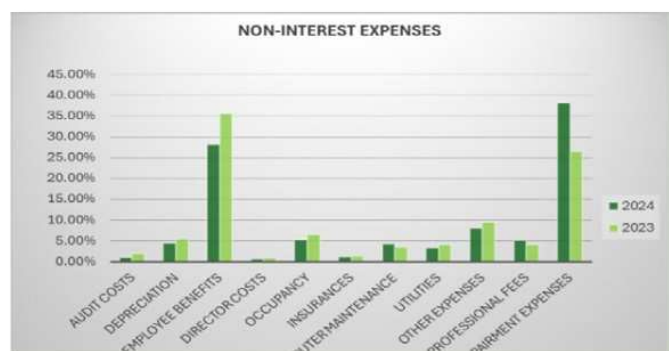


Non-Interest Expenses

Total operating expenses, excluding impairment charges, remained well controlled. Employee benefits expense declined to EC\$17.13 million (2023: EC\$18.03 million), reflecting stabilization in staffing levels following prior-year integration activities and disciplined cost management.

Operating expenses, net, increased modestly to EC\$17.74 million (2023: EC\$16.46 million), driven mainly by inflationary pressures and technology-related costs. Depreciation and amortization declined slightly, reflecting the amortization profile of prior capital investments.

Overall, management continued to balance cost containment with targeted investments in infrastructure, systems, and human capital.

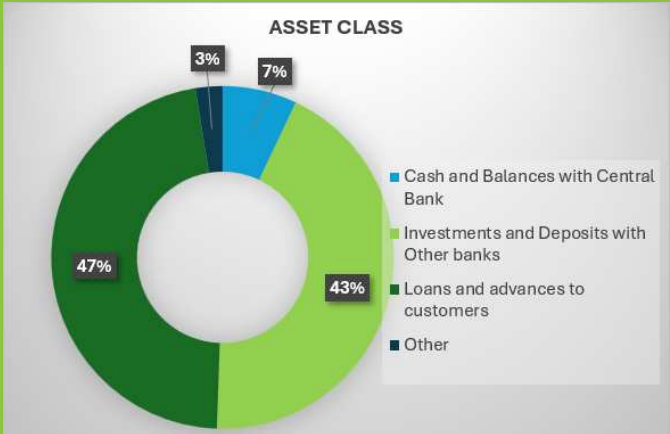


Asset Structure

Total assets stood at EC\$1.77 billion at June 30, 2024, compared to EC\$1.85 billion in 2023. Asset movements during the year reflected continued growth in core earning assets and a rebalancing of liquidity holdings.

The Bank's asset base remained predominantly concentrated in core earning assets. Loans represented the largest share of total assets, accounting for approximately 47%, while investments and deposits with other banks comprised a further 43%. Cash and balances with the Central Bank accounted for approximately 7% of total assets, with the remaining balance represented by other asset categories.

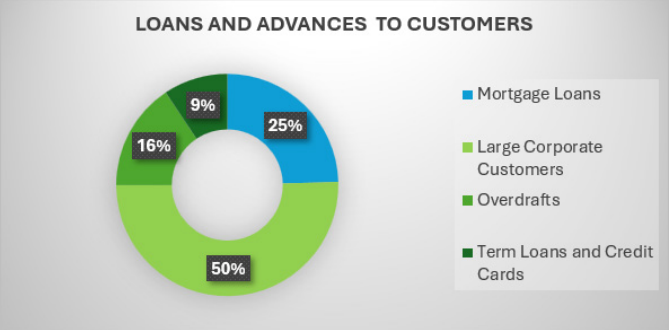
The overall asset structure reflects a balance sheet oriented toward income-generating activities, with movements within individual asset classes discussed in the sections that follow.



Loan Portfolio Performance

Total loans and advances increased by EC\$32.56 million or 4.08% during the year, rising from EC\$797.96 million in 2023 to EC\$830.52 million at June 30, 2024. Growth was driven primarily by higher utilization of overdraft facilities, which increased by 28.91% to EC\$130.17 million, alongside continued expansion in mortgage lending, reflecting sustained credit demand across both retail and commercial segments.

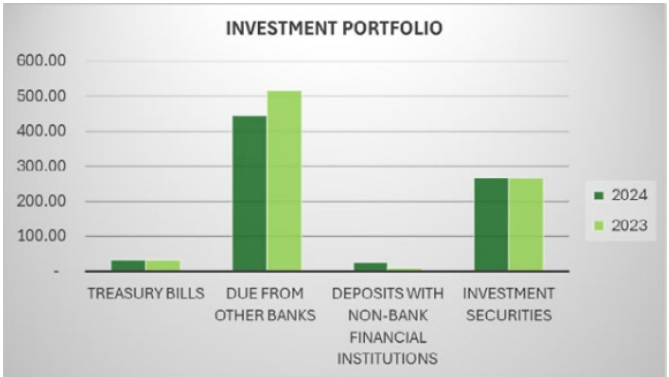
Large corporate customers remained the dominant segment, accounting for 50.41% of the loan portfolio, with balances broadly stable year-on-year. Mortgage loans represented 24.57% of total loans, while term loans and credit cards accounted for 9.35%, remaining relatively unchanged. Overall, the loan portfolio reflects a balanced mix across customer segments and product types, supporting income generation and portfolio diversification.



Investment Portfolio

The total investment portfolio declined by EC\$54.6 million or 6.61% during the year, decreasing from EC\$824.81 million in 2023 to EC\$770.26 million at June 30, 2024. This movement primarily reflects a reduction in balances due from other banks, which declined by 13.91% to EC\$444.62 million, consistent with changes in portfolio deployment during the year. Treasury bill holdings remained broadly stable at EC\$32.09 million.

Offsetting this reduction, deposits with non-bank financial institutions increased significantly by 124.25% to EC\$25.38 million, while investment securities grew modestly by 1.23% to EC\$268.17 million. As a result, the portfolio composition shifted slightly, with investment securities representing a larger share of total investments, while placements with other banks remained the dominant component. Overall, the investment portfolio continues to reflect a diversified mix of liquid placements and longer-term instruments supporting income generation and balance-sheet and liquidity flexibility.



Customer Deposits

Customer deposits totaled EC\$1.54 billion at June 30, 2024, representing a year-on-year decline of 6.0% from EC\$1.64 billion in 2023. The reduction was recorded across all deposit categories, with demand deposits declining by 9.28% to EC\$340.33 million, savings accounts decreasing by 6.0% to EC\$925.62 million, and term deposits reducing marginally by 1.54% to EC\$271.65 million.

Despite the overall reduction in balances, the deposit mix remained broadly stable. Savings accounts continued to represent the largest component of the deposit base at approximately 60.20%, followed by demand deposits at 22.13% and term deposits at 17.67%. This stable mix continues to provide a diversified and resilient funding base, supporting the Bank's lending and investment activities.



Shareholders' Equity & Capital Strength

Total shareholders' equity increased by 18.90% during the year, rising from EC\$158.64 million in 2023 to EC\$188.63 million at June 30, 2024. The increase was driven primarily by higher retained earnings, which grew by EC\$7.79 million (13.48%) reflecting improved profitability, alongside growth in the statutory reserve in line with regulatory requirements. The loan loss reserve also increased by EC\$7.03 million (23.08%), while the fair value through other comprehensive income reserve rose significantly by EC\$11.50 million (74.92%), reflecting favorable movements in investment valuations.

The Bank's capital position remained strong throughout the year. Tier 1 capital increased to EC\$124.28 million, with the Tier 1 capital ratio improving to 15.62% (2023: 15.11%). The capital adequacy ratio (CAR) strengthened to 18.72%, compared to 18.13% in the prior year, remaining comfortably above regulatory minimums. This capital strength provides a solid buffer to support balance sheet activity and future growth.



STRATEGIC OUTLOOK AND FUTURE INITIATIVES

Looking ahead, management remains focused on sustaining the Bank's strong earnings performance while preserving balance sheet resilience and capital strength. Building on the solid results achieved in 2024, priority areas include measured growth in the loan portfolio, continued optimization of the investment portfolio, and disciplined management of funding and liquidity in a dynamic economic environment. The Bank will maintain a prudent approach to credit underwriting and portfolio monitoring, ensuring that growth is supported by sound risk management practices.

In parallel, management will continue to advance initiatives aimed at strengthening operational efficiency and enhancing customer experience, including targeted investments in systems, processes, and technology. On-going attention will also be given to capital planning and regulatory compliance to ensure that the Bank remains well positioned to support future business activity and withstand potential external shocks. Management is confident that, supported by a strong capital base and a diversified earnings profile, the Bank is well placed to deliver sustainable value for shareholders and stakeholders over the medium term.

[illegible]

Appointment of Proxy Form

The undersigned shareholder of the National Bank of Dominica Ltd.

appoints.....of.....

(Block Letters) (Address)

Or failing him/her

(Block Letters)

to be my/our proxy or act on my/our behalf at the meeting of shareholders of the said Company to be held on the ____ day of ____, 20____, and at any adjournment thereof.

The proxy shall have the same authority, to the same extent, and with the same powers as if I/we were personally present at the said meeting or any adjournments thereof.

Shareholder's Name.....

(Block Letters)

Shareholder's Signature.....

Date:.....20.....

Before me:..... Date:.....20.....

Commissioner of Oaths/Attorney/Notary Public/Justice of the Peace

1. A shareholder may appoint a proxy of his/her choice.
2. If the appointer is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on their behalf.
3. To be valid, this form must be deposited or received at the National Bank of Dominica Ltd., 64 Hillsborough Street, Roseau, Commonwealth of Dominica, no later than 4:00 p.m. two (2) days prior to the scheduled AGM at which this proxy is to be used.
4. In accordance with section 138 (3) of the Companies Act No.21 of 1994, A proxy is valid only at the meeting in respect of which it is given or any adjournment of that meeting.
5. In accordance with section 139 of the Act, A shareholder of a company may revoke a proxy-
 - (a) By depositing an instrument in writing executed by him or by his attorney authorised in writing:
 - i. At the registered office of the company at any time, up to and including the last business day preceding the day of the meeting, or any adjournment of that meeting, at which the proxy is to be used; or

- ii. With the Chairperson of the meeting on the day of the meeting, or any adjournment of that meeting; or
- (b) In any other manner permitted by law.

For Internal Use Only

Received by..... Date & Time:

The Proxy Form can be downloaded from the Shareholders' Centre on the National Bank of Dominica Ltd.'s website: www.nbdominica.com.



Consolidated Financial Statements of

NATIONAL BANK OF DOMINICA LTD.

June 30, 2024

(Expressed in Eastern Caribbean dollars)



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of National Bank of Dominica Ltd.

Report on the Audit of the Consolidated Financial Statements

Grant Thornton Inc.

Pointe Seraphine
PO Box 195 Castries
St. Lucia W.I.

T +1 758 456 2600
F +1 758 452 1061

Opinion

We have audited the consolidated financial statements of National Bank of Dominica Ltd. (the "Bank") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at June 30, 2024, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Eastern Caribbean, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated 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 consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of National Bank of Dominica Ltd.

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of National Bank of Dominica Ltd.

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

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.



**Chartered Accountants
Castries, Saint Lucia
December 30, 2025**

National Bank of Dominica Ltd.

Consolidated Statement of Financial Position

As at June 30, 2024

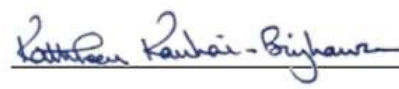
(Expressed in Eastern Caribbean Dollars)

	Notes	2024 \$	2023 \$
Assets			
Cash and balances with Central Bank	7(a)	124,706,795	175,228,979
Treasury bills	8	32,087,062	32,114,983
Due from other banks	9	444,617,586	516,479,729
Deposits with non-bank financial institutions	10	25,383,646	11,319,422
Loans and advances to customers	11	830,516,321	797,955,878
Investment securities	12	268,166,853	264,900,093
Other assets	13	20,185,347	25,709,853
Property and equipment	14	17,622,891	16,138,390
Right-of-use assets	34	-	30,922
Intangible assets	15	7,609,045	8,266,001
Total Assets		1,770,895,546	1,848,144,250
Liabilities			
Deposits from customers	16	1,537,602,339	1,635,707,201
Other liabilities	17	26,306,580	27,522,580
Lease liability	34	-	32,583
Commercial paper	18	18,025,048	26,072,925
Provision	33	336,113	168,403
Total Liabilities		1,582,270,080	1,689,503,692
Equity			
Share capital	19	32,723,961	32,723,961
Statutory reserve	20	25,984,540	22,319,359
Loan loss reserve	21	37,502,786	30,470,647
Fair value through OCI reserve	22	26,845,506	15,347,075
Retained earnings		65,568,673	57,779,516
Total Equity		188,625,466	158,640,558
Total Liabilities and Equity		1,770,895,546	1,848,144,250

The consolidated financial statements were approved on December 18, 2025 by the Board of Directors for issue and signed on its behalf by:



Managing Director



Executive Manager Finance and Investments

The accompanying notes are an integral part of these consolidated financial statements.

National Bank of Dominica Ltd.

Consolidated Statement of Changes in Equity

For the year ended June 30, 2024

(Expressed in Eastern Caribbean Dollars)

	Notes	Share capital \$	Statutory reserve \$	Fair value through OCI reserve \$	Loan loss reserve \$	Retained earnings \$	Total Equity \$
Balance at June 30, 2022		32,723,961	20,000,000	11,739,328	24,558,289	54,053,473	143,075,051
Profit for the year		-	-	-	-	11,957,760	11,957,760
Transfer to loan loss reserve	21	-	-	-	5,912,358	(5,912,358)	-
Allocation to statutory reserve	20	-	2,319,359	-	-	(2,319,359)	-
Change in fair value of FVOCI investment securities	22	-		3,607,747	-	-	3,607,747
Balance at June 30, 2023		32,723,961	22,319,359	15,347,075	30,470,647	57,779,516	158,640,558
Profit for the year		-	-	-	-	18,486,477	18,486,477
Transfer to loan loss reserve	21	-	-	-	7,032,139	(7,032,139)	-
Allocation to statutory reserve	20	-	3,665,181	-	-	(3,665,181)	-
Change in fair value of FVOCI investment securities	22	-	-	11,498,431	-	-	11,498,431
Balance at June 30, 2024		32,723,961	25,984,540	26,845,506	37,502,786	65,568,673	188,625,466

The accompanying notes are an integral part of these consolidated financial statements.

National Bank of Dominica Ltd.

Consolidated Statement of Income

For the year ended June 30, 2024

(Expressed in Eastern Caribbean Dollars)

	Notes	2024 \$	2023 \$
Interest income, calculated using the effective interest method	23	80,287,977	67,463,788
Interest expense	23	(27,616,564)	(26,414,836)
Net interest income		52,671,413	41,048,952
Net foreign exchange trading income		10,060,245	10,573,243
Net commission and other income	24	8,885,865	9,492,974
Net gains from investment securities at fair value through profit or loss	12	5,573,049	2,702,742
Net revenue		77,190,572	63,817,911
Net impairment charge on loans and advances to customers	11	(21,828,893)	(15,911,551)
Impairment recovery/(loss) on investment securities	12	435,914	(50,626)
Impairment recovery on investment securities	12, 25	68,257	1,416,231
ECL adjustment on treasury bills, due from other banks, deposits with non-bank financial institutions and loan commitments and financial guarantees		160,266	2,400
Depreciation and amortization	14, 15, 34	(2,670,653)	(2,827,868)
Employee benefits expense	28	(17,127,641)	(18,028,294)
Operating expenses, net	26	(17,741,345)	(16,460,443)
Profit before taxation		18,486,477	11,957,760
Income tax expense	29	-	-
Profit for the year		18,486,477	11,957,760
Earnings per share attributable to equity holders of the Group			
Basic and diluted	31	0.65	0.42

The accompanying notes are an integral part of these consolidated financial statements.

