

# Financial Results

## For The Year Ended September 30, 2017

1-888-NCB-FIRST | [www.myncb.com](http://www.myncb.com) | [ncbinfo@jncb.com](mailto:ncbinfo@jncb.com)



Net Profit

**\$19.1B**



Total Assets

**\$693.7B**



Equity

**\$116.0B**



EPS

**\$7.76**



Return on Assets

**2.94%**



Return on Equity

**17.44%**

For more information, contact:

### INVESTOR RELATIONS

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Head

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## FOURTH QUARTER 2017 EARNINGS RELEASE

November 9, 2017 – The Board of Directors is pleased to announce that NCB Financial Group Limited (NCBFG) and its subsidiaries (the Group) achieved net profit of \$19.1 billion for the year ended September 30, 2017, an increase of 32% over the prior year's results.

We have achieved another milestone year, with record net profits, strong financial and capital position, and improved performance metrics. We experienced solid growth of 15% in our operating revenues, of which our retail segment continues to be the largest contributor. This was fuelled by loan growth momentum throughout the year allowing us to grow our leading position in the commercial banking industry to a 41% market share and our loan portfolio by 16%.

We began our 2017 financial year with the goal of creating an improved NCB - **Faster | Simpler | Stronger**. We have a clear strategic plan, a team capable of delivering for our customers and shareholders. We are also proud to help our customers with their daily transactions as well as the important financial decisions in life and we believe it starts with making their financial services experience simple, easy and reliable. For the new financial year, we remain committed to continuing the pace of digital change, bettering performance and achieving our vision.

## Dividends

The Board of Directors, at its meeting on November 9, 2017, declared an interim dividend of \$0.60 per ordinary stock unit. The dividend is payable on December 8, 2017 for stockholders on record as at November 24, 2017.

## Awards

- National Commercial Bank Jamaica Limited (NCBJ), the Group's main subsidiary, was selected by *LatinFinance* as the **Bank of the Year Jamaica - 2017**. *LatinFinance* is a leading source of intelligence on the financial markets and economies of Latin America and the Caribbean. The award recognises the excellence of institutions in these markets both domestically and regionally.
- NCB Insurance Company Limited (NCBIC) has been rated as the **Best Pension Fund Managers – Caribbean for 2017** by World Finance. NCBIC's expertise and unwavering high standards has contributed to this achievement. In the July 6<sup>th</sup> press release announcing its 2017 Pension Fund Awardees, World Finance indicated that the management of NCBIC's pension funds is among the most financially stable and innovative in the world.

## Financial Results Highlights

The Group accomplished record net profit performance for the financial year, representing an increase of \$4.7 billion over the prior year, along with strong growth in loans and deposits. This demonstrates progress in relation to our strategy and continued growth in assets and equity, both improving by 14% and 13% respectively. Our 29.99% shareholding in Guardian Holdings Limited was the main contributor to the \$2.0 billion increase in share of profit of associates.

For the fourth quarter, the net profit declined by 16% or \$865 million from the previous quarter as a result of higher operating expenses. This was driven by a 8% rise in staff costs, increased policy expenses for policyholders' and annuitants' benefits and reserves and higher other operating expenses stemming from a non-credit provision.

	Year ended September 30, 2017	Year ended September 30, 2016	YoY <sup>1</sup> Change	Quarter ended September 30, 2017	Quarter ended June 30, 2017	QoQ <sup>2</sup> Change
<b>Net profit (\$'M)</b>	19,108	14,449	32%	4,391	5,256	(16%)
<b>Earnings per stock unit (\$)</b>	7.76	5.87	32%	1.78	2.14	(16%)
<b>Cost to income ratio (%)</b>	63.2%	63.7%		66.1%	58.0%	
<b>Total assets (\$M)</b>	693,724	607,669	14%	693,724	665,010	4%
<b>Return on average total assets (%)</b>	2.9%	2.6%		2.6%	3.2%	
<b>Equity (\$M)</b>	115,994	103,105	13%	115,994	111,683	4%
<b>Return on average equity (%)</b>	17.4%	15.1%		15.4%	19.3%	
<b>Net loans (\$M)</b>	218,615	189,056	16%	218,615	212,038	3%
<b>Customer deposits (\$M)</b>	288,464	273,966	5%	288,464	293,534	(2%)

<sup>1</sup> YoY – Year over Year

<sup>2</sup> QoQ – Quarter over Quarter

## Financial Performance

### Operating Income

Operating income of \$59.5 billion grew by 15% or \$7.9 billion over the prior year. The growth was as a result of:

- Gains on foreign currency and investment activities improving by \$3.0 billion or 63%, driven by gains from the sale of debt securities. This was due in part to stronger demand for Government of Jamaica (GOJ) securities in the context of high levels of market liquidity driven mainly by improved GOJ fiscal performance.
- Net fee & commission income increasing by \$2.9 billion or 27%. This growth was underpinned by our strategic focus on sales and service effectiveness resulting in a 34% improvement in credit related fees due to the growth in the loan portfolio, coupled with transaction growth in point of sale, e-commerce, unit trust and investment banking activities. Additionally, fee income increased in our Pension Fund Management business.
- The growth in the loan portfolio positively impacted net interest income.

### Operating Expenses

Operating expenses of \$38.3 billion grew by 14% or \$4.8 billion over the prior year. We continue to invest in ways to further improve our operating model, enable our business segments to capitalise on growth opportunities and to better serve our customers, including introducing innovative digital options. These investments will initially impact resourcing and infrastructure costs in the short-term but are expected to improve efficiency and customer experience over the medium to long-term. Expenses were also impacted by negotiated increases in salaries, wages, allowances & benefits.

Our focus on cost optimisation and driving business efficiencies will continue to be a strategic priority which will enable us to invest effectively to achieve long-term growth.

