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Cornerstone Trust & Merchant Bank Limited

Summary Financial Statements
30 September 2023

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Independent auditor's report on the summary financial statements

To the Members of Cornerstone Trust & Merchant Bank Limited

Our opinion

In our opinion, the accompanying summary financial statements of Cornerstone Trust & Merchant Bank Limited (the Company) are consistent, in all material respects, with the audited financial statements, in accordance with Practice Statement 2016 -1, Summary Financial Statements, issued by the Institute of Chartered Accountants of Jamaica.

The summary financial statements

The Company's summary financial statements derived from the audited financial statements for the year ended 30 September 2023 comprise:

- the summary statement of financial position as at 30 September 2023;
- the summary statement of profit & loss and other comprehensive income for the year then ended;
- the summary statement of changes in equity for the year then ended;
- the summary statement of cash flows for the year then ended; and
- the related notes to the summary financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The audited financial statements and the summary financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 24 January 2024.

Responsibility of management for the summary financial statements

Management is responsible for the preparation of the summary financial statements in accordance with Practice Statement 2016 - 1, Summary Financial Statements, issued by the Institute of Chartered Accountants of Jamaica.

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Auditor’s Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), ‘Engagements to Report on Summary Financial Statements’.

PricewaterhouseCoopers

Chartered Accountants
Kingston, Jamaica
13 February 2024

Cornerstone Trust & Merchant Bank Limited

Summary Statement of Profit or Loss and other Comprehensive Income

Year ended 30 September 2023

(expressed in Jamaica dollars unless otherwise indicated)

	2023 $'000	2022 $'000
Net interest income and other revenue		
Interest income on investment and resale agreements	145,003	134,330
Interest income on loans and banks deposits	330,674	252,647
Interest income on leases	12,259	18,749
Total interest income	487,936	405,726
Interest expense on deposits	(108,978)	(98,054)
Interest expense on securities sold under repurchase agreements	(21,470)	(20,923)
Net interest income	357,488	286,749
Net gain/(loss) from financial assets at fair value through profit or loss	39,627	(4,762)
Other revenue	60,053	58,692
	457,168	340,679
Non-interest expenses		
Staff costs	(243,021)	(160,487)
Impairment losses on financial assets	(18,354)	(15,019)
Other	(179,321)	(115,803)
	(440,696)	(291,309)
Profit before income tax	16,472	49,370
Income tax recoverable/(charge)	5,792	(43,919)
Net profit for the year	22,264	5,451
Other Comprehensive Income		
Items that may be subsequently reclassified to profit or loss		
Unrealised loss on investment securities at fair value through other comprehensive income, being total other comprehensive income, net of tax	(15,513)	(48,645)
Total Comprehensive Income/(Loss) for the Year	6,751	(43,194)

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

Cornerstone Trust & Merchant Bank Limited

Summary Statement of Financial Position

30 September 2023

(expressed in Jamaica dollars unless otherwise indicated)

	Notes	2023 $'000	2022 $'000
ASSETS			
Cash resources			
Statutory reserves with Bank of Jamaica	10(a)	244,168	245,590
Amounts due from banks and cash in hand	10(b)	803,951	805,473
		1,048,119	1,051,063
Resale agreements	11	478,211	476,743
Investment securities	12	1,179,720	1,553,256
Loans receivables	13	3,940,254	3,654,998
Net investment in finance leases	14	114,095	177,446
Property, plant and equipment	15	127,876	146,152
Other assets	16	852,435	817,360
Deferred tax assets	17	60,510	85,058
Right-of-use assets	18	68,418	78,853
Tax recoverable		13,770	9,147
		7,883,408	8,050,076
LIABILITIES			
Customers' deposits	19	2,464,777	2,684,327
Other liabilities	20	619,685	271,384
Lease liabilities	18	74,873	83,331
Securities sold under repurchase agreements	21	240,646	534,358
		3,399,981	3,573,400
EQUITY			
Share capital	22	4,471,500	4,471,500
Reserve fund	23	64,001	64,001
Retained earnings reserve	24	65,000	65,000
Loan loss reserve	25	40,608	38,386
Fair value reserve	26	(56,547)	(41,034)
Accumulated deficit		(101,135)	(121,177)
Total equity		4,483,427	4,476,676
Total liabilities and equity		7,883,408	8,050,076