National Bank of Dominica Ltd.

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2024

(Expressed in Eastern Caribbean Dollars)

	Notes	2024 \$	2023 \$
Profit for the year		18,486,477	11,957,760
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Net fair value gains on equity investments at FVOCI	12, 22	<u>11,498,431</u>	<u>3,607,747</u>
Total comprehensive income for the year		<u>29,984,908</u>	<u>15,565,507</u>

The accompanying notes are an integral part of these consolidated financial statements.

National Bank of Dominica Ltd.
Consolidated Statement of Cash Flows
For the year ended June 30, 2024
(Expressed in Eastern Caribbean Dollars)

	Notes	2024 \$	2023 \$
Cash flows from operating activities			
Profit before taxation		18,486,477	11,957,760
Adjustments for:			
Interest expense		27,616,564	26,400,062
Net impairment charge on loans and advances	11(i)	21,828,893	15,911,551
Depreciation and amortization	14, 15	2,560,524	2,302,898
Depreciation on right-of-use assets	34	110,129	524,970
Interest on lease liability	34	-	14,774
Gain on lease remeasurement		-	(52,791)
Gain on disposal of property and equipment		(45,049)	(30,000)
Impairment recovery on investment securities	12, 25	(68,257)	(1,416,231)
ECL adjustment on treasury bills, due from other banks, deposits with non-bank financial institutions and loan commitments and financial guarantees		(160,266)	(2,400)
Net impairment (recovery)/loss on investment securities	12	(435,914)	50,626
Fair value gains on investment securities at FVTPL	12	(5,573,049)	(2,702,742)
Interest income	23	(80,287,977)	(67,463,788)
Cash flows before changes in operating assets and liabilities		(15,967,925)	(14,505,311)
Change in mandatory deposits with Central Bank		5,985,111	(9,644,694)
Change in loans and advances		(59,591,698)	(60,383,745)
Change in other assets		5,421,186	(6,622,822)
Change in deposits from customers and commercial paper		(107,795,920)	158,746,424
Change in other liabilities		(1,216,000)	9,449,937
Cash (used in)/generated from operations		(173,165,246)	77,039,789
Interest received		85,997,836	80,691,370
Interest paid		(25,973,383)	(27,649,841)
Net cash (used in)/from operating activities		(113,140,793)	130,081,318
Cash flows from investing activities			
Proceeds from disposal of investment securities		109,953,928	143,948,027
Proceeds from disposal of property and equipment		45,049	30,000
Purchase of intangible assets	15	(283,698)	(3,283,502)
Purchase of property and equipment	14	(3,104,371)	(2,622,137)
Purchase of investment securities	12	(95,689,043)	(153,998,635)
Net cash from/(used in) investing activities		10,921,865	(15,926,247)
Cash flows from financing activities			
Repayments of lease liabilities	34	(111,790)	(541,353)
Net (decrease)/increase in cash and cash equivalents		(102,330,718)	113,613,718
Cash and cash equivalents – beginning of year		609,762,055	496,148,337
Cash and cash equivalents – end of year	7(b)	507,431,337	609,762,055

The accompanying notes are an integral part of these consolidated financial statements.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

(Expressed in Eastern Caribbean Dollars)

1. Reporting entity

The National Bank of Dominica Ltd. (“the Bank”) and its subsidiary National Investment Corporation Ltd. (together “the Group”) are domiciled in the Commonwealth of Dominica. The Group’s registered office and principal place of business are both located at 64 Hillsborough Street, Roseau, Commonwealth of Dominica. These consolidated financial statements comprise the financial statements of the Group.

The Bank was established by Act of Parliament No. 27 of 1976 and commenced operations on March 15, 1978. The Bank is subject to the provisions of the Banking Act No. 4 of 2015 and the Companies Act of 1994 of the Commonwealth of Dominica.

The Eastern Caribbean Securities Exchange acts as a registrar and the transfer agent for the Bank’s shares.

The Bank provides retail, corporate and investment banking services in the Commonwealth of Dominica and the rest of the Eastern Caribbean region.

The National Investment Corporation Ltd. (“NIC”), the Bank’s wholly owned subsidiary, was incorporated in the Commonwealth of Dominica under the Companies Act 1994. In August 2012, NIC was amalgamated with the National Mortgage & Finance Corporation, then another wholly owned subsidiary of the Group. NIC is in the process of reviewing its mandate and is currently non-operational. However, it is proposed that it engages in capital market services, focusing initially on brokerage and trade execution services to institutions and individual clients wishing to invest funds in various securities offered in the regional capital market.

These consolidated financial statements reflect the results of the Bank and its wholly owned subsidiary for the year ended June 30, 2024.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) as at June 30, 2024 (the reporting date).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the consolidated statement of financial position that are measured at fair value:

- financial instruments designated and measured at fair value through profit or loss (FVTPL); and
- equity investments designated at fair value through other comprehensive income (FVOCI).

(c) Functional and presentation currency

These consolidated financial statements are presented in Eastern Caribbean dollars, which is the Bank’s functional currency, except otherwise indicated. All amounts have been rounded to the nearest dollar.

2. Basis of preparation (cont'd)

(d) Estimates critical to reported amounts, and judgements in applying accounting policies

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, based on assumptions and judgements. Management also makes judgements, other than those involving estimations, in the process of applying the accounting policies. The estimates and judgements affect (1) the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended, and (2) the carrying amounts of assets and liabilities in the next financial year.

The estimates, and the assumptions underlying them, as well as the judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made in the application of IFRS that have a significant effect on the amounts recognised in the consolidated financial statements, and estimates that can cause a significant adjustment in the next financial year to the carrying amounts of assets and liabilities at the reporting date are outlined below:

(i) Key sources of estimation uncertainty

1. Fair value of financial instruments

There are no quoted market prices for a significant portion of the Group's financial assets that are carried at fair value. Accordingly, fair values of several financial assets are estimated using a variety of means, including quotes published by broker/dealers and the book value of the entity, approaches in which there is inherent significant uncertainty that has resulted in these instruments being categorized as Level 2 and Level 3 in the fair value hierarchy. The estimates of fair value arrived at from these sources may be significantly different from the actual price of the instruments in an actual arm's length transaction.

2. Impairment of non-financial assets including goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the future cash inflows.

2. Basis of preparation (cont'd)

(d) Estimates critical to reported amounts, and judgements in applying accounting policies (cont'd)

(i) Key sources of estimation uncertainty (cont'd)

3. Expected credit losses on financial assets

In determining amounts, if any, to be recorded for impairment of financial assets, management makes assumptions in assessing whether certain facts and circumstances, such as repayment default and adverse economic conditions, are indicators that there may be a measurable decrease in the estimated future cash flows from outstanding balances. Management also makes estimates of the amount of future cash flows from balances determined to be impaired, as well as the timing of such cash flows. If the balances are individually significant, the amount and timing of cash flows are estimated for each receivable individually. Where indicators of impairment are not observable on individually significant receivables, or on a group or portfolio of receivables that are not individually significant, management estimates the impairment by classifying each receivable or group of receivables according to their characteristics, such as credit risks, and applying appropriate factors, such as historical loss experience, to each class with similar characteristics. The use of assumptions makes uncertainty inherent in such estimates.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- The Bank's criteria for determining if there has been a significant increase in credit risk and hence whether impairment allowances for financial assets should be measured on a lifetime expected credit loss (ECL) basis
- Choosing appropriate models and assumptions for the measurement of expected credit losses, including post model adjustments
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Establishing the number and relative weightings of forward-looking macroeconomic scenarios for each type of product or market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

To the extent that the net present value of estimated cash flows differs by +/-10%, the provision would be estimated \$2,887,102 (2023: \$2,749,621 lower) or \$4,145,718 (2023: \$3,948,303 higher).

2. Basis of preparation (cont'd)

(d) Estimates critical to reported amounts, and judgements in applying accounting policies (cont'd)

(i) Key sources of estimation uncertainty (cont'd)

3. Expected credit losses on financial assets (cont'd)

Incorporation of forward-looking information

The Bank incorporates forward-looking information into the measurement of expected credit losses (ECL) through a scorecard model. The adjustment for forward looking information is determined based on the Bank's outlook related to multiple economic factors. For each segment, the Bank assigned weightings to macroeconomic factors to indicate their relative significance to the portfolio segment.

The Bank applied judgment to select macroeconomic factors that would most likely impact credit risk. Macroeconomic projections were incorporated for the following factors:

- GDP
- Inflation
- Fiscal Deficit
- Citizenship by Investment

The output of the approach is a multiple which is applied to the ECL calculation. The multiple is determined as follows:

- 1. Select** – Management determines and select the external economic factors that will potentially affect its portfolio in the future.
 - 2. Weighting** – Management weights the factors based on their significance and impact on NBD's portfolio.
 - 3. Outlook** – For each Macroeconomic variable an outlook, either negative, stable or positive, needs to be determined. The economic outlook of each variable was determined based on data from multiple sources (IMF, ECCB etc.).
 - 4. Multiplier** – The multiplier effect of each variable is determined based on management's assessment. For e.g. management can determine that the multiplier is a consistent twenty five percent (25%) decrease (1 less 25% = 0.75) or 25% increase (1 plus 25% = 1.25) depending on whether the outlook for the macroeconomic variable was determined to be positive or negative respectively. If the outlook was determined to be stable the multiplier would be 1.
 - 5. Scenario Weighting:** A percentage weighting is determined based on management's judgement. These percentage scenario weightings (probability weighted scenarios) represent the likelihood of each scenario occurring when evaluating the current and future macroeconomic conditions at a high level. The sum product of each scenario weight and macroeconomic multiple is then considered in the calculation of the ECLs.
 - 6. Score** – The product of the weighting and multiplier determines the score for each macroeconomic variable. The sum of the all the probability weighted scores determine the factor that will be applied to the portfolio.
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2. Basis of preparation (cont'd)

(d) *Estimates critical to reported amounts, and judgements in applying accounting policies (cont'd)*

(i) *Key sources of estimation uncertainty (cont'd)*

3. Expected credit losses on financial assets (cont'd)

Incorporation of forward-looking information (cont'd)

NBD developed a scorecard for three scenarios: optimistic, baseline and pessimistic.

The tables below list the macroeconomic assumptions used:

June 30, 2024	GDP growth	Inflation rate	Fiscal deficit rate of change	Citizenship by Investment rate of change
Economic assumptions	4.55%	2.6%	0.6% increase	4.0% increase

June 30, 2023	GDP growth	Inflation rate	Fiscal deficit rate of change	Citizenship by Investment rate of change
Economic assumptions	4.2%	2.6%	3.3% increase	37% increase

Notwithstanding this, the inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using the Bank's judgment. At the reporting date, the overlays incorporated into the final expected credit loss for loans and advances was \$33,261,528 (2023: \$16,989,801). This relates mainly to potential credit exposure on the loans acquired as part of the acquisition in the previous period and there are also considerations around the changes in the regulatory loan provisioning requirements which have required increases in the level of regulatory provisioning.

4. Determination of realisable amount of deferred tax assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Management assessed that no deferred tax assets will be recognised as at June 30, 2024. The details of unrecognised deferred tax assets is disclosed in Note 29.

2. Basis of preparation (cont'd)

(d) Estimates critical to reported amounts, and judgements in applying accounting policies (cont'd)

(ii) Critical accounting judgements in applying the Group's accounting policies

For the purpose of these consolidated financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS Accounting Standards.

The following are relevant to these consolidated financial statements:

1. Classification of financial assets

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are SPPI on the principal amount outstanding.

(e) New and amended standards that became effective during the year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new interpretations and amendments as follows:

- IFRS 17 'Insurance Contracts';
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12).

These amendments do not have significant impact on these consolidated financial statements and therefore the disclosures have not been made. Accordingly, the Group has made no changes to its accounting policies in 2024.

(f) New and amended standards that are not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

(Expressed in Eastern Caribbean Dollars)

3. Material accounting policy information*(a) Basis of consolidation*

The financial statements of the subsidiary used to prepare the consolidated financial statements were prepared as of the Bank's reporting date. The consolidation principles are unchanged as against the previous year.

The consolidated financial statements of the Group include the assets and liabilities and results of operations of the parent entity and its subsidiary, after elimination of intercompany transactions, balances, revenues and expenses.

(b) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

3. Material accounting policy information (cont'd)

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

(d) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting methods.

3. Material accounting policy information (cont'd)

(f) Business combinations and goodwill

In accordance with IFRS 3, business combinations are accounted for using the acquisition method which requires acquired assets and liabilities, including identifiable assets that satisfy the recognition criteria within IFRS 3, as appropriate, to be included in the Group's consolidated balance sheet at fair value as at the acquisition date. The cost of the acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs are expensed as incurred.

Goodwill is initially measured as being the excess of the aggregate of the value of consideration transferred and the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed and is reported in the consolidated statement of financial position as an intangible asset.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Impairment losses are recognised in profit or loss.

(g) Cash and cash equivalents

Cash comprises cash on hand and demand deposits at banks and includes unrestricted balances with the Eastern Caribbean Central Bank (ECCB). Cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and held for short-term operating, rather than investment, purposes. They comprise treasury bills with less than three months maturity from the date of acquisition, term deposits with other banks, term deposits with non-bank financial institutions, and other highly liquid short-term securities.

(h) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Subsequent measurement of financial assets and financial liabilities is described below.

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 risks and rewards are transferred, or when the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control, over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

3 Material accounting policy information (cont'd)

(h) Financial instruments (cont'd)

Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). For classification purposes, IFRS 9 requires all financial assets, except equity instruments and derivatives to be assessed on the basis of the entity's business model for managing the assets and the contractual cash flow characteristics of the instruments.

Financial assets are measured at initial recognition at fair value and are classified and subsequently measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt instrument is measured at initial recognition at fair value and is classified and subsequently measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other equity investments are classified as measured at FVTPL. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group will generally therefore classify its financial assets as follows:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI);
- Equity instruments designated at fair value through other comprehensive income (FVOCI); and
- Financial assets at fair value through profit or loss (FVTPL).

Business model assessment

IFRS 9 requires that financial assets are classified on the basis of the Group's business model for managing such assets unless it makes an irrevocable election to designate the asset at fair value through profit or loss. The business model assessment includes determining how financial assets are managed in order to generate cash flows. The Group is guided by its strategic objectives and uses judgement in determining its business models, and this is determined at the level that best reflects how it manages its portfolios of financial assets to achieve its business objectives. Judgment is used in determining the Group's business models that is supported by relevant, objective evidence including:

3. Material accounting policy information (cont'd)

(h) Financial instruments (cont'd)

Classification and subsequent measurement of financial assets, (cont'd)

Business model assessment (cont'd)

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How performance of the business model and the financial assets held within the model are evaluated and reported to key management personnel;
- How managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);
- The frequency and significance of past sales activity, the reason for those sales as well as expectations about future sales; and
- The significant risks affecting the performance of the business model for example, market risk and credit risk and the activities undertaken to manage those risks.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The business model assessment is forward looking in that if cash flows are realised in a manner that is different from expectations the classification of the remaining assets in the business model is not changed but instead that information is used to assess new instruments acquired.

