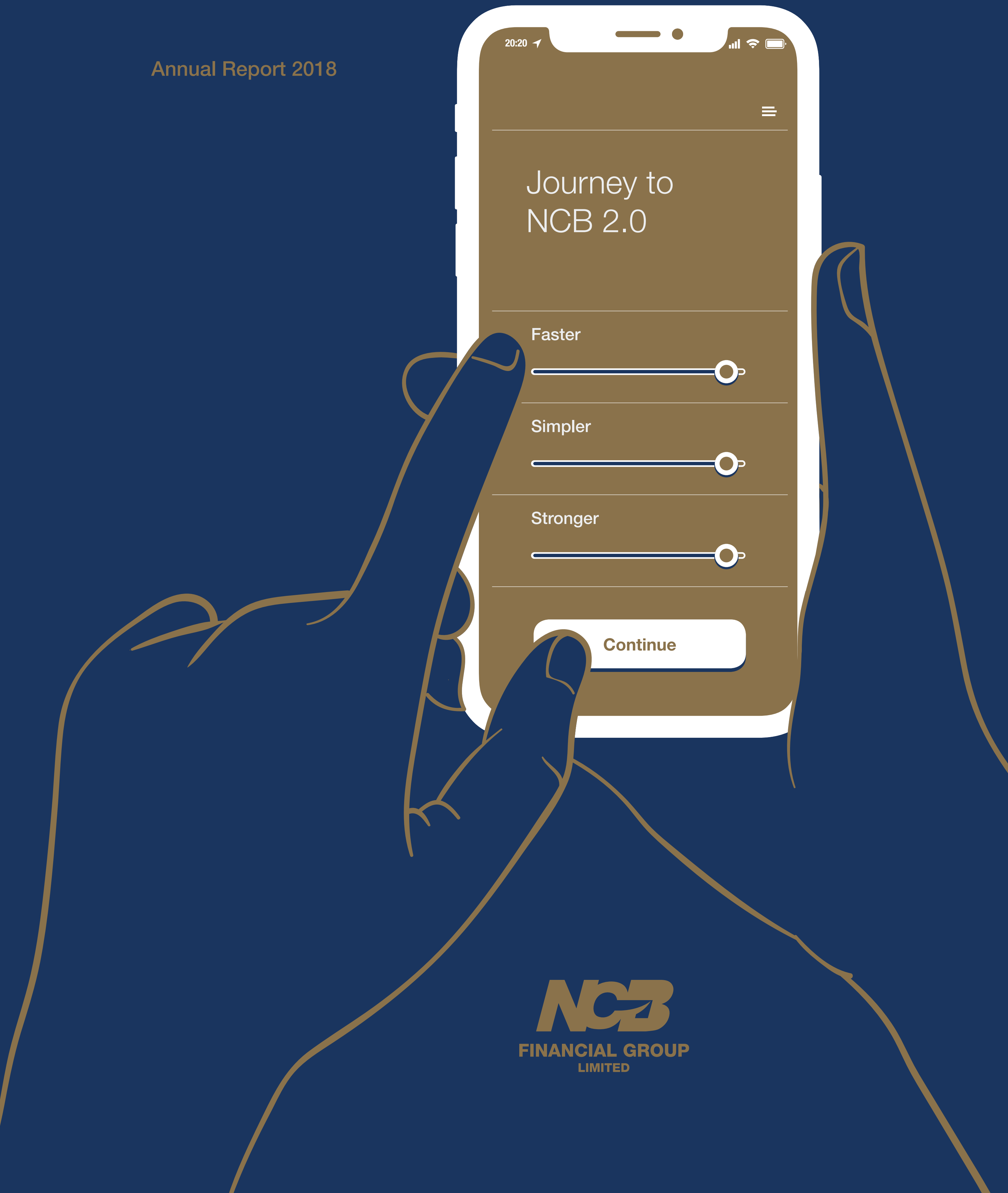
Annual Report 2018



NCB
FINANCIAL GROUP
LIMITED


Reliable
Efficiency
robust
Innovative
Analytics
Secure
Customer Experience
Agile
Flexible
Hassle free
Convenience

Giving our customers access to convenient, easy-to-use digital options is what drives us at the NCB Financial Group and in so doing, we take the hassle out of banking so you can have more time to pursue the things that are far more meaningful. Increasingly, customers want access to better financial solutions and at NCB, this is what fuels our actions. Our commitment to faster, simpler, stronger banking translates to innovative products and services that are available through a variety of channels to make life easier and of course, more enjoyable.

Contents

29

37

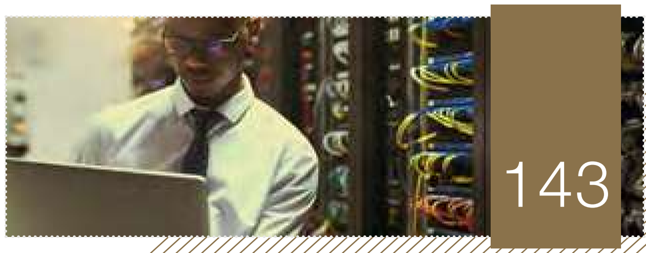
119


53


121


NCB
99


105


143

Vision

To be the premier Caribbean financial services group delivering superior products and services to satisfy the needs of our customers, while developing our employees and building the communities we serve.

VISION

Brand Pillars

01

Innovation

We are constantly striving to improve the financial solutions we offer, in order to meet the changing needs of our customers. We also drive innovation in our operations by using technology as a key enabler of greater efficiency and better service delivery.

02

Expertise

NCB professionals possess expert knowledge in their respective areas of our business. Equally important, we foster superior customer relationship management skills that engender trust and loyalty with those we serve.

03

Strength

Sound and prudent management are hallmarks of sustainability for the NCB Group. We carry out our business within a framework that observes proper ethical, regulatory and financial practices, while embracing our role as a responsible corporate citizen.

Core Values

Stakeholder Value

01

We hold a deep and abiding respect for each customer, every colleague in our companies, and all our shareholders.

Customer Experience

02

We commit to finding new, practical and innovative ways to make the term “excellent service” more relevant to each customer – every day.

People Development

03

We commit to the relentless renewal of our enterprise through the constant training of our people at all levels.

Reward & Recognition

04

In our merit-based culture, individual reward and recognition will be a result of measured performance.

Fair Competition

05

We treat all competitors as noble, but we will compete fairly and vigorously to win.

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of NCB FINANCIAL GROUP LIMITED will be held at the Spanish Court Hotel, room Valencia T, 16 Worthington Avenue, Kingston 10, in the parish of **Saint Andrew** on **Friday, January 25, 2019** to start at **10:00 a.m.** to consider and if thought fit pass the following resolutions:

ORDINARY BUSINESS

Ordinary Resolutions

1. **Audited Accounts**

   "**THAT** the Audited Accounts for the year ended September 30, 2018 and the Reports of the Directors and Auditors, circulated with the Notice convening the Meeting, be and are hereby adopted."

2. **Declaration of Dividend**

   "**THAT** the interim dividends per stock unit of $0.70 paid in February 2018, $0.70 paid in May 2018, $0.70 paid in August 2018, and $0.70 paid in December 2018 be treated on the recommendation of the Directors as the final dividend for the financial year ended September 30, 2018."

3. **Election of Directors**

   Article 94 of the Company's Articles of Incorporation provides that one-third of the Board other than the Managing Director (that is, our President and Group Chief Executive Officer) and Deputy Managing Director (that is, our Group Chief Financial Officer and Deputy Chief Executive Officer) or, if the number of members of the board is not three or a multiple of three, then the number nearest to one-third shall retire from office at each Annual General Meeting. The Directors retiring under this Article are **Hon. Michael Anthony Lee-Chin, OJ** and **Mr Robert Wilfred Almeida**, who, being eligible, offer themselves for re-election.

   The proposed resolutions are therefore as follows:

   a) "**THAT** Director, **Hon. Michael Anthony Lee-Chin, OJ,** retiring pursuant to Article 94 of the Articles of Incorporation be and is hereby re-elected."

   b) "**THAT** Director, **Mr Robert Wilfred Almeida**, retiring pursuant to Article 94 of the Articles of Incorporation be and is hereby re-elected."

4. Directors' Remuneration

a) "**THAT** the Directors be and are hereby empowered to fix the remuneration of the Executive Directors."

b) "**THAT** the total remuneration of all of the Directors combined, other than the Executive Directors, for the financial year of the Company ending September 30, 2019, BE AND IS HEREBY fixed at $25,000,000, which remuneration may include such share incentive scheme for directors as may be determined by the Board.

5. Appointment of Auditors and their Remuneration

"**THAT** PricewaterhouseCoopers, having signified their willingness to serve, be appointed as Auditors of the Company until the conclusion of the next Annual General Meeting, at a remuneration to be agreed with the Directors."

6. Resolutions in respect of any other business which can be transacted at an Annual General Meeting.

A Member of the Company, entitled to attend and vote, is entitled to appoint a Proxy to attend and vote in his/her stead, and a Proxy need not be a member.

If you are unable to attend the Meeting, a Form of Proxy is enclosed for your convenience. When completed, this Form should be deposited with the Secretary, at the Registered Office of the Company, "The Atrium", 32 Trafalgar Road, Kingston 10, Jamaica, not less than **48 hours** before the time appointed for the Meeting. The Proxy Form should bear stamp duty of **$100.00**, before being signed. The stamp duty may be paid by adhesive stamps, which are to be cancelled by the person signing the Proxy.

DATED this 20th day of **December, 2018**

BY ORDER OF THE BOARD

DAVE L. GARCIA
CORPORATE SECRETARY

Our Business in Brief

The strength of an organisation is its commitment to people, be that its customers, employees and shareholders. Buoyed by the accompanying pillars of innovation and expertise, our strength fuels our aspiration to remain best in class regionally as one of the largest financial groups across the Caribbean.

To maintain this position, it remains important to us to be the region's financial services provider of choice, employer of choice and a leading corporate citizen, who builds the communities we serve.

Our aim is to be a one-stop financial group, providing financial services to all our customers, no matter where they are in their life cycles. Moreover, with advances in technology and our customers' changing need for faster solutions and simplified banking, we have begun to expand our digital capabilities and electronic solutions to meet these needs. With our digitisation thrust, we are focused on financial innovation, as we continuously disrupt the traditional ways of conducting business.

NCB is growing its presence regionally with locations in Trinidad and Tobago, Barbados, the Cayman Islands and Bermuda, through the recent acquisition of Clarien Group Limited.

We remain steadfast in our commitment to our stakeholders to ensure they can always Put their Best Life Forward as we deliver our services **Faster I Simpler I Stronger**.

Our Business
in Brief

CONTINUED

NCB Financial Group Limited ("NCBFG") was incorporated in April 2016 and is the financial holding company for the NCB Group, including National Commercial Bank Jamaica Limited ("NCBJ"). NCB is the largest and most profitable financial services group in Jamaica with roots dating back to 1837. The NCB Group includes: NCBJ, NCB Capital Markets Limited and its subsidiaries in Barbados, Cayman and Trinidad and Tobago, NCB Insurance Company Limited, Advantage General Insurance Company Limited and NCB (Cayman) Limited. In May 2016, NCB acquired a 29.99% interest in Guardian Holdings Limited (GHL) in Trinidad & Tobago, which is held through a directly owned subsidiary, NCB Global Holdings Limited, incorporated in Trinidad & Tobago. In December 2017, we completed the acquisition of a 50.1% majority stake in Clarien Group Limited (Clarien), owner of Clarien Bank Limited based in Hamilton, Bermuda.

National Commercial Bank Jamaica Limited provides an array of financial solutions to meet the needs of Jamaican customers. Deposit accounts, unsecured and secured loans, credit cards, overdraft lines, foreign exchange, personal and private banking services are part of our offerings. In Jamaica, our network remains unmatched with 37 locations, over 300 ABMs and Kiosks and over 8,000 merchants locations. Online banking is available at www.jncb.com, along with telephone banking and a toll-free 24/7 Customer Care Centre at 1-888-NCBFIRST (622-3477).

Clarien Group Limited owner of Clarien Bank Limited based in Bermuda, provides financial solutions in personal, commercial and private banking, investment & wealth management and trust services to its customers. Clarien Bank offers online services at www.clarienbank.com

NCB Capital Markets Limited

NCB Capital Markets Limited offers stock brokerage and security, wealth and asset management services. Through NCB Capital Markets (Cayman) Limited, NCB Capital Markets (Barbados) Limited and NCB Global Finance Limited the needs of our markets in the Cayman Islands, Barbados and Trinidad & Tobago are met.

NCB Capital Markets (Barbados) Limited

NCB Capital Markets (Barbados) Limited is a wealth, asset management, and investment banking entity in the NCB Group for the Eastern Caribbean.

NCB Capital Markets (Cayman) Limited

NCB Capital Markets (Cayman) Limited provides wealth, asset management, and investment banking services from the Cayman Islands.

NCB Insurance Company Limited

NCB Insurance Company Limited offers insurance and long-term life investments and meets pension needs for individuals and groups in Jamaica.

Advantage General Insurance Company Limited

Advantage General Insurance Company Limited is a Jamaican general insurance company, offering auto, home and content insurance coverage, as well as commercial insurance including, but not limited to, employers' liability, goods in transit and professional liability.

NCB Global Finance Limited

NCB Global Finance Limited is a Trinidad & Tobago based merchant bank. Its offerings include deposits; origination of loans and leases; and provision of foreign exchange and trustee services.