Approved for issue by the Board of Directors on 23 January 2024 and signed on its behalf by:

LYDEN HEAVEN	Director	ROBERT DRUMMOND	Director

Cornerstone Trust & Merchant Bank Limited

Summary Statement of Changes in Equity

Year ended 30 September 2023

(expressed in Jamaica dollars unless otherwise indicated)

	Share capital $'000	Reserve fund $'000	Retained earnings reserve $'000	Loan loss reserve $'000	Fair value reserve $'000	Accumulated deficit $'000	Total $'000
Balance at 1 October 2021	3,471,500	64,001	65,000	29,852	7,611	(118,094)	3,519,870
Comprehensive income							
Profit for the year	-	-	-	-	-	5,451	5,451
Other comprehensive loss					(48,645)	-	(48,645)
Total comprehensive income for the year	-	-	-	-	(48,645)	5,451	(43,194)
Movement between reserves:							
Transfer to loan loss reserve	-	-	-	8,534	-	(8,534)	-
Share issued	1,000,000	-	-	-	-	-	1,000,000
Balance at as 30 September 2022	4,471,500	64,001	65,000	38,386	(41,034)	(121,177)	4,476,676
Comprehensive income							
Profit for the year	-	-	-	-	-	22,264	22,264
Other comprehensive loss	-	-	-	-	(15,513)	-	(15,513)
Total comprehensive income for the year	-	-	-	-	(15,513)	22,264	6,751
Movement between reserves:							
Transfer to loan loss reserve	-	-	-	2,222	-	(2,222)	-
Balance at 30 September 2023	4,471,500	64,001	65,000	40,608	(56,547)	(101,135)	4,483,427

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

Cornerstone Trust & Merchant Bank Limited

Summary Statement of Cash Flows

Year ended 30 September 2023

(expressed in Jamaica dollars unless otherwise indicated)

	2023 $'000	2022 $'000
Cash flows from operating activities		
Profit for the year	22,264	5,451
Adjustments for:		
Depreciation	33,003	21,320
Impairment losses on financial instruments	18,354	15,019
Amortisation of software	612	567
Interest income	(487,936)	(405,726)
Interest expense	130,448	125,549
Income tax	(5,792)	43,919
Unrealised gain on foreign currency assets and liabilities	(23,450)	(2,905)
Changes in operating assets and liabilities:		
Statutory reserves with central bank	1,422	35,027
Net investment in finance leases	63,351	85,486
Customers' deposits net	(229,442)	(58,739)
Securities sold under repurchase agreements, net	(292,036)	20,835
Loans receivables	(279,797)	(947,633)
Other assets	(35,687)	(546,274)
Other liabilities	354,261	133,530
Cash used in operations	(730,425)	(1,474,574)
Interest received	511,202	373,446
Interest paid	(122,232)	(119,121)
Taxation paid	(4,623)	(32,348)
Net cash used in operating activities	(346,078)	(1,252,597)
Cash flows from investing activities		
Proceeds from sale of investment securities	252,711	210,465
Purchase of property, plant and equipment	(4,292)	(135,069)
Net cash provided by in financing activities	248,419	75,396
Cash flow from financing activities		
Issue of shares	-	1,000,000
Payment of lease liabilities	(14,420)	(14,420)
Net cash (used in)/provided by financing activities	(14,420)	985,580
Effect of exchange rate changes on cash and cash equivalents	13,236	37,046
Net decrease in cash and cash equivalents for year	(98,843)	(154,575)
Cash and cash equivalents at beginning of year	1,430,192	1,584,767
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1,331,349	1,430,192

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

Cornerstone Trust & Merchant Bank Limited

Notes to the Summary Financial Statements
30 September 2023
(expressed in Jamaica dollars unless otherwise indicated)

1. Identification

Cornerstone Trust & Merchant Bank Limited ("the Company"), which is incorporated and domiciled in Jamaica, is a 100% subsidiary of Cornerstone United Holdings Jamaica Limited ("CUHJL" or "parent company"). The registered office of the Company is located at 17 St. Lucia Way, Kingston 5, Jamaica and its principal activities are accepting deposits and granting loans and finance leasing.