## Financial Position Performance

### Loans and advances

The Group's loans and advances, net of provision for credit losses, increased by \$29.6 billion or 16% to \$218.6 billion at September 30, 2017. As we serve our customers and assist them in achieving their goals, we continue to see growth in our portfolio, particularly within our retail segment. Non-performing loans totalled \$5.4 billion as at September 30, 2017 (September 30, 2016: \$6.0 billion) and represented 2.4% of the gross loans compared to 3.1% as at September 30, 2016, a direct result of sound credit underwriting, risk and delinquency management practices. The regulatory provision coverage at September 30, 2017 was 147.1% compared to 136.2% at September 2016.

## Financial Position Performance (continued)

### Deposits

Customer deposits represented over 51% of the Group's funding base and closed the financial year at \$288.5 billion, a \$14.5 billion increase over the prior year. This is indicative of the high level of confidence from our customers and solidifies our market leadership.

### Capital

Stockholders' equity increased by \$12.9 billion to \$116.0 billion at September 30, 2017. The Group's capital position remains strong and the key regulatory ratios of our regulated entities exceed the minimum regulatory requirements as shown in the table below.

Company	Key Regulatory Ratios	September 30, 2017	September 30, 2016
National Commercial Bank Jamaica Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 12.5%]	12.7%	12.7%
NCB Capital Markets Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 10.0%]	18.6%	33.8%
NCB Insurance Company Limited	Minimum continuing capital and surplus requirements ratio [Minimum requirement – 150.0%]	398.5%	496.7%
Advantage General Insurance Company Limited	Available assets to required assets (Minimum capital test) [Minimum requirement – 250.0%]	432.3%	358.0%
NCB (Cayman) Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 12.0%]	24.4%	18.1%
NCB Global Finance Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 12.0%]	31.6%	30.0%

## Corporate Social Responsibility

The NCB Financial Group is committed to engaging in actions that will ensure its continued viability while recognising its role as a corporate leader in the region. Our policy focuses on four main areas: community outreach, ethics, employment practices and effective stakeholder engagement, with an aim to balance the long-term viability of our business with social and environmental accountability.

### Philanthropy

The N.C.B. Foundation (NCBF) is financed by 0.50% of the Bank's prior year profits and 0.50% of prior year personal Keycard sales under the Jamaican Education Initiative (JEI). For this reporting period, over \$65 million was committed to support initiatives aligned with the Foundation's three areas of focus: education, community development & sports and youth leadership & entrepreneurship. NCBF impacted over 350,000 lives and over 315 man-hours was spent by the Volunteer Corps (Staff & Scholars) to execute projects.



## Corporate Social Responsibility (continued)

### Education

Education continues to be the main area of focus. Support is given to assist with academic fees, equipment and infrastructural projects and general educational programmes. Annually, more than 300 students from primary to tertiary levels benefit from the NCBF Scholarship & Grants Programme. This year the organisation invested more than \$40 million in the initiative, a \$10 million increase over 2016.



NCBFG's 2017 Parish Champions pose with the members of the NCBFG family ahead of the annual Scholarship Reveal ceremony in August. Joining the youngsters are: NCBFG representatives (l-r): Nadeen Matthews, CEO, NCBF; Patrick Hylton, President & Group CEO, NCBFG; Jamilia Crooks, Programmes Administrator, NCBF; Kevin Ingram, Senior Assistant General Manager, Retail Banking Division; Dennis Cohen, Group CFO and Deputy CEO, NCBFG and Nichole Brackett Walters, Manager, Group Marketing and Communications along with Shana Hastings (front), Manager, Office of Student Financing, UWI, Mona.

### Community & Sports Development

For the third consecutive year, NCBF partnered with Food for the Poor Jamaica to assist with the building of four homes for needy families in Clarendon, St. Catherine, Trelawny and St. Andrew.

## Community & Sports Development (continued)



Darcia Palache (in pink) and her family show off the keys to their new home. Included in the picture are representatives from NCBF and Food for the Poor Jamaica (FFPJ).

### Youth Leadership & Entrepreneurship

In strengthening the focus in this area, the Foundation held the inaugural Youth Empowerment Summit (YES) hosting approximately 150 youths aged 18 to 25 years, including NCBF scholars, university students and young entrepreneurs. The aim of the summit was to expose the attendees to non-traditional career fields and reinforce the ethos that success is possible with the right mindset, irrespective of background.



Team Achieve Greatness was all smiles after emerging as the winning group after the afternoon's various team challenges at the inaugural Youth Empowerment Summit (YES). Each team member was awarded a token and a signed book by keynote speaker, Gabrielle Jordan.



## Corporate Social Responsibility (continued)

### Customers

Our focus remains on transforming our customers' experience through making banking simpler and faster. One of the ways we have been investing in improving service to our customers is the introduction of Digital and Agile Labs. Under our Agile Lab, we have further refined our online account opening solution, allowing our customers to open accounts in minutes. We also hosted our 2nd Digital Innovation Challenge, which furthers our commitment to foster the development of the FinTech ecosystem in the Caribbean region, while identifying innovative product and service solutions to help transform and improve customer experience and create new revenue models.

In September we achieved PCI-DSS version 3.2 certification. The Payment Card Industry (PCI) Data Security Standards (DSS) provides an actionable framework for developing a robust payment card data security process. We are the first bank in the region to achieve this certification. Additionally, implementation work on Europay, Mastercard and Visa (EMV) standards for chip-card technology continued throughout the year. This is also technology to protect customers and reduce fraud.