NCB Cayman Limited

NCB (Cayman) Limited provides banking services from the Cayman Islands.

NCB UK Representative Office

&

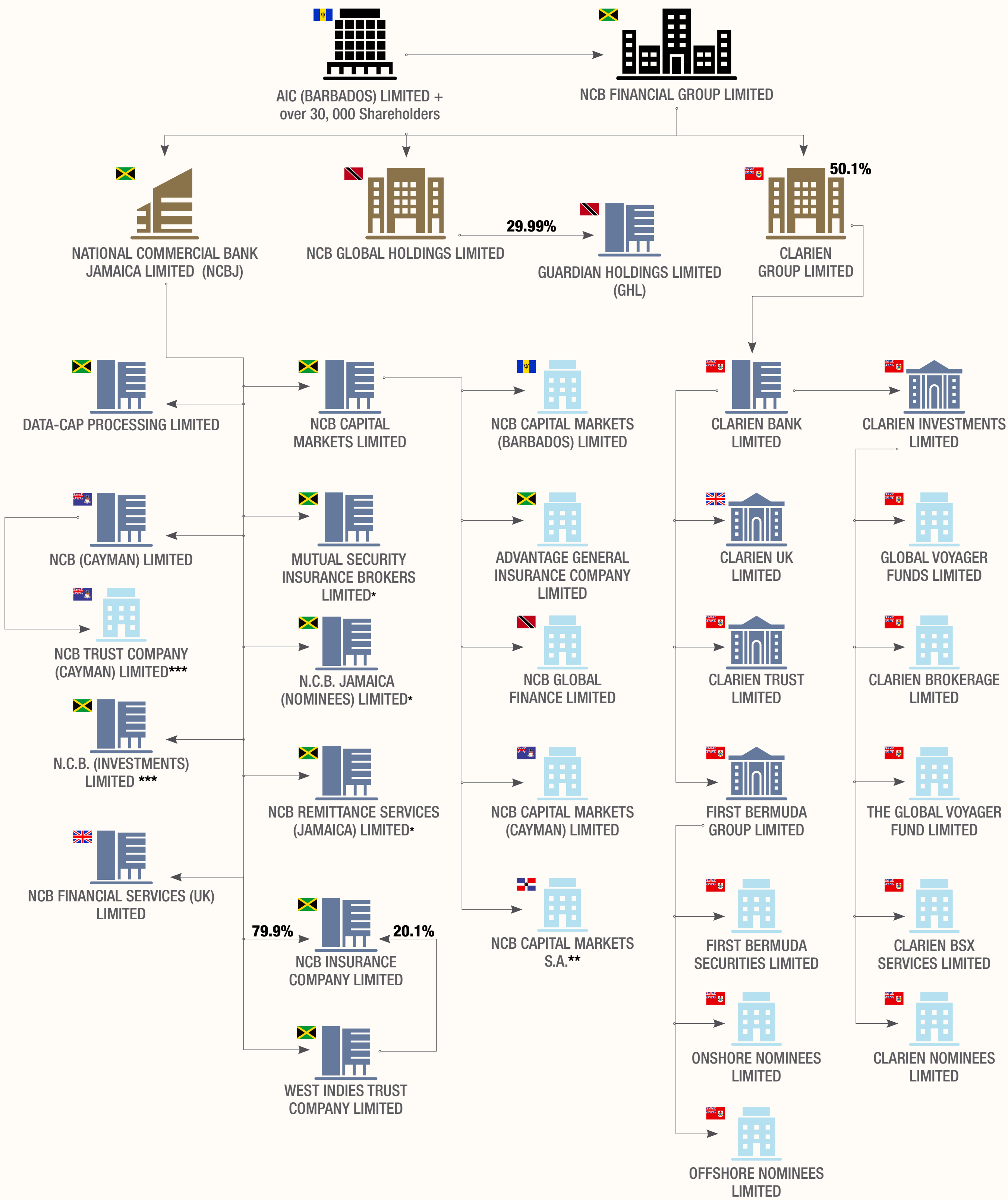
NCB Financial Services UK Limited

NCB UK Representative Office (the only arm of the Retail Banking business that is based outside Jamaica) & NCB Financial Services UK Limited focus on the remittance of pensions and provide general support to NCB customers who reside in the United Kingdom.

NCB Foundation

N.C.B. Foundation is the philanthropic arm of the Group. Since its inception in 2003, over $1 billion has been used to support initiatives in the communities we serve impacting over 160,000 lives, NCB continues to demonstrate its commitment to nation building through its focus on education, community development, youth leadership and entrepreneurship.

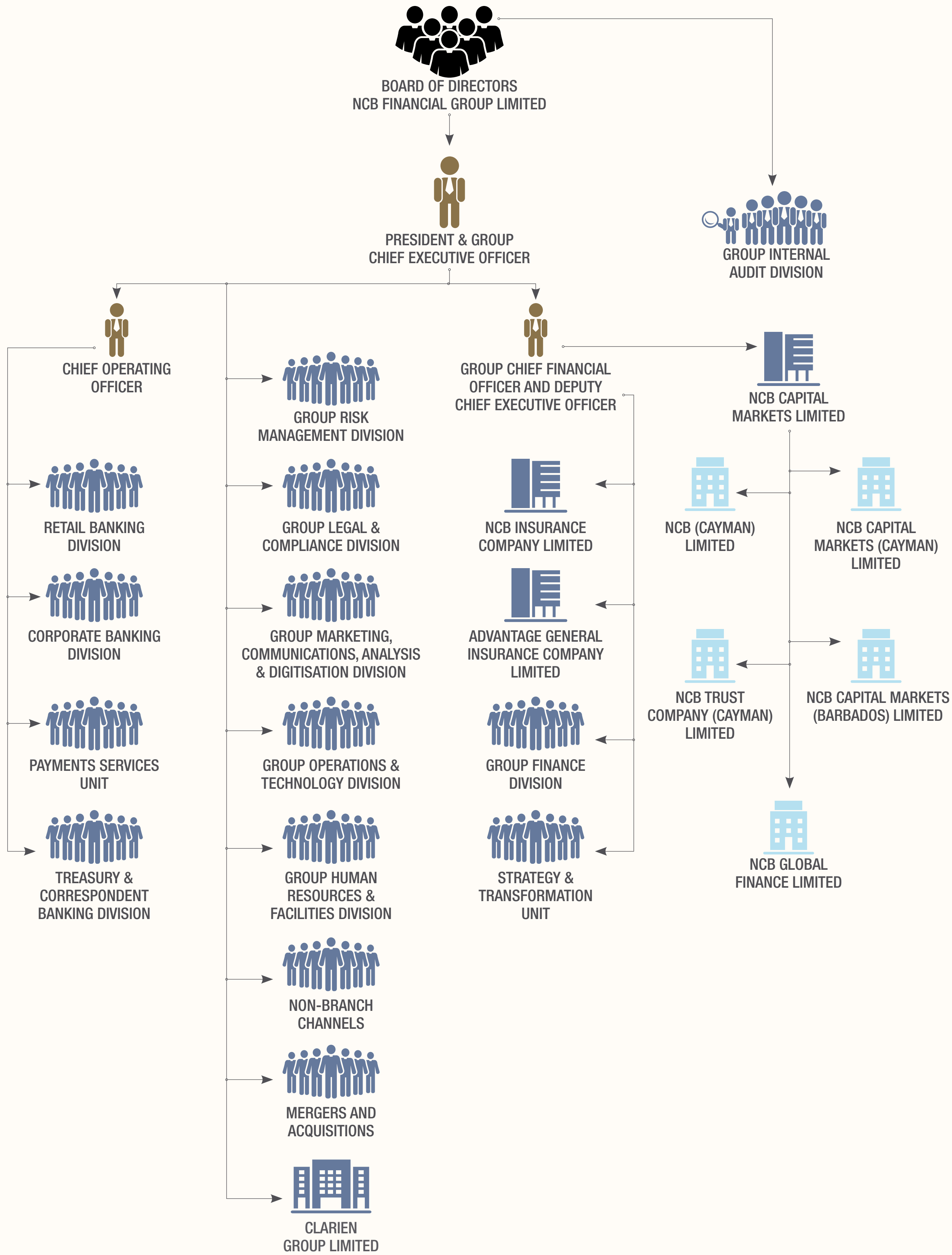
Group
Corporate Legal Structure



*	Dormant
**	Inactive
***	No significant activities at this time.

Ownership is 100% unless otherwise indicated.

Organisational Chart



Strategic
Focus

Our 2020 Group aspiration focuses on three
BUSINESS PRIORITIES driven by **6 INITIATIVES**

NCB 2.0 by 2020: Faster | Simpler | Stronger

Our Awards

- **JAMAICA STOCK EXCHANGE'S (JSE) GOVERNOR GENERAL'S AWARD FOR EXCELLENCE 2017**
  NCB FINANCIAL GROUP LTD.
- **JSE'S BEST PRACTICES - ANNUAL REPORT AWARD 2017**
  NCB FINANCIAL GROUP LTD.
- **JSE'S CORPORATE DISCLOSURE & INVESTOR RELATIONS AWARD 2017**
  NCB FINANCIAL GROUP LTD.
- **JSE/PSOJ CORPORATE GOVERNANCE AWARD 2017**
  NCB FINANCIAL GROUP LTD.
- **GLOBAL FINANCE - BEST FX BANK 2019 - JAMAICA**
  NATIONAL COMMERCIAL BANK JAMAICA LTD.
- **INTERNATIONAL BANKER 2018 - BEST COMMERCIAL BANK** - NATIONAL COMMERCIAL BANK JAMAICA LTD.
- **INTERNATIONAL BANKER 2018 - BEST INNOVATION IN RETAIL BANKING**
  NATIONAL COMMERCIAL BANK JAMAICA LTD.
- **LATIN FINANCE - BANK OF THE YEAR 2018 - JAMAICA**
  NATIONAL COMMERCIAL BANK JAMAICA LTD.
- **GLOBAL FINANCE-SAFEST BANK AWARD 2018 -JAMAICA**
  NATIONAL COMMERCIAL BANK JAMAICA LTD.
- **THE BANKER - BANK OF THE YEAR 2018 - JAMAICA**
  NATIONAL COMMERCIAL BANK JAMAICA LTD.
- **CAPITAL FINANCE - BEST WEALTH MANAGEMENT CARIBBEAN 2018, CFI AWARD**
  NCB CAPITAL MARKETS LTD.
- **JSE'S MEMBER-DEALERS AWARD 2017 - EXPANSION OF INVESTORS & LISTED COMPANIES BASE**
  NCB CAPITAL MARKETS LTD.
- **JSE'S CHAIRMAN'S AWARD -TOP MEMBER DEALER 2017**
  NCB CAPITAL MARKETS LTD.

NCB FINANCIAL GROUP LIMITED

Winner: Bank of the Year: Jamaica

Our Corporate Relationships

Business Highlights


A


B


C


D


E


F


G


H


I


J

SME: A President and Group CEO, Patrick Hylton (c) is surrounded by members of the Internet Income Jamaica team who were winners in the Innovation category at the 2017 Nation Builder Awards. B Stuart Reid, Assistant General Manager, Retail Banking Division gives encouraging words to SME's at the start of the two day NBA/ HEART NTA Training session held at the NCB Corporate Learning Campus. **CORPORATE:** C Andrew Simpson, Head Corporate Banking Division listens intently to Timothy Lamb, Senior Project Director, JPS, as he participates in a tour of the JPS 190 megawatt power plant under construction in old Harbour St. Catherine. D The NCB Corporate Banking and CB Group teams partnered in the building of "The Nest", a single location at Hill Run, St Catherine, where it will house three Of CB Group's independent operations - all functioning at first-world standards. (L-R) Matthew Lyn, CB COO; Bob Blake, NCB COO; Lori-Ann Lyn, CB Group Managing Director; Legal Counsel Derrick Russell; and Andrew Simpson, Head, Corporate Banking Division. E Brian Boothe, former General Manager, Corporate Banking Division and current Head Retail Banking Division joins Winston Watson, General Manager Petroleum Corporate of Jamaica (PCJ) in listening to Hon. Audley Shaw then Minister of Finance and the Public Service. The three were participating in the NCB-sponsored Natural Gas Conference hosted by the PCJ. **FAIRVIEW OPENING:** F Chairman, Michael Lee-Chin and Group President and CEO, Patrick Hylton lead the ribbon cutting ceremony to mark the official opening of the ultra-modern, full service branch in Fairview, Montego Bay. With them are members of the NCB Executive and branch teams, as well as Government officials from Montego Bay. **RETAIL:** G (L-R) Brian Boothe, Head of Retail Banking, NCB; Seth George Ramocan, Jamaica's High Commissioner to the UK and Leonard Mahipalamudali, Manager, NCB UK Representative Office, pose for a picture during Brian's visit to the UK **EXPO JAMAICA 2018:** NCB-sponsored, Expo Jamaica 2018, saw over 20,000 consumers pass through the exhibition doors. In keeping with NCB's thrust in providing digital solutions for its customers, the theme was "Your Digital Financial Home" which allowed customers to learn about all the products and services that NCB currently offers to assist in all areas of their customers lives. H The Hon. Dr. Horace Chang, Minister of National Security, tries out the new Digital Account Opening tablet while an NCB representative assists. I The Hon. Audley Shaw, Minister of Industry, Commerce, Agriculture and Fisheries visits the NCB booth to view the new solutions available on NCB ABM's. J Patrons of EXPO 2018 visit the NCB booth.

