


Financial Results


For the year ended September 30, 2018


1-888-NCB-FIRST | www.myncb.com | ncbinfo@jncb.com

KEY RESULTS


\$28.0B
Net Profit


\$978.6B
Total Assets


\$130.0B
Equity


\$11.39
EPS


3.3%
Return on Assets


22.7%
Return on Equity

Fourth Quarter 2018 Earnings Release

November 8, 2018 – The Board of Directors is pleased to announce that NCB Financial Group Limited (NCBFG) and its subsidiaries (the Group) recorded net profit of \$28.6 billion for the financial year ended September 30, 2018. Net profit attributable to our stockholders was \$28.0 billion, an increase of 46% or \$8.9 billion over the prior year.

We attained the highest profit in our history, which was supported by strong performances across seven business segments. Our achievement was driven by executing change in several areas to transform how we provide financial solutions for our customers. Our performance demonstrates dedication to our strategic journey, risk management processes, delivery of consistent results and continuous improvement.

During the financial year, our initiatives were geared towards meeting shifting customer preferences and enhancing customer experience while improving efficiency and strengthening our core infrastructure and operations to support growth and long-term sustainability.

Our strategic thrust has enabled NCBFG to achieve major milestones this year:

- Acquisition of a 50.1% majority stake in Clarien Group Limited (Clarien),
- Delivery of various solutions as part of our digital transformation, such as a mobile app, online account opening and credit card alerts,
- Involvement of NCB Capital Markets Limited (NCBCM) in 30 capital markets and structured products deals across the region valued at just under US\$800 million.

We are committed to creating an environment driven by customer obsession and continuous improvement to our core operating model.

For more information, contact:

INVESTOR RELATIONS

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MEDIA RELATIONS

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Financial Performance

Highlights	FY18	FY17	YoY	Q4 FY18	Q3 FY18	Q4 FY17	Prior quarter QoQ	Prior year QoQ
Net profit (\$'M)	28,581	19,108	50%	7,632	6,982	4,391	9%	74%
Net profit attributable to stockholders of the parent (\$'M)	27,959	19,108	46%	7,297	6,839	4,391	7%	66%
Earnings per stock unit (\$)	11.39	7.76	46%	2.97	2.79	1.78	7%	66%
Cost to income ratio (%)	63.2%	63.2%	-	62.1%	55.1%	66.1%	-	-
Total assets (\$M)	978,585	693,724	41%	978,585	931,185	693,724	5%	41%
Return on average total assets (%)	3.3%	2.9%	-	3.1%	3.0%	2.6%	-	-
Equity* (\$M)	130,041	115,994	12%	130,041	124,238	115,994	5%	12%
Return on average equity (%)	22.7%	17.4%	-	23.0%	22.5%	15.4%	-	-
Net loans (\$M)	372,635	218,615	70%	372,635	361,267	218,615	3%	70%
Customer deposits (\$M)	484,848	288,464	68%	484,848	464,297	288,464	4%	68%

FY – Financial year | YoY – Year over Year | QoQ – Quarter over quarter
* Equity attributable to the stockholders of the parent

For the fourth quarter, our net profit exceeded \$7 billion which was topped only by the first quarter's results that had included gains (negative goodwill) of \$4.4 billion related to the acquisition of Clarien. During the fourth quarter, we divested a portion of our investment in JMMB Group Limited, reducing our stake to 20.01% from 26.30%. This transaction resulted in a gain of \$837 million. Impairment losses of \$284 million were also recorded in the fourth quarter, related entirely to debt securities classified as available-for-sale and loans and receivables.

Operating Income

For the financial year, operating income grew by 29% or \$17.1 billion, to \$76.5 billion. The growth in income was primarily driven by:

- Gains from foreign currency and investment activities increasing by 102% or \$7.9 billion, resulting from an improving macro-economic environment coupled with high levels of JMD liquidity and declining interest rates generating a high demand for debt securities.
- Increased net interest income of 18% or \$5.4 billion. The improvement was primarily attributable to the consolidation of Clarien's results and growth in the Jamaican loan portfolio.
- Net fee and commission income growing by 15% or \$2.1 billion. \$1.1 billion of the increase was due to the consolidation of Clarien. The improved fees earned by our Jamaican entities were driven by an increase in the number of corporate finance, investment and financing solutions offered by NCBCM. There was also growth in fees earned by our payment services, retail and SME segments stemming from increased e-commerce and credit transactions.
- A 14% or \$1.1 billion increase in premium income.

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Financial Performance (continued)

Operating Expenses

Operating expenses grew by \$12.0 billion or 31%, to \$50.4 billion; nonetheless we have managed to maintain a 63.2% cost to income ratio. These increases were primarily due to our investments in digitisation and the implementation of the agile methodology across the organisation. These initiatives along with our cost optimisation strategies will result in the lowering of the cost to serve our customers and provide a better experience through our various channels.

Loans and Advances

The Group's loans and advances, net of provision for credit losses, totalled \$372.6 billion, an increase of \$154.0 billion or 70% over the prior year. The consolidation of Clarien has increased the portfolio by over US\$700 million. For the year, there has been sizeable growth in our Jamaican loan book (corporate, retail and SME) totalling \$56.1 billion. In addition, credit card receivables increased by 14% and our Cayman portfolio grew by 67%. Non-performing loans totalled \$18.2 billion as at September 30, 2018 (September 30, 2017: \$5.4 billion) and represented 4.8% of the gross loans compared to 2.5% as at September 30, 2017. This increase was due to the inclusion of Clarien which has a non-performing loan ratio of 11.8%.