### Environment

The Group is committed to protecting the environment; therefore the initiatives we undertake are aimed at reducing our carbon footprint and environmental impact. This philosophy governed our undertaking of energy efficiency and space management projects. We promoted energy efficiency with the upgrading of our mechanical & electrical equipment and the installation of solar Photo

### Environment (continued)

Voltaic (PV) systems and LED lighting technology. The solar PV systems previously installed at the 29 Trafalgar Road and 126 Constant Spring Road locations continue to provide much needed relief on our energy dependence on the national grid, combined the systems generated 170,000KWH for the financial year. This resulted in the reduction of our carbon footprint by 50 tons or 30 barrels of oil. Our most recent branch construction in Fairview has been outfitted with solar PV with a capacity of 60KW. We embarked on a project to replace all our inefficient fluorescent lighting to energy efficient LED lighting. The project is now in the final stage and has so far yielded savings of 545,000KWH. This overall strategy is expected to reduce the enterprise lighting energy consumption by 53%. Additionally, we have been utilising or replacing major air conditioning systems with high efficiency units that utilise environmentally-friendly refrigerant which further aids in our drive to decrease our carbon footprint.



PV system at our 29 Trafalgar Road location.

NCBFG remains committed to building the communities we serve and the nation through the work of the Foundation, our subsidiaries, branches and staff. We are grateful for the support of our valued stakeholders. To our stakeholders, we say thank you for your continued loyalty, confidence and support; ***Put Your Best Life Forward.***

**ON BEHALF OF THE BOARD**

Patrick Hylton, President and Group Chief Executive Officer

# NCB Financial Group Limited

## Consolidated Income Statement

Year ended September 30, 2017

(expressed in Jamaican dollars unless otherwise indicated)

	<i>CURRENT YEAR</i>			<i>PRIOR YEAR</i>	
	Quarter ended September 30 2017 \$'000	Quarter ended June 30 2017 \$'000	Year ended September 30 2017 \$'000	Quarter ended September 30 2016 \$'000	Year ended September 30 2016 \$'000
<b>Operating income</b>					
Interest income	11,207,304	10,845,703	42,837,213	9,989,937	39,156,349
Interest expense	(3,640,435)	(3,290,600)	(13,077,544)	(2,859,132)	(11,032,579)
Net interest income	7,566,869	7,555,103	29,759,669	7,130,805	28,123,770
Fee and commission income	4,296,636	4,271,379	17,010,753	3,649,250	13,575,872
Fee and commission expense	(828,747)	(814,088)	(3,119,686)	(711,484)	(2,634,361)
Net fee and commission income	3,467,889	3,457,291	13,891,067	2,937,766	10,941,511
Gain on foreign currency and investment activities	2,109,395	1,976,205	7,726,060	1,567,185	4,736,122
Premium income	1,939,728	1,914,105	7,573,599	1,750,595	7,480,690
Dividend income	109,412	79,862	295,123	59,602	149,921
Other operating income	65,077	66,336	229,070	36,601	137,348
	4,223,612	4,036,508	15,823,852	3,413,983	12,504,081
	<b>15,258,370</b>	<b>15,048,902</b>	<b>59,474,588</b>	<b>13,482,554</b>	<b>51,569,362</b>
<b>Operating expenses</b>					
Staff costs	4,371,582	4,029,886	16,461,158	3,601,229	13,809,023
Provision for credit losses	231,930	149,950	729,234	(291,275)	612,355
Policyholders' and annuitants' benefits and reserves	1,527,197	1,061,114	4,180,027	487,821	3,775,253
Depreciation and amortisation	639,240	616,910	2,359,274	517,024	1,899,414
Other operating expenses	3,543,616	3,022,513	14,586,267	3,446,481	13,377,245
	<b>10,313,565</b>	<b>8,880,373</b>	<b>38,315,960</b>	<b>7,761,280</b>	<b>33,473,290</b>
<b>Operating profit</b>	<b>4,944,805</b>	<b>6,168,529</b>	<b>21,158,628</b>	<b>5,721,274</b>	<b>18,096,072</b>
Share of profit of associates	627,746	579,673	2,850,700	443,059	832,480
<b>Profit before taxation</b>	<b>5,572,551</b>	<b>6,748,202</b>	<b>24,009,328</b>	<b>6,164,333</b>	<b>18,928,552</b>
Taxation	(1,181,893)	(1,492,575)	(4,901,510)	(1,652,300)	(4,479,992)
<b>NET PROFIT</b>	<b>4,390,658</b>	<b>5,255,627</b>	<b>19,107,818</b>	<b>4,512,033</b>	<b>14,448,560</b>
<b>Earnings per stock unit</b>					
Basic and diluted (expressed in \$)	<b>1.78</b>	<b>2.14</b>	<b>7.76</b>	<b>1.83</b>	<b>5.87</b>

**NCB Financial Group Limited**  
**Consolidated Statement of Comprehensive Income**  
**Year ended September 30, 2017**  
(expressed in Jamaican dollars unless otherwise indicated)


	Quarter ended September 30 2017 \$'000	Quarter ended June 30 2017 \$'000	Year ended September 30 2017 \$'000	Quarter ended September 30 2016 \$'000	Year ended September 30 2016 \$'000
<b>Net profit</b>	4,390,658	5,255,627	19,107,818	4,512,033	14,448,560
<b>Other comprehensive income, net of tax-</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Remeasurements of post-employment benefit obligations	(495,774)	39,619	(388,640)	279,667	63,139
Share of other comprehensive income of associated companies, net of tax	45,157	-	45,157	(77,158)	(77,158)
	(450,617)	39,619	(343,483)	202,509	(14,019)
<b>Items that may be subsequently reclassified to profit or loss</b>					
Currency translation gains	94,565	187,616	204,415	95,387	703,172
Share of other comprehensive income of associated companies, net of tax	402,481	-	402,481	(58,606)	(58,606)
Unrealised gains on available-for-sale investments	1,910,633	2,432,218	3,484,021	3,534,175	6,598,378
Realised fair value gains on sale and maturity of available-for-sale investments	(802,821)	(944,675)	(3,318,701)	(477,649)	(1,183,914)
	1,604,858	1,675,159	772,216	3,093,307	6,059,030
Total other comprehensive income	1,154,241	1,714,778	428,733	3,295,816	6,045,011
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>5,544,899</b>	<b>6,970,405</b>	<b>19,536,551</b>	<b>7,807,849</b>	<b>20,493,571</b>