TREASURY: K Tanya Watson- Francis, Head of Treasury & Correspondent Banking Division speaks to a guest at the Treasury Traders Lyme held at CRU. **NCBIC:** L (R) Desmond Johnson, Manager NCBIC Group Line Business, answers a question from the audience at the NCBIC Pension Seminar. Also in the photograph are (L-R) Anntonette Cowan Palmer, Regional Manager NCBIC; moderator, Andre Brown, Investment Manager NCBIC; Sanya Goffe, Attorney-At-Law and Partner, Hart, Muirhead, Fatta (and Director of NCBFG & NCBJ) and Herbert Hall VP Investments, NCBCM. M Omario Thorpe (second left) poses for a photo after receiving a new laptop and $150,000 towards tuition from Christopher Vendryes, Manager, Bancassurance, NCB Insurance Company; Beverly Stewart, co-chair, Jamaica Social Investment Fund (JSIF) joins in. N George Hue, Rayton Manufacturing; Kirk Palmer, Corporate Officer, NCBIC Group Line; Desmond Johnson, Manager, NCBIC Group Line and Delano Seiveright, Senior Strategist in the Ministry of Tourism, pause for a quick photo at the NCBIC Group Line mingle. O Vernon James, CEO and Managing Director NCBIC greets a guest at the NCBIC Group Line Mingle. **NCBCM:** P Herbert Hall, NCB Capital Markets Vice President - Investment Banking and Dwight Jackson, NCB Capital Markets Manager – Structuring and Origination along with Melanie Subratie, CEO of Stanley Motta Limited sign documents in relation to the Initial Public Offering for 58 HWT Technology Park. Q (L-R) Mark Barnett, President of the National Water Commission (NWC), shares lens with the Hon. Karl Samuda, Minister without portfolio, Ministry of Economic Growth and Job Creation, Prime Minister the Most Hon. Andrew Holness, Steven Gooden, CEO, NCB Capital Markets and Audrey V. Sewell, Permanent Secretary in both the Office of the Prime Minister and the Ministry of Economic Growth and Job Creation at the signing of a J$15 billion bond issue between the NWC and NCBCM. The bond is slated to help offset foreign debt amassed by the Commission and help strengthen its balance sheet. **SPORTING CLAYS 2018:** R Steven Gooden (2nd right), with regional managers Simona Watkis (left) and Najah Peterkin share the winner's circle with Joseph Pinchin who shot his way to the top at the NCB Capital Markets Sporting Clays Open in March. Also sharing in the moment is President of the Jamaica Skeet Club Evan Thwaites. S NCB Capital Markets Manager-Origination and Structuring, Stanley Thompson (left) shakes hands in agreement with Wisynco Group Limited, Chairman William Mahfood during a signing ceremony commemorating a partnership with the local manufacturing and distribution giants. Sharing in the moment, too, are Wisynco Chief Executive Officer Andrew Mahfood and PriceWaterhouseCoopers Director Fiona Hyman. **FATHERS' DAY EVENT:** T NCB Group customer Khafre Gentles is only too proud to capture a memory with his girls: wife Alicia with daughters Milan and Kai. The family shared in our annual Father's Day Brunch held at the Caymanas Golf and Polo Club to celebrate Father's Day.

Our Employees

Business Highlights

CONTINUED

A

B

C

D

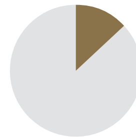
E

F

INNOVATION: A The 2018 Staff Innovation Challenge Winners (L-R) Jase-Omelio West, Jodi-Ann Whitehorne and Jamin Atkins. B Winners of the 2018 Innovation Internship cohort pose with (L) Ruth Cummings, VP, Channel Management and Underwriting of AGIC and (far right) Gabrielle Banbury-Kelly, SAGM-Strategy and Transformation. **AGILE DAY:** C-D team members of the Digitisation and Enterprise Information Management departments participate in team building activities during the first, inaugural Agile Day. E **SIGMA RUN**: Team NCB pose after completing the race. **GROUP SALES CONVENTION:** At the beginning of each financial year, sales teams across the Group attend a 1 day conference to strategise, collaborate and excite the team on the financial year ahead. F The top performing team members for the previous financial year gather together with their managers for a celebratory photo.

G Team Green performs one of their challenges of the day to the audience. H NCB team members sit in their respective team colours as they await the start of the highly anticipated Group Sales Kick Off. **LONG SERVICE AWARDS:** I Recipients of the 10 Years of Service award smile for the camera during our annual Long Service Awards ceremony. **PINNACLE AWARDS:** J Septimus 'Bob' Blake, Chief Operating Officer, NCB (3rd right) and Brian Boothe, Head of Retail Banking, (c) present the Branch of the Year award to the Windward Road branch. **PENSIONERS LUNCHEON** K NCB Pensioners enjoy lunch at the annual Pensioners Luncheon held in December.

978.6
Assets ($ billions)



13.29%
Stockholders' equity to total assets ratio (%)

Performance Highlights 2018

Another Record Performance

The achievement of the **highest net profit** in the Group's history

130.0
Stockholders' Equity
($ billions)

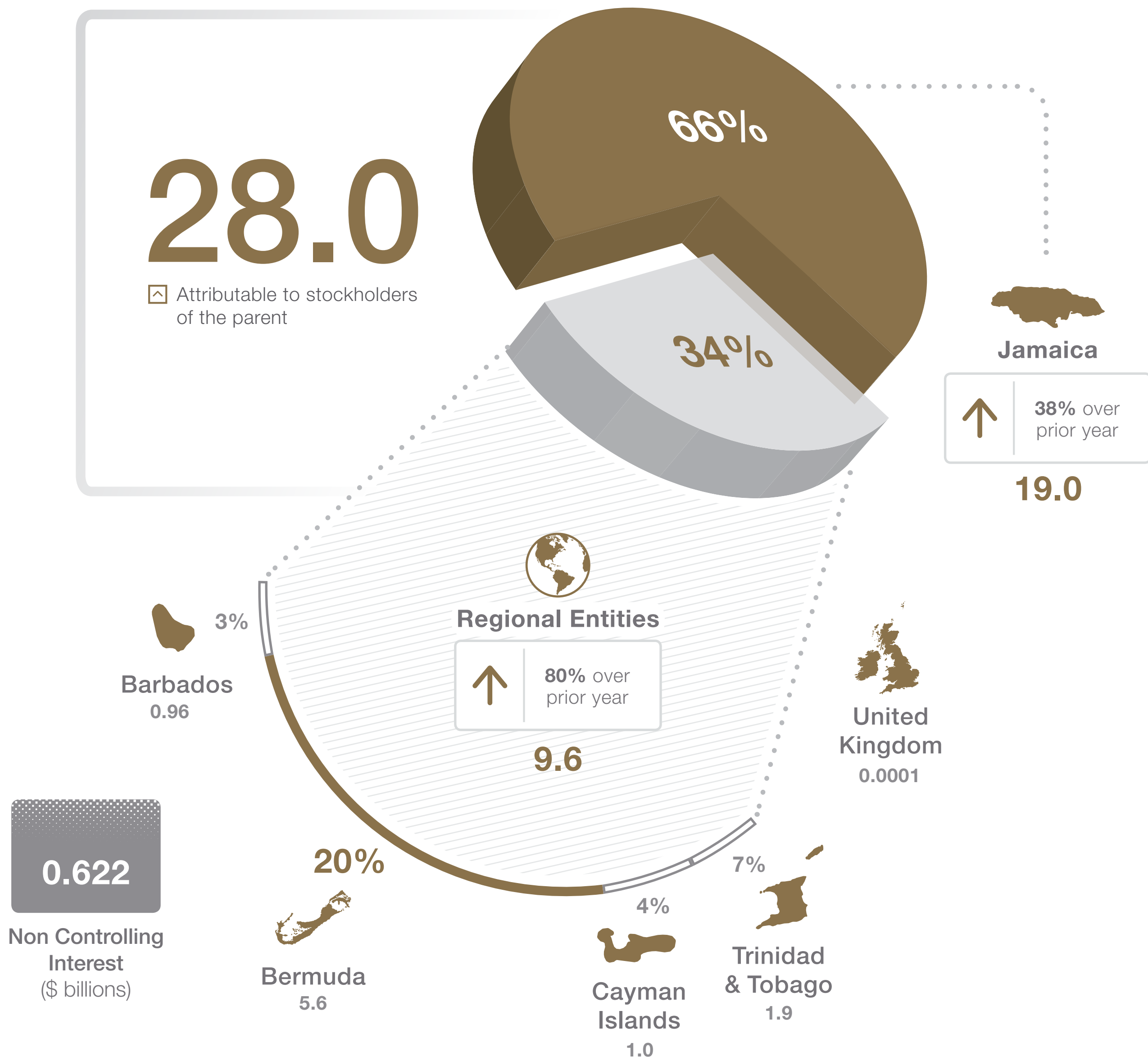
98.0
Gross Income
($ billions)

2.80
Dividends Declared per Share
($)

Our regional expansion resulted in a new geographic revenue stream, Bermuda.

In December 2017, NCBFG acquired a 50.1% majority stake in Clarien Group Limited.

Net Profit ($ billions)



NCBFG Rated by CariCRIS

Issuer/Corporate Credit Rating	Local Currency	Foreign Currency	Outlook
Regional Scale	CariA	CariA-	Stable
National Scale	jmAAA	jmAA+	

Performance Highlights 2018

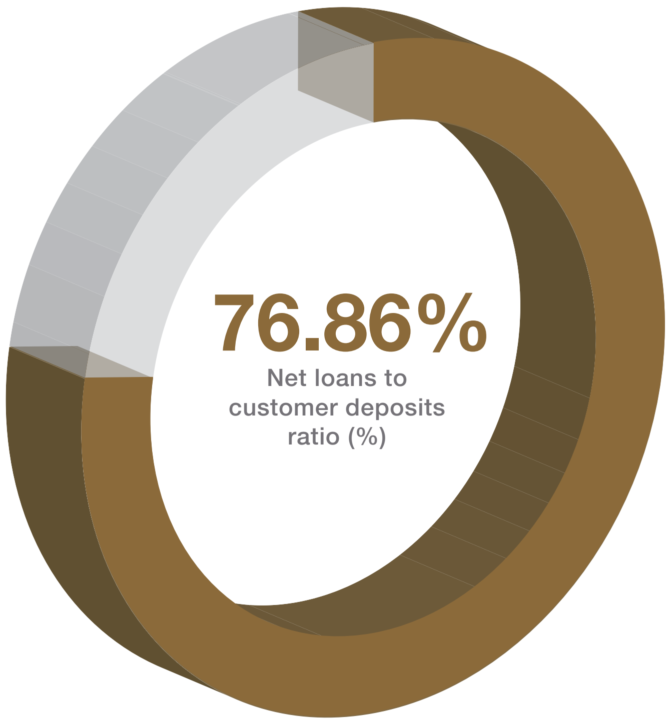
CONTINUED

372.6

Net Loans
($ billions)

484.8

Customer Deposits
($ billions)



Caribbean Ranking Extract

Criteria	Rank
Pre-Tax Profits	3
Total Assets	7
Return on Assets	10
Tier 1 Capital	10
Return on Equity	12

35.2

Assets under Management - Unit Trust Portfolios (NCBCM)
($ billions)

38.1

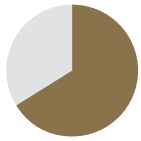
Liabilities under annuity and insurance contracts (NCBIC & AGIC)
($ billions)

307
Automated Banking Machines & Financial Kiosks

Our business transformation will deliver new technologies, products and services in a faster, more cost efficient manner.

>8,000
Merchant Locations

76.5
Operating Income
($ billions)



66.22%
Loan income to interest income ratio
(%)

10.46
Profit per staff
($ millions)

Staff Development

43
Average Learning Hours per Employee

112,556
Total Learning Hours

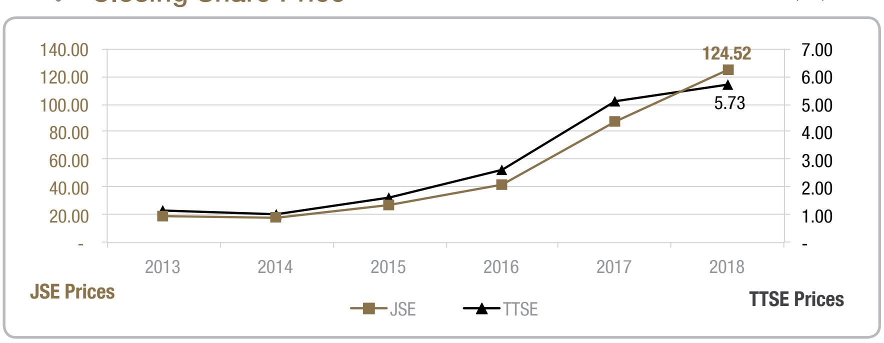
40
Benchmark average learning hours per employee

Agile philosophies increased the velocity of decision making and improved our responsiveness to changes in operating environment.

