



# Management Discussion & Analysis (MD&A)

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# Executive Summary

The management of NCB Financial Group Limited and its subsidiaries and other consolidated entities (hereafter referred to as “the NCB Financial Group”, “the Group”, “we”, “our” and “our organisation”) is responsible for the integrity and objectivity of the information contained in this Management Discussion and Analysis (MD&A).

The financial information disclosed in the MD&A is consistent with our audited consolidated financial statements and related notes for the year ended September 30, 2018 (“financial statements”). The information conveyed is based on the informed judgment of management with appropriate consideration to materiality. In this regard, management maintains a system of accounting and reporting that provides the necessary internal controls to ensure transactions are properly authorised and recorded, assets are safeguarded against unauthorised use or disposal and liabilities are fully recognised. Importantly, the system of control is continually reviewed for its effectiveness and is supported by written policies and guidelines, qualified personnel, strong internal audit and risk assessment procedures.

The MD&A is presented to enable readers to assess the operational

results and financial condition of the Group for the year ended September 30, 2018, compared to prior years. The MD&A should be read in conjunction with our financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). From time to time, the MD&A may contain forward-looking statements, which include, but are not limited to, our 2019 outlook and expectations related to general economic conditions, market trends and anticipated impact on business segments. Forward-looking statements are subject to risks and uncertainties that could cause future actual results to differ materially from the forward-looking statements. Unless otherwise indicated, all amounts are expressed in Jamaican dollars.

## ► Corporate Overview

### The Company

Incorporated in April 2016, NCB Financial Group Limited (“NCBFG” or “the Company”) is a financial holding company and currently has three subsidiaries National Commercial Bank Jamaica Limited (“NCBJ” or “the Bank”), NCB Global Holdings Limited (NCBGH) and Clarien Group Limited (Clarien). In March 2017, under a Scheme of Arrangement, the pre-existing shares in NCBJ were transferred en-bloc to NCBFG, which in turn issued, on a one for one basis, shares in NCBFG to the previous shareholders of NCBJ. This resulted

in NCBJ becoming a wholly owned subsidiary of NCBFG.

The Group operates within the financial services industry, including banking, insurance and investment management, mainly in the Caribbean. Our organisation operates its business through seven segments offering a wide range of financial solutions to its customers, including loans and investments, deposits, payment services, credit cards, structured finance, trade finance, foreign exchange, wealth management, insurance (general and bancassurance), pension fund management, annuities and trust services. In addition, there are self-service options at financial kiosks and intelligent ABMs in our ‘Bank on the Go’ locations as well as online.

NCB Financial Group Limited trades under the symbol “NCBFG” on the Jamaica Stock Exchange and Trinidad & Tobago Stock Exchange. The Group is the largest financial services organisation in Jamaica measured by profitability and total assets.

### Clarien Group Limited

In December 2017, NCBFG acquired a 50.1% majority stake in Clarien Group Limited incorporated in Bermuda, owner of Clarien Bank Limited (CBL). The remaining shareholding is held by funds managed by Portland Private Equity (17.92%) and Edmund Gibbons Limited (EGL) (31.98%). CBL is licensed by the Bermuda Monetary Authority (BMA) to conduct banking, investment and trust business and is one of the largest independent,

Subsidiaries of NCB Financial Group Limited

SUBSIDIARY	PRINCIPAL ACTIVITIES	PERCENTAGE OWNERSHIP
Clarien Group Limited (Clarien)	Banking, investment and trust services	50.10
NCB Global Holdings Limited (NCBGH)	Holding company	100
National Commercial Bank Jamaica Limited (NCBJ)	Commercial banking	100

privately-owned integrated financial services organisations in Bermuda. This acquisition is aligned with our regional growth strategy and has extended our footprint to one of the world's premier financial jurisdictions. Bermuda is respected as a stable, sophisticated jurisdiction; well equipped to meet the needs of international high net worth individuals and institutional clients, which complements our wealth management operations. Clarien provides personal, commercial, private and corporate banking products and services to individuals and corporations, along with a full range of investment products and brokerage services through Clarien Investments Limited.

### NCB Global Holdings Limited

NCBGH is a holding company incorporated in Trinidad and Tobago which currently owns 29.99% of the issued shares of Guardian Holdings Limited (GHL). The acquisition was completed in May 2016 in Trinidad & Tobago and is accounted for as an associated company in the consolidated results of NCBFG. The Guardian Group is the largest indigenous financial services and insurance group in the Caribbean; serving markets in 21 countries, including the English and Dutch Caribbean, Trinidad & Tobago, Barbados, Jamaica, Curacao, Aruba, St. Maarten and Bonaire. GHL provides services in life and health insurance, asset management, trust services and general insurance.

### National Commercial Bank Jamaica Limited

NCBJ is a licensed commercial bank (deposit taking institution – DTI) incorporated in Jamaica, which is regulated and supervised by the Bank of Jamaica (BOJ) and currently has eleven subsidiaries (see list of subsidiaries in note 1 of the financial statements, page 174). NCBJ offers banking services to individual consumers, small and medium sized enterprises (SMEs), large corporations and government institutions. One

of its largest subsidiaries, NCB Capital Markets Limited (NCBCM), a licensed securities dealer, investment advisor and unit trust management company regulated and supervised by the Financial Services Commission (FSC), currently has five subsidiaries. Advantage General Insurance Company Limited (AGIC) is a licensed general insurance company regulated and supervised by the FSC, and is one of the subsidiaries of NCBCM. Another major subsidiary of NCBJ is NCB Insurance Company Limited (NCBIC), a licensed life insurance company and an investment and pension administrator regulated and supervised by the FSC.

NCB (Cayman) Limited (NCBKY), one of the wholly-owned subsidiaries of NCBJ, established in 1992 to offer banking and trust services from the Cayman Islands, currently has one subsidiary, NCB Trust Company (Cayman) Limited. Over the years, NCBKY has grown to become a highly reputable private banking and wealth

management service provider, offering a suite of services to high net worth individuals and corporate entities. NCBKY is regulated and supervised by the Cayman Islands Monetary Authority.

NCB Global Finance Limited (NCBGF) is a Trinidad and Tobago based financial institution, licensed and regulated by the Central Bank of Trinidad & Tobago. The company is authorised to conduct business as a merchant bank, finance house/company, confirming house/acceptance house, leasing corporation, mortgage institution, trust company, unit trust and foreign exchange dealer. NCBGF was acquired in December 2013 by NCBCM.

NCBCM incorporated a wholly owned subsidiary located in Barbados in May 2015. This subsidiary, NCB Capital Markets (Barbados) Limited (NCBCMB), received a securities licence from the Barbados Financial

NCBFG Business Segments

SEGMENTS	SUBSIDIARY
Consumer & SME - Retail & SME	National Commercial Bank Jamaica Limited  Clarien Group Limited
Consumer & SME - Payment Services	
Corporate Banking	
Treasury & Correspondent Banking	
Wealth, Asset Management and Investment Banking	NCB Capital Markets Limited
	Clarien Group Limited
	NCB Capital Markets (Cayman) Limited
	NCB Global Finance Limited
	NCB Capital Markets (Barbados) Limited
	NCB (Cayman) Limited
Life Insurance & Pension Fund Management	NCB Insurance Company Limited
General Insurance	Advantage General Insurance Company Limited
Other	All other subsidiaries not named above

# Executive Summary

CONTINUED

Services Commission on September 22, 2015. NCBCMB is our investment banking hub for the Eastern Caribbean.

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, which is incorporated in Trinidad and Tobago; NCB Capital Markets (Barbados) Limited, which is incorporated in Barbados and NCB Capital Markets SA, which is currently inactive, incorporated in the Dominican Republic.

NCBJ and its subsidiaries (the banking group) are Jamaica's largest and most profitable banking and financial services group, based on net profit and total assets. NCBJ and its subsidiaries primarily operate in Jamaica, but also offer services in the Cayman Islands, Barbados, Trinidad & Tobago and the United Kingdom. In Jamaica, NCBJ and its subsidiaries serve their clients through 37 branches and over 305 ATMs and financial kiosks island-wide, with its head office located in Kingston and a regional office in Montego Bay. The banking group currently provides financial services to just over a million customers.

## Credit Ratings

In September 2018, Caribbean Information and Credit Ratings Services Limited (CariCRIS) reaffirmed NCBFG's ratings and reported that the ratings reflect the view that the Group's financial performance will continue to be strong over the next 12-15 months, as the loan portfolio of the Group's Jamaican bank subsidiary, NCBJ, continues to expand spurred by improved economic activity in Jamaica (CariCRIS, NCBFG Ratings Release, September 2018). The report also noted that "CariCRIS expects NCBFG to benefit from its investment in NCB Global Holdings Limited and from the several business development initiatives being pursued across the Group". The CariCRIS analysis emphasised that the ratings were supported by the Group's emergence as a significant player in the regional financial services industry along with its leading market share in the Jamaican commercial banking industry coupled with strong presence in the securities and insurance industries.

NCBFG and its subsidiaries maintain public ratings with established independent rating agencies (refer to Tables 1 & 2 for latest ratings). The opinions expressed by rating agencies on our creditworthiness and that of our obligations or securities (including long-term debt, short-term borrowings, and asset securitisations) are based on independent analyses and financial modelling. Our credit ratings are subject to reviews by the rating agencies, where a number of factors are considered; including

financial strength, performance, prospects, operations, asset quality, capitalisation and liquidity position, as well as factors not under our control. Other factors (within and outside of our control) that influence our credit ratings include:

- changes to the rating agencies' methodologies,
- the rating agencies' assessment of the general operating environment for financial services companies,
- our relative positions in the industry,
- the sovereign credit ratings of the Jamaican government and other relevant governments,
- current or future regulatory and legislative initiatives,
- the agencies' views on whether the Jamaican government would provide meaningful support to our organisation in a crisis,
- our various risk exposures and risk management policies,
- our reputation;
- diversity of funding sources and funding costs,
- the current and expected level and volatility of our earnings,
- our capital position and capital management practices and
- our corporate governance.

The rating agencies can adjust our ratings at any time and they provide no assertions about the maintenance of our ratings at current levels. Our organisation maintains active discourse with these major ratings agencies and it is our objective to preserve high-quality credit ratings through outstanding financial performance.

Table 1: NCBFG Rating

RATING AGENCY	TYPE OF RATING	RATINGS ASSIGNED		OUTLOOK
CariCRIS	Issuer/Corporate Credit Rating	Regional Scale	CariA (local currency)	Stable
			CariA- (foreign currency)	
		National Scale	jmAAA (local currency)	
			jmAA+ (foreign currency)	

## ► Performance Measurement

Specific targets are outlined in the Group's strategic plan. The Group is then measured against these internal targets coupled with other local and international benchmarks. A diverse set of key performance indicators are defined and used to drive performance, challenge the status quo and ensure that the team delivers better business results. We have monitored our strategy using both financial and qualitative measures, covering areas that are important to all stakeholders, including customers, employees, communities and shareholders. Individual strategic targets are then developed for each business unit and at the unit level the management team is responsible for managing the risks and performance of the unit and reporting the results to the senior and executive management

team. New initiatives which occurred in the financial year included a benefits realisation plan with defined metrics, which are captured in the Group's performance management processes.

Our financial measures include quantitative targets for net profit, revenue, cost optimisation, digitisation, core balance sheet portfolios, return on assets, return on equity, market share, capital management and strength, risk management and operating efficiency. Our other goals and targets include objectives in the areas of customer service, customer satisfaction, customer loyalty, sales effectiveness, innovation, product penetration, efficiency improvements, optimising our branch network, employee satisfaction, employee engagement, regional expansion, corporate governance, corporate social responsibility and community involvement.

We monitor some performance metrics on a weekly basis and our overall performance as frequently as required to proactively respond to changes in our environment. The performance reports include forward looking projections to ensure prudent and timely decision making. Additionally, we do forecasting and planning to assist the leadership team to effectively manage the business. We actively pursue our strategic imperatives and review outcomes using defined strategic measures to ensure alignment with the overall mission of the organisation.

**Table 2: Subsidiary Ratings**

SUBSIDIARY	RATING AGENCY	RATINGS ASSIGNED		OUTLOOK
NCBJ	CariCRIS	Regional Scale	<i>CariA-</i> (local currency)	Stable
			<i>CariBBB+</i> (foreign currency)	
		National Scale	<i>jmAA+</i> (local currency)	
	Fitch Ratings	Long-term Issuer Default Ratings (IDRs)	'B' (foreign and local currency)	Positive
		Short-term Issuer Default Ratings (IDRs)	'B' (foreign and local currency)	
		Viability Rating	'b'	
		Support Rating	'4'	
		Support Rating Floor	'B'	
	S&P Global Ratings	Issuer Credit Rating	B/Stable/B	Positive
NCBCM	CariCRIS	Regional Scale	<i>CarBBB+</i> (foreign currency)	Stable
			<i>CarBBB</i> (foreign currency)	
		National Scale	<i>jmA+</i> (local currency)	
NCB Cayman	CariCRIS	Regional Scale	<i>CariA</i> (foreign and local currency)	Stable

**Extract from the Jamaican financial services industry****Financial system structure <sup>(1)</sup>** (in billions, except percentages and number of institutions)**COMMERCIAL BANKS - AT JUNE 30, 2018 <sup>(2)</sup>**

Number of institutions - commercial banks	8
Total assets	1462.4
Commercial banks percentage market share of assets of total BOJ licensees included in annual prudential indicators	91.2%

**EXTRACT FROM THE COMMERCIAL BANKING INDUSTRY DATA <sup>(3)</sup>**

	<b>National Commercial Bank Jamaica Limited</b>	Commercial banking industry (\$'B)
Market share by Assets	<b>37.2%</b>	1,462.4
Market share by Deposits	<b>32.5%</b>	961.3
Market share by Loans, Advances & Discounts (Net)	<b>39.4%</b>	655.4

**JAMAICAN INSURANCE INDUSTRY - AT MARCH 31, 2018 <sup>(4)</sup>**

Number of registered institutions - Insurance Companies	17
Number of Insurance Companies in operation	15
Total assets	394.3
Life insurance market share of insurance industry	80.2%
General insurance market share of insurance industry	19.8%

**LIFE INSURANCE COMPANIES**

Total assets	316.2
NCBIC percentage market share of assets in Life Insurance Industry	16.2%
Insurance liabilities	97.4
NCBIC percentage market share of insurance liabilities in Life Insurance Industry	31.5%

**GENERAL INSURANCE COMPANIES**

Total assets	78.1
AGIC percentage market share of assets in General Insurance Industry	19.8%
Insurance liabilities	43.4
AGIC percentage market share of insurance liabilities in General Insurance Industry	17.5%

**LICENSED DEALERS/SECURITIES FIRMS INDUSTRY - AT JUNE 30, 2016 <sup>(5)</sup>**

Number of licensed institutions - Securities Dealers	41
Number of licensed institutions - Securities Dealers with core business dealing in securities	31
Total assets	576.4
NCBCM percentage market share of assets in Securities Dealers Industry	26.9%
Total on-balance sheet client liabilities	389.4
NCBCM percentage market share of on-balance sheet client liabilities in Securities Dealers Industry	31.0%
Total funds under management (FUM)	1234.6
NCBCM percentage market share of FUM in Securities Dealers Industry	10.2%

**Total funds under management (FUM) - Jamaican Collective Investment Schemes <sup>(6)</sup>**

NCBCM percentage market share of unit trusts	13.7%
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(1) Financial sector assets are not consolidated

(2) Bank of Jamaica - Annual Prudential Indicators of Commercial Banks, Licensees under The Financial Institutions Act (FIA) &amp; Building Societies as at June 30, 2018

(3) Bank of Jamaica - Unaudited Assets &amp; Liabilities of Commercial Banks as at June 30, 2018

(4) Financial Services Commission of Jamaica - Insurance Industry Performance Report as at March 2018

(5) Financial Services Commission of Jamaica - Securities Industry Performance Report as at March 2018

(6) Financial Services Commission of Jamaica - Securities Industry Performance Report as at March 2018



# Financial Snapshot

**TABLE 3: FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA**

	For the year ended September 30,						
(in millions, except per stock unit amounts)	2014	2015	2016	2017	2018	% Change Financial Year 2018 vs. Financial Year 2017	Five-year compounded annual growth rate (CAGR)
Consolidated Income Statement							
Net interest income	24,661	25,964	28,124	29,760	35,144	18%	8%
Non-interest income	18,593	21,509	23,446	29,715	41,393	39%	24%
Operating income	43,254	47,473	51,569	59,475	76,537	29%	15%
Staff Costs	11,524	11,942	13,809	16,461	23,776	44%	16%
Provision for credit losses	2,227	1,799	612	729	1,677	130%	(4%)
Non-interest expenses	15,586	17,730	19,052	21,126	24,898	18%	11%
Net profit	12,327	12,302	14,449	19,108	28,581	50%	27%
Net profit attributable to stockholders of the parent	12,327	12,302	14,449	19,108	27,959	46%	27%
Earnings per stock unit (\$)	5.01	5.00	5.87	7.76	11.39	47%	27%
Dividends paid per stock unit (\$)	1.18	2.31	2.35	2.70	2.70	0%	19%
Consolidated Statement of Financial Position (at year end)							
Investment securities	264,171	275,988	275,670	299,177	389,490	30%	11%
Net loans	157,630	165,405	189,056	218,615	372,635	70%	21%
Total assets	499,345	523,815	607,669	693,724	978,585	41%	17%
Customer deposits	202,162	227,851	273,966	288,464	484,848	68%	22%
Repurchase agreements	134,691	100,004	105,975	115,587	152,885	32%	5%
Liabilities under annuity and insurance contracts	34,231	34,689	35,283	36,185	38,093	5%	2%
Equity	81,846	88,394	103,105	115,994	139,584	20%	14%
Equity attributable to stocholders of the parent	81,846	88,394	103,105	115,994	130,041	12%	12%



# Financial Snapshot

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TABLE 4: KEY RATIOS AND PER STOCK UNIT DATA

	Year ended September 30,				
	2014	2015	2016	2017	2018
<b>Profitability ratios</b>					
Return on average total assets	2.61%	2.40%	2.55%	2.94%	3.34%
Return on average equity	15.97%	14.45%	15.09%	17.44%	22.73%
Cost to income ratio	62.21%	62.34%	63.72%	63.20%	63.22%
<b>Capital ratios</b>					
Risk-based capital adequacy ratio (Bank)	12.94%	12.72%	12.69%	12.68%	13.07%
Capital to risk weighted assets (NCB Capital Markets)	28.60%	35.30%	33.80%	18.57%	19.37%
Minimum continuing capital surplus ratio (NCB Insurance)	681.22%	610.70%	496.69%	398.50%	369.40%
Minimum capital test (Advantage General Insurance)	330.48%	341.00%	356.82%	436.08%	522.48%
Capital to risk weighted assets (NCB (Cayman))	20.56%	18.93%	18.07%	24.39%	27.94%
Capital to risk weighted assets (NCB Global Finance)	33.43%	39.49%	29.97%	31.63%	28.90%
Equity to total assets	16.39%	16.88%	16.97%	16.72%	13.29%
<b>Per stock unit data</b>					
Dividend payout ratio (based on payment date)	23.55%	46.20%	40.03%	34.79%	23.71%
Dividend yield	6.58%	8.33%	5.66%	3.10%	2.17%
Book value (\$)	33.25	35.91	41.89	47.12	53.00
Market Price - Jamaica Stock Exchange (JSE)					
High	J\$19.50	J\$31.02	J\$45.00	J\$94.99	J\$130.00
Low	J\$15.55	J\$17.00	J\$27.50	J\$58.50	J\$84.01
Year end	J\$17.93	J\$27.72	J\$41.55	J\$87.02	J\$124.52
Market Price - Trinidad and Tobago (TTSE)					
High	TT\$1.18	TT\$1.95	TT\$2.85	TT\$5.25	TT\$6.75
Low	TT\$0.97	TT\$0.98	TT\$1.67	TT\$2.58	TT\$5.05
Year end	TT\$1.00	TT\$1.63	TT\$2.60	TT\$5.10	TT\$5.73

## ► 2018 Performance Overview

The financial performance for the 2018 financial year was underpinned by our current **NCB 2.0 by 2020, faster | simpler | stronger** strategic plan. This plan is focused on the NCB Group “setting the ‘BAR’ in the financial services industry”. To accomplish this we have concentrated on three themes (**BAR**), which are driven by six initiatives:

- **Building a world-class digital experience**
  1. Develop distinctive digital capabilities

- **Accelerating regional expansion**
  2. Expand in priority markets
- **Reinventing our core business**
  3. Enhance sales and service excellence
  4. Focus on payments innovation
  5. Develop and engage our people
  6. Improve customer experience and optimise efficiency

For the year, we continued to develop an ecosystem of innovation to fuel the digital transformation. The components included agile labs and partnerships with ecosystem players

and fintechs to create a foundation for automated interactions. Several initiatives were also pursued to enhance our core business to facilitate serving our customers in a faster, more efficient manner, as well as simplifying our processes, which will ultimately lead to a stronger financial group.

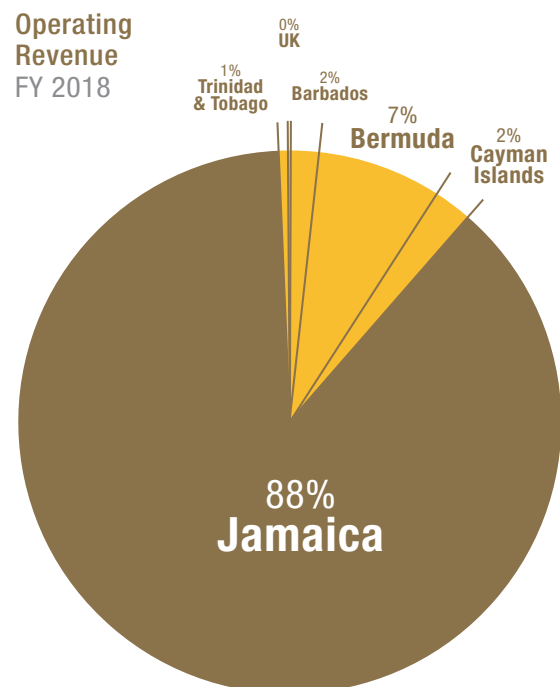
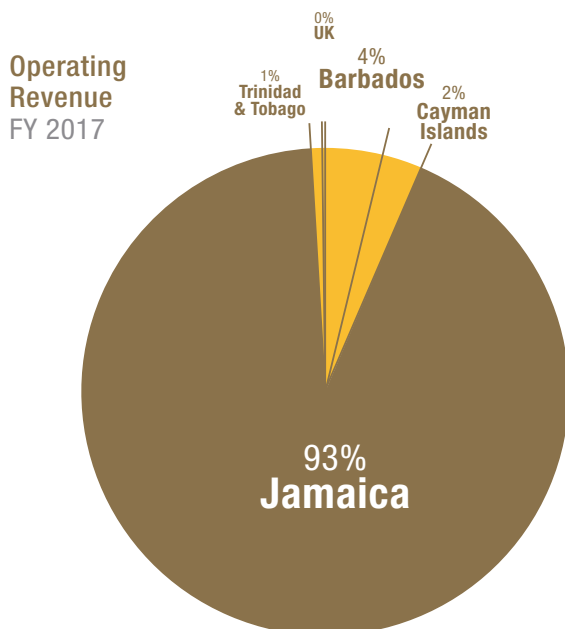
The initiatives completed to date have led to another record performance for 2018; the achievement of the highest net profit in the Group's history. The Group recorded net profit attributable to stockholders of the company of \$28.0 billion, supported by our asset base of \$978.6 billion, up by \$284.9 billion or 41% over the prior

year resulting in a return on average assets of 3.3%. Equity attributable to stockholders of the company increased to \$130.0 billion, an increase of 12% or \$14.0 billion, with return on average equity of 22.7%.

In December 2017, we completed the acquisition of a 50.1% majority stake in Clarien making that company our newest subsidiary and strengthening our position regionally. Additionally, we launched an offer and take-over bid to all shareholders of GHL; the offer, if successful, would have resulted in NCBFG acquiring a controlling interest in GHL. At February 2018, there were terms and conditions of the offer, which remained outstanding and in

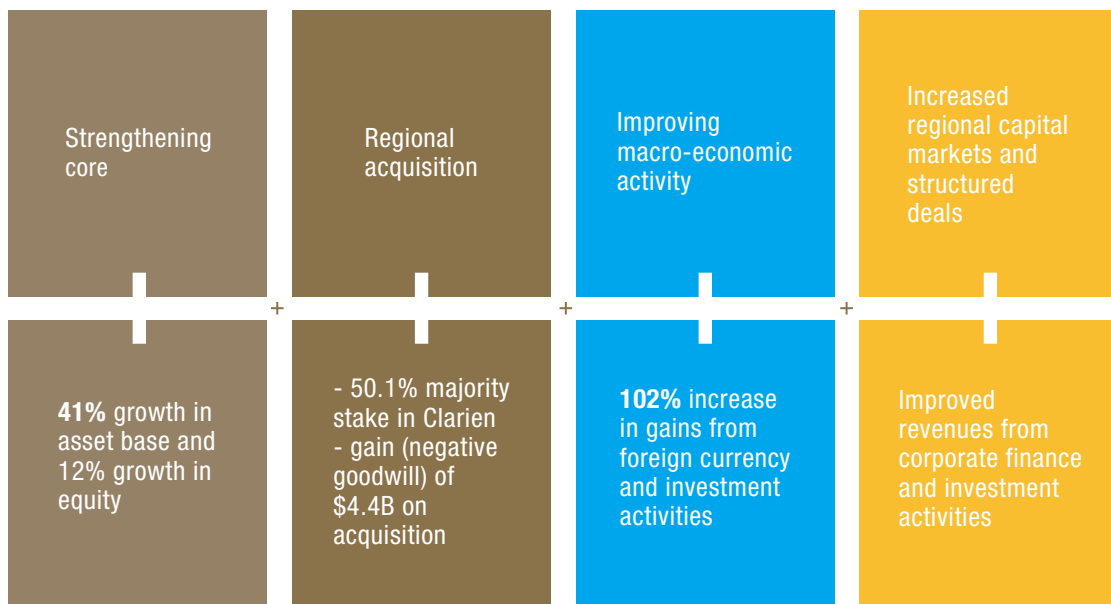
accordance with the provisions of the Securities Industry (Take-Over) By-Laws, 2005, of Trinidad & Tobago, NCBGH allowed the offer to lapse. A group of minority shareholders of GHL lodged complaints with the Trinidad and Tobago Securities & Exchange Commission ("the Commission") and the staff of the Commission commenced a hearing. Subsequently, the staff and NCBGH agreed to enter into settlement discussions. In November 2018, a settlement was approved by an Order of the Commission. Under the approved settlement, and agreements with key selling shareholders, we will make a revised take-over bid to seek to acquire a majority stake of GHL.

Our regional expansion resulted in a new geographic revenue stream, Bermuda, which earned \$5.7 billion in operating revenues for the financial year. This compensated for the reduction in revenues earned from our Barbados operations, primarily due to lower gains from investment activities earned in the current year, due to fewer trading opportunities given the challenging Barbados operating environment. We anticipate greater diversification away from revenues generated in Jamaica, as we execute on our integration activities with Clarien and other cross-border initiatives geared towards strengthening our regional footprint.