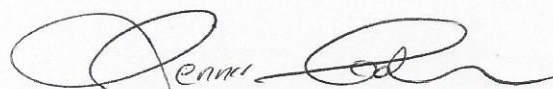



**NCB Financial Group Limited**  
**Consolidated Statement of Financial Position**  
**September 30, 2017**  
(expressed in Jamaican dollars unless otherwise indicated)

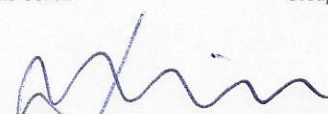
	Note	September 30 2017 \$'000	September 30 2016 \$'000
<b>ASSETS</b>			
Cash in hand and balances at Central Bank		65,314,659	35,373,141
Due from banks		39,414,981	43,820,550
Derivative financial instruments		205,984	276,429
Investment securities at fair value through profit or loss		4,235,508	2,956,990
Reverse repurchase agreements		2,861,218	2,810,257
Loans and advances, net of provision for credit losses		218,615,226	189,055,786
Investment securities classified as available-for-sale and loans and receivables		187,279,080	166,426,708
Pledged assets		109,458,592	108,414,917
Investment in associates		37,186,185	34,787,067
Investment properties		812,619	524,917
Intangible assets		4,922,810	3,445,197
Property, plant and equipment		10,431,461	8,439,961
Deferred income tax assets		1,622,204	179,748
Income tax recoverable		1,515,680	780,807
Customers' liability - letters of credit and undertaking		1,971,727	2,201,599
Other assets		7,876,257	8,175,359
<b>Total assets</b>		<b>693,724,191</b>	<b>607,669,433</b>
<b>LIABILITIES</b>			
Due to banks		10,547,381	13,273,458
Customer deposits		288,464,013	273,965,888
Repurchase agreements		115,586,590	105,974,938
Obligations under securitisation arrangements		66,743,350	47,899,756
Derivative financial instruments		132,347	72,820
Other borrowed funds		38,649,556	12,061,154
Income tax payable		168,582	753,788
Deferred income tax liabilities		1,498,616	1,848,538
Liabilities under annuity and insurance contracts		36,185,320	35,282,653
Post-employment benefit obligations		4,020,696	3,131,117
Liability - letters of credit and undertaking		1,971,727	2,201,599
Other liabilities		13,762,244	8,098,414
<b>Total liabilities</b>		<b>577,730,422</b>	<b>504,564,123</b>
<b>STOCKHOLDERS' EQUITY</b>			
Share capital	4	153,827,330	-
Treasury shares		(330,129)	-
Reorganisation reserve		-	6,462,343
Fair value and capital reserves	4	(137,438,291)	8,824,351
Loan loss reserve		4,287,288	4,447,709
Banking reserve fund		6,567,333	6,539,948
Retained earnings reserve		35,650,000	29,620,000
Retained earnings		53,430,238	47,210,959
<b>Total stockholders' equity</b>		<b>115,993,769</b>	<b>103,105,310</b>
<b>Total stockholders' equity and liabilities</b>		<b>693,724,191</b>	<b>607,669,433</b>

Approved for issue by the Board of Directors on November 9, 2017 and signed on its behalf by:

  
Patrick Hylton President and Group CEO

  
Dennis Cohen Group CFO and Deputy CEO

  
Professor Alvin Wint Director

  
Dave Garcia Company Secretary

# NCB Financial Group Limited

## Consolidated Statement of Changes in Stockholders' Equity

Year ended September 30, 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Share capital	Treasury shares	Re-organisation reserve	Fair value and capital reserves	Loan loss reserve	Banking reserve fund	Retained earnings reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at October 1, 2015</b>	-	-	6,462,343	2,765,321	5,706,122	6,518,648	20,810,000	46,131,777	88,394,211
Total comprehensive income	-	-	-	6,059,030	-	-	-	14,434,541	20,493,571
Transfer from loan loss reserve	-	-	-	-	(1,258,413)	-	-	1,258,413	-
Transfer to banking reserve fund	-	-	-	-	-	21,300	-	(21,300)	-
Transfer to retained earnings reserve	-	-	-	-	-	-	8,810,000	(8,810,000)	-
Transactions with owners of the Company - Dividends paid	-	-	-	-	-	-	-	(5,782,472)	(5,782,472)
<b>Balance at September 30, 2016</b>	-	-	<b>6,462,343</b>	<b>8,824,351</b>	<b>4,447,709</b>	<b>6,539,948</b>	<b>29,620,000</b>	<b>47,210,959</b>	<b>103,105,310</b>
Total comprehensive income	-	-	-	772,216	-	-	-	18,764,335	19,536,551
Transfer from loan loss reserve	-	-	-	-	(160,421)	-	-	160,421	-
Transfer to banking reserve fund	-	-	-	-	-	27,385	-	(27,385)	-
Transfer to retained earnings reserve	-	-	-	-	-	-	6,030,000	(6,030,000)	-
Issue of shares on re-organisation	153,827,330	(330,129)	(6,462,343)	(147,034,858)	-	-	-	-	-
Transactions with owners of the Company - Dividends paid	-	-	-	-	-	-	-	(6,648,092)	(6,648,092)
<b>Balance at September 30, 2017</b>	<b>153,827,330</b>	<b>(330,129)</b>	<b>-</b>	<b>(137,438,291)</b>	<b>4,287,288</b>	<b>6,567,333</b>	<b>35,650,000</b>	<b>53,430,238</b>	<b>115,993,769</b>