2.2
Dividend Yield
(%)

Closing Share Price

5Yr. CAGR: 46% (JSE)



53.0
Book Value per Share
($)

10 Year Financial Statistical Review

	2018	2017	2016	2015
Consolidated Income Statement Summary (J$'000)				
Net profit	**28,580,966**	19,107,818	14,448,560	12,301,790
Net profit attributable to the stockholders of the parent	**27,958,752**	19,107,818	14,448,560	12,301,790
Gross operating income	**97,956,508**	75,671,818	65,236,303	61,183,893
Operating income	**76,536,980**	59,474,588	51,569,362	47,472,915
Net interest income	**35,144,184**	29,759,669	28,123,770	25,964,030
Non-interest income	**41,392,796**	29,714,919	23,445,592	21,508,885
Operating expenses	**50,350,923**	38,315,960	33,473,290	31,471,734
Staff costs	**23,776,353**	16,461,158	13,809,023	11,942,482
Provision for credit losses	**1,676,755**	729,234	612,355	1,799,158
Depreciation and amortisation	**3,472,372**	2,359,274	1,899,414	1,563,551
Taxation expenses	**5,407,952**	4,901,510	4,479,992	4,082,309
Consolidated Statement of Financial Position Summary (J$'000)				
Total assets	**978,584,626**	693,724,191	607,669,433	523,815,161
Loans and advances, net of provision for credit losses	**372,634,701**	218,615,226	189,055,786	165,404,606
Investment securities	**389,490,044**	299,177,288	275,669,541	275,987,700
Statutory reserves with Central Banks	**43,575,130**	39,022,524	29,832,265	23,247,218
Customer deposits	**484,847,790**	288,464,013	273,965,888	227,850,985
Liabilities under annuity and insurance contracts	**38,093,007**	36,185,320	35,282,653	34,689,274
Repurchase agreements	**152,884,626**	115,586,590	105,974,938	100,004,008
Obligations under securitisation arrangements	**58,992,666**	66,743,350	47,899,756	44,292,064
Stockholders' equity	**139,584,328**	115,993,769	103,105,310	88,394,211
Stockholders' equity attributable to the stockholders of the parent	**130,040,568**	115,993,769	103,105,310	88,394,211
Profitability Ratios (%)				
Return on average stockholders' equity (1)	**22.73%**	17.44%	15.09%	14.45%
Return on average total assets (2)	**3.34%**	2.94%	2.55%	2.40%
Non-interest income to operating income	**54.08%**	49.96%	45.46%	45.31%
Effective tax rate (3)	**15.91%**	20.42%	23.67%	24.92%
Cost to income ratio (4)	**63.22%**	63.20%	63.72%	62.34%
Stock Unit Information (J$)				
Earnings per stock unit (5)	**$11.39**	$7.76	$5.87	$5.00
Dividends paid per stock unit	**$2.70**	$2.70	$2.35	$2.31
Book value per stock unit	**$53.00**	$47.12	$41.89	$35.91
Closing share price at September 30 - Jamaica Stock Exchange (JSE) (*)	**$124.52**	$ 87.02	$ 41.55	$ 27.72

1. Return on average stockholders' equity is calculated as net profit divided by average stockholders' equity (stockholders' equity at the end of the financial year plus stockholders' equity at the end of the prior financial year, divided by two).
2. Return on average total assets is calculated as net profit divided by average total assets (total assets at the end of the financial year plus total assets at the end of the prior financial year, divided by two).
3. Effective tax rate is calculated as taxation expenses divided by profit before taxation.

* Source: Jamaica Stock Exchange Monthly Statistics Report

2014	2013	2012	2011	2010	2009
12,327,120	8,578,858	10,045,862	13,885,301	11,074,798	10,248,185
12,327,120	8,578,858	10,045,862	13,885,301	11,074,798	10,248,185
57,422,834	48,941,802	44,425,230	44,791,704	43,023,151	44,868,803
43,253,649	37,965,583	34,546,949	34,672,196	29,423,355	27,272,322
24,660,667	23,558,986	21,784,090	21,150,860	20,649,643	18,879,974
18,592,982	14,406,597	12,762,859	13,521,336	8,773,712	8,392,348
29,336,942	27,775,657	22,366,253	19,184,458	16,135,955	14,100,596
11,523,930	11,226,597	9,755,916	9,240,116	9,252,662	7,989,772
2,226,949	2,066,260	2,462,811	768,881	947,962	1,027,634
1,247,403	1,209,971	812,512	580,132	528,333	593,538
3,142,766	2,472,246	3,070,027	3,704,793	2,413,315	2,885,450

2014	2013	2012	2011	2010	2009
499,345,092	446,575,055	379,435,519	359,618,113	334,970,011	315,096,477
157,630,000	141,150,312	111,904,854	91,728,138	85,995,102	88,178,270
264,170,757	234,437,453	210,653,557	204,748,127	200,132,984	167,718,957
22,833,217	20,392,153	17,727,899	16,068,630	15,084,579	16,181,485
202,162,392	178,411,021	162,930,350	155,800,401	144,283,158	130,331,351
34,230,910	33,914,506	25,194,324	23,564,275	20,405,624	19,114,764
134,690,626	117,377,395	101,890,449	84,075,103	85,292,763	77,374,431
13,885,577	10,101,032	2,593,201	14,378,119	20,456,162	27,157,180
81,846,383	72,516,720	65,895,952	61,977,264	48,807,933	41,015,946
81,846,383	72,516,720	65,895,952	61,977,264	48,807,933	41,015,946

2014	2013	2012	2011	2010	2009
15.97%	12.40%	15.71%	25.07%	24.66%	28.34%
2.61%	2.08%	2.72%	4.00%	3.41%	3.38%
42.99%	37.95%	36.94%	39.00%	29.82%	30.77%
20.32%	22.37%	23.41%	21.06%	17.89%	21.97%
62.21%	67.49%	56.26%	52.36%	51.53%	47.93%

2014	2013	2012	2011	2010	2009
$5.01	$3.49	$4.08	$5.64	$4.50	$4.16
$1.18	$1.11	$1.10	$1.36	$1.90	$0.88
$33.25	$29.46	$26.77	$25.18	$19.83	$16.66
$ 17.93	$ 18.80	$ 21.83	$ 27.30	$ 17.51	$ 13.00

4. Cost to income ratio is calculated as staff costs, depreciation, policyholders' & annuitants' benefits & reserves and other operating expenses divided by total operating income.
5. Earnings per stock unit is calculated as net profit divided by weighted average shares outstanding for the relevant financial year.

10 Year Financial Statistical Review

CONTINUED

	2018	2017	2016	2015
Stock Unit Information (J$) cont'd				
Closing share price at September 30 - Trinidad & Tobago Stock Exchange (TTSE) (**)	**TT$5.73**	TT$5.10	TT$2.60	TT$1.63
Price earnings ratio	**10.93**	11.21	7.08	5.54
Dividends paid [J$'000]	**6,660,260**	6,660,260	5,796,893	5,698,222
Dividend yield (payment date) [%]	**2.17%**	3.10%	5.66%	8.33%
Dividend payout ratio (payment date) [%]	**23.71%**	34.79%	40.03%	46.20%
Total annual shareholder return [%]	**46.20%**	115.93%	58.37%	67.48%
Capital Ratios (%)				
Risk-based capital adequacy ratio (NCB Jamaica) (6)	**13.07%**	12.68%	12.69%	12.72%
Capital to risk weighted assets (NCB Capital Markets) (7)	**19.37%**	18.57%	33.80%	35.30%
Minimum continuing capital surplus ratio (NCB Insurance) (8)	**369.40%**	398.50%	496.69%	610.70%
Minimum capital test (Advantage General Insurance) (9)	**522.48%**	436.08%	358.00%	341.00%
Equity to total assets	**13.29%**	16.72%	16.97%	16.88%
Asset Quality Ratios (%)				
Non-performing loans as a percentage of gross loans and advances (10)	**4.80%**	2.45%	3.14%	5.05%
Non-performing loans as a percentage of total assets	**1.86%**	0.78%	0.99%	1.63%
Non-performing loans as a percentage of equity	**14.01%**	4.67%	5.86%	9.66%
Total provision for credit losses as a percentage of gross loans and advances	**2.17%**	1.66%	1.97%	2.62%
Consolidated Statement of Financial Position Ratios (%)				
Loans and advances, net of provision for credit losses, as a percentage of total assets	**38.40%**	31.51%	31.11%	31.58%
Investment securities as a percentage of total assets	**39.80%**	43.13%	45.37%	52.69%
Fixed and intangible assets as a percentage of total assets	**2.62%**	2.21%	1.96%	2.07%
Loans and advances, net of provision for credit losses, as a percentage of customer deposits	**77.50%**	75.79%	69.01%	72.59%
Liquid assets as a percentage of customer deposits	**38.82%**	42.52%	35.20%	44.29%
Other Statistics				
JSE Index at September 30 (*)	**358,320.11**	262,729.14	164,482.25	96,324.59
JSE Index annual movement (Twelve months ended September 30) [%] (*)	**36.38%**	59.73%	70.76%	33.34%
Inflation Rate (Twelve months ended September 30) [%]	**4.33%**	4.61%	1.83%	1.81%
USD foreign exchange rate at September 30	**134.06**	129.20	127.93	118.70

6. Risk-based capital adequacy ratio (NCBJ only) is calculated as qualifying capital divided by total risk weighted assets. Qualifying capital is the sum of Tier 1 and Tier 2 capital less prescribed deductions for investment in associated companies and subsidiaries, intangible assets and any accumulated losses in subsidiaries. Under Bank of Jamaica (BOJ) regulations, the overall minimum capital to be maintained in relation to risk weighted assets is 10% for banks. However, BOJ requires us to maintain a risk-weighted capital adequacy ratio of 12.5% due to, among other factors, our status as a systemically important financial institution (SIFI) in Jamaica.
7. Capital to risk weighted assets (NCB Capital Markets only) is calculated as qualifying capital divided by total risk assessed assets. Under Financial Services Commission regulations, the overall minimum capital to be maintained in relation to risk assessed assets is 10%.

* Source: Jamaica Stock Exchange Monthly Statistics Report
** Source: Trinidad & Tobago Stock Exchange Monthly Equity Summary Report

2014	2013	2012	2011	2010	2009
TT$1.00	TT$1.13	TT$1.60	TT$2.09	TT$1.50	TT$0.95
3.58	5.39	5.35	4.84	3.89	3.12
2,910,780	2,738,107	2,713,439	3,354,797	4,686,850	2,170,750
6.58%	5.90%	5.04%	4.98%	10.85%	6.77%
23.55%	31.81%	26.96%	24.11%	42.23%	21.14%
1.65%	(8.80%)	(16.01%)	63.68%	49.31%	(30.60%)

12.94%	12.58%	12.96%	15.18%	16.30%	14.61%
28.60%	20.90%	26.20%	35.71%	97.82%	60.75%
681.22%	845.00%	988.00%	1282.26%	1028.74%	
330.48%	251.71%	n/a	n/a	n/a	n/a
16.39%	16.24%	17.37%	17.23%	14.57%	13.02%

5.37%	4.84%	7.14%	7.16%	3.45%	2.61%
1.74%	1.56%	2.18%	1.87%	0.90%	0.74%
10.62%	9.60%	12.55%	10.87%	6.21%	5.71%
3.03%	2.25%	4.12%	3.06%	3.41%	3.01%

31.57%	31.61%	29.49%	25.51%	25.67%	27.98%
52.90%	52.50%	55.52%	56.93%	59.75%	53.23%
1.96%	1.85%	1.68%	1.45%	1.34%	1.35%
77.97%	79.12%	68.68%	58.88%	59.60%	67.66%
37.86%	37.45%	32.32%	40.91%	42.40%	33.22%

72,238.36	84,500.20	87,188.38	91,731.84	83,613.08	79,928.03
(14.51%)	(3.08%)	(4.95%)	9.71%	4.61%	(21.65%)
9.03%	10.45%	6.65%	8.05%	11.28%	7.18%
112.53	103.23	89.72	86.12	86.02	88.87

8. Minimum continuing capital surplus ratio (MCCSR) (NCB Insurance only) is a risk-based formula calculated by the Appointed Actuary that compares available capital and surplus to a minimum requirement set by the Financial Services Commission (FSC) in regard to the asset and liability profile of the company. Under Financial Services Commission regulations, the overall minimum required to be maintained is 150%.
9. Minimum Capital Test (MCT) (Advantage General Insurance Company (AGIC) only) is a risk-based formula that compares available capital and surplus to a minimum requirement set by the Financial Services Commission (FSC) in regard to the asset and liability profile of the company. The FSC currently requires a minimum ratio of 250%. AGIC was acquired in February 2013.
10. Non-performing loans are loans as to which there have been no payments of principal or interest for 90 days or more.

Chairman's Message

> “ **The future is now.** It's time to grow up and be strong…”
>
> – Neil LaBute

With a profound awareness that the future is now, the NCB Financial Group continues to boldly lead, grow and strengthen in the face of the challenges and opportunities emerging from the Fourth Industrial Revolution. The 2017/2018 financial year has seen our noble institution creating history, by means of a record-breaking performance and becoming the pioneer in the large scale adoption of world leading methodologies such as Agile and emerging technologies designed to enhance and revolutionise customer experience and inspire all our stakeholders to Put Their Best Life Forward.

Leveraging our brand pillars of innovation, expertise and strength, NCB soared to historic heights, recording the organisation's highest annual profit ever, at J$28.6 billion. Supported by robust performances across several business segments, earnings increased by 46% relative to the previous financial year. This amazing performance demonstrates our commitment to customer and operational excellence and the belief that you can thrive amid local challenges and global change. Our shareholders can therefore be confident of our direction, knowing that we will always hold fast to our desire to deliver value and strong returns to our stakeholders.

Nevertheless, we understand and accept that strength is for service, not status and that complacency is the enemy of progress. Consequently, through strategic leadership coupled with a strong focus on human capital development and organisational agility, the Group will continue to reinvest in new technologies and to reinvent our processes and business models in order to enhance the customer experience and the longevity of the enterprise.