Business models - Applicability to the Bank

The Group's business models fall into two main categories, which are indicative of the key strategies used to generate returns as follows:

- Hold to collect contractual cash flows (HTC) - the objective of this business model is to hold assets in order to collect contractual cash flows. Under this model, the Bank holds loans and advances and investment securities to collect contractual principal and interest cash flows. Sales are expected to be insignificant or infrequent; and
- Other business model - the objective of this business model is neither to hold assets in order to collect contractual cash flows, nor both collect contractual cash flows and to sell. Under this model collecting contractual cash flows is incidental to the objective of the model and sales may be significant in value and frequent. The Bank holds certain debt and equity investments under this model.

3. Material accounting policy information (cont'd)

(h) Financial instruments (cont'd)

Classification and subsequent measurement of financial assets, (cont'd)

Assessment of whether contractual cash flows are solely payments of principal and interest - SPPI assessment

For classification purposes the Group first reviews the terms of the instruments to determine whether they give rise on specified dates to cash flows that meet the SPPI test.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Classification and Measurement under IFRS 9 – Applicability to the Bank

Debt instruments measured at amortised cost

Debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortised cost. Interest income on these instruments is recognised in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortised cost is calculated using the expected credit loss approach. The Group has loans and advances and certain debt securities in this category, which are measured at amortised cost. These are presented net of the allowance for expected credit losses in the statement of financial position.

3. Material accounting policy information (cont'd)

(h) Financial instruments (cont'd)

Classification and subsequent measurement of financial assets, (cont'd)

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

- i) Are held for trading purposes;
- ii) Are held as part of a portfolio managed on a fair value basis; or
- iii) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the statement of financial position, with transaction costs recognised immediately in profit or loss. Realised and unrealised gains and losses are recognised in profit or loss.

The Group has certain investments in this category.

Equity instruments measured at FVTPL

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognised immediately in profit or loss. Subsequent to initial recognition the changes in fair value are recognised in profit or loss. Equity instruments at FVTPL are primarily assets held for trading.

The Group has certain equity investments in this category.

Equity instruments measured at FVOCI (designated)

At initial recognition, there is an irrevocable option for the Bank to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments for strategic or longer-term investment purposes. This election is made on an instrument-by-instrument basis and is not available to equity instruments that are held for trading purposes.

Gains and losses on these instruments including when derecognised/sold are recorded in OCI and are not subsequently reclassified to profit or loss. As such, there is no specific impairment requirement. Dividends received are recorded in profit or loss. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to profit or loss on sale of the security.

The Group has certain equity investments in this category.

3. Material accounting policy information (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2' financial instruments.

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3. Material accounting policy information (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets (cont'd)

Credit impaired financial assets (cont'd)

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer, including an inability to satisfy the debt because of decreased or no cash flow (negative debt service ratio), inability to work or where the customer is unemployed in excess of 6 months;
- A breach of contract such as a default or past due event, including a history of chronic arrears;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise, or if a loan has been restructured more than three times in five years;
- Measurable decrease in the estimated future cash flows from the underlying assets that secure the loan;
- Default or delinquency in interest or principal payments;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, the Bank considers that default has occurred and classifies a retail loan as credit impaired when it is more than 90 days past due.

Staging assessment

The Group utilises qualitative and quantitative criteria in its assessment.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).

Twelve (12) month ECLs are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

Currently, such facilities identified as:

- Those with a credit risk rating of between 1 to 3 inclusive;
- Loan repayments current or not more than 30 days past due;
- Loans rescheduled and up to date for more than 12 months; and
- Deposits on overdraft facilities over the last 30 days equal to, or in excess of the interest accrued on the facility.

3. Material accounting policy information (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets (cont'd)

Staging assessment (cont'd)

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition based on the defined criteria set out below, but that do not have objective evidence of impairment. This however excludes (non-restructured) loans assessed as having a low credit risk at the reporting date. Low credit risk refers to specific situations based on the Group's knowledge of the customer which indicates credit risk has not increased significantly. The standard states that a financial instrument is considered to have low credit risk if:

1. The financial instrument has a low risk of default.
2. The borrower has a strong capacity to meet its contractual cash flow obligations in the near term.
3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial instrument is not considered to have low credit risk simply because it has a low risk of loss (e.g., for a collateralised loan), if the value of the collateral is more than the amount lent or it has lower risk of default compared with the entity's other financial instruments or relative to the credit risk of the jurisdiction within which the entity operates. According to Basel credit risk is defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms.

For Stage 2 assets, lifetime ECLs are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. At this stage, the expected credit losses are calculated over the lifetime of the loan.

Currently, such loans are identified as those displaying any one or more of the following:

- Loan repayments in arrears between 30 – 89 days;
- Credit facilities with a risk rating of 4;
- Rescheduled or restructured loans which have been guaranteed by the Government of Dominica;
- Rescheduled or restructured loans due to deterioration which are up to date and adequately secured, for less than 1 year after rescheduling; and
- Deposits on overdraft facilities over the last 30 to 90 days equal to, or in excess of the interest accrued on the facility.

3. Material accounting policy information (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets (cont'd)

Staging assessment (cont'd)

Stage 3 – Financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECLs are recognised, and interest revenue is calculated on the net carrying amount (that is, net of credit allowance). The standard requires management, when determining whether the credit risk on a financial instrument has increased significantly, to consider reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument. The Group intends to utilise qualitative and quantitative criteria in its assessment of default of financial assets. The determination is based on whether the borrower is unable or unlikely to pay his/her obligations.

These criteria include any one or more of the following:

- Loans at least 90 days and more in arrears (non-performing loans);
- Credit facilities with a risk rating 5 or higher;
- Delinquent restructured loans;
- Credit cards 90 days past due converted to a loan; and
- Deposits on overdraft facilities over the last 90 days insufficient to cover the interest accrued thereon.

Significant increase in credit risk

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages and 12 month expected credit loss to lifetime credit losses as asset quality deteriorates. If, in a subsequent period, asset quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's best credit rating criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for doubtful debts for these financial assets is based on a 12-months ECL.

When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in profit or loss.

3. Material accounting policy information (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets (cont'd)

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors. The determination of whether there has been a significant increase in credit risk is the key contributing factor in the staging process.

The key factors the Group considers are:

- Changes in market or general economic conditions
- Expectation of potential breaches
- Expected delays in payment
- Deterioration of credit ratings
- Significant changes in operating results or financial position of the borrower

The Group considers as a backstop that significant increase in credit risk occurs when an asset is more than 30 days past due and also maintains a loan watch list to assist in the assessment.

The Group considers that significant increase in credit risk occurs for debt investments when investments with investment grade rating at acquisition moves to a non-investment grade but above a default grade. For debt investments with a non-investment grade at acquisition, a significant increase in credit risk occurs when there is an unfavorable movement in the ratings relative to the rating at initial recognition, including movement to a lower end of non-investment grade.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- *Financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *Undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *Financial guarantee contracts*: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

3. Material accounting policy information (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets (cont'd)

The inputs used to estimate the expected credit losses are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognised and is still in the portfolio.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

3. Material accounting policy information (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets (cont'd)

- Forward looking information – The standard requires the incorporation of forward-looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.
- Discount rate – The standard requires the ECL to be discounted using the effective interest rate (EIR).

The above five parameters are modelled and estimated independently and combined to obtain the ECL of loans.

To incorporate forward-looking macroeconomic sensitivity as required per the IFRS 9 guidance, the Bank developed an economic scorecard model based on qualitative rationale and management judgment to calculate a “Forward Looking Factor” (FLF).

The Group applied experienced judgement in selecting macroeconomic factors that would most likely impact credit risk and leveraged various third-party macroeconomic forecasts when determining the forward looking factors. The macroeconomic projections considered by the Group were:

- Gross Domestic Product (GDP)
- Inflation
- Fiscal Deficit
- Citizenship by Investment

The Group then employed a Forward-Looking Factor Scorecard approach to compute adjustment factors applied to the final PD estimates used to calculate the ECLs. This approach also considered various economic scenarios (negative, stable, positive) and their estimated impacts to the ECL.

Where the Group has assessed that the inputs and models used for calculating expected credit losses have not appropriately captured all characteristics of the market at the date of the financial statements, qualitative adjustments or overlays may be made as temporary adjustments using the Group’s judgment. These overlays can have the impact of either increasing or decreasing the calculated ECL estimate per the model.

3. Significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets (cont'd)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

In assessing whether the modified terms are “substantially” different from the original terms, the following factors are considered:

- Introduction of significant new terms
- Significant change in loan’s interest rate
- Significant extension in loan’s term
- Significant change in credit risk from inclusion of collateral or other credit enhancements.

Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life. For certain revolving facilities such as credit cards and overdrafts, the expected credit life is estimated based on the period over which the Group’s exposure to credit losses is not mitigated by normal credit risk management actions.

Presentation of allowance for ECL

Loss allowances for ECL are presented in the statement of financial position as follows:

- *Financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *Loan commitments and financial guarantee contracts:* generally, as a provision; and
- *Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component:* The Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

3. Material accounting policy information (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets (cont'd)

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of income.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include deposits from customers, commercial paper and other liabilities and accrued expenses. Financial liabilities are measured subsequently at amortised cost using the effective interest method. All interest-related charges are included within "interest expense" in the statement of income.

Offsetting financial instruments

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

Income and expenses are presented on a net basis only when permitted under IFRS or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3. Material accounting policy information (cont'd)

(h) Financial instruments (cont'd)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price, and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price, and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability not based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

The Group evaluates the leveling at each reporting period on an instrument basis and reclassifies instruments, when necessary, based on the facts at the end of the reporting period. The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3. Material accounting policy information (cont'd)

(h) Financial instruments (cont'd)

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Group derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

3. Material accounting policy information (cont'd)

(h) Financial instruments (cont'd)

Modifications of financial assets and financial liabilities *(cont'd)*

Financial liabilities *(cont'd)*

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(i) Property and equipment

a) Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within other income in profit or loss.

b) Subsequent costs

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

3. Material accounting policy information (cont'd)

(i) Property and equipment (cont'd)

c) Depreciation

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Building	3%
Leasehold improvements	20%
Computer equipment	14% - 33%
Furniture and equipment	14% - 20%
Motor vehicles	20%

Depreciation methods, residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is then written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in profit or loss.

(j) Intangible assets

Intangible assets comprise separately identifiable intangible items arising from computer software licenses and other intangible assets such as core deposits intangibles and goodwill. Intangible assets are recognised at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life, generally not exceeding 20 years. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group have a definite useful life.

At each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analyzed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. The Group chooses to use the cost model for measurement after recognition.

Computer software licenses

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits of the relevant asset. Software costs are amortised on the straight-line basis in profit or loss from the date it is available for use. The estimated useful lives of software range from three (3) to five (5) years. Amortisation methods, useful lives and residual values are reviewed annually and adjusted if necessary. Costs associated with maintaining computer software programs are recognised as an expense when incurred.

3. Material accounting policy information (cont'd)

(k) Impairment of other non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists for any asset, then that asset's recoverable amount is estimated. Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment 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 asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment losses are recognised in profit or loss.

(l) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income, in which case they are recognised in equity or other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any tax adjustment to tax payable in respect of previous years. Income tax payable is calculated on the basis of the applicable tax laws in the Commonwealth of Dominica and is recognised as an expense (income) for the period, except to the extent that current tax relates to items that are charged or credited in other comprehensive income; in these circumstances, current tax is charged or credited to other comprehensive income. Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position.

3. Material accounting policy information (cont'd)

(i) Income tax (cont'd)

(ii) Deferred tax

Deferred income tax is provided on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. The principal temporary differences arise from the difference between the carrying amounts of property and equipment and intangible assets and their tax bases and unutilised tax losses.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised, or the deferred income tax liability is settled.

However, deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit or loss;
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax assets reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Material accounting policy information (cont'd)

(m) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred and measured at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(n) Guarantees and letters of credit

Guarantees and letters of credit comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most guarantees and letters of credit to be settled simultaneously with the reimbursement from the customers. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers.

Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amount of the loss allowance and the amount initially recognised less cumulative amortisation where appropriate. The amount of the loss allowance at each subsequent period equals the 12-month expected credit losses. However, where there has been a significant increase in the risk that the specified debtor will default on the contract, the calculation is for lifetime expected credit losses. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

Any increase in the liability relating to guarantees is reported in the profit or loss within other operating expenses.

(o) Equity and reserves

Stated capital represents the issue price multiplied by the number of shares that have been issued. Any transaction costs associated with the issuing of shares are shown in equity as a deduction, net of any related income tax benefits.

Other components of equity include the following:

- Other reserves – comprises statutory and loan loss reserves as stipulated by the Banking Act and the Eastern Caribbean Central Bank (see note 20 and 21); and
- Retained earnings, which includes all current and prior period retained profits.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends for the year that are declared after the reporting date are, however, disclosed in the notes to the consolidated financial statements.

3. Material accounting policy information (cont'd)

(p) Interest income and expense

Interest income and expense are recognised in profit or loss for all financial instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial assets 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 and 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 liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation of the effective interest rate includes all transaction costs and fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

(q) Fee and commission income

Fee and commission income is generally recognised on the accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of a business, are recognised on completion of the underlying transaction. For financial planning and custody services that are continuously provided over an extended period of time, fees are recognised based on the applicable service contracts, usually on a time apportioned basis.

(r) Dividend income

Dividend income is recognised in profit or loss when the Group's right to receive payment is established. Dividends are presented in net interest, commission and other income in the consolidated statement of income.

(s) Employee benefits

(i) Short-term employee benefits:

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans:

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

3. Material accounting policy information (cont'd)

(t) Foreign currency

Foreign currency transactions that are denominated, or that require settlement, in a foreign currency are translated into the Group's functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with the closing rates as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign currency differences arising on translation are generally recognised in profit or loss.

(u) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- The Group as the lessee.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right of use asset has been depreciated on a straight-line basis over the remaining lease term for each lease.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

3. Material accounting policy information (cont'd)

(u) Leases (cont'd)

- The Group as the lessee (cont'd)

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office floor lease (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4. Group analysis

The Group has voluntarily presented an analysis by entity as part of the consolidated financial statements.

The Group's operations are all financial with a majority of revenues being derived from interest income. The Group's Board of Directors relies primarily on net interest income to assess the performance of each entity, therefore the total interest income and expense is presented on a net basis.

The revenue from external parties reported to the Group's Board of Directors is measured in a manner consistent with that in the consolidated statement of income. Revenue from external customers is recorded as such and can be directly traced to each entity.

The Group's management reporting is based on a measure of operating profit comprising net interest income, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effects of non-recurring expenditure from each entity such as legal expenses and audit fees.

The information provided about each entity is based on the internal reports about profit or loss, assets and other information, which are regularly reviewed by the Group's Board of Directors.

Assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position. Transactions between entities are on an arms-length basis and are eliminated on consolidation and reflected in the consolidation entries. There were no revenues derived from transactions with a single external customer that amount to 10% or more of the Group's revenue.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***4. Group analysis (cont'd)**

	NBD	NIC	Eliminating	Total
	\$	\$	entries	\$
June 30, 2024				
Net interest income	52,531,687	139,726	-	52,671,413
Net commission and other income	18,912,254	33,856	-	18,946,110
Net gains from investment securities at fair value through profit or loss	5,573,049	-	-	5,573,049
Impairment recovery on investment securities	68,257	-	-	68,257
Net impairment loss on loans and advances	(21,828,893)	-	-	(21,828,893)
Operating and other expenses	<u>(36,930,447)</u>	<u>(6,920)</u>	<u>(6,092)</u>	<u>(36,943,459)</u>
Profit before taxation	<u>18,325,907</u>	<u>166,662</u>	<u>(6,092)</u>	<u>18,486,477</u>
Total assets	<u>1,771,024,638</u>	<u>11,416,719</u>	<u>(11,545,811)</u>	<u>1,770,895,546</u>
Total liabilities	<u>1,586,049,820</u>	<u>1,194,071</u>	<u>(4,973,811)</u>	<u>1,582,270,080</u>
	NBD	NIC	Eliminating	Total
	\$	\$	entries	\$
June 30, 2023				
Net interest income	40,908,952	140,000	-	41,048,952
Net commission and other income	20,012,672	53,545	-	20,066,217
Net gains from investment securities at fair value through profit or loss	2,702,742	-	-	2,702,742
Impairment recovery on investment securities	1,416,231	-	-	1,416,231
Net impairment loss on loans and advances	(15,911,551)	-	-	(15,911,551)
Operating expenses	<u>(37,532,250)</u>	<u>(11,914)</u>	<u>179,333</u>	<u>(37,364,831)</u>
Profit before taxation	<u>11,596,796</u>	<u>181,631</u>	<u>179,333</u>	<u>11,957,760</u>
Total assets	<u>1,849,547,143</u>	<u>10,249,184</u>	<u>(11,652,077)</u>	<u>1,848,144,250</u>
Total liabilities	<u>1,693,222,139</u>	<u>1,361,632</u>	<u>(5,080,079)</u>	<u>1,689,503,692</u>

5. Financial risk management

(a) Risk management framework

This note presents information about the Group's objectives, policies, and processes for measuring and managing risk. The Group'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 risks. Taking risk is core to retail banking, and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out mainly by the Finance Department under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides oversight for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The risks that arise from the use of financial instruments are:

- Credit risk
- Liquidity risk
- Market risk (includes currency risk, interest rate risk, and equity price risk)
- Operational risk

(b) Credit risk

Credit risk is the risk of the Group suffering financial loss should a customer or a counterparty to a financial instrument fail to meet its contractual obligations to the Group, and arises principally from loans and advances, which includes commercial and customer loans, credit cards, loan commitments arising from such lending activities. It can also arise from credit enhancement provided, such as credit financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from balances with central bank, deposits with non-financial institutions, other assets, investments in debt securities and other exposures arising from its trading activities ("trading exposures"), including non-equity trading portfolio assets. For risk management purposes, the Group considers and consolidates all elements of credit risk exposure – e.g., individual obligor default risk, country and sector risk.

Loans and advances

The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are made for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk.

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

Probability of default

The Group assesses the probability of default of individual counterparties using an internal rating tool with grades from 1- 5 tailored to the various categories of counterparty. They have been aligned to the Eastern Caribbean Central Bank prudential guidelines in which borrowing customers of the Group are segmented into five rating classes as follows:

- (i) Pass
- (ii) Special mention
- (iii) Sub-standard
- (iv) Doubtful
- (v) Loss

The rating scale reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

The rating tool is kept under review and upgraded as necessary.

Debt securities and other bills

For debt securities and other bills, external rating agencies such as Standard & Poor's, Moody's and CariCRIS or their equivalents are used by the Asset and Liability Committee (ALCO) for the management of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

Risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries and countries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of related borrowers, and to the industry segments. Such risks are monitored on a revolving basis and subject to an annual or, when considered necessary by the Board of Directors, more frequent review. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(i) Collateral

It is the Group's practice to lend on the basis of the customer's ability to meet their obligations out of their cash flow resources, rather than rely on the value of security offered as collateral. Nevertheless, the collateral is an important mitigant of credit risk. Depending on the customer's standing and the type of product, some facilities are granted on an unsecured basis. For other facilities, a charge over collateral is obtained and considered in determining the credit amount and pricing. In the event of default, the Group may utilise the collateral as a source of repayment. In such cases the collateral is used to settle all debt obligations to the Group and excess value is returned to the borrower.

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential and commercial properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured, while revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Government-issued debt securities, treasury and other eligible bills are generally unsecured.

The collateral values are updated annually (including but not limited to professional valuations) with special focus given to individual collateral values when the loan is assessed as impaired.

At the reporting date, the fair value of collateral held against loans and advances (value of collateral is capped at the nominal amount of the loan that it is held against) was \$618,000,387 (2023: \$550,707,118). Additionally, the value of loans and advances for which the Bank has not recognised a loss allowance because of the collateral in place is \$65,057,360 (2023: \$141,098,480).

Repossessed collateral

The Group enforces its power of sale agreements over various types of collateral (as noted above) as a consequence of failure by borrowers or counterparties to honour their financial obligations to the Group. Appraisals are obtained for the current value of the collateral as an input to the impairment measurement, and once repossessed, the collateral is sold as soon as practicable. The proceeds net of disposal cost are applied to the outstanding debt.

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(ii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit (which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions) are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

(iii) Impairment and provisioning policies

The impairment provision shown in the consolidated statement of financial position at year-end is derived from each of the five internal rating grades. However, the majority of the impairment provision comes from the bottom three grades.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***5. Financial risk management (cont'd)***(b) Credit risk (cont'd)**(iii) Impairment and provisioning policies (cont'd)*

The table below shows the percentage of the Group's loans and advances and the associated regulatory impairment provision for each of the Group's rating categories:

	Loans to Customers		Impairment Provision		Net Total
	\$	%	\$	%	\$
At June 30, 2024					
Pass	641,621,814	72	-	-	641,621,814
Special mention	133,615,572	15	6,680,779	7	126,934,793
Substandard	29,476,411	3	7,369,103	8	22,107,308
Doubtful	4,558,463	1	2,735,078	3	1,823,385
Loss	78,927,849	9	78,927,849	82	-
Unrated	536,973	-	10,739	-	526,234
Total	888,737,082	100	95,723,548	100	793,013,534

	Loans to Customers		Impairment Provision		Net Total
	\$	%	\$	%	\$
At June 30, 2023					
Pass	606,821,745	72	-	-	606,821,745
Special mention	124,906,395	15	6,245,320	8	118,661,075
Substandard	22,354,521	3	5,588,630	7	16,765,891
Doubtful	8,062,829	1	4,837,697	6	3,225,132
Loss	84,476,333	9	63,357,250	79	21,119,083
Unrated	910,515	-	18,210	-	892,305
Total	847,532,338	100	80,047,107	100	767,485,231

National Bank of Dominica Ltd.

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For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***5. Financial risk management (cont'd)***(b) Credit risk (cont'd)**(iii) Impairment and provisioning policies (cont'd)*

The analysis of the statutory expected credit loss by category and IFRS 9 stage is as follows: (NB: Under the statutory guidelines, a certain percentage of the Bank's loans can remain as Unrated. However, under the IFRS 9 requirements, these are required to be allocated to a Stage for ECL purposes):

As at June 30, 2024

Statutory Rating	IFRS Rating			Total
	Stage 1	Stage 2	Stage 3	
	\$	\$	\$	\$
Pass	641,238,568	282,161	101,085	641,621,814
Special Mention	-	133,615,572	-	133,615,572
Sub-Standard	4,034,541	15,776,107	9,665,763	29,476,411
Doubtful	141,221	1,342	4,415,900	4,558,463
Loss	-	-	78,927,849	78,927,849
Unrated	449,887	62	87,024	536,973
Gross Carrying Amount	645,864,217	149,675,244	93,197,621	888,737,082
Statutory Loss Allowance	-	(6,680,779)	(89,042,769)	(95,723,548)
Net Carrying Amount	645,864,217	142,994,465	4,154,852	793,013,534

As at June 30, 2023

Statutory Rating	IFRS Rating			Total
	Stage 1	Stage 2	Stage 3	
	\$	\$	\$	\$
Pass	604,019,097	2,725,641	77,007	606,821,745
Special Mention	-	124,906,395	-	124,906,395
Sub-Standard	658,828	11,189,038	10,506,655	22,354,521
Doubtful	-	-	8,062,829	8,062,829
Loss	-	-	84,476,333	84,476,333
Unrated	505,459	291,881	113,175	910,515
Gross Carrying Amount	605,183,384	139,112,955	103,235,999	847,532,338
Statutory Loss Allowance	(174,816)	(9,048,417)	(70,823,874)	(80,047,107)
Net Carrying Amount	605,008,568	130,064,538	32,412,125	767,485,231

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) Impairment and provisioning policies (cont'd)

The internal rating tool assists management to determine whether objective evidence of impairment exists under IFRS 9 based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts.

The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

The table below represents a worst-case scenario of credit risk exposure to the Group at June 30, 2024 and 2023 without taking account of any collateral held or other credit enhancements attached.

For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

As shown below 46% (2023 – 44%) of the total maximum exposure is derived from loans and receivables whilst 13% (2023 – 13%) represents investment securities.

- Management is confident in its ability to continue to control and sustain minimal exposure to credit risk to the Group resulting from its loans and advances portfolio based on the following:
- 87% (2023 – 86%) of the loans and advances portfolio is categorized in the top two grades of the internal rating system;
- Large corporate customer loans, which represent the biggest group in the portfolio, are backed by collateral;
- 87% (2023 – 86%) of the loans and advances portfolio are considered to be performing;

National Bank of Dominica Ltd.

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For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***5. Financial risk management (cont'd)***(b) Credit risk (cont'd)**(iii) Impairment and provisioning policies (cont'd)***Maximum exposure to credit risk is as follows:**

	Notes	2024 \$	2023 \$
Cash and balances with central bank		102,293,257	148,191,242
Treasury bills		32,087,062	32,114,983
Due from other banks		444,617,586	516,479,729
Deposits with non-bank financial institutions		25,383,646	11,319,422
Loans and advances to customers		830,516,321	797,955,878
Investments:			
- Amortised cost		106,774,158	111,081,018
- FVTPL		86,090,573	94,452,291
Other assets		8,970,385	17,068,005
		1,636,732,988	1,728,662,568
Loan commitments	33	111,615,338	74,687,568
Financial guarantees and other financial facilities	33	13,500,000	1,248,819
		125,115,338	75,936,387
		1,761,848,326	1,804,598,955

National Bank of Dominica Ltd.

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For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***5. Financial risk management (cont'd)***(b) Credit risk (cont'd)**(iv) Concentration of risk by location*

	2024	2023
	\$	\$
Loans and advances to customers		
Domestic	767,976,985	730,918,662
ECCU area	46,111,367	38,685,599
Non-ECCU area	16,427,969	28,351,617
Total loans and advances	830,516,321	797,955,878
	2024	2023
	\$	\$
Investment and debt securities		
Domestic- primarily in Dominica	81,960,262	86,085,286
ECCU area	66,831,026	55,555,723
Non-ECCU area	44,073,443	63,892,300
	192,864,730	205,533,309
	2024	2023
	\$	\$
Lending commitments and financial guarantees		
Domestic- primarily in Dominica	125,115,338	75,936,387

National Bank of Dominica Ltd.

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For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***5. Financial risk management (cont'd)***(b) Credit risk (cont'd)**(iv) Concentration of risk by location (cont'd)**Concentration of risks of financial assets with credit exposure*

June 30, 2024	Financial Institutions \$	Construction & Land Development \$	Real Estate Activities \$	Public Administration \$	Utilities \$	Transport & Storage \$	Wholesale & Retail \$	Information & Communication \$	Private Household \$	Other Industries \$	Total \$
Cash and balances with Central bank	102,293,257	-	-	-	-	-	-	-	-	-	102,293,257
Treasury bills	-	-	-	32,087,062	-	-	-	-	-	-	32,087,062
Due from banks	444,617,586	-	-	-	-	-	-	-	-	-	444,617,586
Deposits with non-bank financial institution	25,383,646	-	-	-	-	-	-	-	-	-	25,383,646
Loans and advances	47,284,683	200,781,242	92,207,443	249,154,601	47,923,971	40,241,997	52,366,410	23,945,509	29,419,057	47,191,408	830,516,321
Investment securities	96,582,863	-	-	96,281,868	-	-	-	-	-	-	192,864,731
Other assets	8,970,385	-	-	-	-	-	-	-	-	-	8,970,385
Total	725,132,420	200,781,242	92,207,443	377,523,531	47,923,971	40,241,997	52,366,410	23,945,509	29,419,057	47,191,408	1,636,732,988
Loan commitments	16,393,176	31,395,267	9,189,863	-	1,152,821	8,501,425	15,757,602	-	2,009,811	27,215,373	111,615,338
Financial guarantees	-	-	-	-	13,500,000	-	-	-	-	-	13,500,000
Total	16,393,176	31,395,267	9,189,863	-	14,652,821	8,501,425	15,757,602	-	2,009,811	27,215,373	125,115,338

National Bank of Dominica Ltd.

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For the year ended June 30, 2024

(Expressed in Eastern Caribbean Dollars)

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iv) Concentration of risk by location (cont'd)

Concentration of risks of financial assets with credit exposure

June 30, 2023	Financial institutions \$	Construction & Land Development \$	Real Estate Activities \$	Public Administration \$	Utilities \$	Transport & Storage \$	Wholesale & Retail \$	Information & Communication \$	Private Household \$	Other Industries \$	Total \$
Cash and balances with Central bank	148,191,242	-	-	-	-	-	-	-	-	-	148,191,242
Treasury bills	-	-	-	32,114,983	-	-	-	-	-	-	32,114,983
Due from banks	516,479,729	-	-	-	-	-	-	-	-	-	516,479,729
Deposits with non-bank financial institution	11,319,422	-	-	-	-	-	-	-	-	-	11,319,422
Loans and advances	45,862,777	72,483,569	230,695,100	223,540,506	51,369,358	34,807,865	52,280,712	24,068,997	25,973,345	36,873,649	797,955,878
Investment securities	107,520,920	-	-	98,012,388	-	-	-	-	-	-	205,533,308
Other assets	17,068,005	-	-	-	-	-	-	-	-	-	17,068,005
Total	846,442,095	72,483,569	230,695,100	353,667,877	51,369,358	34,807,865	52,280,712	24,068,997	25,973,345	36,873,649	1,728,662,567
Loan commitments	10,000	40,045,235	1,414,274	-	2,084,679	973,400	2,612,368	-	2,177,516	25,370,096	74,687,568
Financial guarantees	-	1,248,819	-	-	-	-	-	-	-	-	1,248,819
Total	10,000	41,294,054	1,414,274	-	2,084,679	973,400	2,612,368	-	2,177,516	25,370,096	75,936,387

*Other industries include professional services, education, accommodation and food services

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***5. Financial risk management (cont'd)***(b) Credit risk (cont'd)**(v) Loans and advances to customers*

Loans and advances to customers are summarized as follows:

	2024	2023
	\$	\$
Loans and advances to customers		
Performing	775,366,569	727,310,736
Under performing	49,046,588	57,446,033
Default	64,323,925	62,775,569
Gross	888,737,082	847,532,338
Less: impairment provision	(58,220,761)	(49,576,460)
Net	830,516,321	797,955,878

The total impairment provision for losses on loans and advances is \$58,220,761 (2023: \$49,576,460) of which \$55,216,208 (2023: \$39,630,200) relates to the individually impaired loans and the remaining amount of \$3,004,553 (2023: \$9,946,260) is the portfolio provision. Further information on impairment is included in note 11.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***5. Financial risk management (cont'd)***(b) Credit risk (cont'd)**(vi) Loans and advances - performing*

The credit quality of the portfolio of loans and advances that are performing can be assessed by reference to the internal rating system adopted by the Group as follows:

	Overdrafts \$	Term loans \$	Credit card \$	Mortgages \$	Large corporate customers \$	Total loans and advances \$
June 30, 2024						
Loans and advances to customers – Performing	120,367,390	64,535,240	5,934,443	183,133,831	401,395,665	775,366,569
June 30, 2023						
Loans and advances to customers – Performing	93,832,383	61,594,884	5,174,094	175,432,122	391,277,253	727,310,736

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***5. Financial risk management (cont'd)***(b) Credit risk (cont'd)**(vii) Loans and advances - under performing*

Loans and advances – under performing are those for which contractual interest or principal payments are past due. The gross amount of loans and advances by class to customers that were under performing, net of unearned interest, were as follows:

	Overdrafts	Term loans	Credit cards	Mortgages	Large corporate customers	Total loans and advances to customers
	\$	\$	\$	\$	\$	\$
June 30, 2024						
Past due up to 30 days	8,978,611	2,296,870	594,274	7,341,914	7,294,938	26,506,607
Past due 30 – 60 days	151,369	859,548	99,294	1,233,782	841,803	3,185,796
Past due 60 – 90 days	20,559	88,445	63,732	609,201	-	781,937
Over 90 days	390,458	2,350,499	142,563	6,727,616	8,961,112	18,572,248
Net	9,540,997	5,595,362	899,863	15,912,513	17,097,853	49,046,588
June 30, 2023						
Past due up to 30 days	3,317,245	1,901,778	487,554	3,287,751	-	8,994,328
Past due 30 – 60 days	2,748,900	1,761,791	166,854	2,973,139	-	7,650,684
Past due 60 – 90 days	11,909	-	144,878	226,755	-	383,542
Over 90 days	432,473	4,907,375	2,683	11,081,403	23,993,545	40,417,479
Net	6,510,527	8,570,944	801,969	17,569,048	23,993,545	57,446,033

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***5. Financial risk management (cont'd)***(b) Credit risk (cont'd)**(viii) Loans and advances - default*

The loans and advances to customer that are in default, before taking into consideration the cash flows from collateral held and unearned interest on discount loans, is \$64,323,925 (2023 - \$62,775,569). The breakdown of the gross amount of individually impaired loans and advances by class is as follows:

	Overdrafts	Term loans	Credit Card	Mortgages	Large Corporate customers	Total loans and advances to customers
	\$	\$	\$	\$	\$	\$
June 30, 2024						
Default loans	<u>2,024,902</u>	<u>7,624,941</u>	<u>14,321</u>	<u>32,903,615</u>	<u>21,756,146</u>	<u>64,323,925</u>
June 30, 2023						
Default loans	<u>1,586,376</u>	<u>4,405,861</u>	<u>811,811</u>	<u>27,025,619</u>	<u>28,945,902</u>	<u>62,775,569</u>

(ix) Loans and advances renegotiated

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 accounts are kept under continual review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be under performing or at default at June 30, 2024 amounted to \$573,000 (2023: \$1,343,088). This did not lead to any material modification gains or losses.

(x) Write-offs

The contractual amount outstanding on financial assets that were written off during the period are still subject to enforcement activity.

(xi) Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at June 30, 2024, based on Standard & Poor's ratings or their equivalent.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

(Expressed in Eastern Caribbean Dollars)

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(xi) Debt securities, treasury bills and other eligible bills (cont'd)

	Financial assets at fair value through profit or loss \$	Treasury bills \$	Investment securities \$	Total \$
June 30, 2024				
A- to AA+	79,768,048	-	-	79,768,048
BB- to BBB+	5,328,848	32,087,062	106,774,158	144,190,068
Un-rated	993,677	-	-	993,677
	86,090,573	32,087,062	106,774,158	224,951,793
June 30, 2023				
A- to AA+	92,480,603	-	-	92,480,603
BB- to BBB+	1,971,688	32,114,983	111,081,018	145,167,689
Un-rated	-	-	-	-
	94,452,291	32,114,983	111,081,018	237,648,292
		2024	2023	
		\$	\$	
Treasury bills		32,087,062	32,114,983	
Investment securities		106,774,157	111,081,018	
		138,861,219	143,196,001	

(c) Market risk

The Group takes on exposure to market risks, which is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to control and manage market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

The Group's exposure to market risks arises from its non-trading portfolios. Non-trading portfolios primarily arise from the interest rate management of the Group's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of equity risks arising from the Group's fair value investments.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

(Expressed in Eastern Caribbean Dollars)

5. Financial risk management (cont'd)*(c) Market risk (cont'd)***Management of market risk**

The Group's policies, processes and controls for trading activities are designed to achieve a balance between pursuing profitable trading opportunities and managing earnings volatility within a framework of sound and prudent practices. Trading activities are primarily customer focused, but also include a proprietary component.

Market risk arising from the Group's trading activities is managed in accordance with Board-approved policies and limits.

(i) Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC\$) to the United States dollar (US\$) has been formally pegged at EC\$2.70 = US\$1.00 since 1974. The Group's exposure to various currencies at June 30, 2024 is depicted in the following table. Included in the table are the Group's financial instruments at carrying amounts, categorized by currency.

(i) Currency risk (cont'd)

[illegible]

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

(Expressed in Eastern Caribbean Dollars)
5. Financial risk management (cont'd)
(c) Market risk (cont'd)
(i) Currency risk (cont'd)

	XCD \$	USD \$	BDS \$	EURO \$	GBP \$	CAN \$	Other \$	Total \$
As at June 30, 2023								
Assets								
Cash and balances with ECCB	172,385,856	1,241,320	183,092	893,741	320,962	204,008	-	175,228,979
Treasury bills	32,114,983	-	-	-	-	-	-	32,114,983
Due from other banks	46,349,120	451,998,906	183,092	2,589,678	901,481	509,014	13,948,438	516,479,729
Deposits with non-bank financial institutions	622,640	8,965,107	-	-	-	-	1,731,675	11,319,422
Loans and advances to customers	794,478,948	3,476,930	-	-	-	-	-	797,955,878
Investment securities:								
Amortised cost	110,378,332	702,686	-	-	-	-	-	111,081,018
FVOCI	30,518,699	-	-	-	-	-	-	30,518,699
FVTPL	-	121,618,727	-	-	-	-	1,681,649	123,300,376
Other assets	17,068,005	-	-	-	-	-	-	17,068,005
Total financial assets	1,203,916,583	588,003,676	366,184	3,483,419	1,222,443	713,022	17,361,762	1,815,067,089
Liabilities								
Deposits from customers	1,538,999,471	95,785,022	-	588,442	913	333,353	-	1,635,707,201
Commercial paper	26,072,925	-	-	-	-	-	-	26,072,925
Lease liabilities	32,583	-	-	-	-	-	-	32,583
Other liabilities	27,522,580	-	-	-	-	-	-	27,522,580
Total financial liabilities	1,592,627,559	95,785,022	-	588,442	913	333,353	-	1,689,335,289
Net currency exposure	(388,710,976)	492,218,654	366,184	2,894,977	1,221,530	379,669	17,361,762	125,731,800
Loan commitments and financial guarantees	75,936,387	-	-	-	-	-	-	75,936,387

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***5. Financial risk management (cont'd)***(c) Market risk (cont'd)**(ii) Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flows risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate re-pricing that may be undertaken. The table below summarizes the Group's exposure to interest rate risks. Included in the table are the Group's interest-bearing financial assets and financial liabilities at carrying amounts, categorized by the earlier of contractual re-pricing and maturity dates.

	Up to 1 year \$	1 to 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
As at June 30, 2024					
Assets					
Cash and balances with ECCB	-	-	-	124,706,795	124,706,795
Treasury bills	32,087,062	-	-	-	32,087,062
Due from other banks	393,447,304	-	-	51,170,282	444,617,586
Deposits with non-bank financial institutions	-	-	-	25,383,646	25,383,646
Loans and advances to customers	86,591,616	296,943,570	446,981,135	-	830,516,321
Investment securities:					
- Amortised cost	3,636,280	33,385,296	69,752,582	-	106,774,158
- FVOCI				42,017,130	42,017,130
- FVTPL	46,533,469	32,957,243	6,599,861	33,284,992	119,375,565
Other assets	-	-	-	8,970,385	8,970,385
Total financial assets	562,295,731	363,286,109	523,333,578	285,533,230	1,734,448,648
Liabilities					
Deposits from customers	1,080,750,562	110,069,379	5,754,851	341,027,547	1,537,602,339
Other liabilities	-	-	-	26,306,580	26,306,580
Commercial paper	16,007,171	2,017,877	-	-	18,025,048
Total financial liabilities	1,096,757,733	112,087,256	5,754,851	367,334,127	1,581,933,967
Interest sensitivity gap	(534,462,002)	251,198,853	517,578,727	(81,800,897)	152,514,681

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***5. Financial risk management (cont'd)***(c) Market risk (cont'd)**(ii) Interest rate risk (cont'd)*

	Up to 1 year \$	1 to 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
As at June 30, 2023					
Assets					
Cash and balances with ECCB	-	-	-	175,228,979	175,228,979
Treasury bills	32,114,983	-	-	-	32,114,983
Due from other banks	460,075,920	-	-	56,403,809	516,479,729
Deposits with non-bank financial institutions	618,357	-	-	10,701,065	11,319,422
Loans and advances to customers	128,735,992	239,340,348	429,879,538	-	797,955,878
Investment securities:					
- Amortised cost	24,113,273	13,370,054	73,597,691	-	111,081,018
- FVOCI	-	-	-	30,518,699	30,518,699
- FVTPL	41,514,070	49,023,041	3,915,179	28,848,086	123,300,376
Other assets	-	-	-	17,068,005	17,068,005
Total financial assets	687,172,595	301,733,443	507,392,408	318,768,643	1,815,067,089
Liabilities					
Deposits from customers	1,069,302,243	185,534,386	5,719,837	375,150,735	1,635,707,201
Other liabilities	-	-	-	27,522,580	27,522,580
Commercial paper	16,009,021	10,063,904	-	-	26,072,925
Lease liabilities	-	-	-	32,583	32,583
Total financial liabilities	1,085,311,264	195,598,290	5,719,837	402,705,898	1,689,335,289
Interest sensitivity gap	(398,138,669)	106,135,153	501,672,571	(83,937,255)	125,731,800

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

(Expressed in Eastern Caribbean Dollars)

5. Financial risk management (cont'd)

(c) Market risk (cont'd)

(iii) Equity price risk

Equity price risk is the possibility that equity prices will fluctuate, affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices. The Group is exposed to equity security price risk because of investments held by the Group that are classified on the consolidated statement of financial position as fair value through other comprehensive income and at fair value through profit or loss. The primary exposure to equity prices arises from trading activities. The Group manages its non-trading equity investments in response to changing market conditions and limits the risk by maintaining a diversified portfolio.

Sensitivity analysis – Equity price risk

If market rates at June 30, 2024 had been 1% higher, with all other variables held constant, consolidated comprehensive income (2023: income) for the year would have been \$420,171 (2023: \$305,187) higher as a result of the increase in the fair value equity securities. An equivalent decrease would have resulted in an equivalent amount stated above but with opposite impact. For such investments classified as fair value through profit or loss, the impact on consolidated profit or loss and equity would have been an increase or decrease of \$1,193,756 (2023: \$1,233,004).

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its payment obligations associated with its financial liabilities when they fall due or upon demand. The Group is exposed to daily cash calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan drawdowns, and guarantees. The Group does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board of Directors sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

5. Financial risk management (cont'd)

(d) Liquidity risk (cont'd)

Management of liquidity risk

The matching and controlled mismatching of the contractual maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses. The contractual maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates. Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded. The key elements of the liquidity management process are as follows:

Daily and weekly monitoring to ensure that requirements are met. This includes the replenishment of funds as they mature or as borrowed by customers. The Group ensures that sufficient funds are held in the one-to-thirty-day maturity bucket to satisfy liquidity requirements.

- Maintaining a portfolio of marketable assets that can easily be liquidated as protection against any unforeseen liquidity problems. Additionally, the investment portfolio is fairly diversified by currency, geography, issuer, product and term.
- Weekly monitoring of the balance sheet liquidity ratios against internal and regulatory requirements.
- Managing the concentration and profile of debt maturities.
- Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider, product and term.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***5. Financial risk management (cont'd)***(d) Liquidity risk (cont'd)****Management of liquidity risk (cont'd)******Maturities of financial liabilities***

The tables below disclose the contractual undiscounted cashflows of the Group's financial liabilities whereas the Group manages liquidity risk based on expected discounted cashflows.

June 30, 2024	Up to 1 year	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$
<u>Liabilities</u>				
Deposits from customers	1,432,403,783	109,290,594	3,348,496	1,545,042,873
Other liabilities	26,306,580	-	-	26,306,580
Commercial paper	16,313,993	2,150,205	-	18,464,198
Total financial liabilities	1,475,024,356	111,440,799	3,348,496	1,589,813,651
Assets held to manage liquidity risk	847,828,961	363,286,109	523,333,578	1,734,448,648
Net liquidity gap	(627,195,395)	251,845,310	519,985,082	144,634,997
June 30, 2023				
<u>Liabilities</u>				
Deposits from customers	1,446,261,966	200,089,320	228,918	1,646,580,204
Other liabilities	27,522,580	-	-	27,522,580
Lease liabilities	32,583	-	-	32,583
Commercial paper	24,378,627	2,207,534	-	26,586,161
Total financial liabilities	1,498,195,756	202,296,854	228,918	1,700,721,528
Assets held to manage liquidity risk	1,005,941,238	301,733,443	507,392,408	1,815,067,089
Net liquidity gap	(492,254,518)	99,436,589	507,163,490	114,345,561

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For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***5. Financial risk management (cont'd)***(d) Liquidity risk (cont'd)**Residual contractual maturities relating to off-balance sheet items**Loan commitments*

The dates of the contractual amounts of the Group's off-balance sheet instruments that commit it to extend credit to customers and other facilities (note 33) are summarized in the table below:

Financial guarantees and other financial facilities

Financial guarantee facilities, which are included in other liabilities (note 17) are also included in the table below, based on the earliest contractual maturity date.

	1 year	1 – 5 years	Total
	\$	\$	\$
June 30, 2024			
Loan commitments	90,850,788	20,764,550	111,615,338
Financial guarantees and other financial facilities	13,500,000	-	13,500,000
	104,350,788	20,764,550	125,115,338
June 30, 2023			
Loan commitments	47,021,455	27,666,113	74,687,568
Financial guarantees and other financial facilities	1,248,819	-	1,248,819
	48,270,274	27,666,113	75,936,387

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, Group policy requires compliance with all applicable legal and regulatory requirements.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board of Directors.

5. Financial risk management (cont'd)

(e) Operational risk (cont'd)

This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas. These standards address the following requirements:

- appropriate segregation of duties, including the independent authorization of transactions;
- the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- the periodic assessment of operational risk faced and the adequacy of controls and procedures to address the risks identified;
- the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance when this is effective.

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

(f) Capital management

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

- to comply with the capital requirements set by the Eastern Caribbean Central Bank ("ECCB");
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the ECCB for supervisory purposes. The required information is filed with the ECCB on a quarterly basis.

Under the Banking Act, No. 4 of 2015, the ECCB requires each bank or banking group to:

- (a) hold the minimum level paid up share capital of EC\$20,000,000, and;
- (b) maintain a ratio of total regulatory capital to the risk weighted assets ("the Basel ratio") at or above the minimum 8% indicated in the ECCB Prudential Guidelines. However, due to the acquisition of RBC Dominica Banking Operations, the Group's minimum regulatory capital requirement is 10%.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***5. Financial risk management (cont'd)***(f) Capital management (cont'd)*

The Group is in compliance with the minimum capital requirement as per the Banking Act. No. 4 of 2015. The Group will also be seeking injections of new capital in the medium term.