# NCB Financial Group Limited

## Consolidated Statement of Cash Flows

Year ended September 30, 2017

(expressed in Jamaican dollars unless otherwise indicated)

	September 30 2017 \$'000	September 30 2016 \$'000
<b>Cash flows from operating activities</b>		
Net profit	19,107,818	14,448,560
Adjustments to reconcile net profit to net cash (used in)/provided by operating activities	(15,237,164)	21,225,555
Net cash provided by operating activities	3,870,654	35,674,115
<b>Cash flows from investing activities</b>		
Acquisition of investment in associates	(50,000)	(27,952,114)
Acquisition of property, plant and equipment	(3,306,436)	(1,487,145)
Acquisition of intangible asset - computer software	(2,539,825)	(1,417,935)
Proceeds from disposal of property, plant and equipment	48,376	23,596
Purchase of investment property	(164,491)	-
Dividends received from associates	1,079,451	434,978
Purchases of investment securities	(251,665,584)	(239,697,929)
Sales/maturities of investment securities	231,325,177	246,559,985
Net cash used in investing activities	(25,273,332)	(23,536,564)
<b>Cash flows from financing activities</b>		
Proceeds from securitisation arrangements	18,893,926	-
Repayments under securitisation arrangements	(1,090,693)	-
Proceeds from other borrowed funds	31,350,316	5,569,431
Repayments of other borrowed funds	(4,966,435)	(2,537,791)
Due to banks	(3,173,039)	6,637,919
Dividends paid	(6,648,092)	(5,782,472)
Net cash provided by financing activities	34,365,983	3,887,087
Effect of exchange rate changes on cash and cash equivalents	1,341,023	3,729,021
Net increase in cash and cash equivalents	14,304,328	19,753,659
Cash and cash equivalents at beginning of period	48,633,379	28,879,720
<b>Cash and cash equivalents at end of period</b>	<b>62,937,707</b>	<b>48,633,379</b>
<b>Comprising:</b>		
Cash in hand and balances at Central Bank	26,290,505	5,540,284
Due from banks	35,515,793	43,414,871
Reverse repurchase agreements	2,170,573	1,319,906
Investment securities	2,725,170	1,653,236
Due to banks	(3,764,334)	(3,294,918)
	<b>62,937,707</b>	<b>48,633,379</b>



**NCB Financial Group Limited**  
**Segment Report**  
Year ended September 30, 2017

	Consumer & SME									
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management & Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	18,835,872	11,686,395	7,574,970	12,400,065	11,109,883	8,386,630	5,612,097	65,906	-	75,671,818
Revenue from other segments	1,993,143	-	58,722	5,836,982	1,409,798	136,595	255,486	424,153	(10,114,879)	-
<b>Total revenue</b>	<b>20,829,015</b>	<b>11,686,395</b>	<b>7,633,692</b>	<b>18,237,047</b>	<b>12,519,681</b>	<b>8,523,225</b>	<b>5,867,583</b>	<b>490,059</b>	<b>(10,114,879)</b>	<b>75,671,818</b>
Interest income	16,064,079	4,233,546	6,056,483	13,228,335	7,916,779	3,190,990	717,601	18,315	(8,589,122)	42,837,006
Interest expense	(1,871,148)	(1,373,526)	(2,792,518)	(8,751,796)	(4,136,024)	(910,592)	-	(1,167)	6,781,156	(13,055,615)
<b>Net interest income</b>	<b>14,192,931</b>	<b>2,860,020</b>	<b>3,263,965</b>	<b>4,476,539</b>	<b>3,780,755</b>	<b>2,280,398</b>	<b>717,601</b>	<b>17,148</b>	<b>(1,807,966)</b>	<b>29,781,391</b>
Net fee and commission income	4,231,664	4,274,447	1,499,332	492,441	1,244,614	1,837,636	167,140	6,531	(2,013,280)	11,740,525
Gain on foreign currency and investment activities	180,509	27,042	58,037	4,292,183	2,754,334	216,670	197,043	246,353	(261,112)	7,711,059
Premium income	-	-	-	-	-	3,170,073	4,688,679	-	(285,153)	7,573,599
Other income	228,831	1,470	972	208,997	603,955	107,857	97,120	423,785	(1,173,019)	499,968
<b>Total operating income</b>	<b>18,833,935</b>	<b>7,162,979</b>	<b>4,822,306</b>	<b>9,470,160</b>	<b>8,383,658</b>	<b>7,612,634</b>	<b>5,867,583</b>	<b>693,817</b>	<b>(5,540,530)</b>	<b>57,306,542</b>
Staff costs	6,668,573	723,439	216,169	155,182	1,068,915	876,909	844,055	75,581	212,656	10,841,479
Provision for credit losses	705,502	31,331	(3,035)	2,693	(7,226)	-	-	-	-	729,265
Depreciation and amortisation	330,003	443,362	6,839	16,827	104,354	93,527	75,567	-	71,643	1,142,122
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	1,461,083	2,726,404	-	(7,460)	4,180,027
Other operating expense	2,861,692	2,341,893	469,662	1,005,941	2,223,944	1,563,872	910,392	14,075	(5,395,101)	5,996,370
<b>Total operating expense</b>	<b>10,565,770</b>	<b>3,540,025</b>	<b>689,635</b>	<b>1,180,643</b>	<b>3,389,987</b>	<b>3,995,391</b>	<b>4,556,418</b>	<b>89,656</b>	<b>(5,118,262)</b>	<b>22,889,263</b>
Operating profit before allocated cost	8,268,165	3,622,954	4,132,671	8,289,517	4,993,671	3,617,243	1,311,165	604,161	(422,268)	34,417,279
Allocated costs	(5,583,037)	(1,352,467)	(748,570)	(348,411)	-	-	-	-	-	(8,032,485)
<b>Operating profit</b>	<b>2,685,128</b>	<b>2,270,487</b>	<b>3,384,101</b>	<b>7,941,106</b>	<b>4,993,671</b>	<b>3,617,243</b>	<b>1,311,165</b>	<b>604,161</b>	<b>(422,268)</b>	<b>26,384,794</b>
Unallocated corporate expenses										(5,226,166)
Share of profit in associates										2,850,700
<b>Profit before taxation</b>										24,009,328
Taxation										(4,901,510)
<b>Net Profit</b>										19,107,818
Segment assets	252,892,296	24,056,040	80,248,041	230,355,157	189,795,827	46,529,802	14,371,254	1,382,361	(187,130,240)	652,500,538
Associates										37,186,185
Unallocated assets										4,037,468
<b>Total assets</b>										693,724,191
Segment liabilities	221,234,822	12,311,689	54,379,184	239,968,452	158,154,180	31,608,399	8,017,323	72,753,251	(222,863,110)	575,564,190
Unallocated liabilities										2,166,232
<b>Total liabilities</b>										577,730,422
Capital expenditure	2,933,124	973,881	212,808	113,441	821,514	398,447	318,195	74,851	-	5,846,261