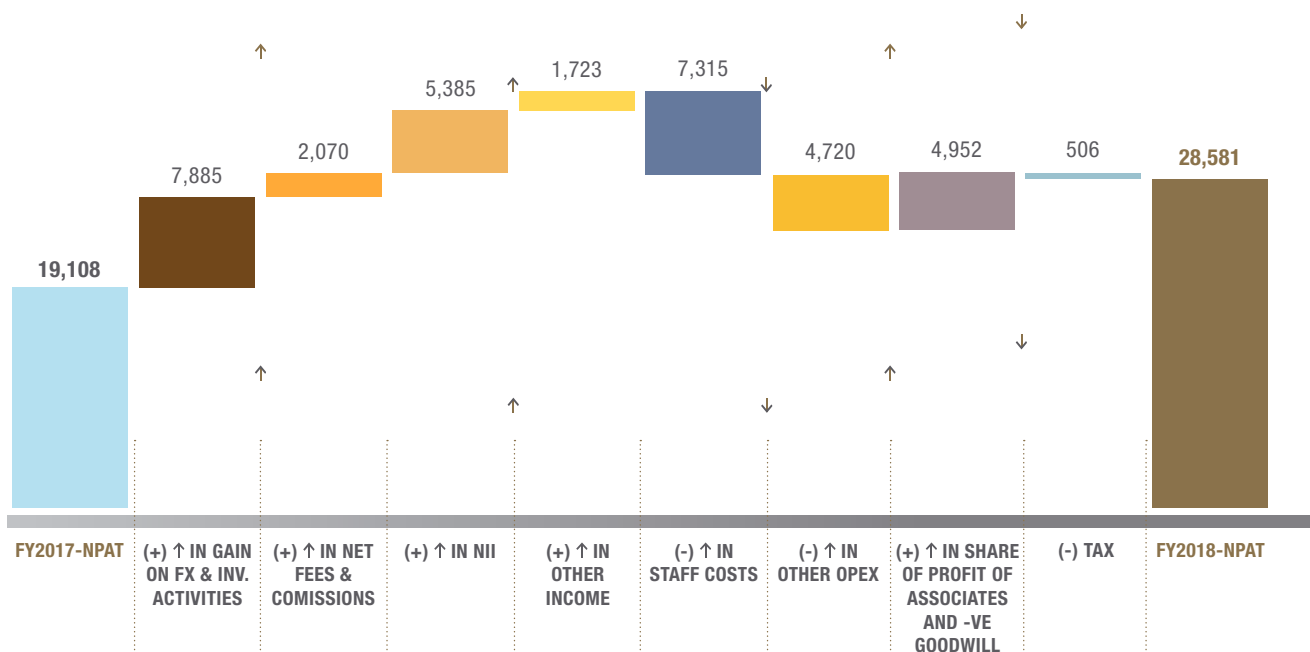
# Financial Snapshot

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FINANCIAL SNAPSHOT

Figure 1: Financial Snapshot



# Operating Environment

Although trade-related tensions between the US and a number of its key trading partners threatened to derail growth, the global economy continued to strengthen during the financial year. Growth was supported by an expansion in economic activity in the US and a few Emerging Economies, aided by accommodative fiscal policy in the US and an uptick in international commodity prices. Except for the US economy, which experienced the strongest growth among its peers, growth in advanced economies was modest, while there were mixed results for Emerging Markets (EM) and Developing Economies. Price levels were stable across most economies, while unemployment levels trended towards historical lows in several countries, including the US.

With global growth providing a solid base for the local economy, Jamaica's macroeconomic fundamentals remained relatively strong throughout the financial year, buoyed by continued fiscal discipline on the part of the Government of Jamaica (GOJ), low inflation and the Bank of Jamaica's (BOJ) maintenance of its accommodative policy stance.

In particular, the BOJ's lowering of interest rates facilitated a favourable environment for an expansion in private sector credit and investment. Under Jamaica's Economic Reform Programme, BOJ also moved to an Inflation Targeting Lite framework with monetary policy now focused on achieving a medium-term inflation target of 4% to 6%. With the shift in policy focus, inflation, which fell to a low of 2.8% in June, gradually increased to 4.3% in September 2018. GDP growth accelerated during the second quarter of 2018 to the highest level (2.2%) seen in recent history, aided by a resurgence of output in the Mining and Quarrying industry and the favourable policy environment. Concurrently, the GOJ, for the first time in four years, ran a fiscal surplus of \$8.7 billion for the 2017/18 fiscal year. There are also convincing signs that debt-to-GDP could sink below the 100% mark by the end of the 2018/19 fiscal year.

Aided by the strengthening domestic economy, low interest rates and progress on the fiscal front, local stocks rallied. Meanwhile GOJ bonds, despite being adversely impacted by the general sell-off in emerging markets, fared better than most EM bonds. Growth across all the major stock market indices remained robust, propelled by strong JMD liquidity and a drive of new listings. The progress made on the local economic front during the financial year, was

also recognised by two credit rating agencies, (Standard & Poor's (S&P) and Moody's), upgrading their outlook on the country's credit rating from stable to positive. Furthermore, notwithstanding the increase in perceived risk, which caused general depression in the value of emerging market credits, Jamaican global bonds traded at lower spreads along the yield curve relative to most of its peers reflecting its strengthening fundamentals.

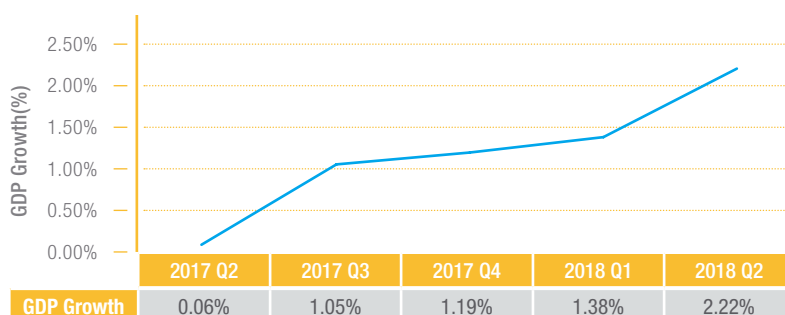
## JAMAICA

### ► Economic Growth

Jamaica has recorded steady growth in economic activity since October 2017. Real GDP growth estimate came in at 1.2% for the October to December period, accelerating marginally to end the 2017/18 fiscal year at 1.4%. There was a pick up in pace over the April to June period, with growth reaching an 11-year high of 2.2% on the back of positive growth in both the Goods Producing and the Services industries.

For the period April to June, the Goods Producing Industry is estimated to have grown by 7.2%, relative to the corresponding quarter of 2017 and was the main contributor

QUARTERLY REAL GDP GROWTH RATE (JAMAICA)



# Operating Environment

CONTINUED

to the growth in real output over the period. Growth in the Agriculture, Forestry and Fishing industries were the primary contributors, reflecting the impact of favourable weather conditions and the assistance farmers received from the Ministry of Agriculture. The Mining and Quarrying Industry grew by an estimated 31.6% due to increased output in both alumina and crude bauxite production at the Alpart refinery.

The Services Industry is estimated to have grown by 0.6%. All sub-industries registered increases, with the exception of producers of Government Services, which remained flat.

The prevailing expectation is that there will be a modest acceleration in growth over the next two years. For the 2018 calendar year, it is projected that growth will be within the range of 1.5%-2.5%, and 2%-3% for fiscal year 2018/19. This forecast is supported by buoyant economic conditions in the US and several of Jamaica's other major trading partners. The ongoing US-China trade war and its potential dampening impact on global growth, as well as rising oil prices, remain key risks to economic growth in Jamaica and the wider Emerging Market.

## Fiscal Performance

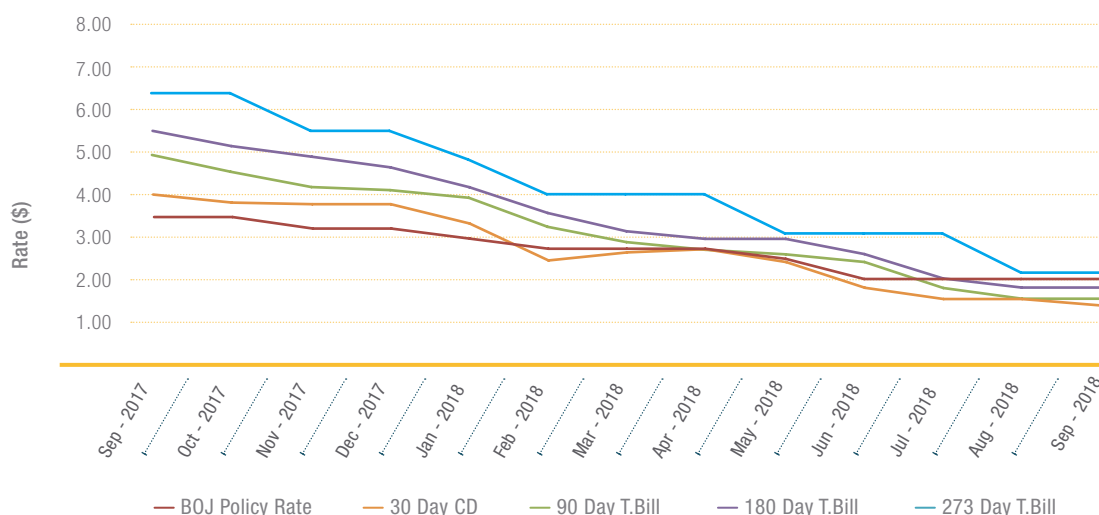
The GOJ continued its trend of solid performance for fiscal year 2017/18 ending March 31, 2018, meeting all its quantitative and indicative performance criteria under its International Monetary Fund (IMF) precautionary Stand-By Arrangement. The GOJ, for the first time in four years, ran a fiscal surplus of \$8.7 billion during the period, on the back of higher than targeted revenue and grants of \$561.0 billion (\$7.2 billion above target). At the same time, total expenditure of \$552.0 billion was \$7.6 billion below target.

For the 2018/19 fiscal year to August 2018, revenue flows and grants continued to be ahead of budget, while expenditure continued to lag behind budget. Specifically, Revenue and Grants for the period was \$6.2 billion ahead of budget, while Expenditure was \$5.9 billion below budget. This contributed to a primary surplus of \$42.1 billion for the period, which was \$7.8 billion ahead of budget. Overall, fiscal operations produced a deficit of \$42.9 billion, which outperformed budget by \$23.4

billion. Notably, the government continued to meet its macro-fiscal and other targets as at last report. Through successive years of fiscal discipline, the country's debt-to-GDP was reduced to 105% for the 2017/18 fiscal year. The Minister of Finance anticipates that by the end of the current fiscal year, it will dip below 100%. This is a reasonable expectation, given the accelerated pace of growth in GDP for the April to June quarter and the decline in domestic interest rates which should help to further reduce debt servicing costs.

The government's commitment to fiscal discipline and stabilisation of the economy has earned upgraded outlooks from two rating agencies - S&P and Moody's. The revision in the outlook for the country's credit rating by both rating agencies reflected Jamaica's material progress in achieving macroeconomic stability and improvement in its external debt burden after years of economic, fiscal and monetary reforms. The change signals the potential for an upgrade from its current B/B3 rating if Jamaica further strengthens its external liquidity position and accelerates the pace of real GDP growth, while

Jamaican Treasury Bill & BOJ Policy Rates Trend Lower





maintaining tight fiscal policy and high primary surpluses.

## ► Interest Rates

The BOJ continued to maintain its accommodative monetary policy stance in an effort to stimulate economic activity and keep inflation within the target range of 4% to 6%. The BOJ reduced its benchmark policy rate 5 times during the financial year, taking it from 3.5% at the beginning of October 2017 to its current low of 2.0% since the start of June. The move to gradually lower the benchmark rate was predicated on several factors including achieving and maintaining the inflation target and supporting credit expansion and economic output.

Robust JMD liquidity conditions coupled with the gradual lowering of BOJ's policy rate within the context of continued demand for liquid assets led to a steady decline in market rates. Yields on the BOJ 30-day Certificates of Deposit (CD) declined by 142 basis points (bps) over the period spanning September 2017 to September 2018. Likewise, Treasury Bill yields also declined throughout our financial year, with the average yields on the 90-day, 180-day and 275-day declining by 327, 358 and 414 bps, respectively. Of note, all except the 273 day Treasury Bill currently have yields below the BOJ's 2% policy rate which may be indicative of the market's expectation of lower interest rates.

Notably, while the BOJ has been cutting its benchmark rate, the Federal Reserve has been steadily hiking its benchmark rate to prevent the US economy from overheating and to keep inflation in check. The steady rise in US interest rates has led to a general weakening of Emerging Market currencies and has forced a number of central banks to adjust rates upwards in order to protect their domestic currencies. As the BOJ maintains its benchmark overnight rate at the current low levels, the differential between Jamaican and US interest rates could increase capital outflows over the short to medium-term, thereby putting additional pressure on the Jamaican dollar exchange rate.

## ► Inflation

In line with Jamaica's economic reform programme, the BOJ's monetary policy objective has shifted to focus on achieving a medium-term inflation target of 4% to 6%. This target, set in September 2017, was approved by the Minister of Finance in September 2017 and will remain in place until 2021. Unlike the conventional annual fiscal year inflation target, this target will apply continuously, thereby putting greater emphasis on price stability as the monetary policy priority for the BOJ and the primary criteria on which it is judged. The current 'Inflation Targeting Lite Regime' framework forms part of the GOJ's efforts to modernise the central bank and move to a full-fledged Inflation Targeting Framework in the near-term. Legislation recently tabled will seek to enact laws to establish Central Bank independence and an Inflation Targeting Framework. This legislation will give the Central Bank its independence by removing the Minister of Finance as its final decision making authority, while placing oversight of the Central Bank in the hands Parliament.

Inflation remained anchored around the lower end of the BOJ's target range for much of our financial year, descending to a low of 2.8% in June before gradually increasing to 4.3% in September 2018. This outturn was a slight decrease, relative to the 4.42% recorded for the corresponding period in 2017 and 30 bps above the lower limit of the BOJ's target range. Notably, inflation results for the preceding six months were below the Central Bank's target range, due to sluggish growth in aggregate demand and lower prices for agricultural produce, which caused a 4.3% reduction in the index for 'Vegetables and Starch Foods'. The twelve-month inflation rate bottomed out at 2.82% in June 2018, before gradually reverting to 4.3% in September. The BOJ anticipates that the inflation rate will continue to rise for the remainder of 2018 into 2019, reaching the middle of the target within the next 8 months. This expectation is based on the current upward trend in consumer prices coupled with the expectation that the prices for agricultural products will continue

to rise from the low levels recorded in April and May 2018, increasing international oil prices and the depreciation of the Jamaican dollar during the May to August period. Moreover, while the private sector's twelve-month inflation outlook remains within the target range (5.2%), the Central Bank's July 12, 2018 survey suggests that inflation expectations have become more elevated than previously indicated.

Risks to the BOJ's inflation forecasts are biased to the upside. Faster than expected increases in agricultural prices, energy-related prices and international grain prices are the main risks.

## ► Foreign Exchange

During our financial year, the exchange rate depreciated at an increased pace of 4.7% relative to the 2.0% depreciation observed in the previous financial year. There were periods of significant volatility during the year as the BOJ moved to the new Inflation Targeting Lite regime framework. The Jamaican Dollar appreciated sharply by 3.8% to close at J\$125.00=US\$1 by the end of the December quarter, representing the fastest pace of appreciation since June 2010. The appreciation reflected a significant increase in US Dollar liquidity during the period, due to several factors. These included the BOJ reducing its surrender requirement for authorised dealers and cambios by 5% and repaying US\$85 million of Certificates of Deposit maturing during the period, investors liquidating some of their USD positions in order to participate in attractively priced local issues and the GOJ's early redemption of US\$514 million in locally issued foreign currency debt. However, between January and September, the Jamaican Dollar depreciated by 7.9% as the demand for foreign currency outweighed the supply.

The Jamaican dollar depreciated against the US dollar for much of the last three quarters of the financial year, driven by a combination of factors which caused a tightening of USD liquidity, while increasing

# Operating Environment

CONTINUED

supply of JMD. While there was moderate depreciation of 0.8% in the March quarter, the depreciation in the exchange rate accelerated over the April to September period with the Jamaican Dollar losing 6.8% of its value relative to the USD. Increased demand from end-users seeking to refinance and clear their foreign currency obligations against a backdrop of high JMD liquidity and lower borrowing costs was a key driver. At the same time, the BOJ purchased over US\$85 million from the market via its BOJ FX Intervention Trading Tool (B-FXITT) tool during the April to June period, which contributed to a further tightening of USD liquidity. Upward pressure on the exchange rate was tempered by inflows from remittances coupled with B-FXITT facilitated injections of over US\$160 million into the market between August and September.

Looking ahead, within the current Inflation Targeting Framework, we can expect the exchange rate to vary in either direction. That said, the Jamaican dollar could experience a net depreciation over the coming quarters as a result of downward pressures emanating from increased demand for the US dollar, due to

rising international commodity prices and investors moving capital into higher yielding US dollar assets. Longer term, the JMD/USD exchange rate should reflect the inflation rate differential between Jamaica and its main trading partners (USA and Canada).

## ► GOJ Global Bond Performance

EM bond prices experienced significant volatility during our financial year, reflecting broad market volatility for risky assets due to trade tensions between the US and its key trading partners, fundamental weaknesses in some major EM economies, rising US interest rates, as well as the market's reaction to a flow of favourable US economic data. The net effect of these dynamics was downward pressure on prices and rising yields due to increased risk aversion for EM bonds.

Within this context, average yields on GOJ Global Bonds increased by 74 bps to 5.7%, while yields on the most frequently traded, JAMAN 2028, increased by 47 bps to 5.2% during the financial year. At the same

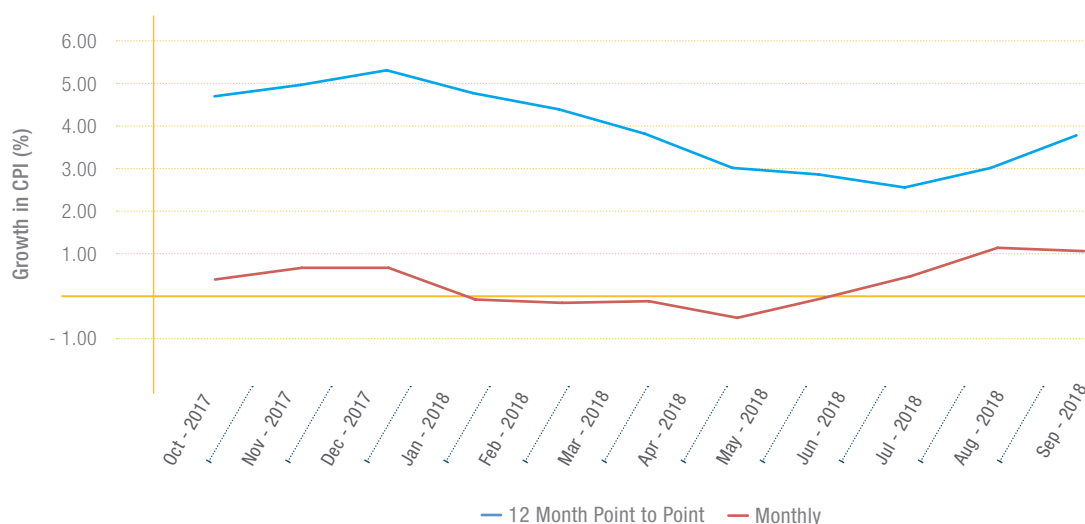
time the average spread on the GOJ Global Bonds have tightened, as there remains considerable confidence in the local economy, given its solid performance under the IMF programme.

Notably, there has been no new issuance of GOJ Global Bonds during the period, as the government has mainly focused funding and refinancing activities on the domestic market given the high level of JMD liquidity and low interest rate. Furthermore, the government is seeking to rebalance its debt portfolio to achieve greater reliance on domestic debt, vis-à-vis external debt, in order to reduce its exposure to interest rate and refinancing risks.

## ► Stock market Performance

On the heels of a strong performance in the local equity market for the 2016/17 financial year, falling interest rates and a continued positive outlook for the local economy, coupled with a slew of Initial Public Offerings (IPO), propelled growth across all major indices during the financial year. The JSE Main Index increased by

Growth In Consumer Price Index 2017-2018 (Jamaica)





35%, while the Junior Market Index and Jamaica Select Index grew 16% and 21%, respectively. Increased JMD liquidity, following the maturity and net redemption of certain GOJ Bonds; the GOJ's budget surplus for fiscal year 2017/18, which lead to a reduction in its demand for capital market funding; and the BOJ's accommodative monetary policy all drove general interest rates on fixed income investments lower, thereby fuelling demand for assets with higher return potential. Greater business and consumer confidence, coupled with a number of growth-inducing investments that contributed to stronger growth in corporate profits, also supported higher valuations for firms.

The financial year was a particularly active one as it relates to new listings; 18 new equity securities were listed by 12 different issuers of which nine were IPO's. These contributed to increased market activity. Five of the newly listed companies were registered on the Main Market while the other four were registered on the Junior Market. The Main Market additions were Victoria Mutual Investments Ltd, Wisynco Group Ltd, Sygnus Credit Investments Ltd, Mayberry Jamaican Equities and Stanley Motto. New Junior Market listings were Elite Diagnostics Ltd, Everything Fresh Ltd, Indies Pharma Jamaica Ltd and FosRich Company Ltd.

The Jamaica Stock Exchange continues to build international reputé given its world leading performance in recent times. According to Bloomberg, "over the last five years, its 233% rally dwarfs the 86% rally in the second-top performer, Vietnam's Ho Chi Minh Stock Index and the 73% rally in the S&P 500 index". Since the beginning of the 2018 calendar year, the index has rallied more than 19% (in USD terms), which is the highest growth among the 90 equity indices tracked by Bloomberg. The outlook remains positive in the near term, as interest rates remain low, JMD liquidity remains strong and the GOJ continues to encourage investment in the stock market as a means to stimulate economic growth and increase financial inclusion. However, the narrowing differential between USD and JMD rates could put upward

pressure on local interest rates. The depreciation in the JMD and increasing international commodity prices will continue to pose a risk to earnings and overall market performance, especially for import-dependent sectors such as manufacturing, and retail and distribution.

## ► Outlook

According to the IMF, in its October 2018 World Economic Outlook, global growth is forecast at 3.7% for 2018 and 2019, which is 0.2% below its April 2018 forecast. The revision reflects escalating trade tensions and the resultant negative effects of the trade measures executed; a less congenial outlook for some key emerging markets and developing economies based on country-specific factors, tighter financial conditions, and higher oil import bills.

Economic fundamentals in Jamaica are expected to remain strong over the short to medium term. The IMF is projecting that growth will reach 1.4% for the 2018/19 fiscal year, supported by mining and construction, rising further to around 2% over the medium-term. Accommodative monetary policy should continue to support expansion in credit, catalysing further improvement in aggregate demand and business investment, thereby providing positive tailwinds for growth. Furthermore, should the US economy continue to record the strong growth observed over the last few quarters, it is reasonable to

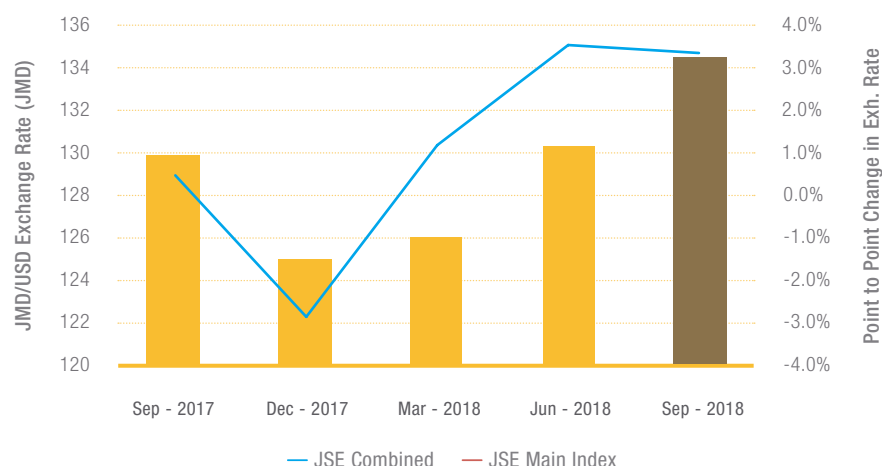
expect strong expansion in tourism and remittance inflows. Improved international reserves and additional capital inflows will help to shore up the country's external position which could face headwinds from increasing oil prices. The latter will likely push inflation closer to the upper end of the target range, which could cause the BOJ to increase its policy rate.

Fiscal consolidation will continue to be a priority over the short to medium term as the government aims for greater economic independence. Continued fiscal surpluses and prudent debt management should contribute to further debt reduction. These efforts will likely benefit from recent tax reforms and the relatively modest increase in the public sector wage bill, which will be in place for the next four years. In addition, we expect the government to continue its wider public sector reform agenda, which includes, among other things, Central Bank reform and an overhauling of the public sector compensation framework.

## TRINIDAD AND TOBAGO

Despite persistent weakness in non-energy output, Trinidad and Tobago's economy grew by 3.1% year over year as at March 2018, which can be attributed to higher output of natural gas. The energy sector expanded by 9.1%, driven by the gas and gas

Quarterly JMD/USD Exchange Rate Movement FY2017/18



# Operating Environment

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based-industries. However, the crude oil and non-energy sector declined. The primary risk to the economic growth outturn in 2018 relate to developments at Petrotrin. Crude Oil production is expected to decline given the decision to wind down refinery operations and lay off some 3,000 plus workers, which could dampen growth in the energy sector.

The debt to GDP ratio decreased to 76.9% at the end of June 2018 from 80.6% in June 2017 due to declines in both the central government's debt and contingent liabilities. Core inflation, which excludes the impact of food prices, measured 1.3% year over year in July 2018. The unemployment rate increased to 5.1% during Q3 2017 from 4.0% during Q3 2016. As at August 2018, NIR stood at approximately US\$7,619.7 million (8.3 months of prospective imports of goods and services), a decline of 12.5% from a year earlier. Import cover also declined by 17% from 10.1 months in August 2017 to 8.3 months in 2018. The exchange rate remained unchanged at US\$1 to TT\$6.78 over the same period.

Latest IMF projections suggest that, real GDP will likely expand marginally by 0.9% year over year in 2019 and

consumer price inflation will likely average over 3% in the medium-term, while a gradual reduction in current expenditure should improve the fiscal accounts over time.

## BARBADOS

Barbados' economic activity is estimated to have contracted by -0.6% during the first 6 months of 2018, driven by lower output from the tourism, manufacturing and non-tradable sectors. The unemployment rate declined by 3.2% year over year to 8.2% in Q2 2018. Domestic Inflation, as measured by the twelve-month moving average rate of retail prices increased to 4.9% at the end of April 2018 compared to 4.5% at the end of 2017. The NIR as at June 2018 was \$429.6 million.

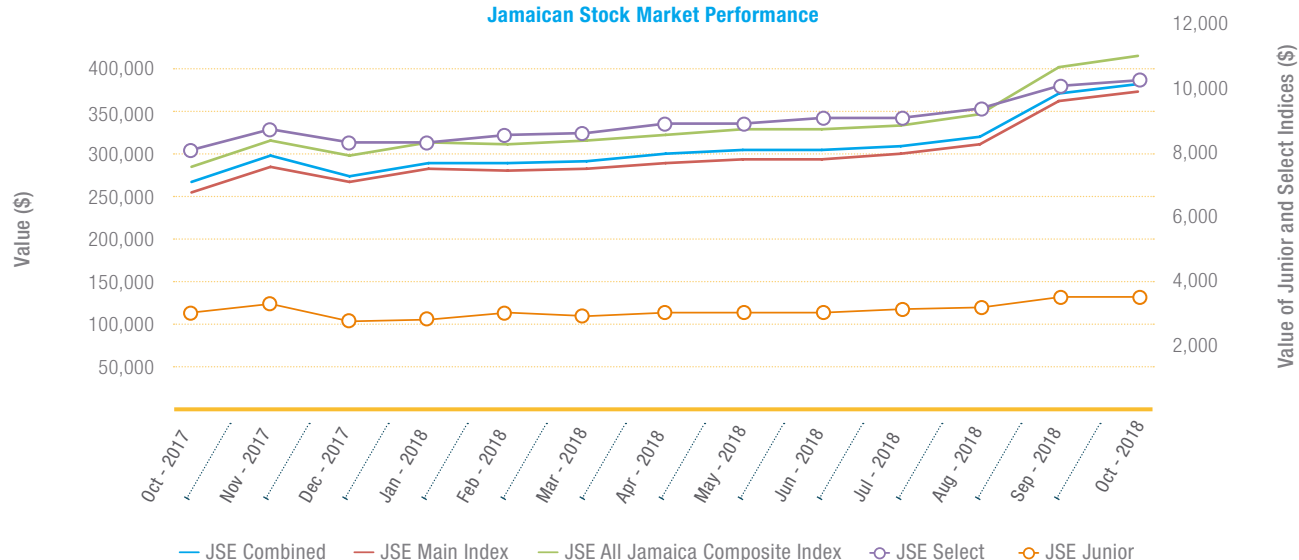
Effective January 1, 2018, commercial banks are required to hold 20% of domestic deposits in stipulated securities. The move is an increase from the 18% requirement effected on December 1, 2017. The increase partly reflects the decision by some banks to substitute some of its holdings of government securities for cash at the central bank. The 20% rate

is expected to dampen demand for cash from the central bank in an effort to curb the decline in international reserve.

The Government of Barbados launched an offer to exchange the vast majority of Barbados dollar-denominated debt and certain public sector obligations for new debt instruments. In September 2018, the IMF announced that it reached a staff-level agreement with Barbados which, subject to approval, will allow it to access circa US\$290 million under a four (4) year Extended Fund Facility. As a result of the completion of the local currency debt exchange, initiation of an economic recovery plan, and approval from multilateral lending institutions for new sources of financing, Standard and Poor's upgraded Barbados to B- from 'selective default'.