Deposits

Customer deposits increased by \$196.4 billion or 68%, to \$484.8 billion, again primarily driven by the consolidation of Clarien which has deposits in excess of US\$1.1 billion. Our Jamaican deposit taking segments (retail and corporate banking) accounted for a total combined increase of 18%.

Capital

Stockholders' equity of \$130.0 billion grew by \$14.0 billion or 12%. The Group's capital position remains strong and the key regulatory ratios of our regulated entities exceed the minimum regulatory requirements.

Regulated Entities	Key Regulatory Ratios	September 30, 2018	September 30, 2017
National Commercial Bank Jamaica Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 12.5%]	13.1%	12.7%
NCB Capital Markets Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 10.0%]	19.4%	18.6%
NCB Insurance Company Limited	Minimum continuing capital and surplus requirements ratio [Minimum requirement – 150.0%]	396.4%	398.5%
Advantage General Insurance Company Limited	Available assets to required assets (Minimum capital test) [Minimum requirement – 250.0%]	522.5%	436.1%
NCB (Cayman) Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 12.0%]	27.9%	24.4%
NCB Global Finance Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 12.0%]	28.9%	31.6%
Clarien Bank Limited*	Regulatory capital to risk weighted assets ratio	*	*

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

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Dividends

The Board of Directors, at its meeting on November 8, 2018, declared an interim dividend of \$0.70 per ordinary stock unit. The dividend is payable on December 7, 2018 to stockholders on record as at November 23, 2018.


Corporate Social Responsibility

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

Philanthropy

For the quarter, N.C.B. Foundation (NCBF), which is financed by 0.50% of National Commercial Bank Jamaica Limited's prior year profits and 0.50% of prior year personal Keycard sales under the Jamaican Education Initiative (JEI), committed over \$58 million in support of initiatives.



 Over 4,500 man-hours spent by Volunteer Corps on project execution



Over 650,000 lives impacted

Education



The 2018 NCB Scholars along with (l-r): Nadeen Matthews Blair, CEO NCBF; Thalia Lyn, Chair; Nichole Brackett Walters, NCB; Stuart Reid, Director; Hon. Michael Lee Chin, Chair, NCBFG and judges Anastasia Whyte, NCB; Tamara McKayle, 2008 NCB Scholar; and Gordon Swaby, Director, NCBF.

Now in its 11th year, the Foundation revealed the 2018 scholarship and grant recipients via the annual flagship Scholarship & Grant programme. Over \$40 million has been invested to fund this programme which provides tertiary scholarships including one-off grants and teacher education grants up to \$100,000. Book grants are

Education (continued)

offered to students at the primary and secondary levels valued between \$10,000 and \$20,000.

The Innovative, Creative, Outstanding and Nationalistic (I.C.O.N.) programme launched in 2016 supports areas like animation, aviation, computer science, fashion design, fine arts, logistics and engineering - all representative of a paradigm shift in the marketplace.

Among the 2018 recipients are 21 NCB Scholars - 14 Parish Champions and seven I.C.O.N. Scholars, each receiving a \$300,000 scholarship award for the duration of his/her course of study. The National Champions, which for the first time includes a top I.C.O.N. programme recipient, are selected from this group after a series of activities assessing creativity and presentation skills.

Community Development & Sports

Partnering with the Food for the Poor Jamaica (FFPJ) Build-A-Home Initiative for the fourth consecutive year, the Foundation built houses for three needy local families from the parish of St. Catherine. Added to this, out of a desire to better the lives of these fellow Jamaicans, the Foundation provided a sustainable grant

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Corporate Social Responsibility (continued)

Community Development & Sports (continued)

of \$50,000 to each family. This seed money will serve to assist with the creation of a viable entrepreneurial venture, to include animal rearing, farming or small-scale commercial vending.



Mission accomplished! Jenifer Pearson (in front), one of the 2018 home recipients, shares a photo-op with NCBF volunteers who assisted with building her new home seen in the background.

Youth Leadership & Entrepreneurship



Malikah Peart (right), Project Lead, NCB Group Operations & Technology Division shares some meaningful insights on digitisation with participants of the Calico programme during their recent tour of the NCB Agile Lab located at 29 Trafalgar Road in Kingston.

Youth Leadership & Entrepreneurship (continued)

NCBF has partnered with the Palisadoes Foundation to host the annual Calico Challenge which offers Jamaican student developers stipends to write software code for various open source software projects over a 6-8 week period.

The Palisadoes Foundation was conceived by a group of Jamaican technology professionals interested in assisting in the continued development of new and existing technologies in Jamaica.

Ethics

NCBFG continues to uphold high ethical standards. These standards are supported by employment practices and disciplinary procedures, such as the Codes of Ethics and Code of Business Conduct, which apply to all employees and the Board of Directors.

Our Employees

NCBIC Cares

Under this initiative, NCB Insurance (NCBIC) pursued healthy-living initiatives for fellow team members across the Group, including:

- Physical challenges at select branches.
- 'No Elevator and Water Day' to encourage increased physical activity and water consumption.
- Gym membership and event tickets awarded to staff.
- Weekly health tips and reminders.

Our Customers

Stanley Motta Initial Public Offering (IPO)

NCB Capital Markets facilitated the IPO of the Caribbean's largest technology park dubbed '58 HWT'. This gave investors another opportunity to own a piece of prime New Kingston real estate.