The Group's regulatory capital, which is managed by its Treasury, is divided into two tiers:

- **Tier 1 capital:** share capital (net of any book values of the treasury shares), retained earnings and reserves created by appropriations of retained earnings; and
- **Tier 2 capital:** qualifying subordinated loan capital, collective impairment losses, and unrealised gains arising on the fair valuation of FVOCI equity instruments (limited to 20% of Tier 1 capital).

There were no changes to the Group's capital management process during the year.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of regulatory capital and the ratios of the Group. The Group complied with all of the externally imposed capital requirements to which it was subject.

	Notes	2024 \$	2023 \$
Tier 1 capital			
Share capital	19	32,723,961	32,723,961
Statutory reserve	20	25,984,540	22,319,359
Retained earnings		65,568,673	57,779,516
Total tier 1 capital		124,277,174	112,822,836
Tier 2 capital			
Loan loss reserve	21	37,502,786	30,470,647
Unrealised gains on FVOCI investments	22	26,845,506	15,347,075
		64,348,292	45,817,722
Less Excess Reserves – Tier 2 limitation for 20% Tier 1		(39,692,857)	(23,253,155)
Total qualifying tier 2 capital		24,655,435	22,564,567
Total regulatory capital		148,932,609	135,387,403
Risk weighed assets		795,526,273	746,906,513
Capital adequacy ratio			
- Required		10%	10%
- Actual		18.72%	18.13%

6. Fair values of financial instruments

Fair value is defined in note 3(h)(v). The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash and cash equivalents, other assets and other liabilities and due to other banks are assumed to approximate their carrying values due to their short-term nature.

The fair values of listed securities are assumed to be equal to their quoted market values. The fair values of unlisted securities was estimated using valuation techniques.

The estimated fair values of loans reflect changes in interest rates that have occurred since the loans originated and are determined by discounting contractual future cash flows, over the remaining term to maturity, at market interest rates prevailing at the reporting date.

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. Deposits payable on a fixed date are at rates which reflect market conditions and are considered to have fair values which approximate carrying values.

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges such as Luxembourg, New York and Trinidad and Tobago.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

(Expressed in Eastern Caribbean Dollars)

6. Fair values of financial instruments (cont'd)

Fair value hierarchy (cont'd)

As at June 30, 2024	Notes	FVTPL \$	Amortised cost \$	FVOCI \$	Other financial liabilities \$	Total carrying value \$	Level 1 \$	Level 2 \$	Level 3 \$	Total fair value \$
Financial assets measured at amortised cost										
Cash and balances with Central Bank, other banks and deposits with non-financial institutions	7, 9, 10	-	594,708,027	-	-	594,708,027	-	-	-	-
Treasury bills	8	-	32,087,062	-	-	32,087,062	-	32,087,062	-	32,087,062
Loans and advances to customers	11	-	830,516,321	-	-	830,516,321	-	-	830,516,321	830,516,321
Investment securities:		-	-	-	-	-	-	-	-	-
Unquoted securities	12	-	106,774,158	-	-	106,774,158	-	106,774,158	-	106,774,158
Other assets		-	8,970,385	-	-	8,970,385	-	-	-	-
Financial assets measured at FVOCI										
Quoted securities	12	-	-	5,758,650	-	5,758,650	5,758,650	-	-	5,758,650
Unquoted securities	12	-	-	36,258,481	-	36,258,481	-	-	36,258,481	36,258,481
Financial assets measured at fair value										
Corporate bonds	12	86,090,573	-	-	-	86,090,573	86,090,573	-	-	86,090,573
Quoted equity securities	12	33,284,992	-	-	-	33,284,992	33,284,992	-	-	33,284,992
Total assets		119,375,565	1,573,055,953	42,017,131	-	1,734,448,649	125,134,215	138,861,220	866,774,802	1,130,770,237
Deposit from customers		-	1,537,602,339	-	-	1,537,602,339	-	-	-	-
Other liabilities	17	-	-	-	26,306,580	26,306,580	-	-	-	-
Commercial paper	18	-	18,025,048	-	-	18,025,048	-	-	-	-
Total liabilities		-	1,555,627,387	-	26,306,580	1,581,933,967	-	-	-	-

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

(Expressed in Eastern Caribbean Dollars)
6. Fair values of financial instruments (cont'd)
Fair value hierarchy (cont'd)

As at June 30, 2023	Notes	FVTPL \$	Amortised cost \$	FVOCI \$	Other financial liabilities \$	Total carrying value \$	Level 1 \$	Level 2 \$	Level 3 \$	Total fair value \$
Financial assets measured at amortised cost										
Cash and balances with Central Bank, other banks and deposits with non-financial institutions	7, 9, 10	-	703,028,130	-	-	703,028,130	-	-	-	-
Treasury bills	8	-	32,114,983	-	-	32,114,983	-	32,114,983	-	32,114,983
Loans and advances to customers	11	-	797,955,878	-	-	797,955,878	-	-	797,955,878	797,955,878
Investment securities:										
Unquoted securities	12	-	111,081,018	-	-	111,081,018	-	111,081,018	-	111,081,018
Other assets		-	17,068,005	-	-	17,068,005	-	-	-	-
Financial assets measured at FVOCI										
Quoted securities	12									
Unquoted	12	-	-	5,311,200	-	5,311,200	5,311,200	-	-	5,311,200
Financial assets measured at fair value										
		-	-	25,207,499	-	25,207,499	-	-	25,207,499	25,207,499
		92,480,603				92,480,603	71,231,895	15,454,345	5,794,343	92,480,583
Corporate bonds	12		-	-	-					
Quoted equity securities	12	28,848,085	-	-	-	28,848,085	28,848,085	-	-	28,848,085
Debt securities	12	1,971,688	-	-	-	1,971,688	1,971,688	-	-	1,971,688
Total assets		123,300,376	1,661,248,014	30,518,699	-	1,815,067,089	107,362,868	158,650,346	828,957,720	1,094,970,934
Financial liabilities										
Deposit from customers	16	-	1,635,707,201	-	-	1,635,707,201	-	-	-	-
Other liabilities	17	-	-	-	27,522,580	27,522,580	-	-	-	-
Lease liabilities	34	-	32,583	-	-	32,583	-	-	-	-
Commercial paper	18	-	26,072,925	-	-	26,072,925	-	-	-	-
Total liabilities		-	1,661,812,709	-	27,522,580	1,689,335,289	-	-	-	-

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***7. Cash and balances with Central Bank***(a) Cash and balances with Central Bank*

		2024	2023
	Note	\$	\$
Cash in hand		22,413,538	27,037,737
Cash at ECCB other than mandatory deposits		10,649,944	50,562,818
Included in cash and cash equivalents	7(b)	33,063,482	77,600,555
Mandatory deposits		91,643,313	97,628,424
		124,706,795	175,228,979

Deposits with the ECCB are non-interest bearing.

Mandatory deposits

Section 45 of the Dominica Banking Act No. 4 of 2015, and the Eastern Caribbean Central Bank Agreement Act of 1983, prescribes the maintenance of a reserve, including marginal required reserves, against deposits and other similar liabilities specified for that purpose. Such reserves shall be maintained either by way of notes and coins, cash holdings with other financial institutions or by way of deposits with the ECCB. Such mandatory deposits are not available to finance the Group's day-to-day operations.

(b) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances:

		2024	2023
	Notes	\$	\$
Cash and balances with ECCB	7(a)	33,063,482	77,600,555
Treasury bills	8	4,366,623	4,362,349
Due from other banks	9	444,617,586	516,479,729
Deposits with non-bank financial institutions	10	25,383,646	11,319,422
		507,431,337	609,762,055

Treasury bills of \$4,366,623 (2023: \$4,362,349) comprise bills with less than three months' maturity from the date of acquisition and forms part of the total of \$32,087,062 (2023: \$32,114,983) in note 8.

(Expressed in Eastern Caribbean Dollars)

8. Treasury bills

	<u>Notes</u>	<u>2024</u> \$	<u>2023</u> \$
Treasury bills issued by domestic and regional governments		32,331,100	32,331,100
Interest receivable		<u>540,016</u>	<u>538,486</u>
		32,871,116	32,869,586
Allowance for expected credit losses		<u>(784,054)</u>	<u>(754,603)</u>
	7(b)	<u><u>32,087,062</u></u>	<u><u>32,114,983</u></u>

The weighted average effective interest rate in respect of treasury bills for the year was 4.07% (2023: 4.07%). During the year, the Group recognised an increase in ECL on treasury bills of \$29,451 (2023 increase: \$72,039) for a total ECL allowance of \$784,054 (2023: \$754,603) at year end.

9. Due from other banks

	<u>Notes</u>	<u>2024</u> \$	<u>2023</u> \$
Items in the course of collection		48,034	115,994
Placements with other banks		57,577,935	63,201,919
Interest bearing deposits		<u>387,223,723</u>	<u>453,850,388</u>
		444,849,692	517,168,301
Allowance for expected credit losses		<u>(232,106)</u>	<u>(688,572)</u>
	7(b)	<u><u>444,617,586</u></u>	<u><u>516,479,729</u></u>

The weighted average effective interest rate in respect of interest-bearing deposits for the year was 5.74% (2023: 5.02%). Interest-bearing deposits have been adjusted for a reduction in ECL of \$456,466 (2023: \$6,626) for a total ECL on due from banks of \$232,106 (2023: \$688,572).

10. Deposits with non-bank financial institutions

	<u>Notes</u>	<u>2024</u> \$	<u>2023</u> \$
Interest bearing deposits		-	622,638
Held by broker		<u>25,383,646</u>	<u>10,701,065</u>
		25,383,646	11,323,703
Allowance for expected credit losses		<u>-</u>	<u>(4,281)</u>
	7(b)	<u><u>25,383,646</u></u>	<u><u>11,319,422</u></u>

The weighted average effective interest rate in respect of interest-bearing deposits for the year was 0% (2023: 0%). During the year, the Group recognised a reduction in ECL on deposits with non-bank financial institutions of \$4,281 (2023: \$30) for a total ECL allowance of \$nil (2023: \$4,281) at year end.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***11. Loans and advances to customers**

	2024	2023
	\$	\$
Mortgage loans	220,368,025	208,145,038
Large corporate customers	418,266,722	447,455,942
Overdraft	131,190,264	101,498,811
Credit cards	6,848,627	6,577,384
Term loans	73,872,983	40,462,340
	<u>850,546,621</u>	<u>804,139,515</u>
Interest receivable	38,190,461	43,392,823
Gross balance	888,737,082	847,532,338
Provision for expected credit loss	<u>(58,220,761)</u>	<u>(49,576,460)</u>
Net balance	<u>830,516,321</u>	<u>797,955,878</u>
Current	86,591,616	112,204,794
Non-current	743,924,705	685,751,084
	<u>830,516,321</u>	<u>797,955,878</u>

The weighted average effective interest rate on loans and overdrafts stated at amortised cost at June 30, 2024 was 5.70% (2023: 5.92%) and overdrafts stated at amortised cost was 5.69% (2023: 4.90%).

The Group, as part of its strategic initiatives, has entered into syndicated arrangements for the funding of loans both domestically and regionally. The Group's exposure to syndicated loans domestically is \$33,924,568 (2023: \$27,926,793) and regionally is \$35,454,178 (2023: \$25,364,218). To ensure statutory compliance, where a syndicated exposure exceeds the Tier 1 requirement, these loans are backed by commercial paper. The Group's exposure to syndicated arrangements, net of commercial paper is \$51,748,746 (2023: \$27,391,011).

The weighted average effective interest rate for the year in respect of these syndicated loans at amortised cost was 6.90% (2023: 9.82%).

(i) Charges against profit or loss

	2024	2023
	\$	\$
Increase in provision for impairment	(23,178,552)	(13,205,081)
Legal and professional fees	(197,897)	(182,048)
Write-off during the year	(442,096)	(2,942,567)
Impairment recoveries on loans and advances	1,989,652	418,145
	<u>(21,828,893)</u>	<u>(15,911,551)</u>
Net impairment charge in profit or loss	<u>(21,828,893)</u>	<u>(15,911,551)</u>

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***11. Loans and advances to customers (cont'd)***(ii) Provision for impairment of loans and advances to customers*

Reconciliation of the provision for expected credit loss on loans and advances to customers by class is as follows:

	Large Corporate	Term Loans & Credit Cards	Mortgage Loans	Overdraft	Total
June 30, 2024	\$	\$	\$	\$	\$
Balance at July 1, 2023	26,552,683	4,448,814	17,168,666	1,406,297	49,576,460
Provision for expected credit loss	10,628,839	2,225,306	9,968,237	356,170	23,178,552
Loans written off during the year	(14,534,251)	-	-	-	(14,534,251)
Balance at June 30, 2024	22,647,271	6,674,120	27,136,903	1,762,467	58,220,761
June 30, 2023	\$	\$	\$	\$	\$
Balance at July 1, 2022	29,732,187	3,293,165	20,299,151	5,601,211	58,925,714
Provision for expected credit loss	9,647,824	4,211,846	1,690,430	(2,345,019)	13,205,081
Loans written off during the year	(12,827,328)	(3,056,197)	(4,820,915)	(1,849,895)	(22,554,335)
Balance at June 30, 2023	26,552,683	4,448,814	17,168,666	1,406,297	49,576,460

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***11. Loans and advances to customers (cont'd)***(ii) Provision for impairment of loans and advances to customers(cont'd)*

A breakdown of the staging of advances and the related ECLs for loans and advances to customers is illustrated below:

	Large Corporate	Term loans & credit cards	Mortgage loans	Overdraft	Total
June 30, 2024	\$	\$	\$	\$	\$
Gross loans and advances to customers	440,249,664	84,604,170	231,949,959	131,933,289	888,737,082
Stage 1: 12 months ECL	(1,587,381)	(188,252)	(693,589)	(31)	(2,469,253)
Stage 2: Lifetime ECL	(390,636)	(63,401)	(81,263)	-	(535,300)
Stage 3: Credit impaired	(19,642,717)	(6,674,120)	(27,136,903)	(1,762,468)	(55,216,208)
Financial Assets – Net	418,628,930	77,678,397	204,038,204	130,170,790	830,516,321

A breakdown of the staging of advances to customers and the related ECLs for loans and advances is illustrated below:

	Large Corporate	Term loans & credit cards	Mortgage Loans	Overdraft	Total
June 30, 2023	\$	\$	\$	\$	\$
Gross loans and advances to customers	444,216,700	81,359,563	219,568,186	102,387,889	847,532,338
Stage 1: 12 months ECL	(4,333,077)	(799,641)	(2,331,489)	(388,489)	(7,852,696)
Stage 2: Lifetime ECL	(1,486,595)	(183,956)	(309,638)	(113,375)	(2,093,564)
Stage 3: Credit impaired	(20,733,011)	(3,465,217)	(14,527,539)	(904,433)	(39,630,200)
Financial Assets – Net	417,664,017	76,910,749	202,399,520	100,981,592	797,955,878

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***11. Loans and advances to customers (cont'd)**