2. License and Regulation

The Company is licensed under the Banking Services Act (2014).

3. Statement of Compliance and Basis of Preparation

(a) Basis of preparation

The summary financial statements have been prepared in accordance with Practice Statement 2016-1, Summary Financial Statements issued by the Institute of Chartered Accountants of Jamaica. They have been derived from the audited financial statements (full financial statements) of the Company for the year ended 30 September 2023, which are available at the Company's office located at 17 St. Lucia Way, Kingston 5, Jamaica and our website www.cornerstonetmb.com. The full financial statements were authorised for issue by the Board of Directors on 24 January 2024, and include an explicit and unreserved statement of compliance with Internal Financial Reporting Standards (IFRS).

The summary financial statements do not contain all the disclosures required by IFRS namely summary of significant accounting policies and other explanatory notes as presented on the full financial statements of the Company prepared in accordance with IFRS. For a better understanding of the company's financial position, its financial performance and its cashflows, these summary financial statements should be read in conjunction with the full financial statements of the company from which these summary financial statements were derived.

The full financial statements have been audited by PricewaterhouseCoopers who, in their report dated 24 January 2024 expressed an unmodified opinion in relation to those full financial statements.

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

(c) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Jamaica dollars, which is the Company's functional currency. Amounts are rounded to the nearest thousand, unless otherwise indicated.

Cornerstone Trust & Merchant Bank Limited

Notes to the Summary Financial Statements
30 September 2023
(expressed in Jamaica dollars unless otherwise indicated)

4. Capital Management

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

(i) To comply with the capital requirements set by the regulators;
(ii) To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
(iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by the Company's management, employing techniques based on the guidelines developed by the Basel II Committee as implemented by BOJ. The required information is filed with BOJ on a quarterly basis.

BOJ requires each financial institution to:

(i) Maintain a ratio of Tier 1 capital to total assets of 6%; and

(ii) Maintain a ratio of total regulatory capital to risk-weighted assets at or above 10%.

The Company's regulatory capital as managed by the Asset and Liabilities Committee is divided into two tiers:

(i) Tier 1 capital: share capital, reserve fund and reserves created by appropriations of retained earnings; and

(ii) Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of Government securities and equity instruments measured at FVPL.

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

The table below summarises the composition of regulatory capital and the ratios for the period and year ended 30 September 2023 and 30 September 2022.

	2023	**2022**
	$'000	**$'000**
Tier 1 capital	4,499,366	4,479,324
Tier 2 capital	40,608	38,386
Total regulatory capital	4,539,974	4,517,710

Cornerstone Trust & Merchant Bank Limited

Notes to the Summary Financial Statements

30 September 2023

(expressed in Jamaica dollars unless otherwise indicated)

4. Capital Management (Continued)

The table below summarises the composition of regulatory capital and the ratios for the period and year ended 30 September 2023 and 30 September 2022.

	2023 $'000	**2022 $'000**
Risk- weighted assets:		
On statements of financial position	6,330,557	6,837,328
Off statements of financial position	500	150,500
Total risk weighted assets	6,331,057	6,987,828
Tier 1 capital to total assets:		
Actual ratio	57.07%	55.64%
Required ratio	10.00%	10.00%

	2023 $'000	**2022 $'000**
Total regulatory capital to risk weighted assets:		
Actual ratio	71.71%	64.65%
Required ratio	10.00%	10.00%

The Company was in compliance with the externally imposed capital requirement.