NCB Innovation Internship

This year, the gruelling five weeks Innovation Internship for university students sought to generate solutions to be added to the priority list of the Group's Agile Labs. This programme offers students hands-on experience while seeking to enhance customer experience through the development of technological solutions.

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Corporate Social Responsibility (continued)

Our Customers (continued)

NCB Group Back-to-school Initiative

NCB provided customers at select branches and via social media with Sangster's gift certificates and vouchers to 'Pickney Pampering' so children could avail themselves of hair care services in preparation for back to school activities. Omni Educator exercise books were also distributed to customers through our branch network.

NCB 'Emancipence' Celebrations

Our emancipation and independence activities this year impacted customers across the length and breadth of Jamaica. Gift certificates were given to all customers born on Independence Day. In addition, we had social media giveaways which saw customers and non-customers winning NCB gift certificates. Select branches also hosted customers and shared traditional Jamaican treats and mento band performances with customers. These activities touched some 1,500 customers.

NCB Mobile App

Since the launch in July, over 50,000 downloads have been registered where users are able to use the app to check balances, make transfers and pay bills. The app is presently available for android and iPhone (IOS) users.

NCBIC Scholarship & Grant Programme

In keeping with our Chairman's vision to see every Jamaican child having greater access to tertiary education, NCBIC culminated its inaugural scholarship

Our Customers (continued)

NCBIC Scholarship & Grant Programme (continued)

fund in June with an awards ceremony. The OMNI scholarship impacted students at all levels, from primary to post-graduate.

NCB Customer Fraud Education

We continue to make investments to help customers protect themselves online and generally from fraud. We take appropriate precaution to keep our customers' financial and personal details safe and will be rolling out the following additional solutions to minimise the impact of fraud attacks:

- **Online dispute portal:** This will allow cardholders to block and unblock credit cards and dispute fraudulent transactions online.
- **NCB Online Alerts:** Email and text message notifications will be sent to customers whenever they conduct specific transactions using NCB Online.


Awards

NCBCM was awarded **Best Wealth Management Team Caribbean – 2018** by Capital Finance International.

Global Finance awarded NCBJ the **2018 Safest Bank of the Year for Jamaica**.

For the 5th consecutive year LatinFinance has awarded NCBJ **Bank of the Year Jamaica**, representing the 8th time we have won this award since 2007.

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



ON BEHALF OF THE BOARD

Patrick Hylton, President and Group Chief Executive Officer



ncbj

NCB Financial Group Limited

Consolidated Income Statement

Year ended September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

		CURRENT YEAR			PRIOR YEAR	
	Note	Quarter ended	Quarter ended	Year ended	Quarter ended	Year ended
		September 30	June 30	September 30	September 30	September 30
		2018	2018	2018	2017	2017
		\$'000	\$'000	\$'000	\$'000	\$'000
Operating income						
Interest income		14,314,044	13,642,805	52,235,806	11,207,304	42,837,213
Interest expense		(4,585,532)	(4,132,801)	(17,091,622)	(3,640,435)	(13,077,544)
Net interest income		9,728,512	9,510,004	35,144,184	7,566,869	29,759,669
Fee and commission income		5,441,675	5,138,109	20,288,706	4,296,636	17,010,753
Fee and commission expense		(1,234,925)	(1,099,433)	(4,327,906)	(828,747)	(3,119,686)
Net fee and commission income		4,206,750	4,038,676	15,960,800	3,467,889	13,891,067
Gain on foreign currency and investment activities		4,205,879	4,236,461	15,611,240	2,109,395	7,726,060
Premium income		2,147,596	2,200,736	8,662,005	1,939,728	7,573,599
Dividend income		205,264	140,667	553,305	109,412	295,123
Other operating income		91,925	91,082	605,446	65,077	229,070
		6,650,664	6,668,946	25,431,996	4,223,612	15,823,852
		20,585,926	20,217,626	76,536,980	15,258,370	59,474,588
Operating expenses						
Staff costs		7,229,282	5,426,990	23,776,353	4,371,582	16,461,158
Provision for credit losses		303,199	941,079	1,676,755	231,930	729,234
Policyholders' and annuitants' benefits and reserves		426,169	1,077,022	4,731,479	1,527,197	4,180,027
Depreciation and amortisation		1,010,748	917,793	3,472,372	639,240	2,359,274
Impairment losses on securities		283,883	-	283,883	-	-
Other operating expenses		4,113,410	3,710,944	16,410,081	3,543,616	14,586,267
		13,366,691	12,073,828	50,350,923	10,313,565	38,315,960
Operating profit		7,219,235	8,143,798	26,186,057	4,944,805	21,158,628
Negative goodwill on acquisition of subsidiary	4	-	-	4,392,149	-	-
Share of profit of associates		760,889	333,667	2,573,232	627,746	2,850,700
Gain on partial disposal of associate	5	837,480	-	837,480	-	-
Profit before taxation		8,817,604	8,477,465	33,988,918	5,572,551	24,009,328
Taxation		(1,186,001)	(1,495,322)	(5,407,952)	(1,181,893)	(4,901,510)
NET PROFIT		7,631,603	6,982,143	28,580,966	4,390,658	19,107,818
Attributable to:						
Stockholders of the parent		7,296,617	6,838,976	27,958,752	4,390,658	19,107,818
Non-controlling interest		334,986	143,167	622,214	-	-
		7,631,603	6,982,143	28,580,966	4,390,658	19,107,818
Earnings per stock unit (expressed in \$)						
Basic and diluted		2.97	2.79	11.39	1.78	7.76