Today we are thankful that through the unparalleled excellence of the executive team and the dedication of our staff across the Group, we are realising our courageous vision to be the premier Caribbean financial services group, delivering superior products and services to satisfy the needs of our customers, while developing our employees and building the communities we serve.

As we look ahead, our steely resolve is to continue to do well and in so doing enable our shareholders, customers and employees to also do well. Buoyed by the axiom that 'the best way to predict your future is to create it,' we will fervently strive to become faster, simpler and stronger, so that our future and the future of all our stakeholders can be prosperous and secure.

Put Your Best Life Forward.

Hon. Michael Lee-Chin, O.J.
Chairman

Board of Directors

Our Board of Directors, in executing its role, applies sound corporate governance which is vital to the activities of NCB Financial Group Limited (NCBFG) and its subsidiaries (the Group). [for more info - www.myncb.com]

Hon. Michael Lee-Chin
OJ, HON. LL.D., B.ENG
Chairman

Michael is the Chairman of Portland Holdings, a privately held investment company that manages public and private equity and has ownership interests in a collection of diversified businesses operating in sectors that include financial services, insurance, media, tourism, agriculture and waste management. He was appointed to the board of Guardian Holdings Limited (Trinidad & Tobago) and appointed Chairman of Jamaica's Economic Growth Council in 2016.

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
16 years

Patrick Hylton
CD, A.C.I.B., BBA
President and Group Chief Executive Officer

Patrick is the Chairman of NCB Capital Markets Limited and Mona School of Business and Management. He sits on several boards including Massy Holdings Limited (Trinidad) and Guardian Holdings Limited (Trinidad). He is a member of the Economic Oversight Committee, which monitors the implementation of Jamaica's International Monetary Fund sponsored programme, as well as the Economic Growth Council, which advises the Government on proposed growth initiatives.

Appointment Date - NCBFG:
April 26, 2016

Length of Directorship - NCBJ:
15 years

Dennis Cohen
FCA, FCCA, B.SC.
Group Chief Financial Officer and
Deputy Chief Executive Officer

Dennis is Chairman of the Board of NCB Insurance Company Limited, Advantage General Insurance Company Limited, NCB (Cayman) Limited, NCB Capital Markets (Cayman) Limited, NCB Trust Company (Cayman), and Mutual Security Insurance Brokers Limited. He also serves as director of NCB Capital Markets Limited, West Indies Trust Company Limited, Guardian Holdings Limited, Guardian Life of the Caribbean and Guardian General Insurance Limited (Trinidad). He is a member of the Institute of the Chartered Accountants of Jamaica (ICAJ), and serves on its Council. He is a former Chairman of the ICAJ Business Conference Committee. He is also a Vice President of the Private Sector Organisation of Jamaica (PSOJ) and chairs the PSOJ Economic Policy Committee.

Appointment Date - NCBFG:
April 26, 2016

Length of Directorship - NCBJ:
12 years

Robert Almeida
B.COMM., CPA, CA

Robert is the Founding Partner of Portland Private Equity and Managing Partner of the AIC Caribbean Fund and Portland Caribbean Fund II. He is a Director, Senior Vice President and Portfolio Manager at Portland Investment Counsel Inc. (Canada). He currently serves on the Board of the Canadian Council for the Americas.

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
10 years

Sandra Glasgow
B.SC., MBA

Sandra is the Founder & Managing Director of BizTactics Limited; Chairman of the Board of directors of eMedia Interactive Limited, iCreate Limited, SiFi Studios Jamaica Limited and the National Crime Prevention Fund (Crime Stop). She serves as a director of Medical Disposables and Supplies Limited, Multicare Youth Foundation Limited, Hillel Academy, DRT Communications Limited and LoanCirrus Limited. She is the Chairman and Trustee of the SMART Retirement Fund, Trustee of the NCB Pension Funds (1986 and 1999), Mentor to Medical Disposables and Supplies Limited, a Founding Member of FirstAngelsJA and a member of the Global Network Council, Eisenhower Fellowships.

Appointment Date - NCBFG:
April 26, 2016

Length of Directorship - NCBJ:
16 years

Sanya M. Goffe
LL.B (HONS)

Sanya is a Partner in the law firm Hart Muirhead Fatta with a practice focused on the areas of pensions, capital markets, mergers and acquisitions, intellectual property and commercial law. She serves as a director of Jamaica Producers Group Limited and is the Chairperson of the Pension Funds Association of Jamaica. Sanya presently serves as a member of the Jamaican Bar Association's Commercial Law, Intellectual Property Law and Publications Committees. Sanya is also a member of the UK Association of Pension Lawyers and the International Pension and Employee Benefits Lawyers Association. She is a co-founder of the Adult Learning Centres of Jamaica.

Appointment Date - NCBFG:
April 26, 2016

Length of Directorship - NCBJ:
7 years

Oliver C. Mitchell JR.
B.SC., J.D (HONS)

Oliver is an Attorney-at-Law, advisor and consultant, whose focus is on executive human resources matters and litigation avoidance issues. He serves as a director of FS Global Credit Opportunities Fund, a Philadelphia-based mutual fund and serves on the Fund's audit and governance committees.

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
3 years

Professor Alvin G. Wint
CD, B.SC, M.B.A., D.B.A

Alvin is an Emeritus Professor of International Business at the UWI. He serves as chairman of Jamaica's Electricity Generation Procurement Entity, the Statistical Institute of Jamaica, Selected Commissioner of the Electoral Commission of Jamaica and director of Jamaica Producers Group, Planning Institute of Jamaica and the Caribbean Policy Research Institute.

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
16 years

Thalia Lyn
OD, J.P., B.A.

Thalia is the Founder and CEO of the Island Grill chain of restaurants in Jamaica & Barbados. She is Chair of N.C.B. Foundation; a Trustee of the NCB Pension Funds; CEO of Island Catering and Island Grill Holdings; Chair of CB Group/UWI 5K Fundraiser; director Mustard Seed Communities; Patron of Women's Entrepreneurship Day. She is also a director of Jamaica Macaroni Factory Limited; Port Royal Patties (UK); and Devon House Development.

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
16 years

Board of Directors

CONTINUED

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
15 years

Tribute to the
Hon. Noel Hylton OJ, CD

August 15, 1931 - February 24, 2018

The NCB Family was saddened by the passing of our Director the Hon. Noel Hylton, O.J., who served as Director for the NCB Group for 15 years.

Jamaica has lost a true patriarch. We salute Mr Hylton and show gratitude for his leadership and direction. He will be fondly remembered for his sharp wit and decisiveness.

"His selfless dedication in service to his country was unwavering. His legacy as a protector of our ports, a man of intellect and business prowess are the hallmark of this true nation builder."

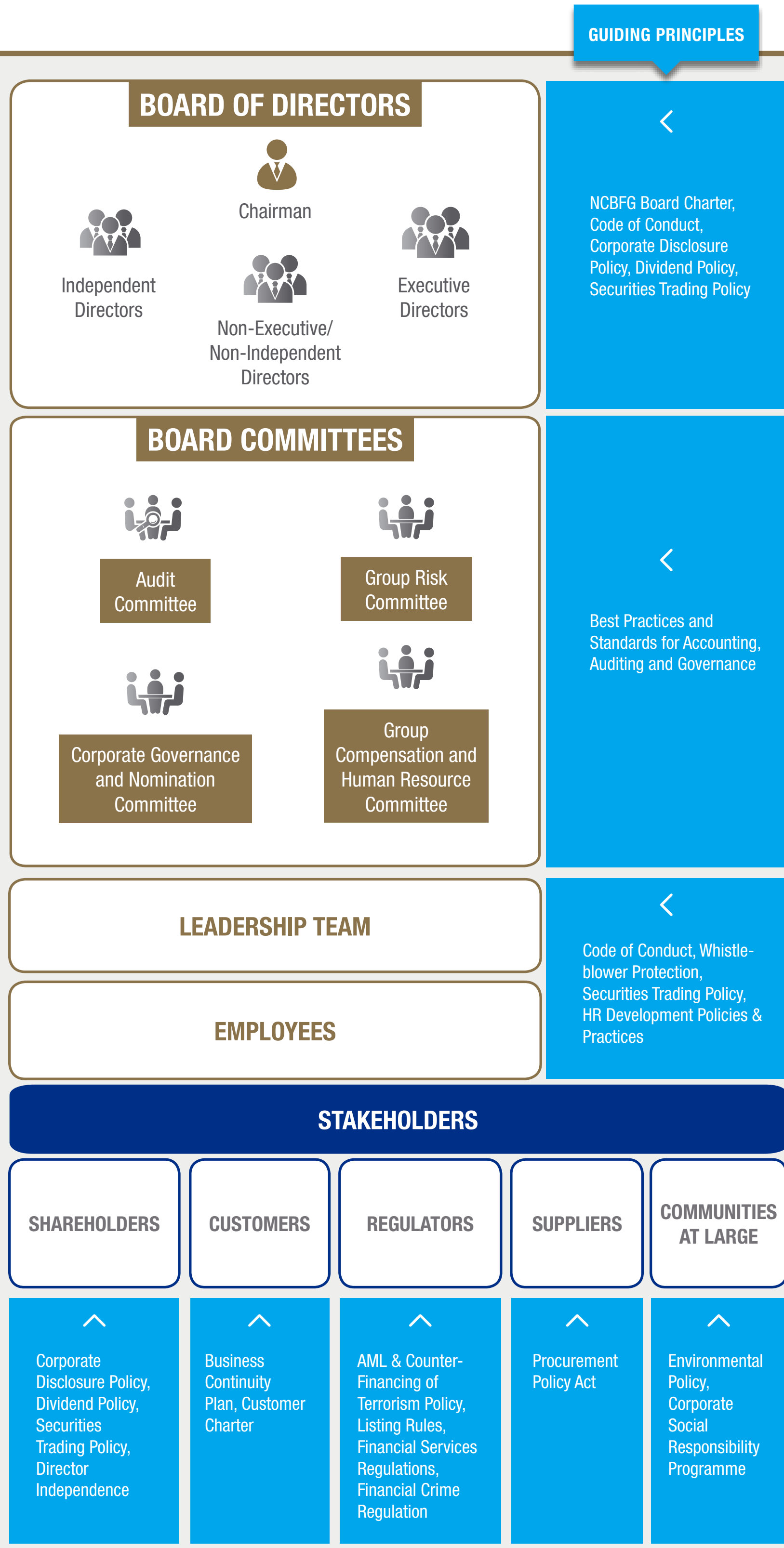
- Hon. Michael Lee-Chin , O.J.

Corporate
Governance 2018

As we continue on the path to becoming a regional conglomerate, our commitment to employ and maintain best-in-class corporate governance practices has deepened.

Our Group firmly acknowledges that strong governance to ensure better stakeholder and risk outcomes is critical towards achieving sustainable value in an evolving and dynamic environment. In the light of this, we take very seriously our responsibility to operate with the highest ethical standards and therefore support the ongoing enhancement of our governance framework, to reflect appropriate norms and behaviors for our Boards. During FY2018, our Corporate Governance priorities included the following:-

- Addressing areas of improvement that were highlighted in the results of the Board Effectiveness Survey which we conducted in 2017. In particular, the appointment of Professor Alvin Wint as the Lead Independent Director for the Group and the formalisation of the meetings of independent directors.
- Continued strengthening of the oversight of major subsidiaries with revised policy and procedural frameworks to maintain consistent standards of governance. The Group's Board Charter, Corporate Governance and Nomination Committee Charter and the Securities Trading Policy were also updated during the year.
- Training of directors continued, as we sought to keep them abreast with emerging trends and advances in business innovation that would enable more informed governance of all stakeholder interests.



The Group's Corporate Governance Framework & Guiding Principles

Our Corporate Governance Framework is designed such that we operate from a set of core guiding principles.

This Corporate Governance Statement outlines in more detail how we continued in FY2018 to position our organization to enable effective oversight and met disclosure obligations, in keeping with best-practice and regulatory requirements.

Corporate Governance Framework

We operate within a comprehensive corporate governance framework that observes best practice recommendations for public companies, along with requirements set by the regulatory bodies within the countries that we operate. Also, the Group and its subsidiaries in operating as licensed and regulated institutions in various jurisdictions, we are observant of the regulations and codes set by these independent oversight bodies. Further, as a member of the Private Sector Organization of Jamaica (PSOJ), we are also guided by and seek to implement the PSOJ's Corporate Governance Code.

A robust communication process exists within our corporate governance framework, as we understand the value of engaging with our stakeholders in order to give them the opportunity to obtain insights and to give feedback on the business operations, corporate performance and societal impact. Relevant market information is disseminated through our online channels (website - **www.myncb.com** and social media) and print media. Additionally, we host quarterly Investor Briefings, Annual General Meetings and communicate comprehensively about the business through our Annual Report. Our communication processes are intended to provide our stakeholders with the means to engage us as needed and to solicit input, which guides relevant business tactics toward meeting our strategic goals.

Board Roles & Responsibilities

The Board operates at the centre of our framework. It values the quality oversight it must provide to ensure that prudent corporate governance is consistently practiced. In this regard, while the Group's management is focused on providing the capabilities to execute on business strategies that have been established, the Board provides direction in setting the overall vision and purpose for NCBFG, monitors the agreed values and philosophy that guide our operating framework and oversees compliance in order to mitigate detrimental risk outcomes for stakeholders. In summary, our Board responsibilities include:

- Overseeing a formal schedule of matters for its decision in the areas of the Group's strategy, management and control
- Monitoring the implementation of the Group's Strategic Initiatives.
- Delegating responsibility for the overall management of the Group to the President & Group CEO
- Ensuring approval of all policies regarding the Group's operation and functioning
- Securing fair and reasonable treatment of minority shareholders.