**NCB Financial Group Limited**  
**Segment Report**  
Year ended September 30, 2016

	Consumer & SME									
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management and Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	14,925,163	9,929,023	6,270,125	10,006,538	10,576,564	7,764,142	5,656,319	108,428	-	65,236,302
Revenue from other segments	3,528,610	-	35,503	4,575,822	681,768	106,125	199,898	58,050	(9,185,776)	-
<b>Total revenue</b>	<b>18,453,773</b>	<b>9,929,023</b>	<b>6,305,628</b>	<b>14,582,360</b>	<b>11,258,332</b>	<b>7,870,267</b>	<b>5,856,217</b>	<b>166,478</b>	<b>(9,185,776)</b>	<b>65,236,302</b>
Interest income	14,464,834	3,602,442	5,315,981	11,531,826	7,515,905	3,054,322	729,906	19,616	(7,078,666)	39,156,166
Interest expense	(1,593,452)	(1,150,273)	(2,781,003)	(7,369,888)	(3,674,533)	(901,311)	-	(1,202)	6,460,029	(11,011,633)
<b>Net interest income</b>	<b>12,871,382</b>	<b>2,452,169</b>	<b>2,534,978</b>	<b>4,161,938</b>	<b>3,841,372</b>	<b>2,153,011</b>	<b>729,906</b>	<b>18,414</b>	<b>(618,637)</b>	<b>28,144,533</b>
Net fee and commission income	3,681,685	3,645,991	929,209	403,456	877,439	1,259,483	148,330	12,331	(85,166)	10,872,758
Gain on foreign currency and investment activities	190,633	21,989	49,274	2,447,138	2,186,958	382,585	299,733	75,232	(924,348)	4,729,194
Premium income	-	-	-	-	-	3,116,919	4,614,742	-	(250,971)	7,480,690
Other income	41,491	2,862	754	194,320	638,807	56,959	63,507	59,300	(851,279)	206,721
<b>Total operating income</b>	<b>16,785,191</b>	<b>6,123,011</b>	<b>3,514,215</b>	<b>7,206,852</b>	<b>7,544,576</b>	<b>6,968,957</b>	<b>5,856,218</b>	<b>165,277</b>	<b>(2,730,401)</b>	<b>51,433,896</b>
Staff costs	5,763,194	544,362	259,245	168,738	1,001,611	759,347	954,221	69,032	(78,885)	9,440,865
Provision for credit losses	714,575	286,866	(412,381)	1,706	21,316	-	-	-	-	612,082
Depreciation and amortisation	267,669	285,228	6,972	47,109	63,556	58,207	73,838	208	71,644	874,431
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	1,050,732	2,734,239	-	(9,718)	3,775,253
Other operating expenses	2,725,708	2,162,463	525,814	808,506	1,262,449	756,718	742,139	6,904	(406,177)	8,584,524
<b>Total operating expense</b>	<b>9,471,146</b>	<b>3,278,919</b>	<b>379,650</b>	<b>1,026,059</b>	<b>2,348,932</b>	<b>2,625,004</b>	<b>4,504,437</b>	<b>76,144</b>	<b>(423,136)</b>	<b>23,287,155</b>
Operating profit before allocated costs	7,314,045	2,844,092	3,134,565	6,180,793	5,195,644	4,343,953	1,351,781	89,133	(2,307,265)	28,146,741
Allocated costs	(5,084,644)	(1,229,446)	(668,084)	(326,881)	-	-	-	-	-	(7,309,055)
<b>Operating profit</b>	<b>2,229,401</b>	<b>1,614,646</b>	<b>2,466,481</b>	<b>5,853,912</b>	<b>5,195,644</b>	<b>4,343,953</b>	<b>1,351,781</b>	<b>89,133</b>	<b>(2,307,265)</b>	<b>20,837,686</b>
Unallocated corporate expenses										(2,741,614)
Share of profit of associates										832,480
<b>Profit before taxation</b>										18,928,552
Taxation										(4,479,992)
<b>Net Profit</b>										<b>14,448,560</b>
Segment assets	219,755,477	18,213,178	79,609,290	214,267,834	156,846,325	42,101,382	14,036,822	1,129,946	(174,951,614)	571,008,640
Associates										34,787,067
Unallocated assets										1,873,726
<b>Total assets</b>										<b>607,669,433</b>
Segment liabilities	195,276,692	10,693,171	63,102,788	204,533,001	128,838,244	28,229,974	8,478,399	791,186	(138,229,118)	501,714,337
Unallocated liabilities										2,849,786
<b>Total liabilities</b>										<b>504,564,123</b>
Capital expenditure	1,256,881	746,813	117,962	42,858	415,091	204,485	102,500	18,490	-	2,905,080

# NCB Financial Group Limited

## Notes to the Financial Statements

September 30, 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 1. Identification and Principal Activities

NCB Financial Group Limited ("the Company") is incorporated and domiciled in Jamaica. The Company is 49.17% owned by of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael A. Lee-Chin, OJ, Chairman of the Company.