NCB Financial Group Limited
Consolidated Statement of Comprehensive Income
Year ended September 30, 2018
(expressed in Jamaican dollars unless otherwise indicated)

	Quarter ended September 30 2018 \$'000	Quarter ended June 30 2018 \$'000	Year ended September 30 2018 \$'000	Quarter ended September 30 2017 \$'000	Year ended September 30 2017 \$'000
Net Profit	7,631,603	6,982,143	28,580,966	4,390,658	19,107,818
Other comprehensive income, net of tax-					
Items that will not be reclassified to profit or loss					
Remeasurements of post-employment benefit obligations	12,871	(197,097)	(481,392)	(495,774)	(388,640)
Share of other comprehensive income of associated companies	-	-	-	45,157	45,157
	12,871	(197,097)	(481,392)	(450,617)	(343,483)
Items that may be subsequently reclassified to profit or loss					
Currency translation gains	1,817,878	688,683	1,263,927	94,565	204,415
Share of other comprehensive income of associated companies	(1,055,025)	949,904	(1,413,911)	402,481	402,481
Unrealised gains/(losses) on available-for-sale investments	1,464,042	(2,874,318)	548,555	1,910,633	3,484,021
Realised fair value gains on sale and maturity of available-for-sale investments	(1,794,154)	(1,649,485)	(6,049,801)	(802,821)	(3,318,701)
	432,741	(2,885,216)	(5,651,230)	1,604,858	772,216
Total other comprehensive income	445,612	(3,082,313)	(6,132,622)	1,154,241	428,733
TOTAL COMPREHENSIVE INCOME	8,077,215	3,899,830	22,448,344	5,544,899	19,536,551
Total comprehensive income attributable to:					
Stockholders of the parent	7,523,493	3,546,269	21,415,907	5,544,899	19,536,551
Non-controlling interest	553,722	353,561	1,032,437	-	-
	8,077,215	3,899,830	22,448,344	5,544,899	19,536,551

NCB Financial Group Limited

Consolidated Statement of Financial Position

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

	September 30 2018 \$'000	September 30 2017 \$'000
ASSETS		
Cash in hand and balances at Central Bank	74,711,396	65,314,659
Due from banks	48,702,014	39,414,981
Derivative financial instruments	233,329	205,984
Investment securities at fair value through profit or loss	2,540,013	2,580,938
Reverse repurchase agreements	3,807,177	2,861,218
Loans and advances, net of provision for credit losses	372,634,701	218,615,226
Investment securities classified as available-for-sale and loans and receivables	210,354,295	189,070,828
Pledged assets	178,459,103	109,321,414
Investment in associates	35,125,894	37,186,185
Investment properties	1,366,950	812,619
Intangible assets	12,398,591	4,922,810
Property, plant and equipment	13,280,060	10,431,461
Deferred income tax assets	4,639,482	1,622,204
Income tax recoverable	1,613,365	1,515,680
Customers' liability - letters of credit and undertaking	2,305,130	1,971,727
Other assets	16,413,126	7,876,257
Total assets	978,584,626	693,724,191
LIABILITIES		
Due to banks	11,815,200	10,547,381
Customer deposits	484,847,790	288,464,013
Repurchase agreements	152,884,626	115,586,590
Obligations under securitisation arrangements	58,992,666	66,743,350
Derivative financial instruments	259,002	132,347
Other borrowed funds	65,558,639	38,649,556
Income tax payable	-	168,582
Deferred income tax liabilities	910,710	1,498,616
Liabilities under annuity and insurance contracts	38,093,007	36,185,320
Post-employment benefit obligations	5,502,973	4,020,696
Liability - letters of credit and undertaking	2,305,130	1,971,727
Other liabilities	17,830,555	13,762,244
Total liabilities	839,000,298	577,730,422
STOCKHOLDERS' EQUITY		
Share capital	153,827,330	153,827,330
Treasury shares	(1,050,785)	(330,129)
Reserves from scheme of arrangement	(147,034,858)	(147,034,858)
Fair value and capital reserves	3,535,115	9,596,567
Loan loss reserve	3,470,490	4,287,288
Banking reserve fund	6,598,442	6,567,333
Retained earnings reserve	39,250,000	35,650,000
Retained earnings	71,444,834	53,430,238
Equity attributable to stockholders of the parent	130,040,568	115,993,769
Non-controlling interest	9,543,760	-
Total stockholders' equity	139,584,328	115,993,769
Total stockholder's equity and liabilities	978,584,626	693,724,191

Approved for issue by the Board of Directors on November 8, 2018 and signed on its behalf by:



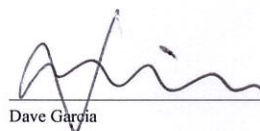
Patrick Hylton
President and Group
Chief Executive Officer