All Board members are also required to sign a Code of Conduct, which binds our directors to the highest standards of professionalism and due diligence in discharging their duties.

The responsibility of the Board

Over the course of the financial year, the Board oversaw the continued implementation of the Group's strategic initiatives and its functioning within an agreed framework in accordance with relevant statutory and regulatory structures. Specific responsibilities of the Board and its Committees include:

Governance	• Approving the Group's corporate governance framework to ensure it conforms to best practices as well as regulatory and statutory requirements.	• Approving the organisational/management structure and responsibilities. • Providing effective oversight over Management's activities
Strategic	• Providing direction to Management concerning the articulation of the vision and strategy for the Group. • Approving the vision and strategy proposed by Management. • Approving Management's long-term corporate strategy and performance objectives and ensuring appropriate resources are available.	• Reviewing the Group's annual business plans to determine the inherent level of risk in these plans. • Assessing the adequacy of capital to support the operations of the Group within acceptable risk parameters. • Reviewing performance against the approved four year strategy and how the annual business plan will contribute to achieving targets in the four-year strategic plan.

Corporate
Governance 2018

CONTINUED

The responsibility of the Board Cont'd

Performance Measurement Systems	• Approving performance objectives and performance measurement systems.	• Reviewing the performance of the Board, Board Committees, the President and Group CEO, Group CFO and Deputy CEO.
Business Decisions	• Approving and monitoring the progress of material financial restructurings, including mergers, acquisitions, divestments and acquisitions, annual budgets and dividends, which affect our Statement of Financial Position.	• Approving financing and changes in capital. • Approving, entering into, or withdrawing from, businesses or service lines.
Human Resources	• Retaining the authority to appoint and remove the President and Group CEO and the Group CFO and Deputy CEO as well executives including those who report directly to the President and Group CEO and the Group CFO and Deputy CEO. • Agreeing on President and Group CEO's goals and objectives and reviewing performance against these.	• Ensuring that succession planning for the positions of President and Group CEO and Group CFO and Deputy CEO is in place, and monitoring management's succession planning for other executive positions.
Financial Performance	• Approving the annual budget and targets, annual financial statements and interim results, and monitoring financial performance. • Ensuring that financial results are reported fairly and in accordance with IFRS and other relevant standards.	• Recommending to shareholders the annual report /financial statements released by Management and ensuring that any reports issued by the Group, including the financial statements, present a 'true and fair' view of the Group's position and performance.
Compliance	• Ensuring that the Group operates at all times within applicable laws and regulations, including an effective Code of Conduct, Anti-Money Laundering and Counter Financing of Terrorism policies.	• Ensuring that the Group's policies and procedures manuals comply with all regulatory requirements for all operations.
Communications	• Ensuring that there is an agreed communications strategy and procedure with respect to appropriate channels and spokespersons.	• Ensuring the development and implementation of an investor relations programme or shareholder communications process for the Group.
Risk Management	• Approving risk parameters and policies as well as the Group's risk appetite. • Ensuring that principal risks are identified and Management has implemented appropriate systems to manage these risks.	• Ensuring that the systems and controls framework, including the Board structure and organisational structure of the Group are appropriate for the Group's business and associated risks.
Internal Controls	• Assessing the adequacy of the systems of risk management, internal controls, control environment and regulatory compliance.	

Board Members

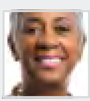
Having regard to the roles and responsibilities of our Board, we treat the appointment of directors as a detailed process, designed to identify candidates of the utmost integrity and who possess requisite time and competence to exercise their role as a director. NCBFG's Articles of Incorporation require that there be no fewer than five and no more than 16 directors. Currently, our Board comprises seven Non-Executive Directors and two Executive Directors, the latter being the President & Group CEO and the Group CFO & Deputy CEO.

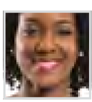
During the FY2018, two directors demitted office – Wayne Chen as at January 26, 2018 and Hon. Noel Hylton, who passed away on February 24, 2018.

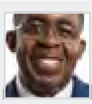
CURRENT MEMBERS


Robert Almeida

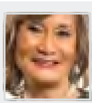

Dennis Cohen

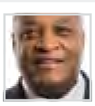

Sandra Glasgow


Sanya Goffe


Patrick Hylton


Michael Lee-Chin
Chairman


Thalia Lyn


Oliver Mitchell Jr


Professor Alvin Wint
Lead Independent Director

FORMER MEMBERS


Wayne Chen
Retired


Noel Hylton
Deceased

Details of our directors' experience and Committee memberships are set out on pages "[Skills/Experience]" on page 41 and "[Members]" on page 45 respectively, of this annual report.

As the Group's needs evolve in keeping with certain strategic pursuits - for example in the area of Digital Innovation - consideration was given in 2018 to expanding the nature of skills and experience at the Board level. Candidates with relevant expertise have been identified and are being reviewed.

Chairman

Our Chairman, Hon. Michael Lee-Chin, is a Non-Executive Director, whose main responsibility is the effective conduct of the Board's affairs. He has the requisite skills and experience in a broad portfolio of industries and organisations, including financial services, hospitality, real estate and health care. The Chairman also represents NCBFG to shareholders and the wider community – although, as the controlling shareholder of NCBFG, he is not an independent director in accordance with our defined criteria. The Board believes that neither his significant interest in NCBFG, nor his positions held outside NCBFG, impairs his ability to fulfil his duties to the Board and Group

Board Members Term in Office

We recognise the importance of balancing the contribution of long-standing independent directors, who have intimate knowledge of the organisation, with the need to infuse fresh ideas and thinking into the oversight of the Group; thus, the need for carefully considered succession planning, which we have in place. In accordance with the NCBFG Articles of Incorporation, all non-executive directors must retire at least once every three years; but shall be eligible for re-election.

Appointment of the Board Secretary

The appointment and removal of our Corporate Secretary is subject to the approval of the Board. The Board requires that the Corporate Secretary is suitably qualified and capable of performing the duties of the position, including advising on meeting Board regulatory requirements, preparing agendas, distributing meeting records, circulating a timetable for meetings and ensuring good governance is practised throughout the Group.

Director Independence

We view the purpose of having independent directors as bringing unbiased views and judgments to the matters under consideration by our Board. We require that ndependent directors be no less than one-third of Board membership. For FY2018, we defined a director as "independent" when he or she:-

- Does not represent a substantial shareholding
- Is not a close relative of a significant shareholder
- Does not have an employment relationship with the Group or its parent company.

The directors so defined are:-

1.	Sandra Glasgow
2.	Sanya Goffe
3.	Thalia Lyn
4.	Oliver Mitchell Jr.
5.	Alvin Wint Lead Independent Director

During FY2018, we commenced work

Corporate
Governance 2018

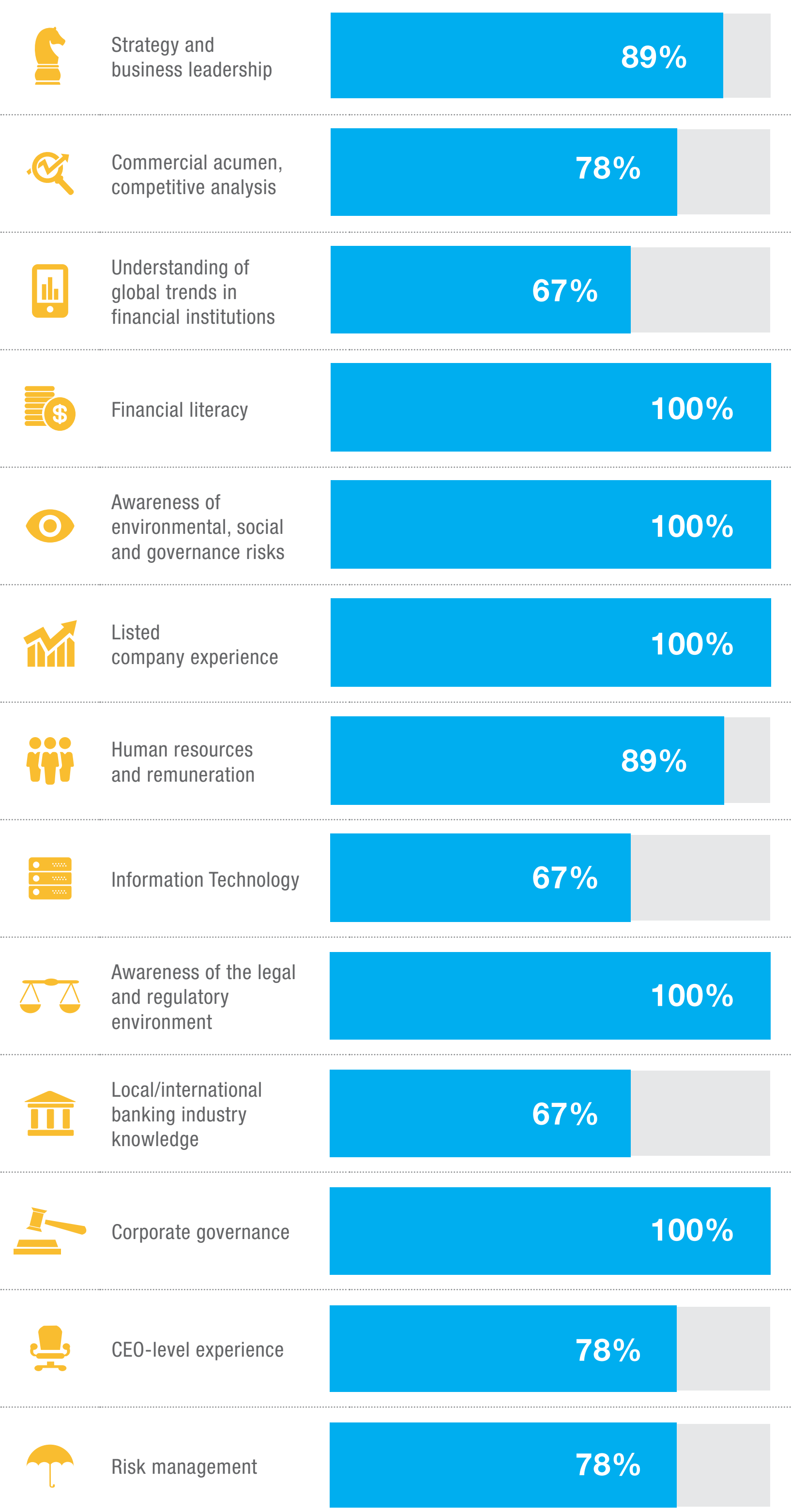
CONTINUED

on documenting the framework under which independent directors operate. The framework describes the purpose and execution of the meetings by independent directors and seeks to establish the extent of their independence from the controlling shareholder and from management. In these meetings, the independent directors assess the quality, quantity and timeliness of the flow of information between Management and the Board that is necessary for the Board to effectively and reasonably perform its duties. The meetings are also designed to perform such other purposes as may from time to time be agreed.

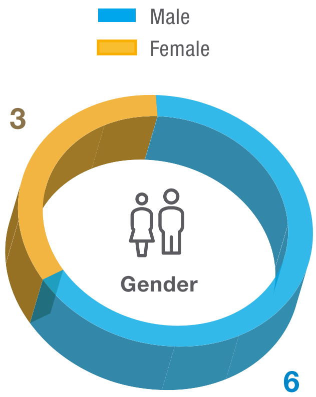
While our framework calls for feedback from the meetings of the independent directors, which is provided to the Board, no duties of the Board, any Board Committee or Management are delegated to this grouping. Meetings of the independent directors are scheduled for at least twice per year. In 2018, we held two meetings.

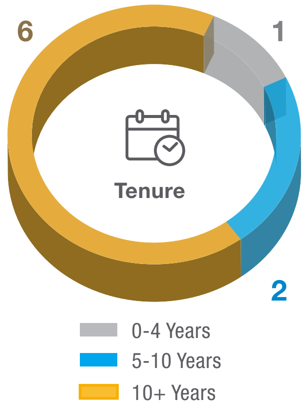
The meetings are chaired by the Lead Independent Director or another independent director, elected by the other independent directors present, to chair in his/her absence. It is the responsibility of the Lead Independent Director to report the outcome of each meeting to the next regular Board meeting. Action items are identified and carried out accordingly.

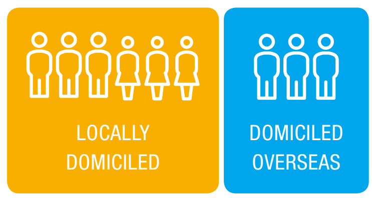
Board Skills & Experience



Board Composition







Training of Directors

We regard training opportunities for Board members as an investment in their effectiveness and in their ability to serve the strategic needs of the business that they oversee. directors are entitled to obtain independent professional advice relating to the affairs of the Group or to their individual responsibilities as directors. This is subject to approval by the Board if payment is to be made by NCBFG.

For the period October 2017 to September 2018, details of training we provided to our directors were as follows:-

Instructor	Institution	Subject Matter	Duration
Somesh Khanna	McKinsey & Co	Governing Digital Transformation	2 hours
The National Identification System Project Team	Office of the Prime Minister	National Identification System	2 hours
Craig Stephen	Credit Information Bureau	Understanding the credit scoring process and impact on credit risk management	2 hours

With a growing focus on improving its knowledge of digital strategies in order to support the Group's vision for its future, our Board spent time during the year learning about and discussing innovation trends in financial services.