By the end of 2018, Barbados should register its first year of positive foreign exchange reserve growth since 2012.

Jamaican Stock Market Performance



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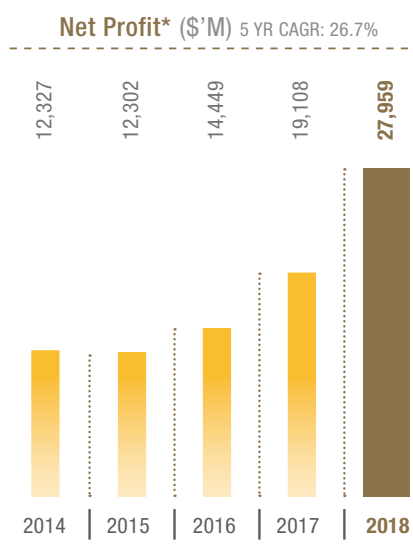
# Financial Performance

For the third consecutive year we have reported record net profits, this year attaining \$28 billion, a 46% or \$9 billion increase over the prior year. We have been relentless in our focus on improving customer experience which is delivered through the execution of our strategic tenets.

Our initiatives have been centred on transforming business as we know it to create a world class digital experience using agile methodologies while strengthening our core to allow us the flexibility to meet shifting customer preferences. We have examined lengthy, manual processes and have been implementing enhancements and straight through processing to better serve our customers. We have collaborated across our various business segments incorporating increased data analytics which has increased the velocity of decision making and improved our responsiveness to changes in our operating environment.

We achieved operating income (net interest income and non-interest income) for the year of \$76.5 billion, an improvement of \$17.1 billion or 29%. The main areas of growth were gain on foreign currency and investment activities and net interest income. Gain on investment activities benefitted from the improving macro-economic environment in Jamaica coupled with high levels of Jamaican dollar liquidity and declining interest

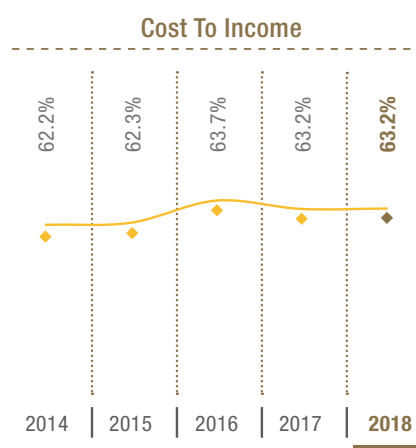
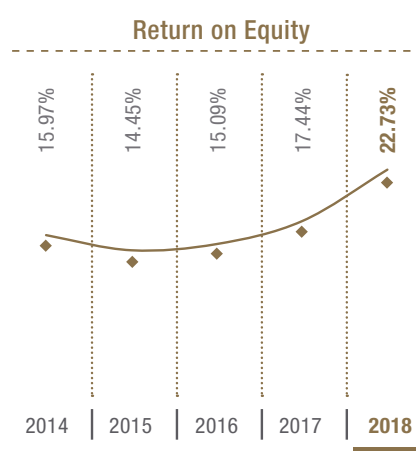
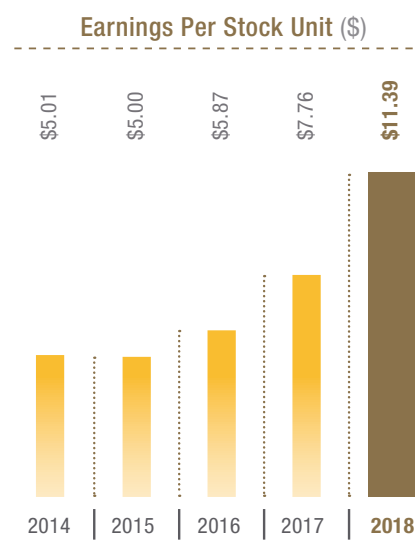
\* Attributable to Stockholders of the Parent



rates which generated a high demand for debt securities during the year. Net interest income was bolstered by the consolidation of Clarien, adding \$4.4 billion in interest related revenue. With Clarien as a member of the Group, we are now positioned to offer financial services to a wider market.

Operating expenses grew by \$12.0 billion or 31%, to \$50.4 billion. For the financial year, we continued our investments in digital initiatives, strengthening technological infrastructure, improving physical locations and enhancing human capital. We aim to provide innovative solutions, build capacity and support the needs of our customers. The investments being made are vital to the continued growth and transformation of the organisation to achieve our strategic aspiration of **NCB 2.0 by 2020: faster | simpler | stronger**. This in turn will increase value for all our stakeholders.

Our performance was also boosted by negative goodwill (gain) of \$4.4 billion on acquisition of Clarien following the valuation of the identifiable assets of the entity. In September 2018, the Group divested a portion of its investment in JMMB Group Limited (JMMB), reducing the percentage





ownership from 26.30% to 20.01%. The partial disposal of the shares in JMMB led to a gain of \$837 million. Share of profit from associates decreased by \$277 million or 10% due to a decline in the performance of GHJ when compared to the prior year.

## ► Outlook

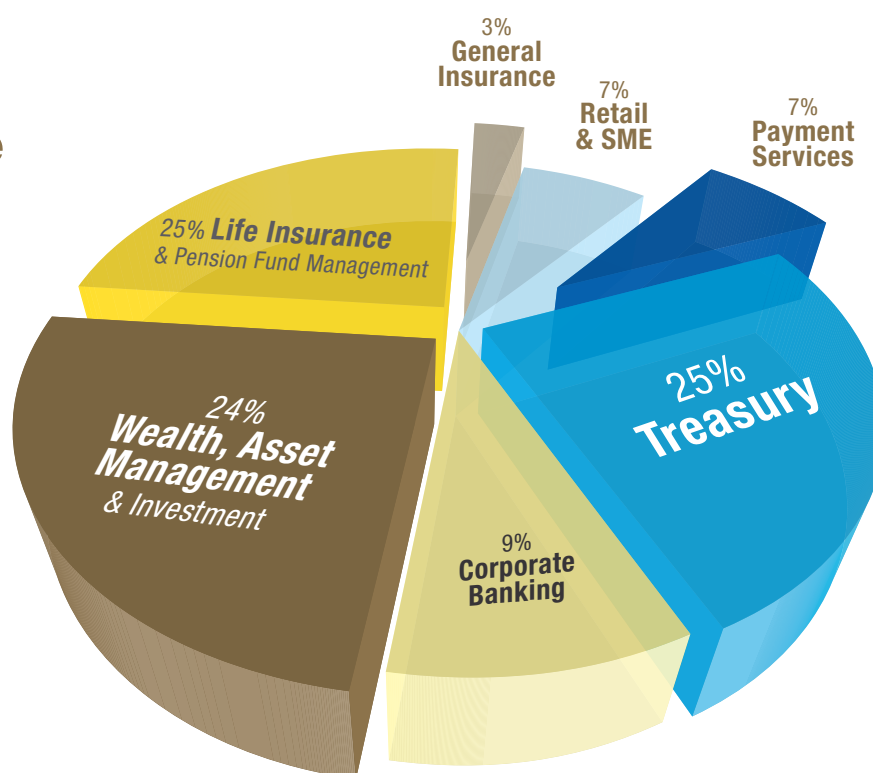
Through our diversified business model, our aim is to become a full service financial partner for our customers. To achieve this we will continue to accelerate our digital transformation which is expected to fuel the development of innovative solutions for our customers. We are also utilising data and analytics to

drive insights to ensure the appropriate areas are prioritised to improve the Group's capabilities and each customer's experience.

As we simplify processes and facilitate increased efficiency we are cognisant that we have to reinvest in the Group to fortify our financial position and make the necessary provisions to maintain capital strength to enable the growth being contemplated. We will continue our integration process to leverage synergies and growth opportunities while improving operations. Our business transformation will deliver new technologies, products and services in a faster, more cost efficient manner which is vital to keeping relevant in today's global marketplace.

In the 2019 financial year the Group will be adopting IFRS 9 – Financial Instruments, which became effective for annual periods beginning on or after January 1, 2018. IFRS 9 was issued as part of a wider project to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets. A summary on the standard and the expected impact from adoption can be found in note 2 (a) of the financial statements pages 178 - 181.

## Segment Performance 2018 - Operating Profit



- **Retail & SME:** Increased 2% or \$64 million to achieve \$2.8 billion in operating profit. This was driven by a 35% improvement in revenues. This segment invested in branch optimisation strategies and expansion of our digital ecosystem.
- **Payment Services:** Increased 27% or \$607 million to \$2.9 billion in operating profit. This segment has been capitalising on investments from prior years to improve the card infrastructure and implement transaction growth strategies.
- **Corporate Banking:** Attained \$3.4 billion in operating profit, an improvement of 1%. The growth in this segment's loan portfolio offset the reduction in margins stemming from the declining Jamaican interest rates.
- **Treasury & Correspondent Banking:** Improved 20% or \$1.6 billion to achieve record earnings of \$9.6 billion, driven by increased gains on foreign exchange and investment activities.
- **Wealth, Asset Management & Investment Banking:** Achieved commendable growth of 54% or \$3.2 billion to deliver record operating profit of \$9.2 billion. This segment successfully capitalised on market opportunities.
- **Life Insurance and Pension Fund Management:** More than doubled prior year's performance to record operating profit of \$9.5 billion. The \$5.0 billion or 110% increase was due to portfolio optimisation and increased premium income.
- **General Insurance:** Earned operating profit of \$1.1 billion, a 20% or \$275 million decline from the prior year, driven by higher insurance expenses.

# Financial Performance

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## SEGMENT PERFORMANCE

Historically, our commercial banking segment has contributed in excess of 50% of the operating profit of the Group. For the 2018 financial year this segment contributed 48% to operating profit, down from 58% in the prior year. Other financial services

contributed 52% which is a testament to the diversity of our business model and the resilience of the various revenue streams. Three of our seven business segments exceeded operating profits of \$9 billion, which is the first in our history and this also exceeded the highest profit a segment has ever recorded.

The performance of the Group is assessed and reported to management using this business segment framework. Each segment is managed and evaluated on a stand-alone basis. The results of each segment reflect both direct and indirect revenues and expenses generated in the normal course of business.

TABLE 5: SEGMENT SELECTED FINANCIAL DATA <sup>(1)</sup>

Year ended September 30,	Consumer and SME						Corporate Banking		
	Retail & SME			Payment Services					
	2016	2017	2018	2016	2017	2018	2016	2017	2018
<b>Segment's Contribution of Performance (%)</b> {Segment Result as a percentage of Consolidated Statement Result}									
Total revenue	28.0%	27.5%	<b>30.1%</b>	15.5%	15.4%	<b>14.7%</b>	9.5%	10.1%	<b>8.9%</b>
Net interest income	44.7%	47.7%	<b>57.1%</b>	8.5%	9.6%	<b>11.7%</b>	7.9%	11.0%	<b>10.5%</b>
Total operating income	31.7%	31.7%	<b>33.2%</b>	12.3%	12.0%	<b>11.9%</b>	5.7%	8.1%	<b>6.2%</b>
Total operating expenses	28.5%	27.6%	<b>32.1%</b>	11.1%	9.2%	<b>9.1%</b>	2.2%	1.8%	<b>1.6%</b>
Operating profit	11.8%	12.7%	<b>10.5%</b>	8.5%	10.7%	<b>11.0%</b>	9.0%	16.0%	<b>13.0%</b>
Total assets	35.8%	36.5%	<b>38.0%</b>	3.0%	3.5%	<b>2.9%</b>	13.1%	11.6%	<b>11.5%</b>
<b>Selected Segment Performance Indicators (%)</b>									
Cost to income ratio	82.5%	82.0%	<b>84.8%</b>	68.9%	67.9%	<b>62.7%</b>	41.5%	29.9%	<b>27.7%</b>
Operating profit as a percentage of average assets	1.1%	1.1%	<b>0.9%</b>	9.5%	10.7%	<b>11.0%</b>	3.3%	4.2%	<b>3.5%</b>
<b>Selected Segment Financial Data (in millions)</b>									
Total revenue	18,454	20,829	<b>29,479</b>	9,929	11,686	<b>14,354</b>	6,306	7,634	<b>8,751</b>
Total operating income	16,785	18,834	<b>25,442</b>	6,123	7,163	<b>9,134</b>	3,514	4,822	<b>4,783</b>
Net interest income	12,871	14,193	<b>20,073</b>	2,452	2,860	<b>4,097</b>	2,535	3,264	<b>3,694</b>
Non-interest income	3,914	4,641	<b>5,369</b>	3,671	4,303	<b>5,036</b>	979	1,558	<b>1,088</b>
Total direct operating expenses	9,471	10,566	<b>16,142</b>	3,279	3,540	<b>4,595</b>	380	690	<b>814</b>
Staff costs	5,763	6,669	<b>10,323</b>	544	723	<b>905</b>	259	216	<b>322</b>
Operating profit	2,229	2,685	<b>2,749</b>	1,615	2,270	<b>2,878</b>	2,466	3,384	<b>3,406</b>
Segment assets	219,755	252,892	<b>371,812</b>	18,213	24,056	<b>28,226</b>	79,609	80,248	<b>112,328</b>
Segment liabilities	195,277	221,235	<b>350,173</b>	10,693	12,312	<b>15,097</b>	63,103	54,379	<b>88,719</b>

<sup>(1)</sup> Segment data do not give effect to the elimination of intersegment transactions.

## ► Consumer & SME

The consumer and SME segment is a part of the commercial banking arm of the business and includes retail and SME banking as well as payment services. It incorporates the provision of banking services to individuals and SME business clients and card related services, including card issuing and acquiring businesses.

### Retail & SME

The retail & SME segment now incorporates the banking and retail operations of Clarien. This segment recorded operating profit of \$2.7

billion and continued to be the largest contributor to revenues, earning external revenues of \$27.6 billion, an increase of 47% or \$8.8 billion over the prior year. This led to the \$6.6 billion or 35% increase in operating revenues. The growth in revenues was driven by increased net interest income primarily from the consolidation of Clarien's retail banking segment. Clarien offers a wide range of personal banking products to customers in Bermuda.

For the financial year, the Jamaican retail segment concentrated on portfolio growth and deepening its relationships with micro, small and

medium-sized enterprises. This team formed partnerships with other members of the Group to offer end to end financial solutions. The team made investments to expand our residential mortgage business and partnered with NHT to offer a special financing product. Digital solutions currently underway in our agile labs will benefit this segment and we expect the investments made will facilitate faster, simpler, convenient transaction processing for our customers. Through improved service quality and sales productivity this segment achieved an 18% or \$22.9 billion improvement in its net loan

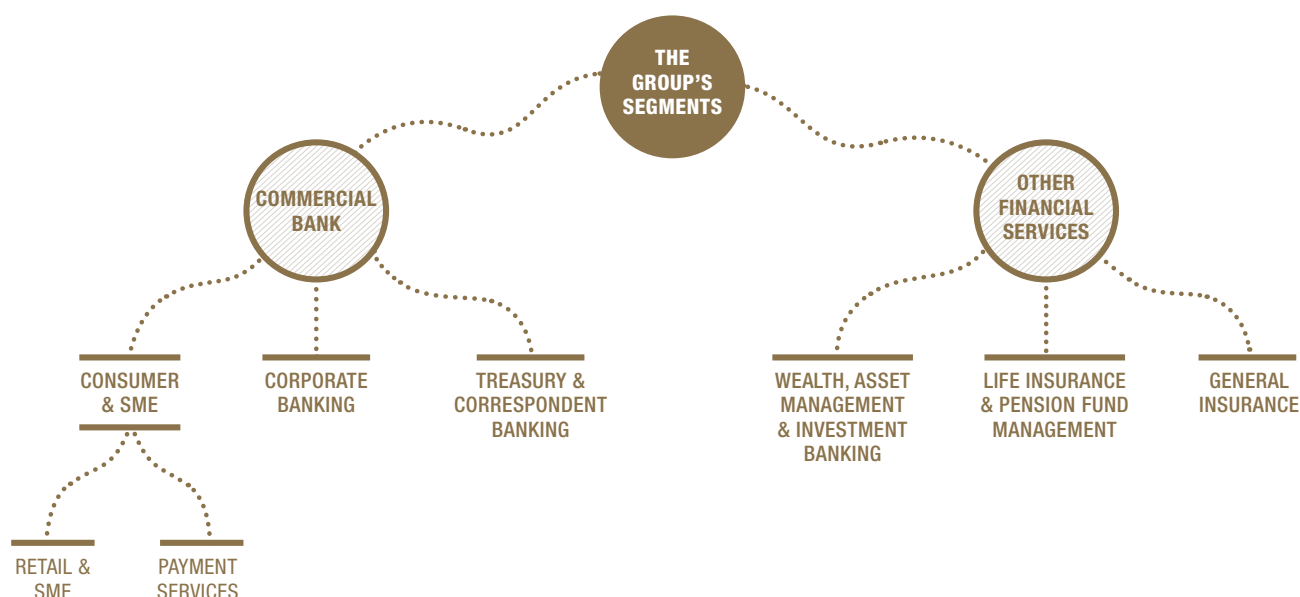
		Treasury & Correspondent Banking			Wealth, Asset Management & Investment Banking			Life Insurance & Pension Fund Management			General Insurance		
		2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
		22.1%	24.1%	21.5%	15.3%	16.5%	18.7%	11.2%	11.3%	14.4%	10.5%	7.8%	5.9%
		15.3%	15.0%	11.0%	12.8%	12.7%	11.4%	8.0%	7.7%	6.2%	2.8%	2.4%	1.8%
		13.1%	15.9%	14.7%	11.4%	14.1%	16.8%	12.6%	12.8%	17.1%	13.5%	9.9%	7.6%
		3.3%	3.1%	2.6%	5.6%	6.3%	7.2%	7.7%	8.0%	7.0%	15.5%	11.8%	9.4%
		30.6%	37.5%	36.5%	22.9%	28.2%	35.1%	22.1%	21.4%	36.4%	9.6%	6.4%	4.1%
		32.4%	33.2%	30.8%	27.3%	27.4%	22.2%	7.7%	6.7%	5.4%	2.5%	2.1%	1.6%
		18.7%	16.1%	15.0%	30.9%	28.9%	26.2%	37.7%	40.5%	27.1%	76.9%	76.8%	81.3%
		3.1%	3.6%	3.6%	3.5%	3.4%	4.5%	10.5%	10.2%	19.1%	9.9%	9.6%	7.3%
		14,582	18,237	21,064	11,258	12,520	18,357	7,870	8,523	14,061	5,856	5,868	5,818
		7,207	9,470	11,226	7,545	8,384	12,827	6,969	7,613	13,073	5,856	5,868	5,818
		4,162	4,477	3,874	3,841	3,781	4,021	2,153	2,280	2,184	730	718	642
		3,045	4,994	7,352	3,703	4,603	8,806	4,816	5,332	10,889	5,126	5,150	5,176
		1,026	1,181	1,288	2,349	2,416	3,646	2,625	3,079	3,539	4,504	4,506	4,733
		169	155	217	1,002	1,069	1,678	759	877	1,021	954	844	874
		5,854	7,941	9,554	5,196	5,967	9,181	4,344	4,533	9,533	1,352	1,361	1,086
		214,268	230,355	301,620	156,846	189,796	216,829	42,101	46,530	53,116	14,037	14,371	15,382
	204,533	239,968	281,807	128,838	157,380	183,402	28,230	30,992	34,062	8,478	8,017	8,649	

FINANCIAL PERFORMANCE



# Financial Performance

CONTINUED



FINANCIAL PERFORMANCE

portfolio and a 16% or \$33.7 billion growth in its customer deposits portfolio. The growth in the loan portfolio contributed to increased credit related fees earned.

Operating expenses totalled \$16.1 billion, an increase of \$5.6 billion or 53%, mainly driven by the consolidation of Clarien. Allocated costs from support units within the Jamaican banking operations increased by 17% or \$968 million. During the year significant investments were made to provide an online deposit account opening solution, a mobile banking app, commence the upgrade of the core banking system, enhance and increase the security of our online banking platform through the use of an RSA tool, which uses dual factor authentication technology. The upgrade to the core banking platform is expected to be completed by mid-2019 and it is expected to reduce downtime and offer an enhanced online banking interface that is more user-friendly, efficient and faster.

## Payment Services

Our payment services segment, consisting of our Card Acquiring and Issuing businesses, reported operating profit of \$2.9 billion, an

increase of 27%, or \$607 million. External revenues generated were \$14.4 billion, which improved by 23% or \$2.7 billion. The growth in revenues was as a result of net interest and net fee and commission income improving by 43% or \$1.2 billion and 17% or \$748 million, respectively, due to increased transaction volumes.

Total operating expenses of \$4.6 billion grew by \$1.1 billion or 30% and allocated costs from support units totalled \$1.7 billion, an increase of 23% or \$308 million. We have invested significantly in this segment to offer safe payment options. Expenditure is made each year to maintain global Payment Card Industry Data Security Standards (PCI-DSS) Compliance, which is a robust payment card data security process. Additionally, we continued our conversion to EMV chip-card technology, which better protects cardholders. During the year, we also introduced card alerts to give real time updates on transaction information and mobile point of sale devices which can be easily connected to a smartphone or tablet to carry out transactions anytime and anywhere.

## ► Corporate Banking

Our corporate banking segment earned \$3.4 billion in operating profit, an increase of 1% or \$22 million. This segment offers banking services, including loans and other credit products, to large corporate clients. External revenues amounted to \$8.1 billion, growing by \$510 million or 7%. This was driven by increased net interest income resulting from the 48% or \$32.7 billion growth in net loans. Total operating expenses of \$814 million, increased by \$124 million or 18%, mainly due to increased staff costs. This was offset by a \$186 million or 25% reduction in allocation costs from support units.

## ► Treasury and Correspondent Banking

Our treasury and correspondent banking segment incorporates NCBJ's liquidity and investment management functions, foreign currency dealing activities, and management of correspondent banking relationships as well as relationships with other financial institutions. This segment also includes Clarien's treasury management function. This segment

reported operating profit of \$9.6 billion, improving by \$1.6 billion or 20%. External revenues of \$15.1 billion was the main reason for the improved profitability, recording an increase of \$2.7 billion or 22%. Strategic management of NCBJ's balance sheet, currency and liquidity positions coupled with high levels of market liquidity and a declining interest rate environment created a high demand for assets in the market. This led to a \$2.3 billion or 55% improvement in gain on foreign currency and investment activities. Total operating expenses grew by \$107 million or 9% to \$1.3 billion while allocated costs from support units increased by \$36 million or 10%.

### ► **Wealth, Asset Management and Investment Banking**

Our wealth, asset management and investment banking segment operates in Jamaica, the Cayman Islands, Trinidad & Tobago, Barbados and Bermuda, providing stock brokerage services, securities trading, investment management and other financial services. This segment attained operating profit results of \$9.2 billion for the year, a sizeable increase of 54% or \$3.2 billion over the prior year. During the year, NCBM was involved in 30 capital markets and

structured products transactions across the region valued at just under US\$800 million. This led to improved gain on foreign currency and investment activities and net fee and commission income, which increased by \$3.3 billion or 120% and \$1.0 billion or 83%, respectively. The growth in income resulted in external revenues rising by 37% or \$4.1 billion. The success of this segment is underpinned by expertise in capital markets, understanding of the financial solutions which can drive wealth for our clients and effective strategic management of financial positions.

### ► **Life Insurance and Pension Fund Management**

Our life insurance and pension fund management segment incorporates the results of the life insurance and pension fund management services of the Group. This segment increased its contribution to operating profit from 16% in the prior year to 25% for the current year. Our life insurance segment earned operating profit of \$9.5 billion, an increase of \$5.0 billion or 110%. External revenues earned for the year totalled \$13.9 billion, an increase of 66% or \$5.6 billion. The growth was as a result of increased revenues from gain on investment activities of \$4.3 billion,

due to portfolio optimisation. Premium income increased by 31% or \$987 million mainly due to annuity and group life contracts. Additionally, net fee and commission income improved by 11% or \$207 million, stemming from investment and pension management fees.

Operating expenses of \$3.5 billion grew by \$460 million or 15%. This was mainly as a result of higher staff costs due to annual increases in salaries and benefits. The growth in annuity contracts resulted in annuity payments increasing along with policyholders' and annuitants' benefits and reserves.

### ► **General Insurance**

Our general insurance business segment incorporates the results of general insurance, which includes property and casualty insurance. This segment achieved operating profit of \$1.1 billion, a decline of 20% or \$275 million from the prior year. External revenues were \$5.5 billion compared to \$5.6 billion in the prior year. Operating expenses totalled \$4.7 billion, an increase of 5% or \$226 million. This segment operates in a very competitive environment and has been impacted by higher costs, particularly claims expenses.

### Segment Operating Profit (\$'M)

			2017	2018
1,361	General Insurance	1,086		
4,533	Life Insurance & Pension Fund Management	9,533		
5,967	Wealth, Asset Management & Investment Banking	9,181		
3,384	Corporate Banking	3,406		
7,941	Treasury	9,554		
2,270	Payment Services	2,878		
2,685	Retail & SME	2,749		
			2017	2018

# Financial Performance

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## ► Operating Income

Operating income comprises mainly net interest income, net fees & commissions, gains on foreign currency and investment activities, insurance premium income and dividends. Operating income grew by 29% or \$17.1 billion to \$76.5 billion. Gross income, which consists of operating income excluding interest and fee & commission expenses, was \$98.0 billion, an increase of \$22.3 billion or 29%. Clarien contributed \$7.4 billion of the increase in gross revenues.

Non-interest income contributed 54% to operating income, up from 50% in the prior year. The largest contributors to non-interest income were net fee and commission income with 39% and gain on foreign currency and investment activities with 38% of non-interest income.

## ► Net Interest Income

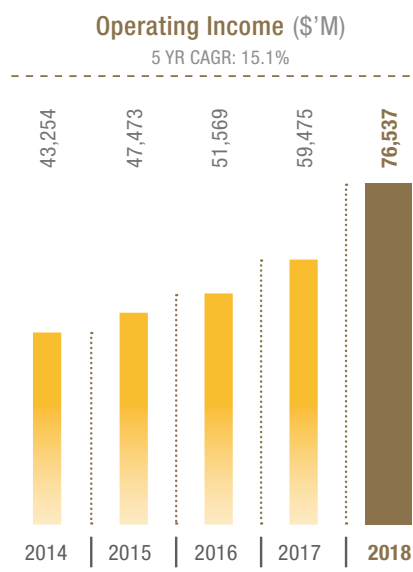
The Group earned net interest income of \$35.1 billion, up \$5.4 billion, or 18%.

- Interest income from loans of \$34.6 billion increased by \$9.8 billion, or 39%. \$5.0 billion of the increase was due to the consolidation of Clarien, which has a loan portfolio exceeding US\$700 million. The Jamaican retail, SME and card portfolios accounted for most of the remaining growth in interest income. The growth in these portfolios offset the impact of the rate reductions due to the declining JMD market interest rates.
- Interest income from investment securities was \$17.6 billion, a decrease from the prior year's total of \$18.0 billion. This represented a marginal decline of

\$381 million or 2%. The inclusion of Clarien added \$694 million in investment income which partially offset the impact from the declining interest rates in the Jamaican market.

- Our interest expenses increased by \$4.0 billion, or 31%, to \$17.1 billion for the year. Consolidating Clarien increased interest expenses by \$1.3 billion. The significant growth in expenses was due to the funding raised by NCBFG during the year. [A summary of net interest income item can be found in note 6 of the financial statements – see page 211. A summary of the corporate notes raised by NCBFG can be found in note 33 of the financial statements – see page 235.]

The Group's primary focus remains the transformation of our core business to further enhance the customer experience within the context of changing regulations in multiple jurisdictions and global advancements in technology and financial services. This will allow us to ably meet the discerning needs of our customers and adapt to the changing global and local environment. As such, we will continue our proactive management of our capital, liquidity, risk, margins,



currency and financial positions while offering competitive pricing to our customers.

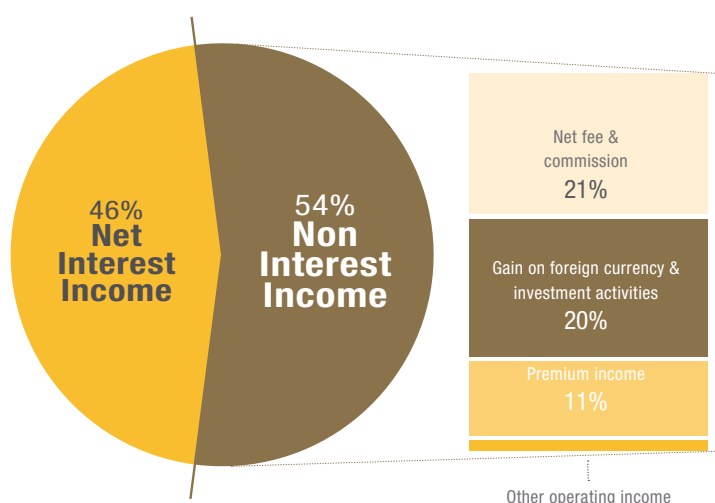
## ► Non-Interest Income

[refer to table 6 of MD&A, page 87]

Non-interest income grew to \$41.4 billion, up \$11.7 billion or 39%, over the prior year.