Dennis Cohen
Group Chief Financial Officer and
Deputy Chief Executive Officer



Professor Alvin Wint
Director



Dave Garcia
Corporate Secretary

NCB Financial Group Limited

Consolidated Statement of Changes in Stockholders' Equity

Year ended September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Share capital	Treasury shares	Re-organisation reserve	Reserve from the Scheme of Arrangement	Fair value and capital reserves	Loan loss reserve	Banking reserve fund	Retained earnings reserve	Retained earnings	Non-controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at October 1, 2016	-	-	6,462,343	-	8,824,351	4,447,709	6,539,948	29,620,000	47,210,959	-	103,105,310
Total comprehensive income	-	-	-	-	772,216	-	-	-	18,764,335	-	19,536,551
Transfer from loan loss reserve	-	-	-	-	-	(160,421)	-	-	160,421	-	-
Transfer to banking reserve fund	-	-	-	-	-	-	27,385	-	(27,385)	-	-
Transfer to retained earnings reserve	-	-	-	-	-	-	-	6,030,000	(6,030,000)	-	-
Issue of shares on reorganisation	153,827,330	(330,129)	(6,462,343)	(147,034,858)	-	-	-	-	-	-	-
Transactions with owners of the Company -											
Dividends paid	-	-	-	-	-	-	-	-	(6,648,092)	-	(6,648,092)
Balance at September 30, 2017	153,827,330	(330,129)	-	(147,034,858)	9,596,567	4,287,288	6,567,333	35,650,000	53,430,238	-	115,993,769
Total comprehensive income	-	-	-	-	(6,061,452)	-	-	-	27,477,359	1,032,437	22,448,344
Transfer from loan loss reserve	-	-	-	-	-	(816,798)	-	-	816,798	-	-
Transfer to banking reserve fund	-	-	-	-	-	-	31,109	-	(31,109)	-	-
Transfer to retained earnings reserve	-	-	-	-	-	-	-	3,600,000	(3,600,000)	-	-
Purchase of treasury shares	-	(720,656)	-	-	-	-	-	-	-	-	(720,656)
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	8,511,323	8,511,323
Transactions with owners of the Company -											
Dividends paid	-	-	-	-	-	-	-	-	(6,648,452)	-	(6,648,452)
Balance at September 30, 2018	153,827,330	(1,050,785)	-	(147,034,858)	3,535,115	3,470,490	6,598,442	39,250,000	71,444,834	9,543,760	139,584,328

NCB Financial Group Limited

Consolidated Statement of Cash Flows

Year ended September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

	September 30 2018 \$'000	September 30 2017 \$'000
Cash Flows from Operating Activities		
Net profit	28,580,966	19,107,818
Adjustments to reconcile net profit to net cash provided by operating activities	23,580,518	(15,237,164)
Net cash provided by operating activities	52,161,484	3,870,654
Cash Flows from Investing Activities		
Outflow of cash to acquire subsidiary	(4,153,226)	-
Acquisition of investment in associate	-	(50,000)
Cash acquired on purchase of subsidiary	5,975,796	-
Acquisition of property, plant and equipment	(2,541,303)	(3,306,436)
Acquisition of intangible asset - computer software	(3,948,971)	(2,539,825)
Proceeds from disposal of property, plant and equipment	473,030	48,376
Purchase of investment property	(8,971)	(164,491)
Net proceeds from partial disposal of associate	2,709,769	-
Dividends received from associates	1,100,633	1,079,451
Purchases of investment securities	(379,552,551)	(251,665,584)
Sales/maturities of investment securities	342,691,491	231,325,177
Net cash used in investing activities	(37,254,303)	(25,273,332)
Cash Flows from Financing Activities		
Proceeds from securitisation arrangements	-	18,893,926
Repayments under securitisation arrangements	(8,605,600)	(1,090,693)
Proceeds from other borrowed funds	56,633,130	31,350,316
Repayments of other borrowed funds	(32,510,656)	(4,966,435)
Due to banks	(4,749,583)	(3,173,039)
Purchase of treasury shares	(720,656)	-
Dividends paid	(6,648,452)	(6,648,092)
Net cash provided by financing activities	3,398,183	34,365,983
Effect of exchange rate changes on cash and cash equivalents	(2,449,510)	1,341,023
Net increase in cash and cash equivalents	15,855,854	14,304,328
Cash and cash equivalents at beginning of period	62,937,707	48,633,379
Cash and cash equivalents at end of period	78,793,561	62,937,707
Comprising:		
Cash in hand and balances at Central Bank	31,136,267	26,290,505
Due from banks	45,084,212	35,515,793
Reverse repurchase agreements	312,414	2,170,573
Investment securities	12,064,968	2,725,170
Due to banks	(9,804,300)	(3,764,334)
	78,793,561	62,937,707