	Large corporate	Term loans & credit cards	Mortgage Loans	Overdraft	Total
June 30, 2024	\$	\$	\$	\$	\$
Gross Loans and advances to customers	440,249,664	84,604,170	231,949,959	131,933,289	888,737,082
Provision for expected credit loss	(21,620,734)	(6,925,773)	(27,911,755)	(1,762,499)	(58,220,761)
Net loans and advances to customers	418,628,930	77,678,397	204,038,204	130,170,790	830,516,321
	Large corporate	Term loans & credit cards	Mortgage Loans	Overdraft	Total
June 30, 2023	\$	\$	\$	\$	\$
Gross Loans and advances to customers	444,216,700	81,359,563	219,568,186	102,387,889	847,532,338
Provision for expected credit loss	(26,552,683)	(4,448,814)	(17,168,666)	(1,406,297)	(49,576,460)
Net loans and advances to customers	417,664,017	76,910,749	202,399,520	100,981,592	797,955,878

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***11. Loans and advances to customers (cont'd)***(ii) Provision for impairment of loans and advances to customers(cont'd)*

A breakdown of the staging of advances to customers and the related ECLs for loans and advances is illustrated below:

	Large corporate	Term loans & credit cards	Mortgage loans	Overdraft	Total
June 30, 2024					
Stage 1: 12 months ECL					
ECL allowance at July 1, 2023	4,333,077	799,641	2,331,489	388,489	7,852,696
Credit loss movement (new loans, repayment etc.)	(2,745,696)	(611,389)	(1,637,900)	(388,458)	(5,383,443)
As at June 30, 2024	1,587,381	188,252	693,589	31	2,469,253
Stage 2: Life ECL					
ECL allowance at June 30, 2023	1,486,595	183,956	309,638	113,375	2,093,564
Credit loss movement (new loans, repayment etc.)	(1,095,959)	(120,555)	(228,375)	(113,375)	(1,558,264)
As at June 30, 2024	390,636	63,401	81,263	-	535,300
Stage 3: Credit impaired					
ECL allowance at June 30, 2023	20,733,011	3,465,217	14,527,539	904,433	39,630,200
Credit loss experience -	13,443,957	3,208,903	12,609,364	858,035	30,120,259
Write – offs	(14,534,251)	-	-	-	(14,534,251)
As at June 30, 2024	19,642,717	6,674,120	27,136,903	1,762,468	55,216,208
Total	21,620,734	6,925,773	27,911,755	1,762,499	58,220,761

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***11. Loans and advances to customers (cont'd)***(ii) Provision for impairment of loans and advances to customers(cont'd)*

A breakdown of the staging of advances to customers and the related ECLs for loans and advances is illustrated below:

	Large corporate	Term loans & credit cards	Mortgage loans	Overdraft	Total
June 30, 2023					
Stage 1: 12 months ECL					
ECL allowance at July 1, 2022	1,366,592	696,094	1,609,080	297,956	3,969,722
Credit loss movement (new loans, repayment etc.)	2,966,485	103,547	722,409	90,533	3,882,974
As at June 30, 2023	4,333,077	799,641	2,331,489	388,489	7,852,696
Stage 2: Life ECL					
ECL allowance at July 1, 2022	3,721,505	111,037	201,182	9,629	4,043,353
Credit loss movement (new loans, repayment etc.)	(2,234,910)	72,919	108,456	103,746	(1,949,789)
As at June 30, 2023	1,486,595	183,956	309,638	113,375	2,093,564
Stage 3: Credit impaired					
ECL allowance at July1, 2022	24,644,090	2,486,034	18,488,889	5,293,626	50,912,639
Credit loss experience -	8,916,249	4,035,380	859,565	(2,539,298)	11,271,896
Write – offs	(12,827,328)	(3,056,197)	(4,820,915)	(1,849,895)	(22,554,335)
As at June 30, 2023	20,733,011	3,465,217	14,527,539	904,433	39,630,200
Total	26,552,683	4,448,814	17,168,666	1,406,297	49,576,460

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***12. Investment securities**

	2024 \$	2023 \$
Amortised cost	106,774,158	111,081,018
FVOCI	42,017,130	30,518,699
FVTPL	119,375,565	123,300,376
	<u>268,166,853</u>	<u>264,900,093</u>

A. Amortised cost

	2024 \$	2023 \$
Government bonds	94,331,878	98,691,732
Corporate bonds	25,189,346	25,618,772
Asset-backed securities	3,953,782	3,863,271
	<u>123,475,006</u>	<u>128,173,775</u>
Interest receivable	558,566	602,571
	<u>124,033,572</u>	<u>128,776,346</u>
Less allowance for impairment	<u>(17,259,414)</u>	<u>(17,695,328)</u>
Debt securities	<u>106,774,158</u>	<u>111,081,018</u>

B. Fair value through other comprehensive income

	2024 \$	2023 \$
Quoted equity securities	5,758,650	5,311,200
Unquoted equity securities	36,258,480	25,207,499
	<u>42,017,130</u>	<u>30,518,699</u>

C. Fair value through profit or loss

	2024 \$	2023 \$
Corporate bonds	86,090,573	92,480,603
Equities	33,284,992	28,848,085
Debt securities	-	1,971,688
	<u>119,375,565</u>	<u>123,300,376</u>

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***12. Investment securities (cont'd)**

	Stage 1 12-Month ECL	Lifetime ECL Not Credit- Impaired	Credit Impaired Financial Assets Lifetime ECL	Total
	\$	\$	\$	\$
Debt investment securities at amortised cost				
Balance as at July 1, 2022	2,356,270	263,156	15,025,276	17,644,702
Net remeasurement of loss allowance	30,194	20,432	-	50,626
Balance as at June 30, 2023	2,386,464	283,588	15,025,276	17,695,328
Net remeasurement of loss allowance	(33,714)	27,225	(429,425)	(435,914)
Balance as at June 30, 2024	2,352,750	310,813	14,595,851	17,259,414

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

(Expressed in Eastern Caribbean Dollars)

12. Investment securities (cont'd)

	FVOCI – Quoted \$	FVOCI – Unquoted \$	FVOCI Total \$	Amortised Cost \$	FVTPL \$	TOTAL \$
Balance at June 30, 2022	5,311,200	21,599,752	26,910,952	122,978,800	98,573,711	248,463,463
Additions	-	-	-	-	153,998,635	153,998,635
Disposals	-	-	-	(11,973,315)	(131,974,712)	(143,948,027)
Changes in fair values	-	3,607,747	3,607,747	-	2,702,742	6,310,489
Allowance for expected credit losses	-	-	-	(50,626)	-	(50,626)
Impairment recovery on investment	-	-	-	1,416,231	-	1,416,231
Movement of interest receivable	-	-	-	(1,290,072)	-	(1,290,072)
Balance at June 30, 2023	5,311,200	25,207,499	30,518,699	111,081,018	123,300,376	264,900,093
Additions	-	-	-	-	95,689,043	95,689,043
Disposals	-	-	-	(4,698,769)	(105,186,903)	(109,885,672)
Changes in fair values	447,450	11,050,981	11,498,431	-	5,573,049	17,071,480
Impairment recovery on investment	-	-	-	435,914	-	435,914
Movement of interest receivable	-	-	-	(44,005)	-	(44,005)
Balance at June 30, 2024	5,758,650	36,258,480	42,017,130	106,774,157	119,375,565	268,166,853

The weighted average effective interest rate for the year in respect of securities at amortised cost was 3.86% (2023: 3.78%).

Impairment loss on investment securities at amortised cost comprises of expected credit loss of \$2,234,136 (2023: \$2,670,050) and provisioning on fully impaired assets \$14,595,851 (2023: \$15,025,278).

During the year, the Bank recovered \$68,257 (2023: \$1,416,231) on amounts invested with other financial institutions which were previously written-off.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***13. Other assets**

	2024	2023
	\$	\$
Prepayments and advances	9,959,872	7,612,447
Clearings	5,475,738	9,645,452
Merchant settlements	3,494,647	7,422,553
Stationery	1,143,481	917,792
Income tax recoverable	111,609	111,609
	20,185,347	25,709,853

Clearings are non-NBD cheques held for settlement with other banks.

Merchant settlements are funds received through the processing of card transactions which are then credited to the respective merchant business account.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

(Expressed in Eastern Caribbean Dollars)

14. Property and equipment

	Land \$	Building \$	Leasehold improvement \$	Computer equipment \$	Furniture & equipment \$	Motor vehicles \$	Total \$
<u>COST</u>							
Balance at June 30, 2022	5,870,081	11,145,099	613,992	10,964,059	17,757,875	1,142,152	47,493,258
Adjustment	-	-	-	-	-	4	4
Additions	-	-	-	432,334	2,032,803	157,000	2,622,137
Disposals	-	-	-	-	(4,600)	(93,000)	(97,600)
Balance at June 30, 2023	5,870,081	11,145,099	613,992	11,396,393	19,786,078	1,206,156	50,017,799
Additions	2,407,800	71,935	-	231,638	122,998	270,000	3,104,371
Disposals	-	-	-	-	-	(216,156)	(216,156)
Balance at June 30, 2024	8,277,881	11,217,034	613,992	11,628,031	19,909,076	1,260,000	52,906,014
<u>ACCUMULATED DEPRECIATION</u>							
Balance at June 30, 2022	-	(5,542,829)	(613,992)	(9,574,287)	(15,955,572)	(768,622)	(32,455,302)
Adjustment	-	-	-	-	-	(4)	(4)
Charge for the period	-	(265,557)	-	(536,151)	(598,262)	(121,733)	(1,521,703)
Depreciation eliminated on disposals	-	-	-	-	4,600	93,000	97,600
Balance at June 30, 2023	-	(5,808,386)	(613,992)	(10,110,438)	(16,549,234)	(797,359)	(33,879,409)
Depreciation eliminated on disposals	-	-	-	-	-	216,156	216,156
Change for the period	-	(265,575)	-	(469,559)	(729,324)	(155,412)	(1,619,870)
Balance at June 30, 2024	-	(6,073,961)	(613,992)	(10,579,997)	(17,278,558)	(736,615)	(35,283,123)
<u>CARRYING VALUES</u>							
Balance as at June 30, 2024	8,277,881	5,143,073	-	1,048,034	2,630,518	523,385	17,622,891
Balance as at June 30, 2023	5,870,081	5,336,713	-	1,285,955	3,236,844	408,797	16,138,390

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***15. Intangible assets**

	2024	2023
	\$	\$
Software	2,858,722	3,122,018
Core Deposits	2,657,205	3,050,865
Goodwill (see note 36)	2,093,118	2,093,118
	7,609,045	8,266,001
Software		Total
		\$
<u>COST</u>		
Balance at June 30, 2022		8,561,147
Additions		3,283,502
Balance at June 30, 2023		11,844,649
Additions		283,698
Balance at June 30, 2024		12,128,347
<u>ACCUMULATED DEPRECIATION</u>		
Balance at June 30, 2022		8,335,090
Charge for the year		387,541
Balance at June 30, 2023		8,722,631
Charge for the year		546,994
Balance at June 30, 2024		9,269,625
<u>CARRYING VALUES</u>		
Balance at June 30, 2024		2,858,722
Balance as at June 30, 2023		3,122,018

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***15. Intangible assets (cont'd)****Core deposits**

	2024	2023
	\$	\$
Cost at acquisition	3,936,600	3,936,600
Amortisation	(1,279,395)	(885,735)
Net book value	2,657,205	3,050,865

Core deposit intangibles acquired through the acquisition of the assets and assumed liabilities of Royal Bank of Canada (Roseau) Branch in 2021 have been determined to have a life of 10 years from acquisition date.

16. Deposits from customers

	2024	2023
	\$	\$
Savings accounts	925,616,391	984,672,597
Demand deposits	340,333,112	375,135,242
Term deposits	261,442,856	267,332,563
	1,527,392,359	1,627,140,402
Interest payable	10,209,980	8,566,799
	1,537,602,339	1,635,707,201
Current	1,283,584,906	1,444,452,977
Non-current	254,017,433	191,254,224
	1,537,602,339	1,635,707,201

The weighted average effective interest rate for the year in respect of customers' deposits was 1.73% (2023: 1.67%).

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***17. Other liabilities**

	2024	2023
	\$	\$
Staff gratuities benefit	6,635,078	5,278,990
Manager's cheques	2,569,971	2,975,297
Bankers' payments	2,186,264	2,049,410
Uncleared funds	783,014	783,000
Unclaimed dividends	400,813	427,972
Other accounts payable and accrued liabilities	13,731,440	16,007,911
Total	26,306,580	27,522,580
Current	26,306,580	27,522,580
Non-current	-	-

Manager's cheques and bankers' payments are financial instruments issued by the Bank on behalf of its account holders. The Bank has an obligation to pay once these instruments are presented by the customers.

The provision for staff gratuities is pursuant to a union agreement to provide employees with a gratuity upon termination. The gratuity is provided by the Group to staff with a minimum of 10 years of service. The funds are being held by the Group. Uncleared funds represent amounts received on behalf of customers which were in the process of clearing at year end. These funds are not available for the Group's use in its normal operations until processed.

Other accounts payable and accrued liabilities include accrued liabilities, stamp duties, internal accounts, sundry creditors and credit card settlements.

18. Commercial paper

The Group entered into syndicated loan arrangements for which funding exceeded the statutory Tier 1 requirement. To comply with this requirement, the Group issued commercial paper in order to fund these facilities. The commercial paper is issued for a maximum period of three years with the option of renewal. As at the reporting date, the Group had commercial paper of \$18,025,048 (2023: \$26,072,925). Interest expense on the Commercial paper was \$1,271,527 (2023: \$498,853)

The effective interest rates are 2.71% (2023: 2.81%).

	Current	Non-current	Total
	\$	\$	\$
Commercial paper			
As at June 30, 2024	16,007,171	2,017,877	18,025,048
As at June 30, 2023	24,055,048	2,017,877	26,072,925

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***19. Share capital**

	Number of shares		2024	2023
	2024	2023	\$	\$
Authorized				
40,000,000 ordinary shares of no par value				
Issued and fully paid				
Balance at beginning and end of the year	<u>28,245,725</u>	<u>28,245,725</u>	<u>32,723,961</u>	<u>32,723,961</u>

Dividends paid

During the year, the Bank did not pay dividends in both years.

20. Statutory reserve

Pursuant to Section 45 of the Banking Act No. 4 of 2015, the Group shall, out of its net profits of each year, transfer to a reserve “not less than 20% of the annual net earnings of the Bank to a reserve fund whenever the fund is less than one hundred percent of the issued and paid-up capital of the Bank”.

The movement of statutory reserve is as follows:

	2024	2023
	\$	\$
Balance at beginning of year	22,319,359	20,000,000
Transfers during the year	<u>3,665,181</u>	<u>2,319,359</u>
Balance at end of year	<u>25,984,540</u>	<u>22,319,359</u>

The amount transferred during the period represents 20% of the net profit of the Bank on a stand-alone basis.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***21. Loan loss reserve**

As at June 30, 2024, the Group's regulatory loan provisioning was \$95,723,547 (2023: \$80,047,107) which is in excess of the IFRS expected credit loss provision of \$58,220,761 (2023: \$49,576,460). Therefore, at the reporting date, the Group's loan loss reserve was \$37,502,786 (2023: \$30,470,647).

This reserve represents the additional loan loss provision required by the Eastern Caribbean Central Bank's (ECCB) prudential guidelines as compared to the provision measured in accordance with International Financial Reporting Standards (IFRS). As disclosed above, at the end of 2024, the provision under the ECCB's guidelines is more than that as required under IFRS 9, and therefore there is a requirement to maintain an amount in the reserve in respect of this aspect representing the excess amount. This is not distributable.