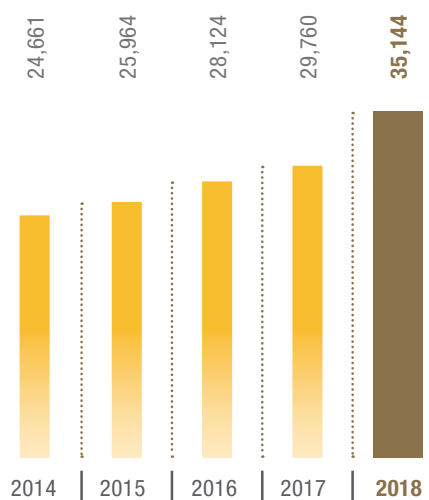
- Net fee and commission income was \$16.0 billion, an increase

Income Mix FY 2018

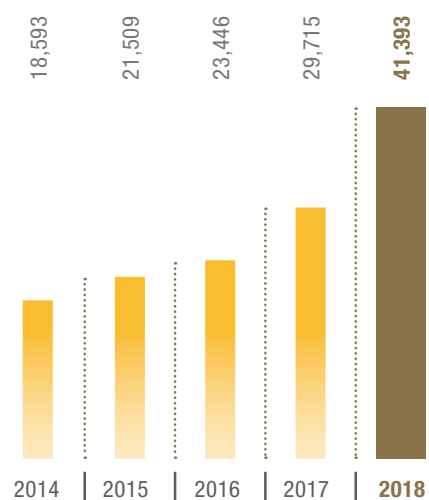


**Net Interest Income (\$'M)**

5 YR CAGR: 8.3%

**Non-Interest Income (\$'M)**

5 YR CAGR: 23.5%



of \$2.1 billion or 15%. Clarien's consolidation resulted in the inclusion of \$1.1 billion in net fee and commission income. These fees are earned in the normal course of conducting banking, credit card and investment management services in Bermuda. The increase for the Jamaican entities was driven by

our Payment Services Unit, which incorporates our Card Issuing and Acquiring businesses. This division recorded net fees and commissions of \$5.0 billion, an increase of 17% or \$749 million. We continue to experience volume increases on our electronic channels, which includes ABMs, POS, and e-commerce channels. Our investment banking fees had notable increases due to the number of corporate financing transactions which occurred during the year. A summary by segment can be found in note 7 of the financial statements – see page 212.

- Gains on foreign currency and investment activities of \$15.6 billion, represented growth of \$7.9 billion or 102%. Gains on the sale of debt securities accounted for \$7.1 billion of this increase. The improving macro-economic environment coupled with high levels of Jamaican dollar liquidity and declining interest rates generated a high demand for debt securities. A summary of this income item can be found in note 8 of the financial statements – see page 212.
- Insurance premium income of \$8.7 billion increased by 14% or \$1.1 billion, primarily due to growth in group life and annuity insurance premium income. A summary of this income item can be found in note 9 of the financial statements – see page 213.

### ► Operating Expenses

Operating expenses grew by 31% or \$12.0 billion to \$50.4 billion for the year. Our aim is to create value for all our stakeholders and in the light of this all expenditure is scrutinised to ensure each investment is deriving the desired benefit to the Group. The major areas of expenditure were associated with retooling our team and core systems for our digital transformation.

- Staff costs of \$23.8 billion increased by \$7.1 billion, or 43%. Following the acquisition of a majority stake in Clarien we now

employ over 2,800 employees in six countries. Clarien's staff costs totalled \$2.6 billion. We continued our investments in human capital with increased training and competency building to enhance our team's capabilities. Additionally, we increased the average compensation for our Jamaican entities by 8%. We treat our staff costs as a necessary investment to ensure we can deliver on our strategic commitment. A summary of staff costs can be found in note 11 of the financial statements – see page 213.

- Other operating expenses totalled \$16.4 billion, an increase of \$1.8 billion or 13%.
  - Irrecoverable general consumption tax and asset tax grew by \$362 million or 13%, primarily due to the growth in our asset base for the regulated Jamaican entities when compared to the previous financial year.
  - Property, vehicle and ABM maintenance and utilities grew by \$291 million or 10%. We have commenced a branch optimisation programme which entailed branches in our network being reconfigured and refreshed to allow us to better serve our customers as well as co-locate operations within the Group. Additionally, we have continued our ABM refresh project to upgrade and replace obsolete machines as well as install additional intelligent ABM machines which have expanded offerings via this channel.
  - Management and royalty fees grew by \$274 million; these fees are based on strategic direction provided to NCBFG and its subsidiaries by its parent company. These are similar to the fees, that have for several years, been paid by NCBJ.
  - Insurance and premiums increased by \$212 million or 64% and marketing, customer

# Financial Performance

CONTINUED

TABLE 6: NON-INTEREST INCOME

	2017 \$'M	% of Total %	2018 \$'M	% of Total %
Net Fee and Commission	13,891	46.75%	15,961	38.56%
Gain on Foreign Currency and Investment Activities	7,726	26.00%	15,611	37.71%
Premium Income	7,574	25.49%	8,662	20.93%
Dividend Income	229	0.77%	605	1.46%
Other Operating Income	295	0.99%	553	1.34%
<b>Total</b>	<b>29,715</b>	<b>100.00%</b>	<b>41,393</b>	<b>100.00%</b>

care, advertising and donations grew by \$178 million or 12%. A summary of other operating expenses can be found in note 14 of the financial statements – see page 214.

- Policyholders' and annuitants' benefits and reserves of \$4.7 billion increased by \$551 million or 13%, due to expenses related to annuity and general insurance contracts. These are necessary costs to ensure funds are provided to support customers in their time of need. A summary of this expense item can be found in note 12 of the financial statements – see page 214.
- Depreciation and amortisation charges totalled \$3.5 billion, an increase of 47% or \$1.1 billion. During the year, we continued our work on digital initiatives to facilitate a stronger infrastructure while offering innovative solutions for simpler and faster execution. These are necessary investments to support our business transformation and future growth. Summaries on these expenses can be found in notes 27 and 28 of the financial statements – see pages 227 - 228.
- Provisions for credit losses grew by \$948 million, from \$729 million in the prior year to \$1.7 billion in the 2018 financial year. Our delinquency management processes remain robust and proactive to ensure the Group effectively responds sufficiently to the risk environment in our

operating jurisdictions. A summary of this expense item can be found in note 22 of the financial statements – see pages 220.

## ► Related and Connected Party Transactions

The Group considers the following individuals or entities to be related:

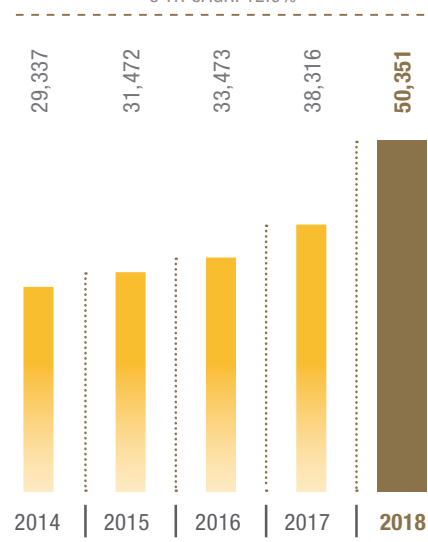
- Parent and companies controlled by our major shareholder
- Subsidiaries
- Associated companies of the Group
- Directors and key management personnel and their families
- Companies controlled by directors and related by virtue of common directorship.

Connected parties include our affiliates, associated companies, principal shareholders, directors, key management personnel, officers and employees.

In the normal course of business, we currently engage in, and expect from time to time to engage in, financial and commercial transactions with related parties. These transactions are executed on an arm's length basis, on substantially the same terms, including interest rates and collateral, where applicable, as those prevailing at the time for comparable transactions with unrelated parties (with the exception of loans included under the staff loan policy). Certain related party transactions require approval by the Board of Directors. Additionally, certain subsidiaries have Corporate Governance and Conduct

## Operating Expenses (\$'M)

5 YR CAGR: 12.6%

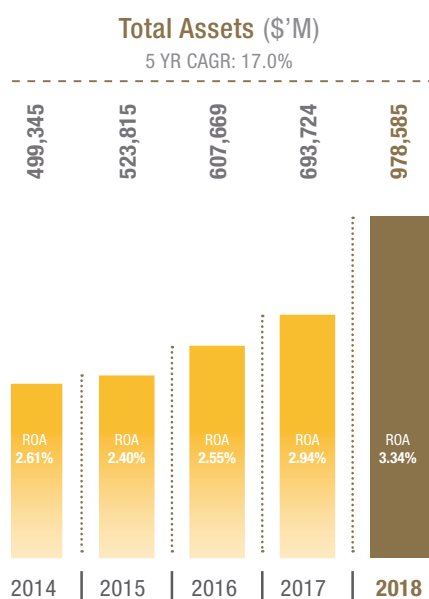


Review Committees which monitor overall related party exposures and approve transactions with related parties outside of the normal course of business. Periodic reports are also submitted to the Audit Committee.

## Staff loans and other concessionary facilities

We provide credit facilities at concessionary rates to employees and pensioners. The amounts that can be borrowed at concessionary rates are capped and all amounts in excess of the cap are accessible through normal customer facilities. The benefit of the discounted rate is assessed annually and, if determined to be material, included in the financial statements.





### Other major related party transactions

Related parties may engage in transactions involving financial assets or financial liabilities such as investment securities, reverse repurchase agreements, repurchase agreements or corporate notes, which are executed at prevailing fair market prices. From time to time, these transactions may involve corporate finance services for which fees are charged at rates that are consistent with those charged for similar services to unrelated customers. Transactions and balances between the Group companies are eliminated on consolidation of the financial statements.

In the normal course of business we also enter into agreements with related parties, which typically involve the provision of advisory, insurance and other services. These services are provided on terms which are consistent with those offered to other unrelated customers. A summary of related party transactions and balances can be found in note 44 of the financial statements - see pages

## FINANCIAL POSITION PERFORMANCE

### ► Asset Performance

Total assets at September 2018 were \$978.6 billion, an increase of \$284.9 billion or 41%. The asset base growth was mainly due to the consolidation of Clarien, in addition to growth in loans and advances and investment securities. Our return on average total assets improved to 3.34%, up from 2.94% in the prior year.

### ► Cash in Hand & Balances at Central Banks

This category consists primarily of cash for our commercial banking businesses, statutory reserves, operational and short-term investment balances with Central Banks. These balances totalled \$74.7 billion, an increase of 14%, or \$9.4 billion. Cash balances grew by \$6.2 billion as we maintain adequate levels of cash within our branches and ABMs to meet the needs of clients in Jamaica, Bermuda and Trinidad & Tobago. Statutory reserves with central banks grew by \$4.6 billion or 12% due to an increase in prescribed liabilities and customer deposit balances of NCBJ (reserve requirements detailed below). During the financial year all regulatory

statutory reserve and liquidity requirements were met. A summary of the portfolio can be found in note 17 of the financial statements – see page 217.

### Reserve and Liquidity Requirements – Bank of Jamaica

The table below shows the statutory reserve and liquidity requirements stipulated by the BOJ for Jamaican Commercial Banks. The Jamaican dollar and foreign currency cash reserve requirements and liquid assets ratios remained unchanged during the year.

### ► Investment Securities & Reverse Repurchase Agreements

[refer to table 7 of MD&A page 89]

Our investment securities portfolio comprises debt (GOJ, BOJ, GOJ guaranteed corporate bonds, foreign governments and corporate bonds) and equity securities (quoted and unquoted). These instruments are classified as fair value through profit or loss, available-for-sale at fair value through equity and loans and receivables at amortised cost. For the purpose of this analysis debt securities which were pledged at September 30, 2018 and September 30, 2017 were included in these balances. Investment securities were the largest asset balance in

Minimum required by Bank of Jamaica regulations		NCBJ at September 30, 2018
Jamaican dollar cash reserve	12% of specified Jamaican dollar-denominated deposits	12% of Jamaican dollar-denominated deposits
Jamaican dollar liquid asset reserve	26% of specified Jamaican dollar-denominated deposits	27% of Jamaican dollar-denominated deposits
Foreign currency cash reserve	15% of specified foreign currency-denominated deposits	15% for each of U.S. dollars, British pounds sterling and Canadian dollars
Foreign currency liquid asset reserve	29% of specified foreign currency-denominated deposits	51% for U.S. dollars; 78% for British pounds sterling; and 108% for Canadian dollars

# Financial Performance

CONTINUED

TABLE 7: INVESTMENT SECURITIES \*

	2017 \$'M	2018 \$'M
Investment securities at fair value through profit or loss	4,248	3,686
Investment securities classified as available-for-sale at fair value	229,503	304,249
Investment securities classified as loans and receivables at amortised cost	61,360	76,949
Reverse repurchase agreements	2,845	3,804
Interest receivable	4,082	4,609
<b>Total</b>	<b>302,039</b>	<b>393,297</b>

\* \$175.4 billion (September 2017: \$105.8 billion) in investment securities was pledged as collateral in the normal course of conducting business for the Group

the statement of financial position, accounting for 40% of total assets—a reduction from the prior year (September 30, 2017: 43%). Our investment securities and reverse repurchase portfolios totalled \$393.3 billion, an increase of \$91.3 billion or 30%. Clarien has increased the Group's investment securities by over US\$400 million. Our investment securities and reverse repurchase agreement portfolios are the main interest-bearing assets that account for interest income from securities. A summary of the portfolios can be found in notes 20, 21, and 23 of the financial statements – see pages 219, 221 - 222.

## ► Net Loans

[refer to table 8 of MD&A]

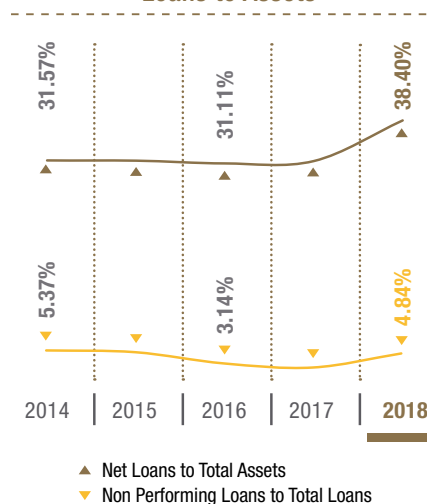
Our loans and advances, net of provisions for credit losses, grew by \$154.0 billion or 70% to \$372.6 billion. The consolidation of Clarien has resulted in the addition of over US\$700 million in loans. The Jamaican dollar denominated loans now account for 51% of the portfolio, down from 70% in the prior year. Our regional

subsidiaries, primarily from the inclusion of Clarien, now accounts for 27% of the Group's net loans and advances.

The non-performing loan portfolio grew to \$18.2 billion from \$5.4 billion in the prior year. This represented 4.8% of gross loans compared to 2.5% at September 30, 2017. The increase was due to the inclusion of Clarien, which has a non-performing loan ratio of 11.8%. For NCBJ, the difference between the statutory provision for credit losses as required by BOJ and the IFRS provision is credited to a non-distributable reserve – loan loss reserve. The balance in the loan loss reserve was \$3.5 billion at September 2018 (September 2017 - \$4.3 billion). The Bank's provisioning policy is compliant with both the BOJ and IFRS requirements.

Our underwriting, risk, delinquency and collection management framework and processes remain proactive and robust and should lead to improved credit quality across the Group. A summary of the portfolio can be found in note 22 of the financial statements – see page 220.

## Loans to Assets



## ► Investment in Associates

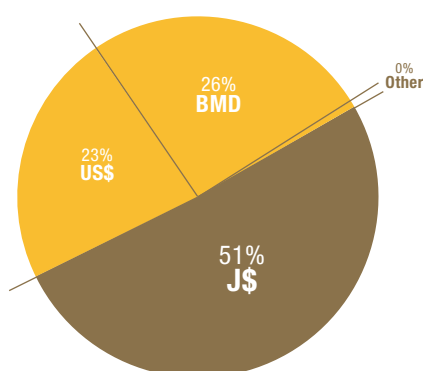
Investment in associates declined from \$37.2 billion to \$35.1 billion at September 2018. The decrease was as a result of the partial divestment of our investment in JMMB, reducing the percentage ownership from 26.30% to 20.01%. The Group's interest in Elite Diagnostic Limited (Elite) was also reduced as a result of a partial disposal of the investment and the

TABLE 8: LOAN PORTFOLIO DETAILS

	2017 \$'M	% of Total %	2018 \$'M	% of Total %
Retail and SME	125,882	57.58%	148,991	39.98%
Regional subsidiaries	4,996	2.29%	101,364	27.20%
Corporate	69,181	31.65%	101,116	27.13%
Credit Cards	18,556	8.49%	21,165	5.68%
<b>Total</b>	<b>218,615</b>	<b>100.00%</b>	<b>372,635</b>	<b>100.00%</b>

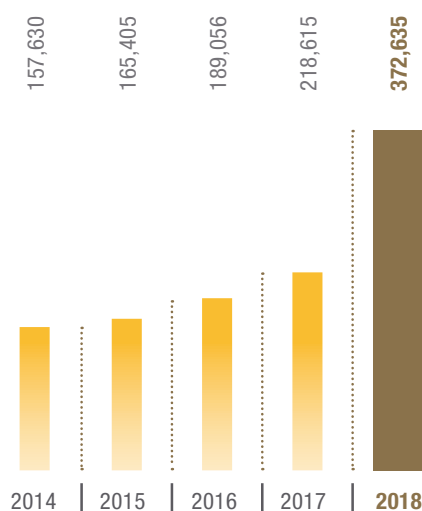


### Net Loans by Currency (J\$'B)



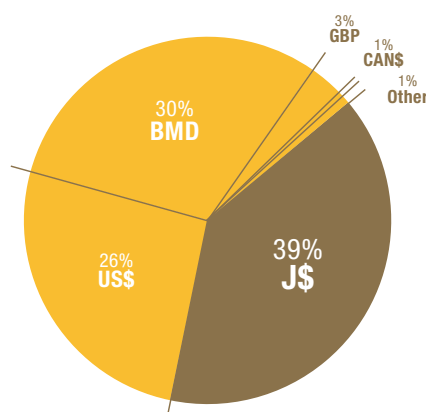
### Net Loans (\$'M)

4 YR CAGR: 21.6%



dilutive impact of Elite's Initial Public Offer (IPO) during the current financial year. A summary of the portfolio can be found in note 25 of the financial statements – pages 223 - 225.

### Customer Deposits by Currency (J\$'B)



### Funding Performance

Our funding portfolio consists of short and long-term borrowing arrangements under the following funding lines: customer deposits, obligations under repurchase agreements, obligations under securitisation arrangements, amounts due to banks, other borrowed funds and liabilities under annuity and insurance contracts. At September 30, 2018, our funding portfolio was \$812.2 billion compared to \$556.2 billion at September 30, 2017.

### Customer Deposits

Deposits were our largest source of funding, representing 60% of our funding portfolio. Our customer deposits portfolio totalled \$484.8 billion, an increase of \$196.4 billion or 68%. This was reflective of our expansion into the region through Clarien. Jamaican dollar denominated deposits accounted for 39% of total deposits compared to 54% in the prior year, again largely reflecting the impact of consolidating Clarien.

### Repurchase Agreements & Unit Trust Scheme

Repurchase agreement funding arrangements are used by the Group primarily as short-term funding and as a product for corporate and individual clients. The portfolio increased to \$152.9 billion, an increase of \$37.3 billion or 32%.

The Group's Unit Trust Scheme (Unit Trust) was formed to provide retail clients with suitable investment opportunities. The Unit Trust scheme has an independent trustee and NCBCM as the investment manager for the scheme. As investment manager, NCBCM is entitled to receive fees based on the funds under management. The Unit Trust Scheme comprises of seven portfolios of varying risk tolerance levels ranging from conservative, moderate to aggressive. The net asset value of the unit trust portfolios totalled \$35.1 billion at September 2018, a decrease of 2% or \$611 million from the prior year. These balances are not consolidated in the financial statements of the Group. A summary of the Unit Trust Scheme can be found in notes 3 and 34 of the financial statements – pages 202 & 237

### Liabilities under Annuity and Insurance Contracts

Liabilities under annuity and insurance contracts arise from operations in the life and general insurance industries. Our life insurance subsidiary issues life insurance and annuity contracts. These contracts insure human life events (for example, death or critical illness) over a long duration. The general insurance subsidiary issues property and casualty insurance contracts. Casualty insurance

TABLE 9: CUSTOMER DEPOSITS DETAILS

	2017 \$'M	% of Total %	2018 \$'M	% of Total %
Non-interest bearing current accounts	44,967	15.59%	65,972	13.61%
Interest bearing current accounts	33,726	11.69%	32,752	6.76%
Savings and other deposit accounts	143,877	49.88%	234,736	48.41%
Time deposits	65,894	22.84%	151,388	31.22%
<b>Total</b>	<b>288,464</b>	<b>100.00%</b>	<b>484,848</b>	<b>100.00%</b>

# Financial Performance

CONTINUED

contracts protect our customers against the risk of causing harm to third parties as a result of their legitimate activities. Property insurance contracts mainly compensate our customers for damage suffered to their properties or for the value of property lost due to certain events.

Liabilities under annuity and insurance contracts totalled \$38.1 billion at September 30, 2018, an increase of \$1.9 billion, or 5%. Liabilities under life insurance and annuity contracts accounted for the growth in the portfolio. A summary of the Group's liabilities under annuity and insurance contracts can be found in note 35 of the financial statements pages 239 - 247.

## ► Obligations under Securitisation Arrangements

NCBJ has entered into a Merchant Voucher Receivables securitisation transaction, which is a structured financing transaction involving the sale of future flows due from Visa International Service Association (Visa) and MasterCard International Incorporated (MasterCard) related to international merchant vouchers acquired by NCBJ in Jamaica. The merchant voucher is created when an international cardholder (Visa or MasterCard) pays for goods or services at a NCBJ merchant. NCBJ successfully raised US\$250 million and US\$150 million in May 2015 and November 2016, respectively. NCBJ paid the first principal amortisation on October 6, 2017, amounting to US\$10.8 million and payments are due quarterly from this date to final maturity on January 8, 2027.

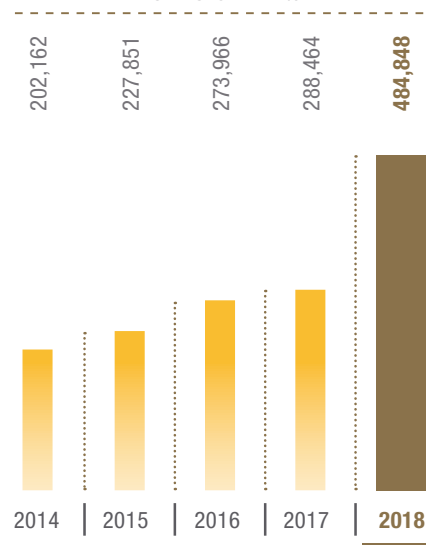
This arrangement is in addition to the Diversified Payment Rights (DPR) securitisation arrangement, which is a structured financing transaction selling the rights to receive payments from correspondent banks based overseas when a payment order is initiated by a person or entity situated overseas in favour of a person or entity situated in Jamaica. In May 2013, US\$100 million was raised under the DPR securitisation arrangement and another US\$25 million was negotiated in February 2014. On March 28, 2016, the holders of the Series 2013-1 Notes exercised their third and final option to extend the maturity of the Notes by 12 months, adjusting the principal amortisation on the DPR facility to commence on September 15, 2017 and expected maturity to March 15, 2021. Principal amortisations commenced on September 15, 2017 and are due quarterly up to maturity on March 15, 2021.

Obligations under securitisation arrangements totalled \$59.0 billion at September 2018, a decrease of 12% or \$7.8 billion, due to scheduled principal amortisation payments. The principal outstanding on the DPR and Merchant Voucher Receivables securitisation arrangements were US\$83.3 million and US\$355.7 million, respectively at the end of the financial year. A summary of the obligations under securitisation arrangements can be found in note 32 of the financial statements –page 233 - 234.

On September 14, 2018, Fitch Ratings (Fitch) affirmed the ratings assigned to the future flow transactions as shown in the table below.

## Customer Deposits (\$'M)

5 YR CAGR: 22.1%



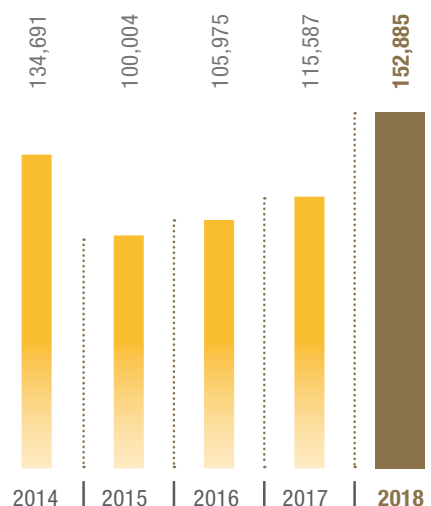
Fitch reported the key ratings drivers as follows:

- Originator credit quality – the Jamaican operating environment remains the principal constraint on NCBJ's ratings which were affirmed in February 2018 and outlook revised to 'Positive' from 'Stable'.
- Going concern assessment – Fitch assigned NCBJ a score of 'GC1' based on the bank's systemic importance. Fitch's report indicated the GC1 score theoretically allows the maximum rating uplift from the bank's Issuer Default Ratings (IDR) pursuant to Fitch's future flow methodology.
- The report also noted the uplift for the Jamaica Merchant Voucher Receivables (JMVR)'s series is currently limited to four

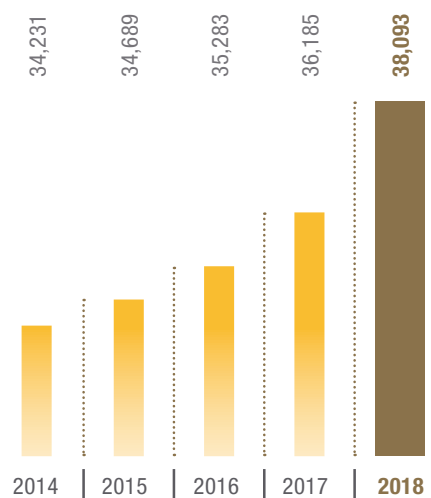
ISSUER	NOTE	RATING	OUTLOOK
Jamaica Merchant Voucher Receivables Limited	USD\$400 million series 2015-1 and series 2016-1 notes	'BB+'	Stable
Jamaica Diversified Payment Rights Company	USD\$125 million series 2013-1 notes	'BB'	Stable

**Repurchase Agreements (\$'M)**

5 YR CAGR: 5.4%

**Liabilities Under Annuity & Insurance Contracts (\$'M)**

5 YR CAGR: 2.4%

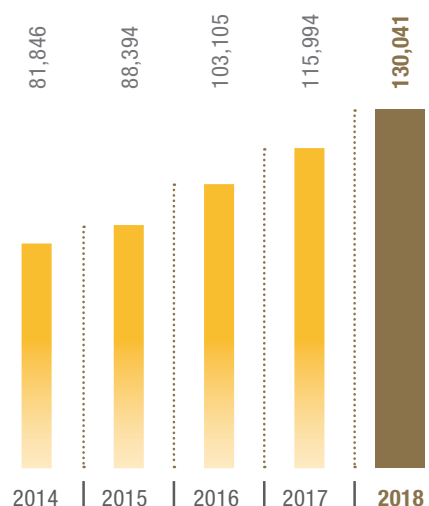


notches. It stated NCBJ's market-leading credit card franchise has been supporting strong levels of international Visa and MasterCard merchant vouchers (MV), but the tourism industry and related economic activities drive international MV volumes and the transaction remains exposed to a drop in tourism.

- Fitch considered the strength of the DPR flows as moderate and

**Equity (\$'M)**

5 YR CAGR: 12.4%



further tempered the notching uplift for the Jamaica Diversified Payments Rights (JDPR)'s series to a three-notch uplift. The report outlined that JDPR involves top beneficiaries that are NCBJ affiliates as well as entities with high domestically originated, government-related flows and/or capital flows, which Fitch considered to be more volatile than export-related payments and remittances.