NCB Financial Group Limited

Segment Report

Year ended September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Consumer & SME									
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management & Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	27,630,759	14,353,566	8,085,381	15,104,341	15,245,806	13,941,211	5,544,765	(1,949,321)	-	97,956,508
Revenue from other segments	1,848,174	-	665,453	5,959,214	3,110,753	119,860	273,515	796,663	(12,773,632)	-
Total Revenue	29,478,933	14,353,566	8,750,834	21,063,555	18,356,559	14,061,071	5,818,280	(1,152,658)	(12,773,632)	97,956,508
Interest income	23,553,250	5,373,879	7,629,600	13,480,059	9,013,312	3,172,207	641,938	11,818	(10,640,401)	52,235,662
Interest expense	(3,480,496)	(1,276,562)	(3,935,384)	(9,605,808)	(4,992,732)	(988,259)	-	(5,584)	7,794,400	(16,490,425)
Net interest income	20,072,754	4,097,317	3,694,216	3,874,251	4,020,580	2,183,948	641,938	6,234	(2,846,001)	35,745,237
Net fee and commission income	4,775,732	5,022,165	1,017,802	492,820	2,272,843	2,044,728	190,082	87,417	(2,951,975)	12,951,614
Gain on foreign currency and investment activities	220,942	10,153	69,231	6,641,524	6,062,121	4,545,502	80,278	211,037	(2,217,350)	15,623,438
Premium income	-	-	-	-	-	4,157,389	4,820,610	-	(315,994)	8,662,005
Other income	372,150	4,159	1,402	217,525	471,247	141,245	85,371	796,466	(1,151,399)	938,166
Total operating income	25,441,578	9,133,794	4,782,651	11,226,120	12,826,791	13,072,812	5,818,279	1,101,154	(9,482,719)	73,920,460
Staff costs	10,322,682	904,652	322,046	216,986	1,678,038	1,021,398	874,336	1,831,014	(168,407)	17,002,745
Provision for credit losses	1,105,165	532,120	51,397	(11,003)	(884)	-	-	-	-	1,676,795
Depreciation and amortisation	924,697	521,303	8,041	11,335	112,833	148,236	70,395	1,300	72,546	1,870,686
Impairment losses on securities	-	-	-	-	283,883	-	-	-	-	283,883
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	1,745,439	2,999,942	-	(13,902)	4,731,479
Other operating expense	3,789,044	2,637,291	432,606	1,070,750	1,571,668	624,249	787,892	34,657	(3,360,586)	7,587,571
Total operating expense	16,141,588	4,595,366	814,090	1,288,068	3,645,538	3,539,322	4,732,565	1,866,971	(3,470,349)	33,153,159
Operating profit before allocated cost	9,299,990	4,538,428	3,968,561	9,938,052	9,181,253	9,533,490	1,085,714	(765,817)	(6,012,370)	40,767,301
Allocated costs	(6,550,650)	(1,660,672)	(562,129)	(383,991)	-	-	-	-	-	(9,157,442)
Operating profit	2,749,340	2,877,756	3,406,432	9,554,061	9,181,253	9,533,490	1,085,714	(765,817)	(6,012,370)	31,609,859
Unallocated corporate expenses										(5,423,802)
Negative goodwill on acquisition of subsidiary										4,392,149
Share of profit of associates										2,573,232
Gain on partial disposal of associate										837,480
Profit before taxation										33,988,918
Taxation										(5,407,952)
Net Profit										28,580,966
Segment assets	371,812,382	28,225,714	112,327,839	301,620,091	216,828,952	53,116,340	15,382,157	17,917,104	(180,024,697)	937,205,882
Associates										35,125,894
Unallocated assets										6,252,850
Total assets										978,584,626
Segment liabilities	350,172,772	15,096,641	88,719,098	281,807,212	183,402,301	34,062,392	8,648,602	257,701	(123,982,993)	838,183,726
Unallocated liabilities										816,572
Total liabilities										839,000,298
Capital expenditure	2,981,420	1,066,251	254,380	183,449	842,017	486,332	577,075	99,350	-	6,490,274

NCB Financial Group Limited

Segment Report

Year ended September 30, 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Consumer & SME		Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management & Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	Total
	Retail & SME	Payment Services								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	18,835,872	11,686,395	7,574,970	12,400,065	11,109,883	8,386,630	5,612,097	65,906	-	75,671,818
Revenue from other segments	1,993,143	-	58,722	5,836,982	1,409,798	136,595	255,486	424,153	(10,114,879)	-
	20,829,015	11,686,395	7,633,692	18,237,047	12,519,681	8,523,225	5,867,583	490,059	(10,114,879)	75,671,818
Interest income	16,064,079	4,233,546	6,056,483	13,228,335	7,916,779	3,190,990	717,601	18,315	(8,589,122)	42,837,006
Interest expense	(1,871,148)	(1,373,526)	(2,792,518)	(8,751,796)	(4,136,024)	(910,592)	-	(1,167)	6,781,156	(13,055,615)
Net interest income	14,192,931	2,860,020	3,263,965	4,476,539	3,780,755	2,280,398	717,601	17,148	(1,807,966)	29,781,391
Net fee and commission income	4,231,664	4,274,447	1,499,332	492,441	1,244,614	1,837,636	167,140	6,531	(67,018)	13,686,787
Gain on foreign currency and investment activities	180,509	27,042	58,037	4,292,183	2,754,334	216,670	197,043	246,353	(261,112)	7,711,059
Premium income	-	-	-	-	-	3,170,073	4,688,679	-	(285,153)	7,573,599
Other income	228,831	1,470	972	208,997	603,955	107,857	97,120	423,785	(1,173,019)	499,968
Total operating income	18,833,935	7,162,979	4,822,306	9,470,160	8,383,658	7,612,634	5,867,583	693,817	(3,594,268)	59,252,804
Staff costs	6,668,573	723,439	216,169	155,182	1,068,915	876,909	844,055	75,581	(3,874)	10,624,949
Provision for credit losses	705,502	31,331	(3,035)	2,693	(7,226)	-	-	-	-	729,265
Depreciation and amortisation	330,003	443,362	6,839	16,827	104,354	93,527	75,567	-	71,643	1,142,122
Policyholders and annuitants benefits and reserves	-	-	-	-	-	1,461,083	2,726,404	-	(7,460)	4,180,027
Other operating expense	2,861,692	2,341,893	469,662	1,005,941	1,250,181	647,872	860,392	14,075	(1,292,546)	8,159,162
Total operating expense	10,565,770	3,540,025	689,635	1,180,643	2,416,224	3,079,391	4,506,418	89,656	(1,232,237)	24,835,525
Operating profit before allocated cost	8,268,165	3,622,954	4,132,671	8,289,517	5,967,434	4,533,243	1,361,165	604,161	(2,362,031)	34,417,279
Direct Allocated costs	(5,583,037)	(1,352,467)	(748,570)	(348,411)	-	-	-	-	-	(8,032,485)
Operating profit	2,685,128	2,270,487	3,384,101	7,941,106	5,967,434	4,533,243	1,361,165	604,161	(2,362,031)	26,384,794
Allocated corporate expenses										(5,226,166)
Share of profit in associates										2,850,700
Profit before taxation										24,009,328
Taxation										(4,901,510)
Net Profit										19,107,818
Segment assets	252,892,296	24,056,040	80,248,041	230,355,157	189,795,827	46,529,802	14,371,254	1,382,361	(187,130,240)	652,500,538
Associates										37,186,185
Unallocated assets										4,037,468
Total assets										693,724,191
Segment liabilities	221,234,822	12,311,689	54,379,184	239,968,452	157,380,417	30,992,399	8,017,323	72,753,251	(221,473,347)	575,564,190
Unallocated liabilities										2,166,232
Total liabilities										577,730,422
Capital expenditure	2,933,124	973,881	212,808	113,441	821,514	398,447	318,195	74,851	-	5,846,261