The movement of loan loss reserve is as follows:

	2024 \$	2023 \$
Balance at beginning of year	30,470,647	24,558,289
Allocations to statutory reserve during the year	7,032,139	5,912,358
Balance at end of year	<u>37,502,786</u>	<u>30,470,647</u>

22. Fair value through OCI reserve

Unrealised gains or losses on investment securities at FVOCI reflect the difference between their cost and fair value.

	2024 \$	2023 \$
Balance at beginning of year	15,347,075	11,739,328
Changes in fair values during the year	11,498,431	3,607,747
Balance at end of year	<u>26,845,506</u>	<u>15,347,075</u>

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***23. Net interest income**

	2024 \$	2023 \$
Interest income		
Loans and advances to customers	47,977,906	47,847,476
Due from other banks	24,354,192	12,538,807
Treasury bills and investment securities	7,955,879	7,077,505
Total Interest Income	<u>80,287,977</u>	<u>67,463,788</u>
Interest expense		
Savings accounts	18,163,523	17,722,688
Time deposits and commercial paper	9,185,444	8,406,873
Demand deposits	266,652	269,588
Correspondent banks	945	913
Lease interest	-	14,774
Total Interest Expense	<u>27,616,564</u>	<u>26,414,836</u>
Net Interest Income	<u>52,671,413</u>	<u>41,048,952</u>

24. Commission and other income

	2024 \$	2023 \$
Dividend income	1,987,478	1,220,031
Service charges	1,913,358	1,976,118
Loan fees	1,478,644	1,711,282
Foreign currency account commission	1,198,885	1,181,084
Net credit card revenue	(1,226,816)	(194,576)
Others	3,534,316	3,599,035
Total Commissions and Other Income	<u>8,885,865</u>	<u>9,492,974</u>

Others consists of commissions on bills and LCs, commission on cheque books, rental of equipment, gain on disposals and commission sundries.

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

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*(Expressed in Eastern Caribbean Dollars)***24. Commission and other income (cont'd)**

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

<i>Type of service</i>	<i>Nature and timing of satisfaction of performance obligations, including significant payment terms</i>	<i>Revenue recognition policies under IFRS 15</i>
Retail and corporate banking service	The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers on an annual basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

25. Impairment recovery on investment securities

	2024	2023
	\$	\$
Investment recovered during the year on amortised cost	68,257	1,416,231

See Note 12 for the effect of the impairment on the consolidated statement of financial position.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***26. Operating expenses, net**

	Notes	2024 \$	2023 \$
Audit fees and expenses		655,000	1,077,335
Directors' expenses		22,955	13,311
Directors' fees	28	355,400	403,850
Directors' training and development		18,426	79,633
Insurance		709,652	641,332
Legal and other professional fees		3,176,001	2,137,695
Office expenses		1,126,943	817,435
Other expenses, net	27	4,878,353	4,837,844
Rental of premises and equipment		326,729	45,659
Repairs and maintenance:			
Computer		2,646,263	1,787,831
Building		1,331,712	1,889,107
Other		469,901	594,152
Utilities			
Electricity and water		1,126,578	1,272,948
Telephone		897,432	862,311
		17,741,345	16,460,443

27. Other expenses, net

	Notes	2024 \$	2023 \$
Advertising and promotions		1,483,966	1,391,412
Agency fees		1,134,856	1,881,688
Fees incurred - collateral revaluation		6,099	17,755
Meetings and conferences		498,088	97,866
Miscellaneous		824,741	882,033
Scholarships expenses		5,791	7,950
Security – cash in transit		198,770	204,719
Subscription and levies		317,501	365,003
Sundry losses/(gains), net		408,541	(10,582)
	26	4,878,353	4,837,844

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***28. Employee benefits expense**

	Notes	2024 \$	2023 \$
Employees			
Wages and salaries		13,197,433	13,274,725
Other staff costs		1,221,730	674,917
Social security cost		892,783	801,502
Retirement benefit and gratuity		854,133	2,359,219
Group insurance		410,955	413,755
Training		450,427	400,882
Staff uniform		100,180	103,294
		17,127,641	18,028,294
 Key management compensation			
Salaries and other short-term benefits		1,908,070	1,997,381
Post-employment benefits		178,956	327,262
		2,087,026	2,324,643
Directors' fees	26	355,400	403,850

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***29. Income tax expense**

	2024	2023
	\$	\$
Current tax	-	-
Deferred tax expense	-	-
	-	-

The tax on the operating profit differs from the theoretical amount that would arise by applying the basic tax rate of 25% to the consolidated (loss)/profit, as follows:

	2024	2023
	\$	\$
Profit Before Taxation	18,486,477	11,957,760
Tax expense calculated at the applicable rate of 25% (2023: 25%)	4,621,619	2,989,440
Tax impact of non-deductible expenses	3,415,145	2,751,772
Tax impact of exempt income	(9,285,149)	(8,420,816)
Deferred taxes not recognised	1,248,385	2,679,604
Total	-	-

As at June 30, 2024, the Group Company had a net deferred tax asset of \$7,100,506 (2023: \$5,864,689) which was not recognised in the consolidated financial statements due to the uncertainty of its recovery.

The components of the deferred tax asset not recognised are as follows:

	2024	2023
	\$	\$
Expected credit losses – Stage 1 and 2	751,138	2,486,565
Accelerated capital allowances	(991,227)	(1,009,935)
Tax losses carried forward	7,340,595	4,387,643
Right of use assets and lease liabilities	-	416
	7,100,506	5,864,689

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***30. Income tax losses**

At the end of the year, the Group had income tax losses of \$29,362,379 (2023: \$17,550,573) to carry forward against future tax liabilities. These losses, which have not been confirmed or agreed by the Inland Revenue Department, will expire as follows if not utilised:

Income Year	Expiry year	Losses arising \$	Losses expired/utilised \$	Losses b/f \$	Accumulated losses c/f \$
2019	2024	19,389,758	-	-	19,389,758
2020	2025	-	(8,318,273)	19,389,758	11,071,485
2021	2026	-	(10,691,712)	11,071,485	379,773
2022	2027	9,315,612	-	379,773	9,695,385
2023	2028	8,234,961	-	9,315,612	17,550,573
2024	2029	12,191,579	(379,773)	17,550,573	29,362,379

31. Basic and diluted earnings per share

The calculation of earnings per share is based on the profit for the year attributable to ordinary shareholders for the year ended June 30, 2024 of \$18,486,477 (2023: \$11,957,760) divided by 28,245,725 (2023: 28,245,725), being the weighted average number of ordinary shares in issue during the year.

(Expressed in Eastern Caribbean Dollars)

32. Related party transactions and balances

A related party is a person or entity that is related to the Group.

A party is related to the Group, if:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - i) has control or joint control over the Group;
 - ii) has significant influence over the Group; or
 - iii) is a member of the key management personnel of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii) Both entities are joint ventures of the same third party.
 - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - vi) The entity is controlled, or jointly controlled by a person identified in (a).
 - vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***32. Related party transactions and balances (cont'd)**

Interest income and interest expense with related parties were as follows:

	2024		2023	
	Income	Expense	Income	Expense
	\$	\$	\$	\$
Government of Dominica	14,942,976	713,961	13,473,053	511,110
Statutory bodies	1,283,941	3,826,737	1,126,951	4,083,947
Directors and related entities	89,558	21,758	82,450	19,487
Key management	58,918	2,470	143,872	27,293

At June 30, related parties had the following balances with the Group:

	2024		2023	
	Loans	Deposits	Loans	Deposits
	\$	\$	\$	\$
Government of Dominica	249,988,518	142,639,398	224,374,823	148,020,026
Statutory bodies	24,522,769	94,503,554	22,891,341	108,764,859
Directors and related entities	1,788,778	1,122,710	1,436,545	967,361
Key management	1,616,637	153,248	3,230,598	1,654,280

As at the reporting date, the Group's single largest shareholder was the Government of the Commonwealth of Dominica holding directly 51.9% (2023: 51.9%) of the issued share capital, and 58.58% (2023: 58.06%) when considered in concert with other shareholding entities owned and controlled by the Government. In addition, the loan balances of the Government of Dominica at \$249,988,518 (2023: \$224,374,823) constituted 28.13% (2023: 26.47%) of the loans and advances outstanding from customers at June 30, 2024.

At the reporting date, the Bank held Treasury bills as issued by the Government of the Commonwealth of Dominica in the amount of \$18,506,119 (2023: \$18,527,026).

Directors' shareholdings as at the end of the financial year are as follows: 17,300 shares or 0.06% (2023: 17,299 shares or 0.06%).

Refer to Note 28 for disclosure of key management compensation.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***33. Commitments and contingencies***Loan commitments and financial guarantees*

	2024	2023
	\$	\$
Loan commitments	111,615,338	74,687,568
Financial guarantees and other financial facilities	13,500,000	1,248,819
	<u>125,115,338</u>	<u>75,936,387</u>

Loan commitments for the year disclosed above amounted to \$111,615,338 (2023: \$74,687,568). The expected credit losses on loan commitments totalled \$269,265 (2023: \$164,060) and this is presented as part of 'Provision' on the consolidated statement of financial position.

Acceptances, guarantees and letters of credit that remain open at the year-end amounted to \$13,500,000 (2023: \$1,248,819). The expected credit losses on guarantees totaled \$66,848 (2023: \$4,343) and this is presented as part of 'Provision' on the consolidated statement of financial position.

Purchase commitment

The Bank is committed to purchase the performing retail loan portfolio of FCIB (see note 39).

Legal claims

There are pending claims and legal actions filed by the Group or against the Group arising from the normal course of business. No provision has been made in the consolidated financial statements as at June 30, 2024, in respect of these claims as the amounts and outcomes are not presently determinable.

As of the date of approval of the consolidated financial statements, the Group does not believe that any of the litigation matters will have a material effect on its consolidated statement of income or consolidated statement of financial position.

34. Leases

The Group leases office buildings and land for operating use. These leases typically run for a period of 3 years and lease payments are renegotiated every 3 years to reflect market rates. The Group is also restricted from entering into any sub-letting arrangements without the permission of the landlord. Such permission is not to be unreasonably withheld.

The existing lease agreements matured on July 31, 2023.

The Group also has other short term and/or leases of low-value payments for which the Group has elected not to recognise right-of-use assets given the underlying assets are of low value.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***34. Leases (cont'd)**

Information about leases for which the Group is a lessee is presented below:

	2024	2023
	\$	\$
Lease liabilities		
Opening balance	32,583	826,523
Disposals	-	(100,852)
Lease adjustments	79,207	(151,735)
Lease payments	(111,790)	(556,127)
Interest expense	-	14,774
	<u>-</u>	<u>32,583</u>
	2024	2023
	\$	\$
Right-of-use assets		
Opening balance	30,922	755,688
Disposals	-	(96,208)
Adjustments	79,207	(103,588)
Amortisation charge	(110,129)	(524,970)
	<u>-</u>	<u>30,922</u>

The following table sets out a maturity analysis of lease liability after the reporting date.

	2024	2023
Within one year	-	32,583
Over one year	-	-

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

*(Expressed in Eastern Caribbean Dollars)***35. Human capital management**

	<u>2024</u>	<u>2023</u>
Number of employees	206	184

36. Goodwill

Goodwill arising from the April 1, 2021 acquisition of the assumed assets and liabilities of Royal Bank of Canada Roseau Branch was determined based on independent valuation of the fair value of the net assets acquired as compared to the consideration transferred.

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Goodwill on acquisition	<u>2,093,118</u>	<u>2,093,118</u>

The goodwill is attributable to the combined years of banking experience, technical knowledge in credit risk assessment and evaluation processes and other synergies expected to be achieved from the acquisition. None of the goodwill recognised is expected to be tax deductible.

For the purposes of impairment testing, goodwill is allocated to the relevant cash-generating unit (CGU) identified – in this case the acquired RBC branch.

In accordance with IFRS 3, goodwill was reviewed for impairment as at June 30, 2023 using the ‘value in use’ method. This requires the use of estimates for determination of future cash flows expected to arise from each CGU and an appropriate perpetuity discount rate to calculate present cash flows. In each case, the cash flow projections are based on financial budgets approved by senior management and the values assigned to key assumptions reflects past performance.

The impact of COVID-19 and the Ukraine/Russia war has created uncertainty in the estimation of cash flow projections, terminal growth rates and discount rates. The goodwill impairment test was conducted using sensitivity analysis, including a range of growth rates, recovery assumptions, interest rates, discount rates and macro-economic outlooks in arriving at a probability-weighted expected cash flow projection.

The key assumptions used in the estimation of the recoverable amount are as set out below:

Terminal growth rate: 2.5%
Discount rate: 15.8% to 16.8%
Inflation rate: 3.0%
Risk free rate: 4.06%

The discount rate was a post-tax measure estimated based on the historical industry average cost of equity, at a market interest rate of 16.30%.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

(Expressed in Eastern Caribbean Dollars)

36. Goodwill (cont'd)

The cash flow projections included some specific estimates for seven years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual growth rate for Net income, consistent with the assumptions that a market participant would make.

The estimated recoverable amount of the CGU exceeded its carrying value.

No impairment losses on goodwill were recognised during the year ended June 30, 2024 (2023: nil).

37. Investment in associate

As part of the acquisitions during the period ended June 30, 2021, the Bank acquired a 20% interest in RBTT Bank Caribbean Limited ('RBTT'). This interest was acquired for NIL consideration and was obtained to facilitate the overall acquisitions by the consortium of banks that acquired the interests of Royal Bank of Canada in the Eastern Caribbean. The interest was intended to be held for a short period of time until certain regulatory requirements were satisfied at the level of RBTT Bank Caribbean Limited and another bank within the consortium.

The acquisition of the 20% interest enabled the Bank to have one appointee to the Board of Directors. The Bank was however not involved in the running of RBTT Bank Caribbean Limited and was not involved in the making of any policy decisions, there was no interchange of managerial personnel and NBD did not provide essential technical information to RBTT. As part of the process, an interim operating agreement was executed between RBTT and another bank within the consortium to provide that bank the full ability to operate and manage RBTT's banking business. NBD was indemnified under a separate agreement with the other bank from any loss related to this transaction and the operation of RBTT.

Further to an assessment performed by management, it was concluded that this interest did not provide the Bank with significant influence and additionally it was determined that the fair value of this interest on initial recognition was NIL as there was no economic benefit to be gained from the transaction. As such, no amounts were recorded in these financial statements related to this transaction.

During the period, no financial or other support was provided to RBTT. The Bank did not receive any financial information for RBTT Caribbean as at September 30, 2024, and is therefore unable to disclose such. As at the reporting date, the shares in RBTT Bank Caribbean Limited as initially issued, remain in favour of the Bank. RBTT is in the process of wind up and is not currently carrying on any operations. It will be voluntarily liquidated subsequently.

38. Comparatives

The classification of certain items in the consolidated financial statements have been changed from the prior period to achieve a clearer or more appropriate presentation. The comparative figures have been similarly reformatted and reclassified in order to achieve comparability with the current period.

National Bank of Dominica Ltd.

Notes to Consolidated Financial Statements

For the year ended June 30, 2024

(Expressed in Eastern Caribbean Dollars)

39. Events after the reporting period

Purchase of performing loan portfolio

On October 27, 2023, the Bank and FirstCaribbean International Bank (Barbados) Limited (“FCIB”) entered into a Transfer Agreement for the Bank’s acquisition of FCIB’s performing retail loan portfolio. The acquisition was successfully completed on July 12, 2024.

Dividends

The Bank’s Board of Directors approved the declaration of cash dividends amounting to \$3,389,487 on May 22, 2025.



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