Fitch noted that the ratings are linked to the credit quality of NCBJ and the ability of the securitised business lines to continue operating as reflected by its going concern assessment score.

### ► Other Funding

Other funding arrangements consist of amounts due to banks and other borrowed funds balances. Amounts due to banks totaled \$11.8 billion, which grew by \$1.3 billion, or 12%; other borrowed funds of \$65.6 billion increased by \$26.9 billion, or 70%, over the prior year. The growth in other borrowed funds was due to the issuance of corporate notes during the year.

A summary on these balances can be found in notes 31 and 33 to the financial statements – page 232 & 235.

### ► Stockholders' Equity

The Group's equity grew to \$130.0 billion, an increase of \$14.0 billion, or 12% over the prior year. The growth was primarily attributed to the net profit earned during the year. The return on average equity for the Group increased from 17.44% to 22.73%.

### ► Share Capital

The share capital of \$153.8 billion is based on the Jamaica Stock Exchange market capitalisation value of the Bank immediately preceding the scheme of arrangement in March 2017. This represents the acquisition value of NCBJ and therefore the consideration exchanged by the Company. The negative reserves of \$147.0 billion arising on the consolidation of the Group is accounted for in reserves from the scheme of arrangement, representing the difference between the market value on the date of the Scheme and the previous carrying value of the share capital. The previous carrying value of the share capital has been transferred to a reorganisation reserve. A summary can be found in the Consolidated Statement of Changes in Stockholders' Equity – page # and notes 38 and 39 to the financial statements – page 256 & 257.

### ► Capital

Each regulated entity within the Group is required to hold a minimum amount of capital as required by each regulator. During the year, the key regulated entities met or exceeded the minimum regulatory requirements. The Group's capital management plan is focused on maintaining adequate levels of capital, optimising the Group's portfolio in accordance with balancing shareholder risk-return

# Financial Performance

CONTINUED

objectives and flexibility in responding to changing market conditions. The plan is monitored by the Group Capital Management Committee to ensure full compliance with regulatory requirements and that optimal capital allocation is done on aggregate and across business units. The aim of our capital management is to ensure sufficient capital is held in excess of the risk-based internal assessments and regulatory requirements with an overall objective of maintaining financial strength. A summary on capital management can be found in note 45 (f) to the financial statements – page 291 - 294.

## Dividends and Shareholder Return

The closing share price on the Jamaica Stock Exchange as at September 30, 2018 was J\$124.52 per share (September 30, 2017: J\$87.02) which has resulted in a price earnings ratio (current share price as a percentage of per share earnings) of 10.93 (September 2017: 11.21). The share price on the Trinidad & Tobago Stock Exchange as at September 30, 2018 was TT\$5.73 per share

(September 30, 2017 – TT\$5.10). Our total shareholder return, which combines share price appreciation and dividends paid to show the total amount returned to the investor, was 46% for the financial year compared to 116% in the prior year. At the close of business on 30 September 2018, the JSE All Jamaican Composite Index stood at 358,320.11, a 36% increase over the prior year.

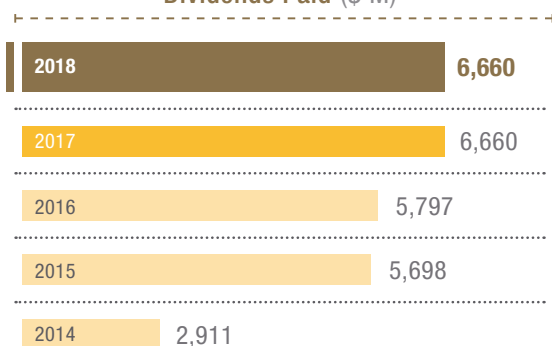
### NCBFG TOTAL SHAREHOLDER RETURN

	2013	2014	2015	2016	2017	2018	Three Year CAGR (%)	Five Year CAGR (%)
<b>For The Year Ended September 30</b>								
Closing Price of Common Shares (\$ per share)	18.80	17.93	27.72	41.55	87.02	124.52	65%	46%
Dividend Paid (\$ per share)	1.11	1.18	2.31	2.35	2.70	2.70	5%	19%
							<b>Three Year Shareholder Return</b>	<b>Five Year Shareholder Return</b>
NCBFG Shareholder Return (%)	(9%)	2%	67%	58%	115.9%	46%	377%	622%
JSE Index Annual Movement (%)	(3%)	(15%)	33%	71%	60%	36%		

4 The comparative financial information for previous periods has been presented as if the reorganisation was in effect during those periods and NCBJ share and dividend data was used for prior year computations.

5 Total shareholder return represents the annual total return earned on an investment in NCBFG shares. The return is calculated as the change in share price (growth in share price at the end of the year compared to the share price at the beginning of the year) and assumes that dividends received are reinvested in NCBFG shares (share appreciation plus dividends).

### Dividends Paid (\$'M)



**\$2.70**

Dividends per share paid during year

**23.7%**

Dividend pay-out ratio (dividends per share divided by earnings per share)

**2.2%**

Dividend yield (dividends paid as a percentage of share price)

**AS AT SEPTEMBER 30, 2018****National Commercial Bank Jamaica Limited**

Regulated by the Bank of Jamaica

Regulatory Capital to Risk Weighted Assets **13.1%****Regulatory Requirement 12.5%****NCB Capital Markets Limited**

Regulated by the Financial Services Commission

Regulatory Capital to Risk Weighted Assets **19.4%****Regulatory Requirement 10%****NCB Insurance Company Limited**

Regulated by the Financial Services Commission

Minimum Continuing Capital Surplus **396.4%****Regulatory Requirement 150%****Advantage General Insurance Company Limited**

Regulated by the Financial Services Commission

Minimum Capital Test **522.5%****Regulatory Requirement 250%****NCB (Cayman) Limited**

Regulated by the Cayman Islands Monetary Authority

Regulatory Capital to Risk Weighted Assets **27.9%****Regulatory Requirement 12%****NCB Global Finance Limited**

Regulated by the Central Bank of Trinidad &amp; Tobago

Regulatory Capital to Risk Weighted Assets **28.9%****Regulatory Requirement 12%****Clarien Bank Limited**

Regulated by the Bermuda Monetary Authority

Regulatory Capital to Risk Weighted Assets \*

**Regulatory Requirement \****\* In keeping with the regulatory policies of the Bermuda Monetary Authority, public disclosures of banks' capital requirements are restricted.*

# Risk Management

As a financial services group offering a wide array of services from traditional channels, such as branches, to digital channels, such as online, we inherently assume risks that could materially impact our financial targets, reputation and ultimately the sustainability of our business.

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We have not changed our perspective and consider the Enterprise Risk Management framework to be most

suitable for the management of the Group's risks as this approach ensures that material risks, assumed in the execution of the Group's strategic initiatives are adequately identified, assessed and managed.

Our Enterprise Risk Management Policy defines the critical risks faced by the Group. These are discussed in the significant risks section on the following page.

## ► Risk Management Principles

Risk management is the 'business' of all employees and this is reflected in our defined organisational and governance principles applicable to most risks:

- The business lines act as the first line of defence with responsibility for identifying and managing risks inherent in their businesses and with all employees being

accountable for identifying, assessing and managing the risks within the scope of their assigned responsibilities.

- The second line of defence is provided by the risk and compliance functions, whose responsibilities are to provide oversight for the effective operation of the first line of defense. This includes the provision of policies and the monitoring of performance against these policies.
- The third line of defense is represented by the Internal Audit function which provides independent assurance regarding the effectiveness of the first and second lines of defence.



## ► The Governance Framework

The Group's risk governance framework is intended to provide a comprehensive set of controls and ongoing management of the major risks assumed in the Group's business activities.

The NCBFG Board of Directors assumes ultimate responsibility for oversight of the Group's risk-taking activities and delegates that responsibility to the Group Risk Committee (GRC) and the Group Audit Committee. These committees are supported by Risk Committees and Audit Committees in several of our subsidiaries.

### Group Risk Committee (GRC)

The purpose of this committee is to assist the Group Board in fulfilling its responsibility with respect to oversight of the Group's risk management framework. This includes the risk appetite and the policies and major procedures related to managing credit, market, liquidity, capital, operational and certain other risks determined from time to time. The GRC reports to the Company's Board with respect to the Group's risk profile and its risk management framework, including the material policies and practices employed to manage risks in the Group's businesses and the overall adequacy of the Group Risk Management function. The GRC also plays a role in the decision-making process with respect to material risks which will be undertaken by the Group.

### The Group Audit Committee

The purpose of this committee is to assist the Group Board in fulfilling its oversight responsibilities for the financial and operational reporting processes, risk management, the internal control systems, the audit process and NCB's process for monitoring compliance with laws and regulations, as well as the code of conduct.

The Board's oversight is also supported by a number of management committees that have responsibility for key risk related functions:

### The Group Asset & Liability Committee

This committee is responsible for monitoring and ensuring the effective and efficient management of market and liquidity risks and risks relating to the mix of statement of financial position assets and liabilities, as well as the holding and trading of foreign currencies and designated investment securities.

### The Group Capital Management Committee

This committee is responsible for setting and monitoring overall capital management principles in line with the Group's enterprise-wide risk framework and appetite.

### The Compliance Management Committee

This committee's purpose is to monitor the status of legal and regulatory compliance within the Group.

### The Information Technology Steering & Product Approval Committee

This committee's responsibilities include the provision of oversight of the strategies, policies and procedures in place to manage Information Technology and Information Security risk exposure throughout the Group including an effective risk organisation structure and effective governance processes.

It also reviews the expected impact of proposed new products to determine whether they materially affect the risks assumed by the Group and if, therefore, the products should be made available.

### The Fraud Prevention Management Oversight Committee

The committee provides oversight for the Fraud Prevention Unit which is responsible for managing the Group's exposure to fraud.

## SIGNIFICANT RISKS

The NCB Group is exposed to various risks, which could have a material impact on our financial results, reputation, customer defection and the sustainability of our long-term business model.

### Credit Risk

We define credit risk as the risk that a customer (i.e. a borrower) will default on promised payments (e.g. principal, interest, margin, etc.) or that a trading partner may fail to fulfill its obligations on a transaction or portfolio of transactions, and NCB must terminate the trade or replace the counterparty at a loss. Credit risk arises primarily from the making of loans to consumers, businesses and sovereigns, financing of trade transactions, leasing activities, reverse repurchase arrangements and off - statement of financial position transactions such as guarantees. Credit risk attracts the largest regulatory capital requirement.

The Group's Credit Risk Policy provides a set of guiding principles and control framework, which is intended to identify, assess, measure and monitor credit risk exposure. As part of an ongoing credit policy review process, changes are recommended to the GRC for its consideration and ultimate approval by the Board.

As a regional entity we recognise that our risk oversight must continue to consider the economic environment of the territories in which we operate. During the financial year, the countries within which we substantially operate, experienced mixed fortunes:

- Standard & Poors downgraded Barbados' sovereign ratings to SD (Selective default) from CC/C;
- Trinidad's outlook was revised to negative from stable;
- Jamaica's outlook was revised to positive from stable and



# Risk Management

CONTINUED

- Bermuda's outlook was revised to positive from Stable.

In addition, exposure to sovereigns also occurs during the lending process.

To manage our sovereign credit exposure, limits are established, monitored and reported to the GRC for sovereign credit exposures.

Our corporate credit portfolios are assessed on an ongoing basis with key loan portfolio metrics and emerging trends reported on to the GRC.

## Liquidity Risk

Liquidity risk is the potential for loss if the Group is unable to meet its obligations as they become due. These obligations include the requirement to honour liabilities to depositors and suppliers when they become due.

The Group is also exposed to market liquidity risk, which is the risk of being unable to unwind a position in the face of inadequate market activities or unavailable market prices.

The Group's Enterprise Risk Management Policy requires that we manage liquidity within established policy guidelines, limits and/or benchmarks. One of the principal liquidity strategies pursued by the Group is maintaining diverse and stable sources of funding. Accordingly, the Group's liquidity funding providers include diversified retail customers and corporate customers, as well as repurchase agreements and long-term secured funding sources, which include "Diversified Payment Rights". We also monitor the credit rating of the Group, as this can impact the availability and cost of credit. The GRC and the Group ALCO closely monitor the Group's liquidity risk positions and review all the relevant information to include:

- Factors affecting liquidity in the respective domestic markets
- Key liquidity metrics, their trends and comparisons with established limits and benchmarks
- Liquidity scenarios and strategies to manage various scenarios.

## Market Risk

The Group addresses exposure to market risk, which is the risk that movements in certain market variables such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads will adversely affect our income and/or the value of our portfolios.

Our market risk management infrastructure incorporates the definition, approval and monitoring of limits as well as the performance of stress testing and qualitative risk assessments.

## Operational Risk

Operational risk is inherent in each of the Group's businesses and support activities, including the risk of fraud by employees or others, unauthorised transactions by employees, and operational or human error. Due to the high volume of transactions being processed, we are also subject to errors, which may go unnoticed over an extended period of time, despite our best efforts at efficiency and accuracy. Deficiencies or failures in our computerised systems, telecommunications systems, data processing systems, vendor-supplied systems and in our internal processes could result in financial loss and/or reputational damage. Despite our contingency procedures, the aforementioned deficiencies, in addition to business disruptions caused by natural disasters or other factors, may still negatively impact

our ability to conduct our business, thereby resulting in damage to the Group's business and brand. Cyber security and the Group's technology infrastructure and internal and external fraud risks were the operational risks that continued to receive the greatest attention of the GRC.

## Insurance Risk

Insurance risk is the risk, other than financial risk, of loss transferred from the holder of the insurance contract to the issuer (NCB Group).

### *Bancassurance*

We operate an integrated bancassurance model which provides wealth and protection insurance products and we issue contracts which transfer insurance risk, financial risk (or both), primarily through bancassurance arrangements. Insurance contracts transfer material insurance risk and may also transfer financial risk. As a general guideline, we define material insurance risk as the possibility of having to pay benefits on the occurrence of insured events, which are at least 10% more than the benefits payable if the insured event did not occur.

### *General Insurance*

We also operate a general insurance subsidiary which underwrites the following general insurance business – Motor, Property, Pecuniary Loss, Liability and Accident.

Principal risks associated with the general insurance business include pricing risk. Inadequate pricing of insurance contracts could result in claims honoured exceeding premium income. Over-pricing of the business could also diminish NCB Group's competitiveness, thereby eroding value.

This segment also faces the risk of inappropriate reserving involving over-adequacy of the reserving level, which would negatively affect NCBFG's strength; or the inadequacy of the reserving level, which would necessitate a large and unplanned injection of capital when the inadequacy is discovered.

### Regulatory & Legal Risk

The Group is also subject to regulatory risk and legal risk, which could have an adverse impact on its business. Regulatory risk arises from a possible failure to comply with regulatory and comparable requirements. Legal risk manifests itself through failure to comply with legal requirements, including ineffectiveness in the management of litigation proceedings.

The Financial Services Industry is one of the most closely regulated industries, and the management of a financial services business such as ours is expected to meet high standards in all business dealings and transactions. Failure to adequately address conflicts of interest, regulatory requirements, anti-money laundering and counter-financing of terrorism (AML/CFT) requirements, privacy laws, information security policies, ethical practices and other legal requirements,

not only poses a risk of censure or penalty after litigation, but may also put our reputation at risk. Business units are the first lines of defence and are responsible for managing day-to-day regulatory and legal risk, while the Group Legal and Compliance Division acts as the second line of defence, providing advice and oversight.

### Reputational Risk

Reputational risk is the potential that negative publicity, whether true or not, regarding an institution's business practices, actions or inactions, may cause a decline in the institution's value, liquidity or customer base. All risks may have an impact on reputation, which in turn may negatively affect the brand, earnings and capital. Credit, market, operational, insurance, regulatory and legal risks must be managed effectively in order to safeguard our reputation.

The management of reputational risk is overseen by the GRC, as well as the senior executive team. However, every Group employee or representative has a responsibility to contribute positively to our reputation. This means ensuring that ethical practices are followed at all times, that interactions with our stakeholders are positive, and that we comply with applicable policies, legislation and regulations.

# Our Operations

## GROUP OPERATIONS AND TECHNOLOGY DIVISION

With even greater focus on accelerating the bank's digital transformation and driving operational efficiency, the Group has made several key investments to improve the security and stability of its network, while diversifying the range of products and services offered to customers.

In addition to several critical technological infrastructure improvements, training and education for staff and merchant partners was a key priority for this financial year – especially with the ever-growing challenges of fraud and cybercrime. To this end, the Group launched a number of initiatives geared at empowering staff, partners and customers with the knowledge and tools to prevent and mitigate fraud, while improving overall customer experience, convenience and efficiency of our operations.

So far, these efforts have resulted in a significant reduction in losses and mitigation against potential losses for customers, as well as increased overall safety and resilience of our channels. Aside from the bolstering of the enterprise's external defences against cyber-attacks and fraud attempts, the Group's incorporation of automation,

streamlining and virtualisation of processes enables greater security overall, effective operational risk management and technological insight.

### ► Enhanced Organisation Fraud Prevention and Risk Management

To improve the enterprise's ability to prevent organisational fraud and manage risks, a number of initiatives have been implemented. These include the design and implementation of anti-skimming devices at our ABMs, as well as training for over 1,500 merchants. Three training sessions were held at our Corporate Learning Campus, and an additional six seminars were hosted at our Customer Care Centre to educate and equip merchants and employees with the tools they need to combat fraud.

### ► Credit Card & Retail Banking Alerts

To keep customers in-the-know, and improve their ability to respond quickly to any potential fraud risks on their accounts, automated real-time alerts for credit card and certain retail banking transactions are sent via SMS and email. Once transactions are completed on a credit card, or new payment beneficiaries are added to an online banking profile, customers receive timely notifications that outline the details of each transaction. To date, over 3.5 million credit card alerts have been dispatched to customers; with several cases reported where

customers were able to quickly identify fraud attempts on their accounts and respond quickly.

### ► Lean e-Statements

Another paper-less innovation in the form of e-statements was introduced, giving customers the option to receive their credit card bills electronically. Coupled with the improved availability of statements via NCB Online, this e-statement option eliminates the wait time for customers to receive their statements through traditional mail, while providing them with diverse, on-demand avenues to access their card information. Furthermore, e-statements facilitate a considerable reduction in the cost for statement production.

### ► Mobile Point of Sale (mPOS)

To help more merchants to meet the growing customer demand for cash-less transactions, NCB launched Mobile Point of Sale (mPOS) service in the market. This innovative, convenient and cost-effective alternative to the traditional POS system gives merchants the flexibility they need to operate wherever and whenever, thereby extending their reach, and improving their customers' experience.

## ► Artificial Intelligence for Service Improvement

In keeping with our digital agenda, the pilot phase of a multi-channel self-service platform driven by Artificial Intelligence was launched. Designed with the capability to carry out natural language dialogues with customers in speech or text, this virtual technology will enable customers to carry out a number of self-service options such as checking account balances, creating and resetting transaction PINs, bill payment, funds transfer and merchant authorisation. The solution is also able to provide authentication based on voice biometrics, execute auto-dialler campaigns and customer surveys.

This solution is expected to help reduce costs, and improve the overall efficiency of our IVR and call centre, by reducing wait times and abandonment rates while allowing employees to focus on providing personalised, value-added services and sales to our customers.

## ► Customer Relationship Management Technology

Fuelling the enterprise with smart data sets to facilitate more robust and responsive assessment of the customers' needs, this technology gives the business a number of sales automation benefits. These include dashboard and business analytics, automated lead process flow, pipeline management and revenue forecasting.

## ► Travel and Entertainment Interface Integration

To meet the growing demands of our customers in the Travel and Entertainment sector, we will be implementing a solution that integrates their property management system to the major card payment network.

This solution is expected to improve customers's experience and provide

a world-class digital experience for hoteliers and others in the entertainment industry.



# Our Operations

CONTINUED

## FACILITIES & SERVICES

The Facilities and Services Unit leads the organisational charge in creating a safe operating environment characterised by best in class safety and security, building management and environmental practices. The Unit is also dedicated to ensuring its operations minimize the carbon footprint and environmental impact of the enterprise.

### ► Energy And Efficiency

The Unit continued its drive to promote energy efficiency through the upgrading of our mechanical and electrical equipment, and improving our energy efficiency through the installation of solar Photo Voltaic (PV) systems, air conditioning systems and LED lighting technology. The solar PV systems installed at the 29 Trafalgar Road and 126 Constant Spring Road locations continue to provide much needed relief from our energy dependence on the national grid. Combined, the systems generated 165,000 KWH for the financial year which resulted in a reduction of our carbon foot print by 45 tons or 28 barrels of oil.

Our most recent branch construction in Fairview, Montego Bay is outfitted with a 60KW system. We are currently commissioning an additional 150KW

Solar PV system which is being installed at our Portmore, Cross Roads and 1-7 Knutsford Boulevard locations. These new installations will see our total PV capacity increase to 370KW and is expected to extend our energy savings to 355,000KWH per annum.

### ► Development, Renovation and Reconfiguration Initiatives

#### Fairview Banking and Financial Services Centre

We opened the newly built Financial Services Centre in Fairview, Montego Bay, during the first quarter of this financial year. The new contemporary design provides a unique opportunity for our customers to avail of all the

financial services of the Group in one convenient location.

The Portmore and Mandeville locations were reconfigured to house retail and corporate banking services, insurance services (through Advantage General Insurance and NCB Insurance) and wealth management (through NCB Capital Markets Limited and Private Banking).

A number of other renovations and reconfiguration initiatives were completed to increase the utility, safety and comfort of the facilities as well as to optimize branch operations. Over twelve agile laboratory spaces were designed to facilitate creativity and innovation around product development and augmentation, process/system efficiency and effectiveness.



^ Fairview Branch, Montego Bay



^ Mandeville Branch

## ► Supply Chain Management

We continued to make inroads in the transformation of our supply chain processes. During the year, we renegotiated a number of contracts that support mission critical initiatives and transitioned a number of suppliers to strategic business partners that resulted in material improvements in both our supply and value chains and significant savings in our addressable spend. We completed a detailed analysis of our procure-to-pay (from requisition to payment) process and reduced the average net payment turnaround time from 30 days to a maximum of three days. We are currently transitioning our procurement process to cloud technology (Oracle Fusion Cloud) which will enable end-to-end automation of the procure-to-pay process, a strategic approach to tendering (including reverse auction and a supplier portal) and contracts management. This will improve our cost management, turnaround time and efficiency, and positively impact our customer obsession aspiration

### SERVICE QUALITY

The main objectives of the Service Quality Unit for this financial year were to:

1. execute service-focused initiatives to support the Organisation's objective of strengthening the relationship with our customers
2. improve the experience of customers through an enhanced Complaints Management System
3. empower and motivate our staff to deliver a consistently high quality of service.

As a financial institution with a deep appreciation for the value of quality customer service, and its positive impact on an organisation, at the start of the financial year we were actively involved in the National Customer Service Week of activities. This is an initiative which is led at the local level by the Jamaica Customer Service Association, of which NCBJ is a member.

The activities during the week reinforced the organisation's commitment to service excellence and included:

- recognition of 'Service Champions' in branches, divisions and subsidiaries. These staff members were presented with gift baskets and featured in the Kudos programme, which is a weekly activity used to recognise employees who deliver a high quality of service to internal and external customers.
- special activities to engage our customers and show appreciation for their commitment to the organisation.

**During the year, our key successes were:**

## ► New Complaints Management System

The implementation of the new Complaints Management System, from which we achieved the following benefits:

- Automatic routing of complaints to responsible units
- Built in Service Level Agreements (SLAs) and alerts to track resolution time for complaints
- Consolidated view of all complaints across the enterprise
- Improved data capture, analysis and reporting capabilities
- Improved data quality and operational efficiency

With the use of this enhanced system, we are able to be more responsive in addressing challenges experienced by our customers. It also provides critical data, which assists us in assessing our efficiency levels and making informed decisions in relation to our processes and procedures.

## ► Branch Service Audits

Throughout the year, we conducted branch service audits and surveys, which formed an important part of our operations. These activities are designed to assist us in monitoring employees' adherence to our service standards and obtaining our customers' feedback on their experience interacting with our staff and using our channels.

### Mandatory Courses for Employees

Semi-annual mandatory tutorials and monthly presentations were developed and shared with employees throughout the year. These programmes cover key subject areas, which are important in helping employees to better serve our valued customers.



^ Portmore Branch



# Our Operations

CONTINUED

OUR OPERATIONS

## Learning Programme – Fact Friday

Our 'Fact Friday' series, aimed at improving the knowledge of our staff in relation to our main processes and procedures that guide the servicing of customers continued throughout the year. This initiative has enabled us to identify inconsistencies in our practices and streamlined processes, resulting in an improved service experience for customers.

## NON-BRANCH CHANNELS

The Non-Branch Channels Unit manages one of the largest e-channel distribution networks in the country including the Group's internet, mobile, ABM, kiosk, Interactive Voice Response (IVR) and Customer Care Centre channels.

We are committed to seamlessly providing customers with on-demand, 24-hour/7-days a week access to their accounts, and an array of financial solutions. During the 2017/2018 financial year, we continued our focus on developing a network that compels customers to select e-channels as their first choice for fulfilment. The initiatives pursued aimed to drive operational efficiency, strengthen platform security and improve customer experience.

### Key initiatives included:

## ► ABM Portfolio

### Investment in increasing our ABM Fleet Size and Distribution capacity to maximise customer touch points and satisfy demand.

We maintained our leading position in the market for ABMs and increased our fleet size from 264 to 272 units deployed at convenient locations island-wide in order to reduce wait time for customers and improve 24/7 access to their accounts. We also maintained our position as industry leader for multilink revenues and volumes from transactions conducted by non-NCB customers at NCB ABMs - **NCB ABM fulfil over 35% of the country's Multilink Transactions.** Over the period, channel migration initiatives resulted in over 71% of e-transactions occurring on this channel.

### Investment in system reliability, security and infrastructure

In order to drive customer confidence, loyalty and improve customer experience, we invested significantly in ABM upgrades to meet security compliance standards, improve efficiency, and enhance system performance. This included the implementation of upgraded software distribution, an investment in an upgraded asset management and monitoring tool, replacement of 45 end-of-life ABMs, upgrading of our security infrastructure, and PCI Compliance Upgrades. These investments increased our security defence against system vulnerabilities and helped to minimise service disruptions, providing better service to our customers.

## Implementation of dual currency (J\$ & US\$) functionality

In a bid to provide greater convenience for customers to access US\$ cash, we have completed the development of dual currency (J\$ & US\$) functionality with a planned implementation in over 33 locations island-wide.

## ► Mobile

### Launch of Mobile Application

On our journey to deliver improved convenience for our customers, we have provided 24-hour access to banking services from anywhere in the world. During the financial year, new and existing Retail Internet Banking users with a RSA token gained access to the following features on our Mobile App:

- View account information saving/current/loan/credit card/term deposit
- Own Account Transfers
- Third party transfers within NCB
- Adding new beneficiaries
- Bill payments
- Adding New Bill Payees

In the new financial year we will be rolling out additional features including third party transfers to other banks via RTGS and ACH and more.

## ► Kiosk

### Relaunch and upgrade of KIOSK functionalities

We built a simpler more intuitive user interface and enabled new value added features/services to increase customer self-serve options and

- ▶ Funds Transfers
- ▶ T-Pin Creation/Resetting
- ▶ Merchant Authorisation

## ▶ Internet Banking

### Upgrade of NCBJ's Business and Personal Internet Banking platforms

In FY2018, we initiated the upgrade of NCBJ Business and Personal Internet Banking platforms and will rollout to our customers in mid 2019. The benefits include:

- ▶ Improvements in application performance, stability and robustness.
- ▶ Increased functionality and product offerings.
- ▶ Simpler more intuitive User Interface.
- ▶ Single sign-on capability allowing business customers to seamlessly conduct their transactions on one platform for business customers.

### NCB Capital Markets Online Banking Solution – Auto Link Feature

With this solution, client accounts are now automatically linked to Retail Internet Banking further enabling customers to self-serve seamlessly and conduct routine transactions securely with 24/7 availability. The services available via the platform include the ability to transfer money between NCB Capital Markets accounts and NCBJ accounts and vice versa as well as the ability to review investment portfolio performance details.

reduce wait times for routine in-branch transactions. The new and enhanced services include the following:

- ▶ Cheque book request and Certificate of Balance
- ▶ Managers Cheques and Drafts
- ▶ Own account transfers
- ▶ Balance checks
- ▶ Bill Payments
- ▶ Lovebird Points checks
- ▶ International drafts
- ▶ Viewing of last 10 transactions

## ▶ Call Centre

### Enhanced IVR functionality

We piloted our conversational Self Service Solution (Omilia) that leverages Artificial Intelligence (AI) technology and voice recognition capability to more efficiently service client needs via the telephone. We will be implementing the services early in FY2019. The self-service features offered through this channel will include:

- ▶ Account / Credit Card balances
- ▶ Bill Payments

# Our Business Lines



OUR BUSINESS LINES

## RETAIL BANKING

For the 2017/2018 financial year, the Retail Banking Division (RBD), with our 37 locations spread throughout the 14 parishes in Jamaica, continued to be the largest revenue contributor to the Group. Underpinning this performance was the growth achieved in both our commercial and personal loan portfolios with commensurate increases in fee income.