Corporate
Governance 2018

CONTINUED

Board Attendance

We maintain a highly commendable attendance record by our directors and attribute this to a display of commitment to their role and responsibilities as a Board. The FY2018 Attendance Record is provided in the following table:

	Board (10)	Audit (6)	Corporate Governance & Nomination Committee (2)	Group Compensation & HR Committee (5)	Group Risk Committee (4)
Robert Almeida	7	N/A	N/A	N/A	4
Wayne Chen*	5	N/A	N/A	N/A	N/A
Dennis Cohen	10	N/A	N/A	N/A	4
Sandra Glasgow	9	6	2	5	4
Sanya Goffe	10	2***	2	N/A	4
Noel Hylton**	3	2	N/A	1	N/A
Patrick Hylton	10	N/A	N/A	5	4
Michael Lee-Chin	8	N/A	N/A	5	N/A
Thalia Lyn	10	N/A	1	N/A	N/A
Oliver Mitchell Jr	9	N/A	2	N/A	N/A
Alvin Wint	10	6	2	5	4

* Retired January 26, 2018 | ** Deceased February 24, 2018 | *** Appointed to the Audit Committee January 25, 2018

Performance Evaluation

In addition to monitoring attendance, we use a 360-degree evaluation process to assess the performance of our Board members. The Board evaluates its performance on an individual basis and as a group. This evaluation is typically used as a factor in the recommendations for re-election of retiring directors made at the Annual General Meeting. Further, the Board's Corporate Governance and Nomination Committee undertakes an annual review of the Board's composition using a skills matrix to determine competencies required for the governance and oversight of the Group. The results of this review are incorporated into Board succession planning and selection of directors. In FY2018, the Committee gave oversight to addressing areas of improvement which arose from the 2017 Board Effectiveness Survey.

As stated previously, attendance at Board meetings is deemed important; it is also one of the areas used to evaluate the performance of directors. Each board member is required to achieve a 75% minimum attendance for each financial year and must not miss three consecutive board meetings. Should either or both occur, the Board member may be terminated and/or the retainer fee may be affected. Neither situation occurred in FY2018 (see attendance records in table above).

Board Remuneration

Given the nature of our strategic aspiration and our desire for appropriate skills and experience to provide effective governance, we set out to attract individuals with the right qualifications and who align with the core values of our Group.The remuneration is determined on the basis of market rates and by the level of responsibility and time commitment required of Board members. The fees paid to our non-executive directors are not related to the performance of the Group.

During the year, the fees payable were as follows:-

- A retainer for the Chairman of $2,666,667 per annum (not actually paid) and a retainer for other Board members of $1,125,005 per annum.
- Directors who chair the Audit, Corporate Governance and Nomination and the Group Risk Committees receive instead a retainer of $1,968,760 per annum.
- The Lead Independent Director, however, receives a retainer of $2,000,000 per annum.
- A fee payable to directors of $83,333 per Board meeting and $66,667 for each Committee meeting attended.

Details of the Board remuneration to non-executive directors for FY2018 is included in the table below:

DIRECTOR	GROSS FEES TOTAL ($)
Wayne Chen	2,028,825.07
Sandra Glasgow	3,852,090.36
Sanya Goffe	2,491,671.69
Noel Hylton	1,250,771.37
Thalia Lyn	2,025,002.00
Oliver Mitchell Jr	2,008,335.66
Alvin Wint	3,966,663.36

Corporate Governance 2018

CONTINUED

Board Committee Reports

Under the Group's Corporate Governance Framework, our Board members extend their oversight of stakeholder interests by participating in Board Committees, which have been established to undertake further governance in key areas of our

Name of Committees	Members
Corporate Governance & Nomination Committee	Sandra Glasgow (Chair), Sanya Goffe, Thalia Lyn, Oliver Mitchell Jr and Alvin Wint
Risk Committee	Alvin Wint (Chair), Robert Almeida, Dennis Cohen, Sandra Glasgow, Sanya Goffe and Patrick Hylton.
Group Compensation & HR Committee	Michael Lee-Chin (Chair), Sandra Glasgow, Patrick Hylton, and Alvin Wint
Audit Committee	Alvin Wint (Chair), Sandra Glasgow and Sanya Goffe

business. The Committee names and members are provided in the table below:
The following are reports on each Committee's role and key highlights of their activities during FY2018.

01 Corporate Governance & Nomination Committee

This Committee has responsibility for the corporate governance of NCBFG. Its purpose is to assist in ensuring that our Board's composition, structure, policies and processes meet all relevant legal and regulatory requirements, and to strive to achieve corporate governance best practice standards. The Committee also facilitates the Board and Management's objective of increasing the long-term value of the Group and is responsible for identifying and recommending suitable persons to become directors.

The Committee's role, responsibilities, composition and membership requirements are documented in the Corporate Governance and Nomination Committee Charter approved by the Board and which is available on NCBFG's website: www.myncb.com

The activities during the year included:

- Review of Jamaica Stock Exchange Corporate Governance Index and 2017 Board Effectiveness Survey and associated gap analysis/action plans.
- Review of the Corporate Disclosure Policy, Digital Media Policy, Social Media Policy making recommendations for their revision. These policies have since been adopted and are posted on NCBFG's website at www.myncb.com
- Review and propose the Governance Structures for NCBFG.
- Review of the policy and procedure framework of NCBFG and its major subsidiaries.
- Review proposed revisions to the Board Charter, Corporate Governance & Nomination Committee Charter and the Securities Trading Policy for NCBFG. These policies have been posted on the NCBFG website at www.myncb.com
- Review proposed procedures for nominating directors.
- Review proposed framework for Independent Director meetings.

- Recommend to the Board the appointment of a Lead Independent Director for NCBFG. Prof. Alvin was appointed Lead Independent Director in September 2017.
- Review candidates for the Board. This is an ongoing process and appointments have not yet been confirmed.

02 Group Risk Committee

The Group Risk Committee is established to assist the Board in fulfilling its responsibility with respect to oversight of the Group's risk management framework. This includes determining its risk appetite and the policies and major procedures related to managing credit, market, liquidity, capital, operational and certain other risks as determined from time to time. Also, the Committee plays a role in the decision-making process around significant risks that are to be undertaken by the Group. During FY2018, the Committee received and discussed:

- Approval of amendments to the Group's Risk appetite statement.
- Approval of major credits and sovereign exposures.
- Operational risk assessments identifying risks associated with initiatives/processes and the associated controls implemented to minimise the Group's risk exposure.
- Operational loss trends and compliance of loss levels with risk limits.
- The Group's information security status and the key performance indicators that define the strength of the information management framework.
- The key credit risk indicators reflecting the performance and quality of the credit portfolios within the Group.
- The Group's sovereign exposures with particular emphasis on Cross Border risks, country analysis and limit compliance.
- Insurance risk indicators for the insurance subsidiaries within the Group.
- Activities with potential to affect the degree of trust in the Group.
- Top-of-Mind risks and the present and potential impact on the Group.

03 Group Compensation & HR Committee

The Compensation and Human Resources Committee reviews and recommends the Group's total compensation and benefit programmes, ensures the competitiveness of these programmes, and advises the Board on human resources issues, including the development of and succession planning for senior management.

Activities during FY2018 included:-

- Review the Compensation and Human Resources Committee Charter,
- Ongoing discussion of Succession Planning,
- Review of compensation for Executives and Staff and Executive Incentive Payments,
- Review of recommendations for senior level promotions,
- Review of certain Human Resources policies, namely; Code of Conduct, HIV/AIDS Policy, Diversity Policy & Sexual Harassment Policy,

04 Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities for the financial and operational reporting processes, risk management, the system of internal controls, the internal and external audit process, as well as the organisation's process for monitoring compliance with laws and regulations.

In FY2018, the Committee executed the following responsibilities:

- Reviewed quarterly unaudited Financial Statements and Stock Exchange Releases with the Group CFO and Deputy CEO, the Group CAE and the External Auditor before their release, giving due consideration to whether they were complete and consistent with the information known to Committee members.
- Reviewed changes in International Financial Reporting Standards in order to develop a full understanding of their likely impact on the financial statements.
- Reviewed the External Auditor's proposed audit strategy, scope and fees for the audit of the year-end financial statements.
- Pre-approved all non-audit related services provided by the External Auditor to companies within the Group.

- Reviewed reports from the Group Internal Audit Division on the organisation's risk management and internal control environment, noting significant audit findings and management's action plans for resolution.
- Reviewed reports from the Fraud Prevention Unit on frauds, forgeries and other irregularities in respect of investigations undertaken.
- Reviewed reports from the Group Legal and Compliance Division on regulatory compliance, breaches and remediation and the management of legal risk.
- The Audit Committee Chairman also reports to the Board in writing at least quarterly on matters reviewed and discussed by the Committee.
- Reviewed all relevant related party transactions to ensure they are in compliance with the policy on Related Party Transactions.

Minutes from each Board Committee are provided to the Group Board.

NCB Financial Group Limited's Board Charter

In FY2018, work commenced on updating the Board Charter to guide our organisation in the execution of its responsibilities to enhance shareholder value. The full details of the latest Charter are found on our website at www.myncb.com.

Other Key Governance Policies

In addition to the overarching Board Charter which supports our Group Corporate Governance Framework, there are some key policies which further illustrate our guiding philosophy as a business.

Corporate Disclosure

The Group's Corporate Disclosure Policy applies to all directors, officers and employees of NCB Financial Group Limited and all of its subsidiaries, and regulates the disclosure of all material information of the NCB Group relating to its business and activities whether in written or oral statements, including but not limited to:

- Regulatory filings,
- Electronic communications,
- Information on the Company's website,
- Written statements made in the NCB Group's annual and quarterly reports,
- Interviews or conversations with the media or press conferences,
- Oral statements made in meeting or telephone conversations with analysts, investors, investment dealers, investment advisors, brokers,
- Speeches and presentations.

It is understood that the NCB Group in fulfilling its obligations will ensure that all relevant and material information is disclosed to our shareholders and the market in a timely manner, and is factual, accurate, comprehensive and broadly disseminated in accordance with applicable provisions of the laws of the country in which it operates, as well as in line with the rules and regulatory requirements of the relevant stock exchange(s).

We adhere to the following disclosure principles:

- The goal of disclosure is to provide information for interested parties and shareholders in order to help such persons make informed decisions or take action.
- Material information will be publicly disclosed by way of a news release.
- When disclosing information, we are guided by the principles of accuracy, accessibility, timeliness, completeness and regularity. Additionally, the NCB Group seeks to maintain a reasonable balance between the transparency of the NCB Group and the protection of its commercial interests while complying with provisions of relevant laws, the NCB Group's constituent documents, the Policy and other relevant internal documents of the NCB Group.
- The NCB Group will not withhold the disclosure of negative information about the Group if such information is considered material or essential for shareholders or potential investors.

The full Corporate Disclosure Policy is available on our website at www.myncb.com

Code of Conduct

There are two Codes of Conduct in place; one for directors and one for employees. The Board has approved Codes of Conduct (the Codes) which bind directors and employees of the Group to the highest standards of professionalism and due diligence in discharging their duties. The Codes outline areas of conflict of interest, confidentiality and responsibility of the signatories to the Group, the shareholders, and regulators, and include guidance on:

- Acting with honesty and integrity,
- Treating all with respect,

- Reporting breaches of the Codes,
- Declaring personal interest and addressing potential conflicts,
- Maintaining privacy and confidentiality,
- Ensuring a safe working environment.

A copy of the Directors' Code of Conduct is available on our website at www.myncb.com.

Securities Trading

The Group has an established Securities Trading Policy which seeks to ensure that key persons in the organisation will not abuse their positions by using insider information, not available to the market, to trade shares for their financial benefit. The Corporate Governance and Nomination Committee of the Board is entrusted with the compliance responsibility for this policy, which is accessible on www.myncb.com.

Conflict of Interest

Under the Code signed by each director, they are expected to exercise restraint regarding any action, position or interest which conflicts with, or is perceived to conflict with, an interest of the Group. Our directors are required to declare to the Board any personal interest, whether direct or indirect (of 'connected persons'), he or she may have in matters brought before the Board. This declaration is recorded in the minutes and the specific director does not attend the deliberations in the area(s) of interest or vote on related resolutions.

Whistle Blower Protection

The Group has a Whistle Blower Policy which provides a confidential channel for employees to report instances of fraud, corrupt conduct, bribery, adverse behaviour, legal or regulatory noncompliance, questionable accounting and auditing. The Policy has established procedures for actioning all disclosures. Employees reporting issues can be confident that we will take all reasonable steps to protect their identity and shield them from reprisals.

This policy is in compliance with the Jamaican Protected Disclosures Act.

Corporate Social Responsibility

We support an inclusive workplace reflective of the wide range of socio-economic-political backgrounds of all our stakeholders, including customers and the public at large. Our focus is on achieving the right mix between economic growth, digital transformation and social well-being. The Group's CSR activities seek therefore to ensure:

- Our Mission is realised
- Our Core Values are reinforced
- The Group will enjoy long-term success while providing appropriate benefits for our key stakeholders: our employees, investors, consumers and our communities
- We perform competitively and profitably through responsible business practices
- We remain committed to the principles of sustainable development, which emphasise the integration of economic, social, environmental and ethical goals in our business activities.