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and principal activities

NCB Financial Group Limited ("the Company") is incorporated and domiciled in Jamaica. The Company is 53.02% owned by AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael A. Lee-Chin, OJ, Chairman of the Company.

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

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

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

	Principal Activities	Percentage Ownership by the Company and its subsidiaries	
		Company	Subsidiary
National Commercial Bank Jamaica Limited	Commercial Banking	100	
Data-Cap Processing Limited	Security Services		100
Mutual Security Insurance Brokers Limited	Dormant		100
NCB Capital Markets Limited	Securities Dealer and Stock Brokerage Services		100
Advantage General Insurance Company Limited	General Insurance		100
NCB Capital Markets (Cayman) Limited	Securities Dealer		100
NCB Global Finance Limited	Merchant Banking		100
NCB Capital Markets (Barbados) Limited	Brokerage Services		100
NCB Capital Markets SA	Inactive		100
NCB (Cayman) Limited	Commercial Banking		100
NCB Trust Company (Cayman) Limited *	-		100
NCB Employee Share Scheme	Dormant		100
NCB Insurance Company Limited	Life Insurance, Investment and Pension Fund Management Services		100
N.C.B. (Investments) Limited *	-		100
N.C.B. Jamaica (Nominees) Limited	Dormant		100
NCB Remittance Services (Jamaica) Limited	Dormant		100
NCB Financial Services UK Limited	Pension Remittances		100
West Indies Trust Company Limited	Trust and Estate Management Services		100
NCB Global Holdings Limited	Holding company	100	
Clarien Group Limited	Banking, Investment and Trust Services	50.10	

* No significant activities at this time

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

NCB Financial Group Limited acquired 50.10% of the share capital of Clarien Group Limited in December 2017 (Note 4).

The Group's associates are as follows:

	Principal Activities	Percentage Ownership
Dyoll Group Limited	In Liquidation	44.47
Elite Diagnostic Limited	Medical Imaging Services	18.69
Guardian Holdings Limited	Life Insurance, Investment and Pension Fund Management Services	29.99
JMMB Group Limited	Securities Dealer and Stock Brokerage Services	20.01
Mundo Finance Limited	Micro Financing	50.00

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

With the exception of the Group's shareholding in Clarien Group Limited, JMMB Group Limited and Elite Diagnostic Limited, the Group's Shareholding in the above entities were the same as in the prior year.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of preparation

The condensed consolidated interim financial statements (interim financial statements) for the quarter and year ended September 2018 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2017 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB).

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

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

There were no new accounting standards which materially impacted the Group's financial statements during the year.

3. Segment reporting

The Group is organised into the following business segments:

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

The Group's trustee services and the outstanding transactions and balances of certain inactive subsidiaries are classified as 'Other' for segment reporting.

Unallocated assets and liabilities

Unallocated assets and liabilities comprise current income tax payable and recoverable, deferred income tax assets and liabilities and assets and liabilities of support units of National Commercial Bank Jamaica Limited ("the Bank") that are not allocated to its banking segments.

Direct allocated costs and unallocated corporate expenses

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

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

Eliminations

Eliminations comprise inter-company and inter-segment transactions.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

4. Acquisition of subsidiary

During December 2017, NCB Financial Group Limited (NCBFG) acquired 50.1% of the share capital of Clarien Group Limited, owner of Clarien Bank Limited based in Hamilton, Bermuda. Clarien Bank Limited is licensed to conduct banking, investment and trust business by the Bermuda Monetary Authority.