The following imperatives encapsulate the primary components of our strategy for the recently concluded financial year.

### Branch optimisation centred on improved customer experience

Having reviewed and piloted a successful new approach to the branch layout to improve our customer experience we have commenced the improvement of our branches. This sees our branches being transformed to centres designed for relationship management and sales so that a visit to our branch goes beyond the need for routine transactions to one that is more value added. The one stop financial shop has also been integrated in select locations across the island where general insurance is also now available to our customers through our AGIC operations being housed under the same roof.

### Sales excellence with straight-through loan and credit card processing

The introduction and successful work of our Credit Card and Consumer Loan Agile Labs gave us the ability to automate fully the underwriting of unsecured and cash secured consumer loans and credit cards. Straight-through loan and credit card processing means that a customer may now literally apply for a loan and have the funds credited to his/her account within a matter of minutes after completing the application. Other changes in the lab has led to a reduction of underwriting time of approximately three days to as low as one hour. This processing mode now features significantly in our consumer loan business. We will continue to enhance the straight-through process and add other products types to satisfy the needs of our customers.

## Enhanced self-service solutions powered by a digital platform

As we continue to seek new ways to satisfy the growing customer requirement for on demand services in addition to enhancements of our traditional platform, we deepened our digital investment. Our digital capabilities now provide our customers with two fully digital products. Our Insta Loan is a term facility exclusively delivered through our online platform where customers are pre-approved with self-serve acceptance via our online platform. The presence of digital has also allowed us to venture into the micro financing segment through our Pay Advance Loan product for customers who need some emergency cash in between pay cheques. Digitisation has also improved how we open accounts in our branches through our NCBX account opening tablet-based application where customers can self-serve their account opening in less than a third of the time it took in the traditional way.

## Optimising our operations in the various markets that we serve

During the year, we continued to streamline our branch models to serve our markets more efficiently. To this end, we opened our state-of-the-art flagship full-service branch in Fairview, Montego Bay. This location provides customers with the complete range of financial services, from retail and commercial lending, to wealth management, insurance and brokerage services offered through our subsidiaries. Our Mandeville and Portmore locations received significant upgrades and now boast interiors that are more modern and customer-centric. Chapelton, became an agency of our May Pen branch and all cash transactions are now being handled in the "Bank-on-the-Go" area which was expanded to include two ABMs to efficiently process transactions.

## TREASURY & CORRESPONDENT BANKING

The Treasury and Correspondent Banking Division (TCBD) has responsibility for the NCBJ's asset and liability management, which involves management of liquidity, funding, interest rate and foreign exchange risk. TCBD is also responsible for managing relationships with financial institutions and correspondent banks.

In the 2017/ 2018 financial year, GOJ's strong macroeconomic performance resulted in improved domestic market conditions, demonstrated by high levels of JMD liquidity and declining interest rates. The BOJ undertook modernisation of the Foreign Exchange (FX) Market which included introduction of Net Open position limits, the development of the FX Forward Market, and the implementation of BOJ BFXITT FX Tool- the rule based, competitive, multiple price intervention system. The improved market conditions buoyed TCBD's ability to maximise on opportunities resulting in a contribution of 36% of the Group's consolidated operating profit.

## ► Funding & Liquidity

TCBD ensured that NCBJ's commercial and prudential obligations were met while maintaining a

robust liquidity risk management infrastructure and an optimal funding structure.

## ► Relationship Management

TCBD delivered the highest level of service to specified financial institution customers through efficient payments and operational solutions – leveraging scale, risk management, technology and products.

Our highly experienced and competent relationship management team continued their focus on strengthening and expanding correspondent banking relationships. TCBD leveraged its strategic relationships with over 10 correspondent banks to deliver efficient cross-border payments, trade and credit solutions to our customers.

In line with the Group's digital focus, TCBD continued efforts to migrate financial institutions from manual channels to faster, more secure, cost effective, real time digital channels resulting in greater operational efficiencies for the customers.

## ► Foreign Exchange Services

TCBD continued to improve customer experience by migrating FX transactions to the Bank's electronic banking platforms. TCBD broadened its customer base, including individuals, small and medium enterprises and large multinational corporations, throughout Jamaica and the Caribbean. Leveraging the FX team's expertise enabled the execution of customer transactions, in both the FX Spot and Forward markets across multiple currencies.



# Our Business Lines

CONTINUED

This resulted in a turnover of the US\$3.44 billion. The team's efforts for this year has resulted in NCBJ receiving the Best FX Bank Award by Global Finance Magazine for 2019.

## PAYMENT SERVICES

The Payment Services Division continued to focus on improving the overall customer experience with innovative products and solutions, however the process of bolstering the safety and security of both merchants and cardholders took priority during the 2017/2018 financial year.

To this end, key investments were made in technology and analytics tools to proactively detect, prevent and combat fraud. Moreover, significant efforts have been made to empower customers with the knowledge they need to play a part in protecting themselves. In addition to fortifying the bank's defences against fraud, other strategic imperatives included end-to-end simplification of a number of processes to improve the ease, convenience and speed of banking for consumers.

### ► Major Initiatives

Undertaken During  
2017/18 Financial Year

1. **Improving Cardholder and Merchant Protection and Security**

- ◆ Over 50% of Visa and MasterCard cardholders have been successfully migrated to chip-enabled EMV cards, allowing greater efficiency and stronger protection against fraud at POS terminals, ABMs and online. This will continue into the 2018/2019 financial

year until 100% of customers have been upgraded.

- ◆ All merchant POS machines were upgraded to meet the Payment Card Industry (PCI) requirements, to ensure that cardholder data is managed using the highest security

For my hair appointments...

**IT'S MY NEVER MISS A SALE ANYWHERE ANYTIME DEVICE**

Introducing NCB Mobile Point Of Sale device, for businesses who are on the move and making moves!

standards. NCB is the only bank in Jamaica to receive official PCI certification.

- ◆ Credit Card customers receive instant alerts via email and SMS, each time a transaction is completed using their card. This has made it significantly faster and easier to detect and report credit card fraud.
- ◆ 3-D secure protocol has been implemented to give cardholders and merchants additional security and peace of mind. This requires the use of multiple layers of authentication to complete any transaction.
- ◆ These tools and technologies are expected to help reduce the overall chargeback rate, and exposure to any associated liabilities.

## 2. Enhanced Product and Services Portfolio

- ◆ To meet the growing demands of the modern payments landscape, a number of new and enhanced products and solutions were successfully launched. This includes an integrated processing platform for hotels, which creates efficiencies by allowing them to process card payments and update their reservations in a single transaction.
- ◆ A seamless onboarding process with one-day turnaround time has been implemented, making the application process more efficient.

## 3. Greater Rewards and Easier Redemption

- ◆ Lovebird KeyCard, Visa Business and MasterCard Platinum cardholders now have access to more reward options such as extended travel benefits and cash back.

## 4. Expanded Card Acceptance at NCB POS and ATMs

- ◆ China Union Pay and American Express now accepted at NCB POS terminals and ATMs. Coupled with the improved reward offerings and redemption process, this is expected to increase purchase volumes and revenue.
- ◆ The partnership with American Express has resulted in revenue growth of 168% year on year between 2017 and 2018.

## ► Outlook for Next Year

Innovation, sales and customer life cycle will be the major priorities in the 2018/2019 financial year. This will include:

- Full customer base upgrade to chip-enabled EMV cards and POS terminals, automated merchant onboarding process and introduction of low cost mobile and online solutions to drive merchant acceptance.
- Introduction of an online dispute management portal, which will enable customers to create and track transaction disputes, report, block and un-block lost or stolen credit cards and make requests for a new card within minutes.

## CORPORATE BANKING DIVISION

Our Corporate Banking Segment, which offers banking services to large corporate clients, saw an increase of over J\$30 billion in its asset base, 45% growth over prior year. This

resulted mainly from its expansion thrust in offering creative financing solutions throughout the Latin American and Caribbean regions. These initiatives resulted in operating profit of J\$3.4 billion.

Interest expenses remained relatively stable to prior year despite the new loans disbursement, mainly from our strategy to manage interest spreads and grow core deposits to enable greater self-funding of the loan portfolio.

In the Jamaican market, NCB's Corporate Banking Division is considered to be best in class by corporate entities based on its experienced team, agility, proven leadership and strength in closing syndicated transactions, short turnaround time and relationship obsession post client acquisition. Our aspiration is to obtain a similar share of mind from clients on a regional scale.

## For the next financial year we will:

- continue to invest in our people as we strive to leverage even further their capability to offer unique financial services for our clients to improve the efficiency with which we execute transactions;
- continue developments to our online banking platform for all operational transactions, to improve efficiency, agility and ease of use
- continue our focus on key sectors such as energy, tourism, agro-industry, logistics, infra-structure & development, which are vital to the overall growth of the local economy.

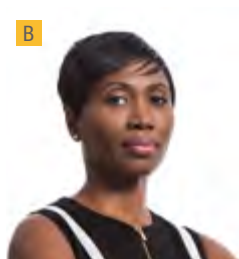


# Our Jamaican Subsidiaries

## SENIOR MANAGEMENT TEAM



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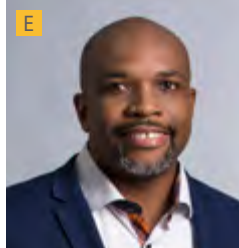
**A STEVEN GOODEN, CEO**

**B ANNAYA WALKER, VP, Strategy, Research & Structured Products**

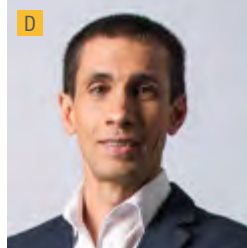
**C TRACY-ANN SPENCE, VP, Investments**



D



E



D

**D KERRY-ANN SPENCER, AVP, Wealth Management**

**E HERBERT HALL, VP, Investment Banking**

**F ANDRE HO LUNG, Senior Assistant General Manager - Finance**



In the 2017/18 financial year, we continued to focus on the expansion of our digital channels, improving customer experience and delivering products that could enhance our clients' portfolio returns and provide diversification.

We launched our online channel, placed a dedicated NCB Capital Markets (NCBCM) representative at the Customer Care Centre to handle client telephone and email queries and completed work on the first phase of our remote sales solution. As we sought to get closer to our customers and better understand their needs, we continued our monthly customer

service surveys, which allowed us to be more timely in response to customer feedback. We also continued providing new products and services, leveraging our regional subsidiaries.

## CHANNELS

We continued to make significant investments in expanding our channels, in keeping with our goal to build distinct digital capabilities. With the introduction of NCB Capital Markets Online, we have put investments at our clients' fingertips, allowing them 24 hour access to their portfolios. Clients can now view their portfolios and make transfers between their NCBCM accounts and between their NCBCM and NCBJ accounts. NCBCM Online has resulted in a 99.8% reduction in processing time – reducing the time it takes to transfer funds from next-day to seconds.

## CUSTOMER EXPERIENCE

Delivering a superior omnichannel experience for all our clients is a key strategic priority for NCB Capital Markets. Our Customer Experience Vision states that we want to create: "A delightful world-class experience; every client, every channel, every time". With this in mind, we continued to evolve the way we conduct business:

- ▶ We expanded the number and frequency of touchpoints with our clients, all with the view of keeping them at the centre of all of our business decisions.
- ▶ The monthly client surveys, introduced in July 2018, became a critical avenue through which our clients communicated with us. We used that feedback to continuously improve our operations.

- We also introduced designated NCB Capital Markets customer care representatives in the NCB Group Customer Care Centre, allowing our clients faster resolutions to their telephone and email requests.
- We reached out to our clients to share our product and service offerings, research and investment recommendations through our multi-channel team, as well as by direct email, text and social media.

## PRODUCT & SERVICE OFFERINGS

Within the context of the current low interest rate environment, we remained focused on delivering new products and services to our clients to enhance returns and diversify their investment portfolios. Our clients were able to avail themselves of attractive note offerings and new bond recommendations from across the region, as well as several equity IPOs. Additionally, we enhanced our asset-based lending facilities - NCBCAPLine. We expanded the securities that can be used as collateral and broadened the use of funds from the facility to allow clients to purchase additional financial assets with NCBCM.

Delivering value to our corporate clients remained a key component of our product strategy in FY 2017/18. We offered new investment opportunities for asset and liquidity management and continued to add greater value by providing solutions for liability management. The Investment Banking Unit executed 25 corporate financing deals of varying types, valued at approximately J\$90 billion for quasi government and corporate clients across the region, in addition to various structured product offerings from our structured products desk. The team did three IPOs on behalf of corporate clients during the year, including the Wisynco IPO, which was the largest IPO in the history of the Jamaica Stock Exchange (JSE). Additionally, with our focus on delivering a world-class customer



experience, the unit continued to streamline its processes which has resulted in faster deal execution turnaround times, as well as enhanced client experience.

## OUTLOOK

In the 2018/19 financial year, our objective is to deliver value to our clients through speed, accessibility and wholesome solutions. Speed and accessibility means that we will work to develop solutions and reengineer our processes to simplify our clients' every interaction with us. We will deliver solutions and information faster, reduce transaction-processing times and develop channels that are easy to understand and use, reflecting our mantra to put our clients at the centre of everything we do.

Our clients can look forward to new channels and new functionalities on existing channels. We are investing heavily to automate and simplify processes. We are currently working in collaboration with the JSE to improve the IPO process for our

investment banking clients and the application process for investors. Additionally, we have been working on our remote sales solution that will facilitate straight through processing for all transactions. Since the start of the financial year, we have been piloting straight through processing for payment requests; the first functionality to be released under the remote sales solution. Further, we are targeting roll out of new functionalities that will allow clients to buy and sell unit trusts and equities on NCBCM online, early in the new financial year. As we look to further enhance our existing channels and introduce new electronic channels, our clients can expect faster transaction execution times, greater flexibility and convenience as we give them the ability to invest anytime, anywhere.

# Our Jamaican Subsidiaries

## SENIOR MANAGEMENT TEAM



A



B



C

**A VERNON JAMES**, MANAGING DIRECTOR & CEO

**B ANTONIO SPENCE**, Senior Assistant General Manager -

Insurance Revenue **C DESMOND JOHNSON**, Business Development Manager - Group Business



D



E



F

**D GEORGIA WRIGHT**, Assistant General Manager - Product

Development, Projects & Strategy **E NICHOLA KING**, Manager

- Underwriting and New Business **F ANDRE HO LUNG**, Senior Assistant General Manager - Finance



NCB Insurance (NCBIC) completed the year with a stellar performance; with net profit increasing by 147% over the prior year. The 2018 performance represents a compound annual growth rate of over 20% over the five years since the 2012/2013 financial year, which is a proud achievement for the organisation.

Our achievements over the year included:

### INVESTMENT STRATEGIES

Our investment strategies executed over the period allowed us to realise significant value for the organisation. Despite declining interest rates, we have been able to realign and better optimise our statement of financial position performance. This is reflected in our strong investment income performance for the year.

### REAL ESTATE DEVELOPMENT INITIATIVE

NCBIC, as a means of diversifying its revenue stream, established its Real Estate Development programme in the last quarter of the financial year. The development and sale of real estate properties represent an attractive income diversification opportunity for our business and offers a great product for our customers who will have the option of owning or investing

in well-designed, cost-effective and aesthetically appealing residential units.

The impact on the organisation is expected to be significant over the years to come and we anticipate breaking ground on our first development during the 2018/2019 financial year.

### PRODUCT PORTFOLIO EXPANSION AND GROWTH

Our Creditor Life on Loans and Credit Card products were upgraded to include a loss of income benefit. This benefit allows for outstanding balances on loans and credit cards to be cleared in the event the customer loses his/her job. This provided NCBJ with a competitive advantage on its loan offering, which assisted in driving its loan penetration rate.



## INTERNAL PROCESSES AND INFRASTRUCTURE IMPROVEMENTS/UPGRADE

The NCBIC online portal/kiosk was initiated in January 2018 and is expected to be launched in the first quarter of the new financial year. This will provide customers with alternate channels on which to do business with NCBIC.

## NCBIC CARES INITIATIVE

NCBIC Cares is a staff health and wellness initiative for the prevention and control of non-communicable diseases in the NCB Financial Group. The aim of the programme is to educate staff members on the importance of adopting a holistic approach to wellness – incorporating a balanced diet (eating healthy) and exercise in their daily routine. The programme reinforces NCBIC's commitment to fostering health and wellness among all staff.

## PROCARE WEEK

As the health and wellness brand for the NCB Financial Group, we continued our focus on the need for protection against critical illnesses, the most serious of which are cancer, heart attack and stroke. NCBIC hosted a ProCare Week activation through the first four months of the financial year. This customer-focused initiative offered free health checks including blood sugar and blood pressure checks. This was extended across the entire network. Customers were engaged with fun, health-based activities, while getting vital information to support their improved health and financial wellbeing.

Breast, Prostate and Heart Health Awareness also formed part of our health initiative during the period October 2017 to January 2018.

## PENSION MARKET

NCBIC extended its reach in the pension market, as it continued to lead the industry in segregated fund management. This year, we moved beyond J\$90 billion in funds under management, which underscores our expertise in investments and fund management for segregated pension funds in Jamaica. It also demonstrates our customers' affinity for the services provided by NCBIC. As a result of our efforts in this area, we have been awarded the Best Pension Fund Manager Award from World Finance for our stellar performance for the last three years (2015 to 2018).

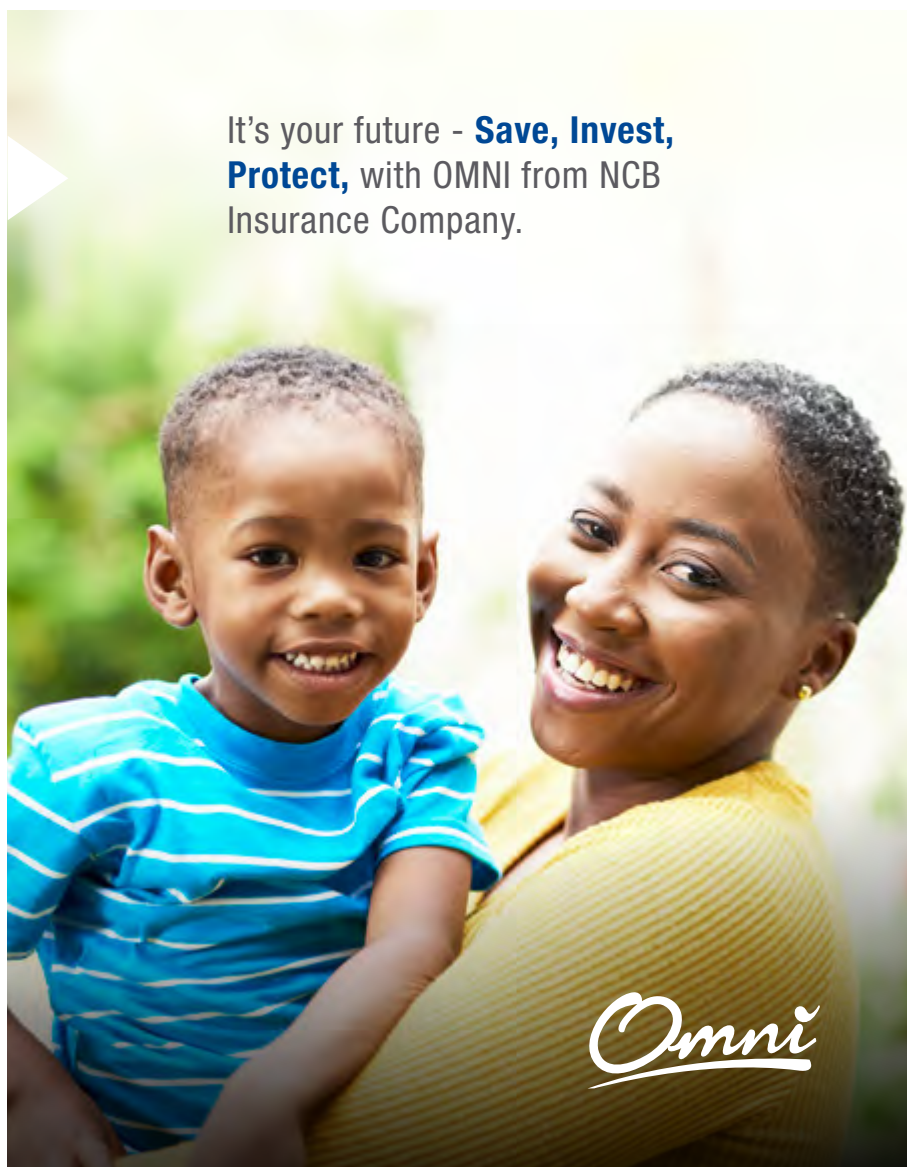
In the coming year, NCBIC will work on introducing a wellness facility for the

members of the Pension Funds that we manage, in support of our goal to reinforce the importance of lifelong wellbeing to all the constituents that we serve.

## PENSION MARKET

NCB Insurance continues to pursue product innovation to be able to offer insurance services to the wider market place. Over the next few years, our team will develop lower cost insurance solutions to achieve this goal. We intend to build upon the foundation that we have established with our Creditor Life product as well continuing the thrust towards health and wellness for each Jamaican with NCBIC Cares.

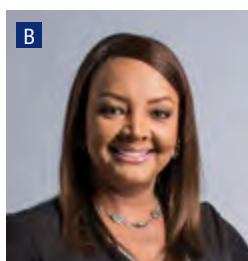
It's your future - **Save, Invest, Protect,** with OMNI from NCB Insurance Company.



# Our Jamaican Subsidiaries

CONTINUED

## SENIOR MANAGEMENT TEAM



**A** **MARK THOMPSON**, President & CEO

**B** **RUTH CUMMINGS**, Vice President, Channel Management and Underwriting

**C** **ODIA REID CLARKE**, Vice President, Claims

**D** **STEPHANIE NEITA**, Company Secretary and Compliance Manager

**E** **ANDRE HO LUNG**, Senior Assistant General Manager - Finance

OUR JAMAICAN SUBSIDIARIES



For the period under review, Advantage General Insurance Company Limited (AGIC) remained the market leader in the general insurance industry in terms of profits and one of only a few companies in Jamaica producing underwriting profits for the period. The industry experienced a particularly challenging year, as claims reported continued to increase; this was exacerbated by increasing operating expenses. Industry Loss Ratio was 59% compared

to 64% in the prior year and Combined Ratio deteriorated to 106% from 102% over the same period.

While the rates for Property business continued to decline in the first quarter, the impact of hurricanes Harvey, Irma and Maria resulted in a hardening of reinsurance rates for the region for the remainder of the fiscal year. The Company increased its participation in the non-motor segment with total property exposures increasing by 40%. Additionally, the Company benefitted from higher effective rates, which yielded non-motor premiums of 46%.

In spite of falling premium rates and intensified industry rivalry, AGIC has remained Jamaica's leading motor insurance provider, with a 24% market share in terms of premium income and 27% in terms of the risk count. While

Motor market share is somewhat reduced, AGIC's focus has been on retaining a high quality risk portfolio. The dividend from this strategy has materialised in the reduction of the actuarial loss ratio. The Company's solvency remains strong; materially exceeding regulatory requirements, while actively demonstrating the motto: "Our reliability is your peace of mind".

As industry competition in the motor segment intensifies, the differentiation strategy of AGIC is to provide a world class customer experience, achieved through implementation of a number of best in class initiatives. These include:

## MARKET INTERACTION

Direct interaction with our customer base allows the company to effectively manage the experience of the customer. Improved communication

and faster service and turnaround time are two of the ways that we ensure a satisfied and loyal customer. At the end of the period, the direct to indirect ratio of the portfolio was 65:35 percent.

We are on a drive to re-engage and re-energise relations with our broker partners and expect that in the near future, this will assist premium income growth. The engagement will include connectivity and other service enhancements.

### ENHANCING THE DIGITAL EXPERIENCE AND INCREASING CUSTOMER VALUE

The two most recently launched products, the Blanket Insurance Policy covering mortgages and the Multi-Year Motor policy, continue their stellar performance and have contributed to the unprecedented growth of the Homeowners and Motor Comprehensive portfolios. Our experience with the Multi-Year policy, which was the first of its kind in the market, has led to a more defined rating approach, aimed at attracting and rewarding the best performing policyholders. The results have been encouraging.

The Company has embarked on its digital journey. In order to fast track and ensure effective and efficient implementation of the agreed solutions, we have adopted the agile philosophy. This approach ensures that deliverables, as soon as they become viable, are made available for use by the organisation. The first AGIC Agile lab is already operational and has had a number of successful releases. Emanating from their efforts, is our newest offering - a self-service solution that is available throughout our branch network. Customers are now able to renew their motor policies in less than five minutes and all payment options are available. It is expected that new customer engagement and ancillary insurance processes will be available to the market via this solution by the end of the second quarter of our next

financial year. The response from the market has already been very positive.

Our digital roadmap includes two additional labs; one charged with revamping the Company's website and online services and the other that will be engaged with the digitisation of our claims process.

### DIVERSIFYING OUR OFFERINGS

In keeping with global and local market trends, we have looked at diversifying our product offering to better suit the needs of our customers. In addition to the usual Motor and Commercial lines of business written by the Company, we have also expanded the Motor Third Party Liability Policy which, for a modest additional premium, includes windscreen coverage and roadside assistance. A version of a short-term policy (pay as you go), is being explored and we are assessing the possibility of an online partnership for Personal Accident coverage.

### IMPROVED EFFICIENCY

The Company is at an advanced stage of implementing a workflow solution that will ensure a seamless flow in the claims process. Once complete, we expect this to significantly improve service delivery. Digitisation of the claims process will ensure that customers are engaged and integrally involved at every point of the process.

Branch integration/relocation which allows easier interaction with the Group customers, has been completed at the Mandeville, Portmore and Montego Bay locations.

### OUTLOOK

The strategic focus for the 2018/2019 financial year will continue to be **Building a world-class digital experience** and **Reinventing our core business** through increasing the use of multi-channel options with the upgrade and expansion of our Self-serve, Online and Mobile platforms.

We will improve the customer experience with optimised efficiency, by extending the hours of service and activities of the Telebranch. Enhancement and automation of our processes are ongoing.

Digital initiatives in progress and scheduled for completion during the next financial year include establishing connectivity with our various business channels, incorporating intermediaries, online and mobile, with our core enterprise software. This will facilitate straight through processing of e-business channel and broker support. Omniflow workflow optimisation for Claims and Underwriting will increase efficiency and improve service delivery. In addition, we will be building our business intelligence through the use of Predictive Modelling tools and Telematics, which will allow real time reporting, timely risk assessment and adjustments. The Insured Vehicle Information System (IVIS), an industry database of insured vehicles, which supports validation and underwriting, claims processing and reduction of the number of fraudulent claims, is expected to go live some time during FY2019.

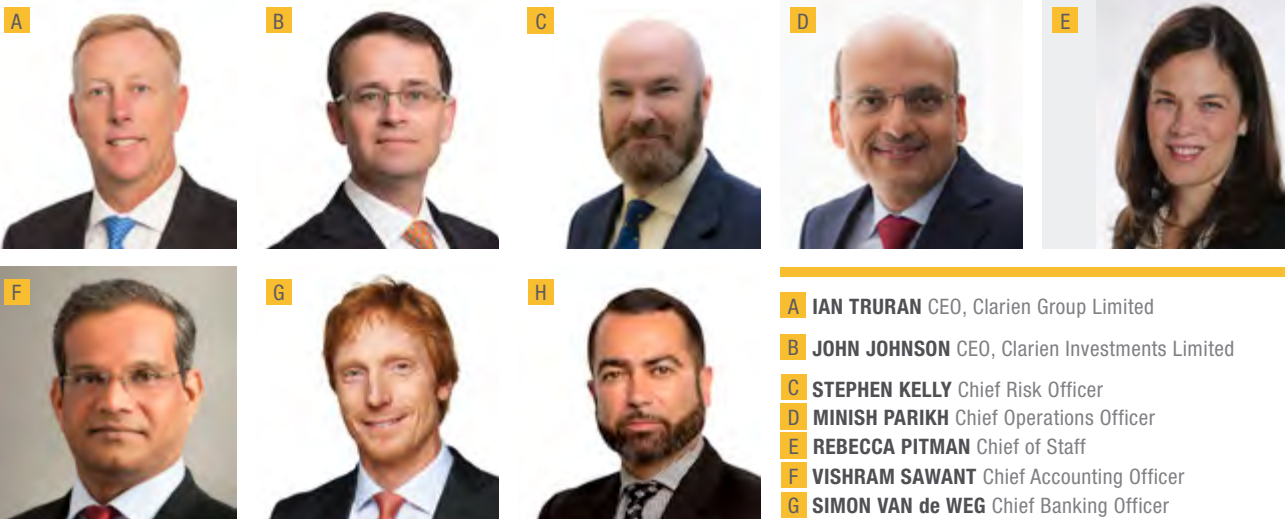
With the success realised from the integration of the previously named branches, we are looking forward to the co-location of the St. Jago, Morant Bay and Savanna La Mar offices. Our successful immersion of the AGIC sales team into NCB branches has improved convenience to our customers. This expansion will continue in FY2019.