The Company's registered office is located at 32 Trafalgar Road, Kingston 10, Jamaica.

The Company's ordinary stock units are listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange.

During March 2017, a Scheme of Arrangement became effective which resulted in a re-organisation of the Group. National Commercial Bank Jamaica Limited ("the Bank") became a wholly owned subsidiary of NCB Financial Group Limited ("the Company"). The 2,466,762,828 ordinary stock units of the Bank were acquired by the Company and the former shareholders of the Bank were issued 2,466,762,828 ordinary stock units of the Company in exchange for their shares in the Bank. Consequently, the shares of the Bank were delisted and the shares of the Company were listed on the Jamaica Stock Exchange (JSE) and Trinidad and Tobago Stock Exchange (TTSE), effective March 16, 2017.

The Company's subsidiaries and other consolidated entities, which together with the Company are referred to as "the Group", are as follows:

	Principal Activities	Percentage Ownership by The Group
National Commercial Bank Jamaica Limited	Commercial Banking	100
Data-Cap Processing Limited	Security Services	100
Mutual Security Insurance Brokers Limited	Dormant	100
NCB Capital Markets Limited	Securities Dealer and Stock Brokerage Services	100
Advantage General Insurance Company Limited	General Insurance	100
NCB Capital Markets (Cayman) Limited	Securities Dealer	100
NCB Global Finance Limited (formerly AIC Finance Limited)	Merchant Banking	100
NCB Capital Markets (Barbados) Limited	Brokerage Services	100
NCB Capital Markets SA	Inactive	100
NCB (Cayman) Limited	Commercial Banking	100
NCB Trust Company (Cayman) Limited*	-	100
NCB Insurance Company Limited	Life Insurance, Investment and Pension Fund Management Services	100
N.C.B. (Investments) Limited*	-	100
N.C.B. Jamaica (Nominees) Limited	Dormant	100
NCB Remittance Services (Jamaica) Limited	Dormant	100
NCB Financial Services UK Limited (formerly NCB Remittance Services (UK) Limited)	Pension Remittances	100
West Indies Trust Company Limited	Trust and Estate Management Services	100
NCB Employee Share Scheme	Dormant	100
NCB Global Holdings Limited	Holding company	100

\* No significant activities at this time.

All subsidiaries are incorporated in Jamaica with the exception of NCB (Cayman) Limited, NCB Trust Company (Cayman) Limited, and NCB Capital Markets (Cayman) Limited, which are incorporated in the Cayman Islands, NCB Financial Services UK Limited, which is incorporated in the United Kingdom, NCB Global Finance Limited and NCB Global Holdings Limited which are incorporated in Trinidad and Tobago, NCB Capital Markets (Barbados) Limited which is incorporated in Barbados and NCB Capital Markets SA which is incorporated in the Dominican Republic.

#### Incorporation of NCB Financial Group Limited

NCB Financial Group Limited was incorporated in April 2016 and is the holding company for National Commercial Bank Jamaica Limited and NCB Global Holdings Limited.

#### Incorporation of NCB Global Holdings Limited

NCB Global Holdings Limited was formed in 2016 and holds the investment in Guardian Holdings Limited.

The Group's associates are as follows:

	Principal Activities	Percentage Ownership
Dyoll Group Limited	In Liquidation	44.47
Elite Diagnostics Imaging Services Limited	Medical Imaging Services	29.61
Guardian Holdings Limited	Life Insurance, Investment and Pension Fund Management Services	29.99
JMMB Group Limited	Securities Dealer and Stock Brokerage Services	26.30
Mundo Finance Limited	Micro Financing	50.00

All of the Group's associates are incorporated in Jamaica, except for Guardian Holdings Limited which is incorporated in Trinidad and Tobago.

The Company's interest in the subsidiaries and associated companies listed above was nil in 2016, except for NCB Global Holdings Limited and Guardian Holdings Limited which were 100% and 29.99% respectively.



# NCB Financial Group Limited

## Notes to the Financial Statements

September 30, 2017

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Basis of preparation

The condensed consolidated financial statements for the quarter ended September 30, 2017 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2016 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investment securities, investment securities at fair value through profit or loss, derivative contracts and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

There have been no changes in accounting policies since the most recent audited accounts as at September 30, 2016.

### 3. Segment reporting

The Group is organised into the following business segments:

- Retail & SME– This incorporates the provision of banking services to individual and small and medium business clients and pension remittance services.
- Payment services - This incorporates the provision of card related services.
- Corporate banking – This incorporates the provision of banking services to large corporate clients.
- Treasury & correspondent banking – This incorporates the Bank's liquidity and investment management function, management of correspondent bank relationships, and relationships with other financial institutions as well as foreign currency dealing activities.
- Wealth, asset management and investment banking – This incorporates stock brokerage, securities trading, investment management and other financial services provided by overseas subsidiaries.
- Life insurance & pension fund management – This incorporates life insurance, pension and investment management services.
- General insurance - This incorporates property and casualty insurance services.
- The Group's trustee services and the outstanding transactions and balances of certain inactive subsidiaries are classified as Other for segment reporting.