The assets, liabilities, negative goodwill and non-controlling interest recognised as a result of the acquisition are as follows:-

	Fair Values
	\$'000
Cash in hand and balances at Central Bank	2,542,765
Due from banks	3,433,031
Loans and advances, net of provision for credit losses	92,612,894
Investment securities classified as available-for-sale and loans and receivables	44,115,649
Investment properties	507,409
Intangible assets	5,061,912
Property, plant and equipment	2,079,856
Other assets	634,945
Customer deposits	(133,419,320)
Other liabilities	(512,382)
	<u>17,056,759</u>
Percentage shareholding - NCBFG	50.10%
Net assets acquired by NCBFG	8,545,375
Purchase consideration - Cash	(4,153,226)
Negative goodwill	<u>4,392,149</u>
Percentage shareholding - non-controlling interest	49.90%
Net assets attributable to non-controlling interest	8,511,323
Movement in net assets attributable to non-controlling interest for period	1,032,437
Net assets attributable to non-controlling interest as at the end of the period	<u>9,543,760</u>

5. Partial disposal of investment in associates

The Group disposed of a portion of its investment in JMMB Group Limited in September 2018, which reduced the percentage ownership from 26.30% to 20.01%. The Group's interest in Elite Diagnostic Limited was also reduced as a result of a partial disposal of the investment and the dilutive impact of an Initial Public Offer (IPO) during the current financial year.

6. Offer and take-over bid

On December 8, 2017, through its wholly-owned subsidiary, NCB Global Holdings Limited (NCBGH), NCBFG launched an offer and take-over bid (the 'Offer') to all shareholders of Guardian Holdings Limited (GHL), to acquire up to 74,230,750 ordinary shares in GHL. The Offer, if successful, would have resulted in NCBFG acquiring a controlling interest in GHL. The original close date of the Offer was January 12, 2018, which was subsequently extended to February 2, 2018 and further to February 23, 2018. As at February 23, 2018, there were terms and conditions of the Offer which remained outstanding. As such and in accordance with the provisions of the Securities Industry (Take-Over) By-Laws, 2005 NCBGH confirmed that the Offer lapsed.

The Trinidad and Tobago Securities and Exchange Commission convened a hearing (the 'Hearing') in accordance with the provisions of the Securities Act, 2012 in respect of the facts and circumstances surrounding NCBGH's equity interest in GHL and the issuance of the Offer Circular. However, that hearing was adjourned in the light of settlement negotiations that had commenced involving NCBGH and the Commission.



Interest/Ownership of Stock Units by Directors of NCB Financial Group Limited as at September 30, 2018

Directors ^{1.}	Total	Direct	Connected Parties
Robert Almeida	61,774,341	195,962	61,578,379
Dennis Cohen ^{2.}	136,414,807	1,883,451	134,531,356
Sandra Glasgow ^{2.}	134,629,055	100,699	134,528,356
Sanya Goffe	61,592,379	14,000	61,578,379
Patrick Hylton, CD	66,404,207	4,825,828	61,578,379
Hon. Michael Lee-Chin, OJ	1,585,864,275	2,383,882	1,583,480,393
Thalia Lyn, OD ^{2.}	134,974,590	431,114	134,543,476
Oliver Mitchell, Jr.	61,586,479	8,100	61,578,379
Prof. Alvin Wint, CD	61,666,523	88,144	61,578,379
Dave Garcia (Corporate Secretary)	11,210	11,210	0

Interest/Ownership of Stock Units by Senior Managers in NCB Financial Group Limited and its subsidiaries as at September 30, 2018

Senior Managers	Total	Direct	Connected Parties
Rickert Allen	113,696	113,696	0
Septimus Blake	10,050	10,050	0
Brian Boothe	5,000	5,000	0
Danielle Cameron Duncan	0	0	0
Dennis Cohen ^{1. 2.}	136,414,807	1,883,451	134,531,356
Dave Garcia	11,210	11,210	0
Steven Gooden	4,293	4,293	0
Howard Gordon	0	0	0
Phillip Harrison	25,598	10,000	15,598
Patrick Hylton, CD ^{1.}	66,404,207	4,825,828	61,578,379
Vernon James	0	0	0
Nadeen Matthews Blair	10,000	10,000	0
Claudette Rodriquez	42,147	42,147	0
Misheca Seymour-Senior	1,500	1,500	0
Andrew Simpson	0	0	0
Mark Thompson	0	0	0
Ian Truran	0	0	0
Tanya Watson Francis	0	0	0
Mukisa Wilson Ricketts	10,000	10,000	0
Allison Wynter ^{2.}	73,050,766	100,789	72,949,977
Angus Young	135,000	135,000	0

1. Connected parties for all directors include shares of 61,578,379 held by subsidiaries of Guardian Holdings Limited

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

10 Largest Shareholders of NCB Financial Group Limited as at September 30, 2018

Name of Shareholder	Units	Percentage Ownership
AIC (Barbados) Limited	1,307,805,542	53.02%
Harprop Limited	107,372,000	4.35%
Sagicor PIF Equity Fund	77,265,934	3.13%
NCB Insurance Co. Ltd WT 109	62,989,156	2.55%
AIC Global Holdings Inc.	47,649,260	1.93%
SJIML A/C 3119	43,254,981	1.75%
Ideal Portfolio Services Company Limited	40,674,477	1.65%
Portland (Barbados) Limited	37,243,957	1.51%
Neon Liberty Lorikeet Master Fund LP	28,412,089	1.15%
Beta SPV Limited	21,000,000	0.85%

Shareholder Profile of NCB Financial Group Limited as at September 30, 2018

Number of Shareholders	Ownership of Each Shareholder	Percentage Ownership	Number of Units
(1) shareholder with 4 accounts	53.02%	53.02%	1,307,805,542
1	6 - 10%	4.35%	107,372,000
7	1 - 4%	13.68%	337,489,854
37,027	Less than 1%	28.95%	714,095,432
37,036		100.00%	2,466,762,828