With greater awareness of the benefits to be derived from the group and enhanced performance management, the results from the NCB/AGIC cross-selling efforts continued over the period. We continue to create innovative approaches to maximising investments and despite challenging market conditions, we remain focused on underwriting profitability and offering a superior customer experience. Greater efficiencies, smart pricing, top quality service and sound insurance policies will ensure that we remain industry leaders and deliver the results that will drive stakeholder value.



# Our Regional Entities

## SENIOR MANAGEMENT TEAM



- A IAN TRURAN** CEO, Clarien Group Limited
- B JOHN JOHNSON** CEO, Clarien Investments Limited
- C STEPHEN KELLY** Chief Risk Officer
- D MINISH PARIKH** Chief Operations Officer
- E REBECCA PITMAN** Chief of Staff
- F VISHRAM SAWANT** Chief Accounting Officer
- G SIMON VAN de WEG** Chief Banking Officer
- H MICHAEL DECOUTO** Chief Digital & Marketing Officer



In December 2017, NCBFG acquired a 50.1% equity stake in Clarien Group Limited, while Edmund Gibbons Limited retains 31.98% and Portland Private Equity retains 17.92%. Clarien Group Limited is the holding company which wholly owns Clarien Bank Limited (CBL).

As part of the NCB Group we have focused on adding deeper value in Wealth and Asset Management, Corporate Banking, Treasury and Back

Office Integration to drive growth, efficiency and greater customer satisfaction that will strengthen the reputation of both companies, as world-class financial institutions.

### REVENUE GROWTH

Through a targeted sales and business development programme and the removal of business impediments through process re-engineering and product enhancements CBL continued to focus on increasing deposits and assets under management (AUM). With recent investments in electronic interfaces like iTrade, iBank mobile, payment acceptance and Advent, amongst many other products and services, which leverage digitisation, CBL remains well-positioned for incremental growth across all business lines. Aligning our Private Banking and Investment business under the Private Wealth umbrella, while also leveraging the broader reach and capabilities

of the Portland Group, establishes a unique offering for the institution to capture greater share of the HNW and UHNW opportunities locally, regionally and globally. CBL will continue to explore opportunities outside Bermuda to diversify its business concentration risk.

In addition, Clarien has worked closely with Corporate Banking and NCBCM, developing and delivering creative solutions to meet financing needs of existing and prospective clients.

### PERFORMANCE OPTIMISATION

The integration and consolidation process with NCB, which started in the early part of 2018, has already achieved improved cost and operational efficiencies. This process will continue throughout 2019 and further strengthen CBL's core infrastructure and operations to support growth and long-term sustainability.

(All dollar amounts on this page are Bermudan dollars (BMD) unless otherwise indicated)		Nine Months Year Ended September 30, 2018	Twelve Months Ended December 31, 2017
Profitability			
	Return on equity (annualised)	8.35%	3.39%
	Efficiency Ratio	77.71%	82.38%
	Net Interest Margin	3.67%	3.68%
	Return on Assets (annualised)	0.80%	0.32%
	Earnings per share	\$1.48	\$0.78
Capital			
	CET1 Capital Ratio	19.25%	18.05%
	Total Capital Ratio	19.43%	19.06%
	Leverage Ratio	9.06%	8.73%

Performance optimisation is being realised through process re-engineering, automation and digitisation. The implementation of a digital workflow optimisation platform was introduced for client account on-boarding and will be expanded during the 2018/19 financial year to include collections and loan origination. Additionally, a comprehensive assessment is being conducted, in collaboration with NCB, to identify opportunities for centralised services that capitalise on best in class applications and talent.

## CORPORATE CULTURE

CBL began the transformation of its structure, culture and mindset to become more client-centric by focusing on increased employee engagement, service excellence and performance optimisation. We made significant investment in service training across all levels of the organisation, to equip our teams with the skills, resources, tools and intelligence needed to successfully deliver on the high-level sales and service targets imbedded in our group and individual performance goals. Adoption of the Net Promoter Score performance measurement methodology will ensure that we are tracking and reporting against industry benchmarks.

## KEY SUCCESSES

Clarien Bank Limited announced a net profit for the year ended September 30, 2018 of US\$7.3 million – a 123% increase over the previous 12 months.

The continued improvement in the financial performance has been enhanced by Clarien's strategic partnership with majority shareholder NCBFG.

Reducing Non-Performing Loans (NPL) values remains a strategic priority. Last year, CBL made significant progress to reduce NPLs, with a decline of \$12.5 million in NPLs over 2017. Past due loans were also down (by \$23.7 million) from the prior year, and a new senior restructuring officer was hired to drive efforts further.

During the past year, Clarien has been focused on initiatives that draw on the best practices and processes of both organisations, in order to meet changing customer expectations and enhance the customer experience.

CBL continued to make significant investments in expanding its product offerings, technology, risk and operational infrastructure.

## OPERATIONAL MILESTONES

- Successful launch of Clarien iBank mobile app and digital authenticator
- Continued client growth of iTrade, Clarien's online brokerage platform
- Digitisation of client on-boarding workflow
- Introduction of competitive interest rates for long-term savings products
- Enhancements to card fraud monitoring system including 3-D Secure
- Investment in employees through training and education

# Our Regional Entities

CONTINUED



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**A PHILLIP HARRISON** MANAGING DIRECTOR  
NCB (Cayman) Ltd. & NCB Capital Markets (Cayman) Ltd.

**A ANGUS YOUNG** CEO  
NCB Global Finance Ltd.

**A SIMONA WATKIS** CEO  
NCB Capital Markets (Barbados) Ltd.

## NCB (CAYMAN) LIMITED AND NCBCM (CAYMAN) LIMITED

NCB (Cayman) and NCBCM Cayman continued to expand the range of services it offered during the financial year. Our operations continued to leverage new opportunities for deposit and loan growth, as well as growth in assets under management and institutional trading. During the year, we also focused on strengthening brand awareness in Cayman and across the region. In line with the wealth management entities within the group, we had a strong presence in the capital markets space and arranged and distributed several transactions during the year.

### BUSINESS OUTLOOK

In the new financial year, NCB (Cayman) plans to take advantage of the positive outlook on Cayman's economic growth. We also plan to increase our presence throughout the region, especially in the high net worth, entrepreneurial and corporate market segments, by leveraging the combined strength of the Group's capital markets and wealth management subsidiaries. We will implement a first-class wealth management platform in the coming year, to improve performance and client reporting quality and will

continue to develop our institutional trading business. Additionally, we will continue to leverage our upgraded core banking application, online platform and regional relationships to grow our statement of financial position.

## NCB GLOBAL FINANCE

Since inception (2014), NCB Global Finance's (NCBGF's) profitability has grown year over year and has achieved a return on equity (ROE) in excess of 20% for the last two years. We are benefitting from our investments in building out our infrastructure in 2017/18, having established a more robust back office and completed upgrades to our core application. The strengthening of our Risk Management framework, coupled with adherence to our credit mission statement, saw NCBGF maintaining a non-performing loan ratio of 0.2% for FY2018, well below the market average in Trinidad & Tobago, which is in excess of 2%. During the financial year, NCBGF also acquired and established the necessary infrastructure and resources to enter the asset management space.

### BUSINESS OUTLOOK

Having established itself as a mainstay in the capital markets space, NCBGF

will now apply special focus on developing and growing our Retail & Business Banking and Asset Management businesses in FY2019. The strategy going forward will focus on maintaining and improving on the trend of growth in profitability and ROE, having exited the embryonic stage of life with respect to entering the Trinidad market. While our 2018/19 initiatives will see a concerted push into the retail lending sector, it will be structured within the incumbent policy framework to ensure that the expansion occurs without unduly increasing risk. Our goal is to grow annuity-type revenue lines and diversification of our asset/liability mix.



## NCB CAPITAL MARKETS (BARBADOS) LIMITED

The 2017/18 financial year, we continued to execute on our investment banking and offshore strategies. We maintained our off-shore strategy to offer wealth management services to high net worth (HNW) individuals and institutional clients across the region with structured products, repurchase agreements and other investment instruments. However, given the deterioration in the fiscal and economic outlook for Barbados during the early part of the financial year, we delayed the launch of our onshore on-statement of financial position business.

**BUSINESS OUTLOOK**

With the announcement of a debt restructuring exercise and an IMF agreement, aimed at paving the way for a recovery in Barbados, we are realigning around the development

of the domestic market. Our strategy will see us collaborating to build out a secondary trading market, offering repurchase agreements, as well as seeking out areas of opportunity to provide corporates and sovereigns in Barbados and the Eastern Caribbean with Investment Banking services.

	National Commercial Bank Jamaica Limited
	NCB Capital Markets Limited
	NCB Insurance Company Limited
	Advantage General Insurance Company
	NCB Global Finance Limited
	NCB (Cayman) Limited
	NCB Capital Markets (Cayman) Limited
	NCB Capital Markets (Barbados) Limited
	Clarien Group Limited



# Our People

The Group Human Resources and Facilities Division remains committed to continuous improvement aligned to our business priorities in order to achieve our organisational transformation agenda.

As a result, we focused on employee development, employee engagement and commitment to organisational sustainability and profitability. As a key business driver, we established an Analytics Unit to provide business foresighting and forecasting to develop



OUR PEOPLE



## 23.8

**Staff Costs**  
(\$ billions)



We continue to make significant investments in human capital with increased training and competency building

the optimal business model for success. Additionally, learning and development, organisational culture and diversity management were of utmost importance to attract and retain the requisite talent needed to drive our strategy.

### TALENT MANAGEMENT

Engaging and developing talent of the highest standard is at the forefront of our people strategy. Two main initiatives during the year were, increasing digital capabilities and developing an internal agile framework.

### ► Digital Capabilities

As part of building a world-class digital experience for all stakeholders, we determined that the development of distinctive digital capabilities in areas such as software development, data science, UI/UX design and data analysis were critical to fulfilling the Group's objective. We partnered with the University of the West Indies, Mona Campus to create a digital lab and engaged fifteen final year students from the University in a four-month internship programme. This programme equipped the interns with the desired digital competencies



and provided NCB with potential employees with ready capabilities in areas critical to NCB's success.

## ► Agile Framework

In keeping with the Agile philosophy, a framework was developed to incorporate the theme, "Agile in Action" within the Group Human Resources and Facilities Division which involved the creation of small cross-functional agile teams to drive the culture change and adoption of the agile methodology and improve service efficiency for our customers.

## LEARNING AND DEVELOPMENT

The learning & development landscape has shifted dramatically from the traditional instructor led brick and mortar class to a multimodal approach. As a result and in order to build capacity and create an agile workforce that can drive our transformation agenda, the Corporate Learning Campus (CLC) reconfigured the four (4) Schools of Learning to respond to the changing needs of the business. Accordingly, we continue to provide an engaging and interactive learning experience.

Major initiatives included:

- Developing a robust and comprehensive Fraud Prevention and Deterrence training initiative. This enterprise-wide training exposed employees to the evolving threats existing in the environment and security best practices to mitigate against these threats.
- Enhancing capabilities of 80 analysts across the Group through an introductory course



▲ NCB is the **Project Management Organisation of the Year** for 2018 by Project Management Institute of Jamaica. NCB has won the award 4 times since 2010.

on database systems using Structured Query Language (SQL) and data visualisation. This will enhance our evidence based decision making process.

- Piloting of our new mobile learning site with Clarien Group Limited. In advancing our regional expansion strategy, this medium will facilitate delivering micro-learning on the go with increased interactivity, gamification, and social learning opportunities. It is expected to enhance learning through information and idea sharing.

## ORGANISATIONAL CLIMATE

Successful high performance organisations are those that have an organisational climate that fosters employee engagement and commitment.

During the financial year, our organisational health activities included:

- Providing change management support for major organisational

initiatives such as the NCB Capital Markets Digital Agenda and the pending introduction of a new banking platform to ensure employees possess the requisite support to effectively navigate and adapt to the changes across the Group.

- Driving ownership and organisational awareness using the **Organisational Series; '30 Days of Tips'** to disseminate tips for increasing employee engagement and organisational health
- Formation of cross functional culture working teams to build awareness and provide catalysts for behavioural shifts that will enable employees to operate efficiently in a digital and agile architected organisation.

Our commitment to promoting a healthy and engaged workforce also focused on providing health checks and related information to employees. Special emphasis was placed on employees at risk for cardiovascular disease by providing lifestyle counselling sessions and medical referrals. Utilising our learning technology infrastructure, we introduced podcasts and delivered two such initiatives during the year.



# Our Communities

OUR COMMUNITIES

**The NCB Group's Corporate Social Responsibility (CSR) mandate embraces a relentless commitment to develop the communities in which we serve. Our aim is to ensure that the financial wellbeing of citizens within the countries that we operate is tangibly demonstrated in our social and corporate social responsibility undertakings.**





## Board Of Directors N.C.B. Foundation

- **FRONT ROW** - Ms. Nadeen Matthews Blair (CEO) Vernon James | Kanhai Skeen | Ms. Melissa Hendrickson | Mrs. Thalia Lyn, CD (Chair)  
 ■ **BACK ROW** - Andrew Pairman (Deputy Chair) | Brian Schmidt | Stuart Reid | David Wilson | Gordon Swaby | Miguel "Steppa" Williams

# Our Communities

## SUMMARY

Total Project  
Funding and  
Administration:

139M

OVER 16,000 ▶ MAN-HOURS



2M ▶ PERSONS  
IMPACTED

In keeping with our commitment to nation-building, our philanthropic arm – the N.C.B. Foundation (NCBF), which is financed with 0.50% of the NCB's prior year profits and 0.50% of our prior year personal keycard sales (at no cost to the cardholders) under the Jamaican Education Initiative (JEI), fund and administer projects and programmes aligned with the Foundation's three areas of focus:



As we seek to improve our operations, we have continued to do more than just corporate giving and include policies and practices that demonstrate our commitment to environmental and social & economic undertakings.

**This is evidenced by:**

- Environmental and Energy Efficiency Policies and Practices on page 50 of Annual Report:

Supporting a continued strategy to promote use of green technology; efficient water, electrical and energy consumption; sewage disposal and waste management. Donations are also made to support and promote this within our communities.

- Social & Economic – Corporate Social Responsibility (CSR) Policy:

Donations and contributions made through the N.C.B. Foundation: NCB undertakes activities to fulfill our obligations and to be regarded as a responsible corporation.



# Our Communities

CONTINUED

## AWARDS



The Most Honourable Andrew Holness, Prime Minister of Jamaica, presents Nadeen Matthews Blair, CEO, N.C.B. Foundation with a Commemorative Medal of Appreciation for Service to Jamaica at the awards ceremony held in April of this year. The N.C.B. Foundation was one of 65 recipients of the Prime Minister's Medal of Appreciation for Service to Jamaica. As the philanthropic arm of the Group, the N.C.B. Foundation supports nation building through education, youth leadership & entrepreneurship and community development & sports.

At NCB, we understand that the size and reach of our business puts us in a unique position to accelerate social change, while improving the lives of our customers, their families, future generations, and our environment. This is what fuels our commitment to nation building, which we have been doing through our philanthropic arm, the N.C.B. Foundation, for the past 15 years.

Although we aspire to help find solutions for many of the challenges facing our society today, we have prioritised three key areas of potential—Education, Youth Leadership and Entrepreneurship, and Community Development and Sports. We believe that investing in these spaces will enable us to elevate and empower our people, drive innovation and leadership, and create the difference we need for our society to flourish.

We measure our success by how much we are able to affect people's lives and the environment positively through our activities and investments. This financial year, we invested a



Thalia Lyn, Chairman of the N.C.B. Foundation (second right), Nadeen Matthews Blair, CEO N.C.B Foundation (right) and Jamilia Crooks, NCBF Programmes Administrator are proud following the collection of Prime Minister's Medal of Service award as they share a photo with Professor Fritz Pinnock of the Caribbean Maritime University.

total of \$139 million in funding and administration of various activities, and spent over 16,000 man-hours through our team of employees and other volunteers.

Over the years, we have financed our nation-building efforts with 0.50% of the previous year's profits for NCB, matched by 0.50% of the previous year's personal keycard sales (at no cost to cardholders) under the

Jamaican Education Initiative (JEI). Having seen the tremendous impact our investments had on the nation, the Board of Directors have agreed to increase funding to 1% of the overall profits for the NCB Financial Group going forward. Most importantly, 80% of this increased funding will be dedicated to Education initiatives.





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**A R12 BACK-TO-SCHOOL FAIR:** A group of students enthusiastically pose with their new text books received at the third annual R12 Back to School Fair, hosted by the Romans 12 Bible Studies and Prayer Ministry International. Among the children were boys and girls between ages of 6-18 from communities in Kingston, St. Andrew and parts of Clarendon. They collected writing and textbooks, backpacks, pencils, erasers, rulers, sharpeners and pens just in time for back to school. The NCBF sponsored the initiative. **B RED HILLS PRIMARY SCHOOL:** (L-R) Students at the Red Hills Primary School gather around principal, Latoya Beckford as well as Annett Spencer, Acting Relationship Manager, NCB and Fiona Perry, Loan Clerk, NCB Chapelton Branch and the new industrial stove that the school recently received from the NCBF. **C KIDS IN BLUE CHRISTMAS TREAT:** Christina Williams, NCB Scholar and member of Volunteer Corps distributes booklets at the recent Kids in Blue Christmas Treat held in Gordon Town square. The event sponsored by the NCBF targets youth 7-16 years. It aims to reduce crime through building dispute resolution skills and improving community relations. **D ANNIE DAWSON HOME:** The NCBF donated two desktop computers to the Annie Dawson Home to improve the overall learning experience of the residents. The team was led by Derron Williams (right).



# Our Communities

CONTINUED

## EDUCATION

Education continues to be one of the most vital investments for any nation, and the most valuable asset any individual can have. Through education, we can pave a way to economic success, improve the quality of life people are able to live, promote peace and cultivate talent, creativity and innovation.

This is why Education continues to be an essential aspect of the N.C.B. Foundation's activities, accounting for the lion's share of funding annually. Since 2003, we have invested over \$500 million of the Foundation's cumulative \$1.5 billion spend in various educational initiatives, infrastructural projects, scholarships and grants for primary, secondary and tertiary level students and institutions.



(L-R) His Excellency the Most Honourable Sir Patrick Allen, Governor-General commends Jastine Smith and James Peart, awardees of the 2018 IBI-N.C.B. Foundation Scholarship. With them is Lloyd Richardson, manager, NCB Banking & Financial Services Centre. The N.C.B. Foundation, a partner of the Summer of Service initiative awarded two tertiary scholarships to the duo as prizes for participation on the competition designed to encourage volunteerism among youth.

## NCB CSEC National Bursary Programme

To enhance the Ministry of Education's initiative in which it covers the examination fees for five Caribbean Secondary Education Council (CSEC) subjects, the NCBF currently also pays for two additional subjects – Principles of Business and Principles of Accounts. Through this initiative, qualifying students are able to sit seven subjects free of cost. Not only does this programme help to alleviate the financial burden of examinations for many of the nation's secondary-school-aged students, it also improves their opportunities of matriculating to tertiary education or advancing in the world of work.



Thalia Lyn (centre), Chair, NCBF celebrates as she completes the electronic transfer of \$13.9M to the Overseas Examination Commission to cover the Principles of Accounts (POA) and Principles of Business (POB) examinations for the 2017/18 academic year at the official handover ceremony. Sharing in the moment are: (L-R) Hector Stephenson, Executive Director, Overseas Examination Commission; Stuart Reid, NCBF Director and Dean-Roy Bernard, Permanent Secretary- Ministry of Education, Youth and Information as well as three beneficiaries.

## NCB Adopt-a-School Programme

With 32 schools now under its umbrella, the Adopt-a-School programme is aimed at reaching more Jamaicans through the various NCB branches as well as units, departments and divisions and to encourage volunteerism. Each unit has adopted a specific primary school in

their area to lend assistance, based on set guidelines. The Adopt-A-School programme support projects/programmes/initiatives to include:

- ▶ Introduction of the JA More than Money® Junior Achievement Program
- ▶ Back-to-School Initiatives
- ▶ Creation of NCB Reading Corners
- ▶ Book & learning aides drives
- ▶ Small scale infrastructure repairs and projects
- ▶ Read Across Jamaica Day
- ▶ Teachers' Day treats and activities
- ▶ Labour Day
- ▶ Involvement in school functions and activities
- ▶ Computers/laptops and other electronic equipment

## Read Across Jamaica Day

Putting literacy into the spotlight on Read Across Jamaica Day, the NCBF donated a variety of storybooks to its network of adopted primary and junior high schools across Jamaica in partnership with the Book Industry Association of Jamaica (BIAJ) to highlight local authors. Over 40 employees volunteered to visit the various schools and read with the children, while emphasising the importance of literacy to them. Best of all, students got the opportunity to interact with a number of local authors, who gave the students a peek at who was behind the pages of the stories they read.

Read Across Jamaica Day also provided NCBF with a fitting occasion to introduce the NCB Super Savers Manual, an easy-to-read learning tool designed to teach students financial literacy as early as possible. This is now available in both print and electronic forms.



Principal, Pembroke Hall Primary, Norma McNeil (left) and Nichole Brackett Walters, Manager, Group Marketing and Communications, NCB Jamaica (centre) shares lens with Tamara Hill (right), author of Milo & Myra, Learn Manners with Mr. Mongoose and other books. Hill partnered with the NCBF to read to students at the Pembroke Hall Primary School as part of the Foundations support for Read Across Jamaica Day 2018.



Chantol Myers, Digital Marketing Specialist, NCB reads to students at the Pembroke Hall Primary School, one of our 32 adopted schools. Myers and several other NCB staff and executive members as well as other volunteers and book authors went to schools across the country to read to students in support of the initiative.



Diane Browne, Author of the novels - The Happiness Dress and Abigail's Glorious Hair encourages the children of the Elletson Primary and Infant School appreciate reading and self-care. She is a renowned local author who participated in the Read Across Jamaica day.



A group of bright youngsters from the Elletson Primary & Infant School in Kingston gets involved in the story being read to them by NCBF Programmes Administrator, Jamilia Crooks.



Malikhah Peart, Senior Project Lead, NCB interacts with students of the Central Branch All Age at the recent 'Read Across Jamaica' Day activities in our adopted schools. In support of the initiative spearheaded by the Read Across Jamaica Foundation in conjunction with the Ministry of Education. Read Across Jamaica Day forms part of Education Week, along with Teacher's Day.



# Our Communities

CONTINUED

## Investments in Science, Technology, Engineering and Mathematics (STEM)

Considering Science, Technology, Engineering and Mathematics (STEM) to be an area of tremendous potential and growth opportunity, the NCBF continued its investments in STEM technology, infrastructure and programmes in a number of schools island-wide. This includes donation of technology funding and computers to schools like Merl Grove High School in St. Andrew, Oracabessa Primary School in St. Mary, Lluidas Vale Primary School and Glengoffe High School in St. Catherine, Spalding Primary School in Clarendon, Maggotty High School in St. Elizabeth, among others.

In addition, these contributions will help to further the Foundation's mandate of enhancing Jamaica's educational system, while giving students access to better quality opportunities and life-changing experiences.

OUR COMMUNITIES



(L-R) Andrea Wilson-Galloway, NCB Legal Secretary and past student of Merl Grove High School shares lens with student Jhenelle Buckham, Dr Marjorie Fullerton, Principal and Regina Bullock as they accept two of the four new desktop computers donated by NCBF. We donated J\$400,000 worth of new hardware to support students pursuing IT and EDPM, as well as for staff to do data entry and analysis.



Thalia Lyn, Chair NCBF and Anthony Butler, NCB Port Maria Branch Manager stand by a plaque of the newly opened Oracabessa Primary School Computer Lab an initiative made possible by the Oracabessa Foundation, Issa Trust Foundation and NCBF.



(L-R) Spalding Primary students Kayanna Robinson, Jadean Nelson and Chrismore Robinson view features of the new laptops with Joan Ashley, Vice Principal and NCB representative, Keisha Demetrius, Business Banker at NCB May Pen. The NCBF donated two laptops and a multi-purpose projector to the school ahead of the new National Standard Curriculum with a STEM focus.



(L-R) Glengoffe High School students Nathan Britton and Regina Morrison (seated), review specifications on the Glengoffe High Literacy and Numeracy Clinic's newly donated desktop computers. With them are (L-R) Ms. Royce, teacher; Tashika Hayden, NCB Business Banker; Mrs. P. Barrant, Glengoffe High Vice Principal and Lloyd Richardson, NCB Branch Manager.

## Supporting Tertiary Level Students

In strengthening the relationships with Universities islandwide, NCBF and the University of the West Indies (UWI) forged a partnership to support their Meal Assistance Programme where close to 200 students were able to benefit from a daily lunch subsidy. This enabled the student beneficiaries to purchase a full meal from approved concessionaires on campus. In addition, information regarding available funds for grants and scholarships are shared.



(L-R) Karice Thomson (seated), Intern assigned to the Foundation, shares with students information on gaining a scholarship for the next school year. NCBF provides over \$40 million in scholarships and grants from the primary right up to tertiary levels. At the Office of Students Financing Day 2018, the Foundation was able to interact with potential applicants and those already benefiting from its support. In addition, it donated \$1 million towards the University of the West Indies' (UWI) Financial Aid-Meal Assistance programme, where students get help to purchase meals on campus.

## N.C.B. Foundation Scholarship & Grants Programme 2018

Awarding over 350 beneficiaries from primary up to tertiary level annually, the NCBF Scholarship & Grants Programme invested a total of \$40 million in this year's cohort of scholars. This included 21 NCB Scholars, 14 parish champions and seven I.C.O.N. scholars, each receiving \$300,000 for the duration of their course of study.

In addition to these scholarships, NCBF also offered one-time grants through the We Believe in You (WBIY) Fund, as well as Teacher Education Grants, small grants and book vouchers for Primary and Secondary School students.

Three remarkable students were selected as National Champions, earning the sought-after prize of \$500,000 each. This includes aspiring Clinical Pharmacist, Judy Ann Chung; Economics major, Natalia Wilson; and

for the first time ever, Junior Walker, a student of Architecture copped the National I.C.O.N. award. The I.C.O.N. Award, which is an acronym for Innovative, Creative, Outstanding and Nationalistic, was launched in 2016 to support modern vocational pursuits such as animation, aviation, computer science, fashion designs, fine arts, logistics and engineering and other studies in the unconventional or creative industries.



The 2018 NCB Scholars along with (L-R) NCBF executives: Nadeen Matthews Blair, CEO; Thalia Lyn, Chair; Nichole Brackett Walters, NCB; Stuart Reid, Director; Hon. Michael Lee Chin, Chair, NCB Financial Group and judges Anastasia Whyte, NCB; Tamara McKayle, 2008 NCB Scholar; and Gordon Swaby, Director, N.C.B. Foundation.



(L-R) Thalia Lyn, NCBF - Chair (left) and CEO, Nadeen Matthews Blair (right), pose with 2018 NCB National Champions: Junior Walker, Judy-Ann Chung and Natalia Wilson.