The Group's operations are located mainly in Jamaica. The operations of subsidiaries located overseas account for less than 10% of the Group's external operating revenue, assets and capital expenditure.

#### Unallocated assets and liabilities

Unallocated assets and liabilities comprise current income tax payable and recoverable, deferred income tax assets and liabilities and assets and liabilities of support units of the Bank that are not allocated to the banking segments.

#### Direct allocated costs and unallocated corporate expenses

Costs incurred by the support units of the Bank are allocated to the business segments based on certain criteria determined by management. These criteria include staff complement, square footage and time spent providing the service to the business segment. The expenses that are allocated are mainly staff costs, depreciation and amortisation and other operating expenses and are treated as direct allocated costs.

Costs allocated to the banking segments are reported directly by those segments to the President & Group Chief Executive Officer and Board of Directors. Costs allocated to the non-banking segments are not included in the individual internal reports presented by those segments and are treated as unallocated corporate expenses.

#### Eliminations

Eliminations comprise inter-company and inter-segment transactions.

### 4. Share Capital and Reserves

The share capital of \$153,827,330,000 is based on the JSE market capitalisation value of the Bank immediately preceding the Scheme of Arrangement. This represents the acquisition value of the Bank and therefore the consideration exchanged by the Company. The negative reserves of \$147,034,858,000 arising on the consolidation of the Group is accounted for in capital reserves, representing the difference between the market value on the date of the Scheme and the previous carrying value of the share capital.

**Interest/Ownership of Stock Units by Directors in NCB Financial Group Limited as at September 30, 2017**

<b><u>Directors</u></b> <sup>2.</sup>	<b>Total</b>	<b>Direct</b>	<b>Connected Parties</b>
Robert Almeida	61,750,129	171,750	61,578,379
Wayne Chen	1,313,632,366	14,044	1,313,618,322
Dennis Cohen <sup>1.</sup>	134,617,836	86,480	134,531,356
Sandra Glasgow <sup>1.</sup>	134,619,055	90,699	134,528,356
Sanya Goffe	61,582,719	4,340	61,578,379
Hon. Noel Hylton, OJ, CD	61,932,453	14,044	61,918,409
Patrick Hylton, CD	62,809,281	1,230,902	61,578,379
Hon. Michael Lee-Chin, OJ	1,608,954,560	2,409,400	1,606,545,160
Thalia Lyn, OD <sup>1.</sup>	134,696,888	153,412	134,543,476
Oliver Mitchell, Jr.	61,585,679	7,300	61,578,379
Prof. Alvin Wint, CD	61,666,523	88,144	61,578,379
Dave Garcia (Company Secretary)	11,210	11,210	0

**Interest/Ownership of Stock Units by Senior Managers in NCB Financial Group Limited and its subsidiaries as at September 30, 2017**

<b><u>Senior Managers</u></b>	<b>Total</b>	<b>Direct</b>	<b>Connected Parties</b>
Rickert Allen	113,696	113,696	0
Septimus Blake	10,050	10,050	0
Brian Boothe	0	0	0
Danielle Cameron Duncan	0	0	0
Dennis Cohen <sup>1. 2.</sup>	134,617,836	86,480	134,531,356
Dave Garcia	11,210	11,210	0
Steven Gooden	4,293	4,293	0
Howard Gordon	0	0	0
Phillip Harrison	25,598	10,000	15,598
Patrick Hylton, CD <sup>2.</sup>	62,809,281	1,230,902	61,578,379
Vernon James	0	0	0
Nadeen Matthews	10,000	10,000	0
Claudette Rodriquez	42,147	0	42,147
Misheca Seymour-Senior	0	0	0
Andrew Simpson	0	0	0
Mark Thompson	0	0	0
Tanya Watson Francis	0	0	0
Mukisa Wilson Ricketts	10,000	10,000	0
Allison Wynter <sup>1.</sup>	73,050,766	100,789	72,949,977
Angus Young	105,000	105,000	0

1. Connected parties for Dennis Cohen, Sandra Glasgow, Thalia Lyn and Allison Wynter include shares of 72,949,977 held by trustees of the N.C.B. Staff Pension Fund.

2. Connected parties for all directors include shares of 61,578,379 held by subsidiaries of Guardian Holdings Limited (GHL).

**10 Largest Shareholders of NCB Financial Group Limited as at September 30, 2017**

<b>Name of Shareholder</b>	<b>Units</b>	<b>Percentage Ownership</b>
AIC (Barbados) Limited	1,213,020,182	49.17%
Harprop Limited	222,372,000	9.01%
Sagicor PIF Equity Fund	68,547,785	2.78%
NCB Insurance Co. Ltd WT 109	62,989,156	2.55%
AIC Global Holdings Inc.	49,565,238	2.01%
SJIML A/C 3119	43,254,981	1.75%
Ideal Portfolio Services Company Limited	40,762,991	1.65%
Portland (Barbados) Limited	38,178,106	1.55%
Neon Liberty Lorikeet Master Fund LP	26,932,709	1.09%
Beta SPV Limited	21,000,000	0.85%

**Shareholder Profile of NCB Financial Group Limited as at September 30, 2017**

<b>Number of Shareholders</b>	<b>Ownership of Each Shareholder</b>	<b>Percentage Ownership</b>	<b>Number of Units</b>
(1) shareholder with 4 accounts	49.17%	49.17%	1,213,020,182
1	6 - 10%	9.01%	222,372,000
7	1 - 4%	13.39%	330,230,966
35,820	Less than 1%	28.43%	701,139,680
<b>35,829</b>		<b>100.00%</b>	<b>2,466,762,828</b>