**A SUSAN SHOW BACK-TO-SCHOOL PROGRAMME:** (Back) Andrew Pairman, deputy chair, NCBF (second left) and Susan Simes (right), managing director Simber Production Limited, host, Susan Show and head of the Susan Simes Foundation shares lens with 2018 Top Scholars (back, L-R) Aliyah Hamilton, and Javaughn Richards, plus (front, L-R) Lashana Stephens, Natalia Harris, Dashawn Patterson and Jermaine Hill. The group were recipients at the annual Susan Show Back-to-School event held in August. The initiative was supported by the NCBF. **B 1JAM1LOVE FOUNDATION BACK-TO-SCHOOL INITIATIVE:** (L-R) Davion Forbes, Future Scholars of Jamaica Literacy Enrichment Programme Director and J'nesis Wright, Founder of the 1Jam1Love Foundation, show a group of eager students how to use the learning platform. Looking on is Karline Robinson-Spencer, Business Development Rep, NCB St. Ann's Bay. The NCB recently donated \$150,000 towards the programme which seeks to elevate the classroom environment beyond chalk and talk by combining virtual learning with traditional 'face to face' learning tools. **C MISSIONARIES OF THE POOR:** (L-R) Brother Jovanne, Missionaries of the Poor, Valerie Ferguson, Relationship Manager NCB Morant Bay, Father Ho Lung, M.O.P., and Brother Ronel, M.O.P. The team at M.O.P. operates six homes in Jamaica to care for the needs of more than 600 elderly, disabled and poor adults as well as children. Their work is predominantly supported by their annual Bible dramas, as well as support from friends and benefactors like the NCBF, which has committed \$1 million towards M.O.P and its initiatives. **D ST. MONICA'S HOME CHRISTMAS TREAT:** NCB's Simone Barnes presents a token to a resident of the St. Monica's Home for the Elderly at a visit to bring Christmas Cheer. **E JAMAICA ASSOCIATION FOR THE DEAF:** (L-R) Deniese Badroe Jamaica Director Association for the Deaf (JAD), Kimberley Sherlock, Executive Director JAD, Christopher Williams Chairman JAD, Robert Stanley Lister Mair Gilby Student, Camille Wilson-Black Mother of Student, Donna Clarke NCB New Kingston-Operations Manager, Anthea Bisasor NCB New Kingston Service Quality Manager and Arsenio Johnson NCB New Kingston Teller Supervisor. Championed by the N.C.B Foundation, the National Commercial Bank has embarked on a partnership with the Jamaica Association for the Deaf; leveraging its branch network in aid of the hearing-impaired students at the primary and secondary levels.





**F UNIVERSITY OF TECHNOLOGY (UTECH) MATHEMATICS QUIZ COMPETITION:** Glenmuir High School dominated the inaugural University of Technology (UTech) Mathematics Quiz Competition. The winning team of (second left - right) Phillip Lloyd, Javier Bryan, Oneika Anderson (Teacher), Jabari Glaves and Eric Dixon shares lens with Joseph Montaque, Senior Marketing Officer (left), National Commercial Bank. The N.C.B. Foundation sponsored the competition.

**G READ AROUND THE WORLD' DAY:** In front, Governor for Division 23 East of the Kiwanis Club, Bobby Moo Young reads to children at the Bustamante Children's Hospital. Looking on is, (L-R) Glen Shields, Branch Manager, NCB Cross Roads, Andrew Pairman, Deputy Chairman, N.C.B. Foundation, Anthony Wood, CEO Bustamante Hospital for Children (BHC) and Allison Dexter, Marketing Manager, Cari-Med Ltd. N.C.B. Foundation donated books to 'reading corner' at the facility.

**H PENNANTS BASIC SCHOOL:** The foundation provided the medals for the Pennants Basic School sports day.

**I DR ENA THOMAS MEMORIAL SYMPOSIUM:** Thalia Lyn (centre), Chair, N.C.B. Foundation shares a photo-op with members of the organising team of the Dr. Ena Thomas Memorial Symposium at an official handover ceremony where the N.C.B. Foundation donated JS\$300,000.00.

**J MOUNTAIN VIEW PRIMARY SCHOOL:** Captain I Can high-fives a teacher during the action figure's recent visit to the Mountain View Primary School, one of NCB's 32 adopted schools. The institution was one stop on the motivational school tour sponsored but N.C.B. Foundation which featured the 8-feet interactive superhero robot only speaks positive words is on a mission to transform lives, by renewing thoughts.

# Our Communities

CONTINUED

## YOUTH LEADERSHIP AND ENTREPRENEURSHIP

### The Palisadoes Foundation Calico Challenge

Designed to help would-be software coders in Jamaica to gain practical experience in writing code for various open source software projects, the Calico Challenge is a 6-8 week initiative hosted by the Palisadoes Foundation. During this period, software engineering students are awarded summer internships at various entities, where they are tasked with working on various projects under the

guidance of an expert industry mentor.

Students who participated in this year's challenge were paid a stipend of US\$1,500, which they received in increments upon achievement of certain pre-defined milestones. The N.C.B. Foundation's contribution went towards providing mentored internship opportunities for two participants, with donation of funding to the Palisadoes Foundation Research Grant programme. Three students and

their mentor were also invited to tour NCB's Agile Labs, and meet the experts behind a number of NCB's digital innovations.

The Calico Challenge further provides top performers with an opportunity to participate in Google's Summer of Code, a global development programme earmarked for its efforts to bring more youth developers into the field of open source software development.



Calico Challenge participants, Jhamali Vassell, shares lens time with Jordan Jones, Mentor and Chaperone, Palisadoes Foundation, along with fellow participants, Shannika Jackson and Cleon Mullings. The three students benefited from the Palisadoes Foundation's third annual Calico Challenge—a summer work and study programme for students studying computer science in Jamaica.

### Talk Up Yout Community Radio Series Partnership

The youth-led radio show, Talk Up Radio visited communities to have outside broadcasts that highlighted issues affecting young people in these communities – featuring young people in these communities, with the aim of inspiring civic engagement in young people through the use of media production to create social awareness particularly of youth issues, build civic engagement, empower young people to mentor others and collaborate in fixing these issues as well bring information to the youth on the ground. The Foundation made a financial donation towards this initiative and positioned its scholars to participate and lead discussions.



(L-R) Shaquel Tinglin N.C.B. Foundation Scholar; Antoinette Smith, Business Development Officer - NCB and Sherica Taylor, N.C.B. Foundation Scholar along with Emprezz Golding, Talk Up Radio Host at the Allman Town community visit in July.



## UTECH and National Business Model Competitions

The N.C.B. Foundation also lent its support to the University of Technology (UTECH) and the National Business Model competitions, both of which are designed to promote and encourage innovation among University students. These investments were done with the goal of cultivating and establishing more creative enterprises, and giving entrepreneurs the support they need.



(L-R) Michael Steele, Head of the Joan Duncan School of Entrepreneurship, Ethics & Leadership (JDSEEL), shares lens with Gordon Swaby, Director, N.C.B. Foundation, Rayvon Stewart, member of the winning team 3D Shopper, Dale Seaton, one of the competition's judges and Portfolio Manager, Business, NCB Retail Banking Division and Shamarlia Jones also of the winning team. Stewart and Jones won the 2018 BMC competition with their innovation, 3D Shopper, a three dimensional avatar that is expected to make clothes shopping online easier and more accurate, by measuring and stimulating body size and weight.



(L-R) Rayvon Stewart, member of the winning team 3D Shopper, converses with Gordon Swaby Director, N.C.B. Foundation; Shamarlia Jones, Stewart's teammate and Dale Seaton, one of the competition's judges and a Portfolio Manager, Business, NCB Retail Banking Division following the conclusion of the 2018 Utech Business Model Competition.

# Our Communities

CONTINUED

## COMMUNITY DEVELOPMENT & SPORTS

“Building the Communities we Serve” continues to be a key focus and this is demonstrated through our support of local programmes in schools, civic groups, churches and local charities. Over the year, significant support was given to projects planned and executed at the local community level to the tune of over \$55 million.

### Grant a Wish

Held under the theme, #MomentsofJoy, N.C.B. Foundation’s fifth annual Grant a Wish campaign saw ten community heroes, and two staff heroes being awarded a share of \$2.2 million. The 12 beneficiaries were selected from over 110 nominations, all submitted by members of the beneficiary’s community. Winners of the Grant a Wish campaign received nominations from their community members, who thought they deserved to be recognised for their selfless dedication and altruism.



(L-R) Breanna Rae, Marketing Projects Officer is all smiles with Karen Sudu who won the NCB Grant a Wish, #MomentsofJoy campaign title of heroine for her community. Sudu, along with nine others were awarded for their stalwart and self-sacrificing contribution to community development and empowerment. NCB has been granting wishes to communities, charities, schools and individuals for the past five years, in order to firmly established its commitment to nation building through philanthropy and community development.



(L-R) Barbara Cohen, Branch Manager of St. Catherine shares lens with Grant a Wish winner, Pastor Joseph Beaton and Nichole Brackett Walters, Manager, Group Marketing and Communications, at the handover held for Mr. Beaton. He is one of 10 persons selected by the National Commercial Bank through its Group Corporate Christmas Campaign entitled “Grant A Wish”. Beaton stood out as being a hero in his community, he took home the title and prize of \$200,000.

### Day of Care 2017

Hosted by the Council of Voluntary Social Services (CVSS), in line with International Volunteer Day 2017, over 80 members of the N.C.B. Foundation Volunteer Corps participated in a ‘Day of Care’ at the Kingston Public Hospital in downtown Kingston. The Foundation’s contribution helped to facilitate free health checks and medical assessments for patrons of the hospital, as well as entertaining presentations on important health and social issues. Globally, International Volunteer Day aims to mobilise volunteers to help tackle issues like poverty at all levels, especially grassroots. This is done through various activities designed to improve people’s capacity for development, and empower people to play an active role in addressing poverty issues.



Members of the NCB Volunteer Corps at the 2017 Day of Care hosted by the Council of Voluntary Social Services (CVSS) on December 2. N.C.B. Foundation partnered with CVSS for the second time for the initiative which provides a rallying point of organisations and individual volunteers to express their support for the Millennium Development Goals and to consider ways to help achieve the targets.



## Labour Day - 'Ramp it Up, Fix it Up'

Thirty-two adopted schools, as well as two campuses of the Caribbean Christian Centre of the Deaf (CCCD) were the focus of the N.C.B. Foundation's Labour Day activities. In keeping with the national theme, 'Ramp it Up, Fix it Up', the Foundation completed a number of projects, while galvanising a huge team of volunteers — which included employees, members of the executive, scholars, government officials and more — to come out and assist with painting, planting, cleaning and minor repairs.



OUR COMMUNITIES

**Mission accomplished!** Over 120 volunteers who came out to assist the N.C.B. Foundation as it spearheaded Labour Day projects at the Kingston Campus of the Caribbean Christian Centre of the Deaf (CCCD). The Foundation also conducted projects at the Knockpatrick campus in Manchester, as well as at its 32 adopted schools islandwide.



(L-R) Nichole Brackett Walters, Group Marketing and Communications Manager, NCB, Carl Kirkland, a representative from the Office of the Opposition Leader stand by as Opposition Leader, Dr. Peter Phillips plants a new palm tree at the Kingston Campus of the CCCD. Also photographed are Kerry Newman, Managing Director, Kaizen Development Ltd. who is holding the tree and Stuart Reid, N.C.B. Foundation Director.



David Wilson (left), N.C.B. Foundation Director, looks on as Member of Parliament Peter Bunting shows a young lad the many tips and tricks for painting walls. Bunting was a proud volunteer along with many other volunteers and NCB staff and executives who showed support for Labour Day projects held at the Knockpatrick campus of the Caribbean Christian Centre of the Deaf (CCCD) in Manchester.



# Our Communities

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## Council of Voluntary Social Services (CVSS) Summer Games

Both able-bodied and differently-abled youth ages 10-25 participated in the games, representing more than 25 communities islandwide. The UWI, Mona Bowl became a friendly battlefield for more than 1000 at-risk youth from across the island who ran, jumped and skipped their way to victory, battling it out in various traditional and non-traditional sporting activities.



Third place winner in class 1 200 metre race, Jahfeena Dennis shares lens with Shadae Smith who came second, Shaun Allman, Business Banker, NCB Duke Street Branch and first place winner Petricia McDonald, who now holds the new record in class 1 200 metre race. All participated in the annual Council of Voluntary Social Services' (CVSS) 'Summer Games' held recently at the UWI, Mona Bowl. Both able-bodied and differently-abled youth ages 10-25 participated in the games, representing more than 25 Communities Island wide.

## Deaf Sports Jamaica National Sports Day

The Foundation extended support to the 9th annual National Deaf Sports Day under the theme "Communicating Sign Language through Sports". Hearing impaired students from across the island ventured to Kingston to participate and enjoy a day of fun and games. The Foundation donated \$100,000 toward the events as well as a trophy for the top Cheerleader.



Students from Jamaica Christian School for the Deaf, (Left) Taniel Blake, Champion Girl at the Primary School level, and (right) Delano Williams, Champion Boy at the Primary School level, take a moment to share lens with Jamilia Crooks, Programmes Administrator, N.C.B. Foundation at the annual Deaf Sports Jamaica (DSJ), National Deaf Sports Day held recently.

## Lucas Cricket Camp

Targeting 8-14 year olds, the annual camp exposed beginner cricketers to the rudiments of the game, while providing advanced coaching for more experienced players toward readying them to meet national and regional standards. The programme additionally focused on fostering good behavioural attitudes, recognising its importance to enhancing technical abilities. In reward for their efforts, participants received prizes and certificates in an end of camp celebration activity. To date more than 200 youth have benefitted from the initiative.



Participants and organiser Errol Moodie, President (right) of the 2018 Lucas Cricket Club summer camp shares a photo-op. In reward for their efforts, participants received prizes and certificates in an end of camp celebration activity.



## MVP Track and Field Grassroots Training Camp

In an effort to promote and support sports development island-wide, the N.C.B. Foundation has partnered with the MVP Track and Field Club to host a series of training camps for students athletes and their coaches. This four-year-old partnership facilitates the series in each county annually, and provides participants with meals, hydration and gear.



More than 300 student-athletes participated in the Advanced MVP Grassroots Athletics Training Camps held in November by MVP Track and Field Club in partnership with the N.C.B. Foundation. Organised by counties, the trainings gave students the opportunity to participate in rigorous six-discipline athletics training sessions, including hurdles, sprints, throws, jumps, relays and distance events.



(L-R) NCB Top Boy and Girl for Surrey, Julian Salmon of Ardenne High School and Amani Cooke of Campion College are all smiles as they accept their prize for outstanding participation in the 2017 hosting of the Advanced MVP Grassroots Athletics Training Camp (Surrey) held at the National Stadium, Kingston in November. The camp was the last of three sponsored by the N.C.B. Foundation to develop track and athletics skills of student-athletes, coaches and physical education teachers across the island. We sponsored the top athlete prize, awarding two athletes from each county.

OUR COMMUNITIES

## Donation of Swimming Gear to EduSport Play Programme

A donation of swimming equipment including life jackets, kick boards and more has helped to breathe life into a new leg of the Breds EduSport Play Programme. With the opening of the Breds Treasure Beach Sports Park and Playground, the programme, which engages primary school children from the parish in a number of sporting activities, now offers swimming lessons – an initiative that will benefit both the children, and employment-seekers from the communities of St. Elizabeth. The programme offers training to a number of locals who are interested in becoming certified swimming instructors, with the possibility of employment as well.



(L-R) Thalia Lyn, Chair, N.C.B. Foundation, Jason Henzel, Chairman of Breds, Treasure Beach Foundation and Captain Dennis Abrahams, Director of Breds, snap a photo with a few of the many children who participated in the EduSport Play Programme. The N.C.B. Foundation lent its support to the programme in partnership with the United Nations International Children's Fund (UNICEF) and other sponsors. A \$100,000 worth of swimming aid was donated by the Foundation to be used in teaching children to swim at the new Breds, Treasure Beach Sports Park, Swimming Pool and Playground.

# Our Communities

CONTINUED

## Tour of the South Camp Juvenile Correctional and Remand Centre

One of four local juvenile correctional centres, the South Camp centre is a residential, educational institute, providing academic, vocational, employability and behavioural skills training for girls ages 12-18, especially

those who have got themselves into trouble with the law.

Following a tour of the facility in December 2017, hosted by the Trust for the Americas, Hon. Michael Lee-Chin, Chairman NCBFG and member of the Board of Directors of the Trust, committed to supporting the camp

and its rehabilitation programmes. The tour introduced guests to the Trust's juvenile rehabilitation project, 'A New Path', which seeks to provide pre and post-release assistance to marginalised young people in conflict with the law.



(L-R) Ms. Claudeth Hamilton, Director of Juvenile Services and Ms. Maulette White, Superintendent of the South Camp Juvenile Correctional and Remand Centre in Kingston along with Nicole Brackett Walters, Manager of Group Marketing and Communications at NCB and Branch Manager at NCB Cross Roads, Glen Shields cut the ribbon on a brand new Prizm Front Load gold washing machine presented to the centre recently.



A few of the girls from the South Camp Juvenile Remand and Correctional Centre for Girls in Kingston share a moment with Hon. Michael Lee-Chin, Chairman NCBFG and member of the Board of Directors of the Trust for the Americas, which organised a tour of the facility back in December 2017. The tour moved Mr. Lee-Chin to pledge support for the facility and its operations. This was initiated by the NCBF donation of a brand new washing machine to the centre.



### Tivoli Gardens Football Club Annual Feeding Programme

The Tivoli Gardens Football Club's annual feeding programme received a big boost from the N.C.B. Foundation. Over 280 players, coaches and other affiliates benefited from the programme, which also provided football gear and medical check-ups for 10 teams. The Tivoli Gardens FC continues to drive community development through youth engagement, sport and leadership.



(L-R) The Most Honourable Edward Seaga ON, PC, President of the Tivoli Gardens Football Club accepts a donation from NCB representative, Garfield Palmer, Branch Manager, NCB Duke Street. N.C.B. Foundation donated \$300,000 towards the Club's annual programme providing meals, gears and medical care for the more than 200 boys who comprise the Club's 10 teams. The programme is praised for positively impacting the lives of the young men who have participated, as well as other members of the community who benefit from employment and community service.

### HEALTHCARE PARTNERSHIPS

#### Donation of Defibrillators to the National Police College of Jamaica

Providing a much-needed boost to the Medical Services Branch of the Jamaica Constabulary Force, the N.C.B. Foundation donated two Automated External Defibrillators, which will help to provide emergency medical treatment in instances of sudden cardiac arrest. Located at the National Police College of Jamaica at Twickenham Park, St. Catherine, the facility provides medical care for over 11,400 police officers island-wide.



(L-R) JCF representatives, Dr. Kevin Goulbourne, Medical Director and Angella Patterson, Director of Corporate Services accept an Automated External Defibrillator from Jacqueline Mighten, Branch Manager at NCB St. Jago Branch. The JCF recently received two defibrillators valued at \$580,000. The small device sends electric shock to the heart in the case of a sudden cardiac arrest.

#### Donation to Savanna-la-Mar Public General Hospital (SPGH)

Opening its doors in 1964 as a 164 bed Type B Hospital to serve the people of Westmoreland, the needs of this institution has been increasing as the population increases. N.C.B. Foundation partnered with the Friends of the Savanna-la-Mar hospital (FOSH) and donated funds to provide a well needed piece of equipment - A C-Arm machine which is mainly used for orthopaedic surgery to the Hospital.



(L-R) Thalia Lyn, Chairman, N.C.B. Foundation hands over a donation cheque for \$500,000 to Andrew Mahfood, Chief Executive Officer, Wisynco Group and Chairman of Food for the Poor. The charity organisation promised to match funds raised by the Friends of the Savannah-La-Mar Hospital (FOSH) in its quest to purchase a C-Arm medical imaging device for the hospital.



# Our Communities

CONTINUED

## Improvement of Health Care Facilities

From providing air conditioning units for the Mandeville Regional Hospital and Manchester Health Department, to retrofitting containers to serve as a Child Care facility and a community Clinic, the N.C.B. Foundation supported the Southern Regional Health Authority (SRHA) with efforts to improve healthcare facilities in the region. Over 8,000 members of the Newport community in Manchester will benefit from the improved clinic, while over 200 children of the parish's healthcare workers will have access to the Child Care facility. In addition to, improving to the Laundry Room at the Bustamante Hospital for Children.



Anthony Wood, CEO of the Bustamante Hospital for Children, Cynthia Griffiths, Laundry Attendant, Nichole Brackett Walters, Group Marketing and Communications Manager, NCB; Killing Philips, Laundry Mistress & Gaye Satchell-Lennon, Head of Department-Laundry of Bustamante Hospital for Children, excitedly reveal the tables donated by the N.C.B Foundation. The tables, valued at J\$250,000, will replace wooden ones that were in disrepair. The entities have long shared synergy through donations and the interest to expose ordinary Jamaicans to services that enable them to put their best lives forward.

## Food for the Poor Jamaica (FFPJ) Build-A-Home Initiative

Three needy families from St. Catherine, Jamaica, now have a roof over their head, and a safe place to live and grow, thanks to a four-year partnership between the N.C.B. Foundation and Food for the Poor Jamaica's Build-a-Home Initiative. To further support the families in a sustainable way, the Foundation also provided a small business grant to each family, to kickstart the creation of a viable entrepreneurial venture.



(L-R) Junior Reid Field officer, shares lens with Marsha Burrell-Rose, Development and Marketing Manager, Food For The Poor Jamaica (FFPJ), new homeowners, Remona and her mother Melvalyn Grant as well as Gregory Peart, Manager, Credit Card Centre, NCB and several N.C.B Foundation volunteers as the mother-daughter duo proudly show the keys to their new homes. With aid from FFPJ in conjunction with the N.C.B. Foundation, both women are now recipients of new homes. In addition, they both received sustainable grants of \$50,000 to assist with a viable entrepreneurial venture. This is N.C.B.F.'s fourth year partnering with FFPJ on its 'Build-A-Home' initiative.





Jenifer Pearson (front) is all smiles as she shares a moment with N.C.B Foundation volunteers at the entrance to her new house provided by the Foundation in partnership with Food for The Poor Jamaica. The N.C.B. Foundation has committed in excess of \$1.5 million towards the project which provides homes for needy families. Currently supporting the initiative for the fourth consecutive year, N.C.B Foundation has added another tier to its support by donating a \$50,000 grant to the families assisted to create a viable entrepreneurial venture.

### Beach Clean-up Initiative

To help combat the growing issue of beach pollution in Jamaica, the N.C.B. Foundation participated in the National Environment and Planning Agency's Adopt-a-Beach programme via a joint partnership with the University of Technology Faculty of Science and Sports. This encourages local organisations and corporate entities to help with the clean-up of almost 90 beaches affected by litter. With close to 120 volunteers on board, the N.C.B. Foundation led the collection of approximately 85 bags of garbage and other debris from the Port Royal Beach in Kingston.



Volunteers from the Faculty of Science and Sports at University of Technology as well as members of the N.C.B. Foundation's volunteer corps, consisting of staff and scholars came out in their numbers to support the Adopt-A-Beach programme initiated by the National Environment and Planning Agency (NEPA). More than 110 people picked up garbage along the coast of the Port Royal Beach in Kingston, close to the famous Gloria Seafood Restaurant. By the end of the day some 85 bags of garbage and debris were collected and disposed of by NEPA.



After a long day cleaning at the Port Royal Beach in Kingston, members of the N.C.B. Foundation's volunteer corps along with students from the Faculty of Science and Sports at University of Technology take a moment to smile for the camera. The team of more than 110 volunteers participated in the Adopt-A-Beach programme initiated by the National Environment and Planning Agency (NEPA), which strives to keep the island's coastlines clean and looking postcard ready.

# Strategic Outlook



STRATEGIC OUTLOOK

In 2016 we embarked on a journey to set the 'BAR' in the financial services industry, by building a world class digital experience, accelerating regional expansion and reinventing our core business. Our progress to date, as demonstrated by strong business growth and robust financial performance, confirms

that we are on the right path towards building **NCB 2.0**. The pace of external changes necessitated the acceleration of our execution roadmap to deliver and sustain a differentiated customer experience for many years to come.

This strategy was developed in response to trends

that continue to impact the financial services industry, particularly customer behaviour and expectations. To achieve our strategic objectives, we continue to invest in critical capabilities that will enable us to succeed in this rapidly evolving environment:





## TECHNOLOGY

Digital disruption has spurred new sources of competition offering customers alternative solutions to traditional financial services. In addition, customer expectations are being influenced by their experiences beyond our industry. This has fuelled the need for investments in digital transformation in order to maintain a sustainable competitive advantage.

We will focus on:

- **Increasing our digital fulfilment capabilities which allow customers to seamlessly self-serve from start to finish with significantly reduced processing times.**
- **Protecting and empowering customers who are transacting more across our digital channels.** To this end we continue to strengthen our cybersecurity defences equipping customers with the tools and knowledge to transact safely. We will continue to invest heavily in our fraud detection

and prevention systems to enhance our ability to effectively respond to and avoid potential threats. We will continue to support these efforts with rigorous training for employees and customers to protect themselves against cybersecurity risk.

- **Bolstering our technology infrastructure to increase uptime and scalability to support our business lines.** In the upcoming financial year, we will accelerate the upgrade of our core applications to power the digital transformation across our banking, wealth and insurance business lines.

## INNOVATION

NCB established its first agile lab in April 2017 as a mechanism for accelerating its digital transformation agenda. In the 2017/2018 financial year, NCB continued to scale up the agile way of working by establishing new labs and rolling out training and development for NCB team members in disciplines

such as Scrum, design thinking, and UI/UX design. Our objectives include enhancing the customer experience, improving operating efficiency and creating new sources of income by utilising our lab infrastructure with cross-functional, co-located teams including software developers, product owners, scrum masters and designers who work collaboratively to reimagine customer journeys, products and processes. This way of working, long adopted within the global technology industry, has yielded the following positive outcomes for the company:

- Increased productivity and a faster path to value in product development,
- Increased staff collaboration and engagement,
- Enhanced customer experiences for delivered solutions,
- New revenue streams,
- Improved operating efficiency for reimagined processes.

This work environment has been the primary engine of internal innovation for NCB as we seek to reimagine and

# Strategic Outlook

CONTINUED

reinvent existing customer journeys and internal processes. However, we recognise that improvements to the status quo only, is insufficient to contend with the forces of digital disruption impacting companies and industries across the globe, and as such we are proactively transforming the NCB operating model for sustainability.

Beyond our Agile Labs, our innovation ecosystem is supported and enriched by:

- ▶ Partnerships with local and global fintechs and IT solutions providers
- ▶ Partnerships with ecosystem players that enable enhanced delivery of our products and services (e.g. eGov)
- ▶ Innovation Challenges, Hackathons and Internships
- ▶ Partnerships with business incubators

Innovation is a critical enabler of our digital ambition to become a fully digital and agile ecosystem platform that allows our customers, employees and company to build, grow and flourish financially.

## DATA ANALYTICS

A May 2017 headline in *The Economist* referred to 'data' as the world's most **valuable resource**. Data and analytics are being employed to drive NCB's 2020 strategy and agile digital ecosystem and is critical in enabling business outcomes across the length



and breadth of the organisation. We are leveraging analytics to enhance process efficiency and increase the velocity of decision making, to increase customer, to identify revenue opportunities, and to enhance the management of risk. In the 2017/2018 financial year, some of the initiatives enabled by analytics and analytics tools include:

- ▶ Creating a 360-degree customer view to facilitate more informed and efficient customer interactions and decisions,
- ▶ Building application programming interfaces (APIs) to facilitate automatic driver's license renewals to streamline the KYC update process for customers,
- ▶ Implementing artificial intelligence sales recommendation engine which lead to a 10 percentage point improvement in sales conversion,
- ▶ Creating predictive analytics model to derive income for customers to enable expansion of lending opportunities.

Today, companies with data and analytics capabilities as their core are among the most valuable in the world. We are building our analytics capabilities to support the seamless execution of our strategies and to create outsized value for our customers and our business.



## PEOPLE

The war on talent has continued to intensify, as such, we have been focused on several strategies to ensure that we have an available pool of talent to execute on our transformation. Our two-pronged approach to accelerate the acquisition and development of the targeted skill sets includes:

► **Retooling our existing workforce:**

We continue to support our employees with training and professional development tools to increase capabilities in areas such as software development, data science, user interface and experience design and data analysis. Learning and development for our workforce currently takes place through a number of mediums. Most importantly, we have reconfigured the four schools of learning available at our Corporate Learning Campus and have provided more virtual learning options.

► **Developing the local talent ecosystem through partnerships and internships:**

We have cultivated partnerships with local tertiary institutions to provide opportunities for individuals to develop the skill sets and capabilities that are critical to our success. Our internship programmes challenge participants to innovate, thinking beyond financial services, to design solutions that transform the customer experience.



Our programme equips the interns with the desired digital competencies and provides NCB with potential employees with ready capabilities in areas critical to our success.

In this upcoming financial year, we are focused on creating an environment that will continuously challenge our employees and allow them to adapt to today's global challenges. We are committed to accelerating the development of our employees and will be launching a new school of learning (Digitisation, Transformation and Analysis) which will be a crucial driver to our business transformation. We will continue to invest in our resources across the enterprise to support all aspects of the business.