The executive management team is committed to fostering dialogue with stakeholders to help the Group understand their expectations, identify emerging issues and opportunities, assist with risk management, and improve Group performance. Specific stakeholder group interests with which we align our CSR programmes are:

Our customers -
by continually winning their trust, so that we will be their preferred institution to deliver financial services.

Our employees -
being an employer of choice, by investing in building their skills sets and competencies and balancing work-life responsibilities, so that the organisation can achieve high levels of staff productivity.
Our communities -
being a responsible citizen by investing in them, managing the Group's environmental impact and dependencies, and having a positive impact through the Group's supply chain.

Our shareholders –
ensuring that we are a top tier performer maximising shareholder returns over the long term.

Regulators and the Government –
practising excellence in corporate governance and business ethics.

Our competitors - working with members of the financial services community to jointly address challenges facing the industry for the benefit of our shareholders and wider society.

The media –
being an information facilitator and change agent to make financial inclusion possible where persons have access to useful and affordable financial products and services which meet their needs.

Further details of our activities in relation to these stakeholders are provided throughout this Annual Report.

Sandra A. C. Glasgow
Chairperson
Corporate Governance Committee

Our Policies
and Practices

The Board approves various policies to ensure that a framework exists to support effective decision making and understanding of roles and responsibilities for key operations within the organisation. Our policy & practices framework includes the following:

Corporate Disclosure Policy

NCB GROUP HAS A CORPORATE DISCLOSURE POLICY THAT REGULATES THE DISCLOSURE OF INFORMATION BY AND ABOUT NCB AND ITS BUSINESS ACTIVITIES.

It stipulates that NCB companies shall be responsible to make any disclosure that they are required to make by virtue of any law, regulation or regulatory requirement.

The Policy contains the following:-

1. Objectives and principles of disclosure
2. Media communication protocol
3. Details of the persons generally authorised to make disclosures on behalf of NCB Group
4. Parties and rules for the disclosure of information
5. For NCB Group companies with securities listed on a stock exchange (NCB Listed Companies): general stipulations for disclosure and in respect of financial information, and information that should be contained in the Annual Report to Stockholders, including a Management Discussion & Analysis (MD&A),
6. In addition to the means of disclosure required by law, NCB

Listed Companies will:-

a. conduct meetings,

b. disclose information on NCB's website and

c. issue press releases.

Visit **www.myncb.com** for a copy.

Dividend Policy

DIVIDENDS, WHICH ARE PAID OUT OF THE PROFITS OF AN ORGANISATION, INFLUENCE SHAREHOLDERS' AND POTENTIAL INVESTORS' PERCEPTIONS OF THE COMPANY'S FINANCIAL STRENGTH AND ULTIMATELY SHARE PRICE.

Notwithstanding its importance to investors and shareholders, dividend payments reduce the level of profits retained in the company and consequently the level of capital. The maintenance of adequate capital is important in ensuring that the strategic objectives of an organisation are met while complying with all capital adequacy requirements. The Board of Directors of NCBFG recognises the importance of capital in meeting the needs of shareholders, investors and the business. To this extent, a dividend pay-out rate has been determined.

Dividend Pay-Out Rate

The Board of Directors will declare, at its discretion, dividends to shareholders. These dividends will be paid from the realised earnings of NCB Financial Group Limited. The dividends will be subject to a maximum of 50% of the net profits earned each year. In the event that the payout is less than 50% in any one year, the Board of Directors reserves the right to increase future distributions proportionately. Further, the Board, at its discretion, may distribute to its shareholders the full amount of dividends received from subsidiaries and realised gains arising from non-recurring or extraordinary transactions.

The Dividend Policy is consistent with the Capital Management Plan and is reviewed annually or more frequently as the determined by the Board of Directors.

Vsit www.myncb.com for a copy.

Environmental Policy & Practices

THE NCB GROUP IS COMMITTED TO CARING FOR AND PROTECTING THE ENVIRONMENT IN WHICH WE OPERATE. WE HAVE AN ENVIRONMENTAL POLICY AND AN ENERGY CONSERVATION STRATEGY AND CONTINUE TO USE 'GREEN' TECHNOLOGY THROUGHOUT THE ENTERPRISE WHERE FEASIBLE.

This includes the discontinuation of the burning of waste at our locations, the use of LED lighting, rain water collection and distribution, air conditioning upgrades and sewage disposal upgrades. In Jamaica these mechanical sewage systems are being monitored by the National Environment and Planning Agency (NEPA).

The use of green technology has also been implemented at the following locations: Constant Spring Road Fairview (Montego Bay), Knutsford Boulevard, Portmore and Cross Roads and at our 29 Trafalgar Road location. This includes inverter air-conditioning systems, as well as use of solar energy panels tied to the public electrical supply grid.

We have also eliminated the printing of statements and provide e-statements via NCB Online.

Human Resource Development Policies And Practices

THE NCB GROUP THROUGH ITS HUMAN RESOURCE DEVELOPMENT PHILOSOPHIES, POLICIES AND PRACTICES DELIVERS ON ITS CORE MANDATE WHICH IS THE DEVELOPMENT AND DIRECTION OF STRATEGIES FOR THE EFFECTIVE AND EFFICIENT MANAGEMENT OF THE HUMAN CAPITAL OF THE GROUP.

In keeping with the organisation's strategic direction, the Group has established and maintains a Talent Management Framework. This facilitates talent acquisition, employee development, workforce planning and retention which enables the HR function to continue to be a strategic driver and create a work environment conducive to high levels of employee productivity, innovation and customer centricity.

In order to achieve operational excellence, the Group Human Resources and Facilities Division ensures that the business has the right capability, capacity and organisation design to create value. In delivering on these objectives, some of the main areas of focus in our policies and practices include: Learning and Development, Talent Management, Succession Management, Education/Benefits, Whistle Blower, Occupational Health and Safety, HIV Workplace Policy, Diversity, Sexual Harassment, Supply Chain Management and Asset Management (physical).

Our Policies and Practices

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Learning and Development

The Company is committed to continuously developing and enhancing initiatives that support employee professional development and expertise. The Corporate Learning Campus supports the organisations's employment, retention and growth strategies, including; succession planning, promotion, development and cross-training interventions and thereby enables increased performance and productivity levels.

Talent Management

NCB is committed to continuously enhancing its talent management strategies which enable capacity and capability building for operational excellence to enhance the sustainability and profitability of the Group. This includes onboarding of qualified candidates, employee development, succession management, performance management, retention strategies and workforce planning.

The practices and procedures which guide talent management are: fairness and consistency, non-discrimination on the grounds of sex, race, age, religion or disability and conforming to statutory regulations and agreed best practices.

Succession Management

NCB recognises that succession management is critical to business continuity and has therefore implemented strategies and programmes which ensure that the organisation has the right talent in mission critical and key leadership positions. It also ensures that there is continuous development of potential business leaders and renewal of learning and development.

Occupational Health and Safety

The Group seeks to provide a workplace that is free from preventable injuries and occupational illnesses through the observance of the respective rules and regulations by all concerned. We believe that a safe and healthy working environment is essential to achieving high productivity and work quality comparable with international standards. The Group is committed to compliance with safe practices and the promotion and maintenance of a safe and healthy working environment through the training and education of employees.

HIV/AIDS Workplace Policy

The policy provides a framework to monitor and mitigate the impact of HIV/AIDS on the Company and seeks to maintain stability and productivity in the workplace, whilst protecting the confidentiality, dignity and rights of HIV positive persons.

Whistle Blower

NCB provides a work environment that encourages and enables employees and others to raise serious concerns about breaches in how employees conduct their roles and responsibilities in keeping with internal policies and applicable laws. It is important that our stakeholders understand that we value employees' role in supporting a culture of high standards of business and personal ethics without any fear of adverse consequences.

Education/Benefits

The NCB Group Education Policy seeks to encourage staff to explore opportunities to build their competencies by improving their own knowledge and understanding of the skills and issues which are relevant to the services offered by NCB.

Diversity Management

NCB seeks to take advantage of its diversity to foster an environment of creativity, innovation and idea/solution generation in order to ultimately achieve its vision and compete effectively in the global marketplace. NCB understands that a diverse workforce, through the infusion of talents and experiences, can improve the quality of decisions and increase innovation by providing a range of perspectives on each of these areas. We believe leveraging the mix of talents and experiences will translate into the better servicing of the needs of our customers and the markets within which we operate.

Sexual Harassment

The Group is committed to the maintenance of a work environment which fosters respect and dignity and is free from sexual harassment. NCB does not tolerate sexual harassment of its clients, commercial business partners or employees and expects that all relationships with customers, commercial business partners and others are professional and free from sexual harassment.

Supply Chain Management

NCB continues to implement and refine our supply chain strategy to ensure the creation of sustainable and collaborative relationships with our commercial partners, thereby leading to improved service quality, a reduction in our addressable spend and cost to income ratio, increased operational efficiency and enhanced productivity.

Asset Management (Physical)

Our asset management strategy outlines our approach in optimising the value of the organisation's asset portfolio and enhancing our asset management capabilities. This involves efficient space management, integrated real estate portfolio planning, and environmental sustainability.

Anti-Money Laundering and Counter-Financing of Terrorism Policy

THE GROUP IS COMMITTED TO OPERATING IN FULL COMPLIANCE WITH ALL APPLICABLE LAWS AND REGULATIONS TO PREVENT AND DETECT MONEY LAUNDERING AND COMBAT THE FINANCING OF TERRORISM AS WELL AS TO THE ATTAINMENT OF STANDARDS EQUIVALENT TO INTERNATIONAL BEST PRACTICE IN THE AREAS OF ANTI-MONEY LAUNDERING AND COUNTER FINANCING OF TERRORISM (AML/CFT).

The AML/CFT Policy is fundamental to NCB's overall risk management and internal control systems and is a part of the system in place to educate and assist employees in adhering to acceptable standards designed to protect NCB, its directors, employees, facilities and operations from money laundering and other illegal activities.

Purpose and Objectives

NCB's AML/CFT policy provides the framework to ensure NCB's compliance with all AML/CFT requirements under the applicable laws, regulations and guidance issued by regulatory authorities and includes requirements for:

- The appointment of a Group Chief Compliance Officer charged with ensuring adherence to NCB's AML/CFT policy and procedures on a consolidated basis;
- All employees to prevent, detect, and report all potential instances in which NCB, its employees, operations or facilities has been, or is about to be, used for money laundering or the financing of terrorism;
- An annual independent audit of NCB's AML/CFT programme;
- All employees to participate in at least one AML/CFT training session annually, so that such employees are aware of their responsibilities under NCB's AML/CFT policy as well as current developments with respect to AML/CFT issues;
- Establishment of procedures to ensure high standards of integrity for all employees; and
- Customer due diligence requirements including more rigorous requirements for high risk customers/accounts and transactions with overseas customers and counter-parties.

Business Continuity Policy & Plan

THE NCB GROUP'S BUSINESS CONTINUITY POLICY AND PLAN HAVE BEEN CRAFTED TO ENSURE THAT THE BUSINESS IS ABLE TO RECOVER FROM DISASTERS AND OTHER NON-FINANCIAL DISRUPTIONS IN AS LITTLE TIME AS POSSIBLE AND WITH AS LITTLE LOSS IN REVENUE AS POSSIBLE.

The Business Continuity Plan documents the response to be undertaken in specified scenarios and indicates the minimum resources required to ensure the continuity of key business functions in the event of disruptions.

The Plan is drafted in a modular format such that an individual sub-plan is maintained for the different subsidiaries, divisions, branches and critical business units. The plans are stored both physically and in a central web-based repository, which facilitates plan distribution, sharing and updating.

For each business area, the Business Continuity Plan provides a map of specific instructions to be carried out in the event of a future significant business disruption and events of varying scope. Among other things, the Plan describes the role for recovery sites, backup databases and system facilities. A Chief Command team is responsible for monitoring the effective execution of the Plan in the event of business disruption.

Several of our policies may be viewed in their entirety on our websites at www.myncb.com and www.jncb.com

President's Message

> **HIGH STANDARDS ARE FUN.** Once you've tasted high standards, there's no going back."
>
> – Jeff Bezos

To our valued shareholders,

This was a year of a few important milestones for the NCB Financial Group. The profit generated for the first three quarters of the 2018 financial year, surpassed the profit generated for the entire 2017 financial year. This performance cemented our commercial bank's position as the most profitable stand-alone bank in the English speaking Caribbean, and placed us among the top five financial institutions in the English and Spanish speaking Caribbean.

Notable recognitions this year include:

- Bank of the Year Jamaica – The Banker Magazine
- Bank of the Year Jamaica – Latin Finance
- NCB Insurance –Best Pension Fund Manager: World Finance
- NCB Capital Markets – Best Wealth Management Team: Capital Finance International

It has been a remarkable journey from becoming the top financial institution in Jamaica in 2010 to now becoming one of the leading institutions in the English and Spanish speaking Caribbean.

I would like to take this opportunity to congratulate and express my appreciation to the NCB team for making this aspiration a reality through your dedication, creativity, and perseverance. I would also like to extend my deepest gratitude to our customers for allowing us to continue to serve you and to our shareholders for your continued support.

We are extremely proud to share these performance milestones with our employees, customers and shareholders.

Notwithstanding these achievements, NCB remains in a continuous process of transformation and renewal. A big part of our current transformation is scaling up the agile way of working in order to accelerate our digital transformation agenda. In our labs, cross-functional teams are co-located and collaborate to solve specific customer and business problems. This way of working has long been adopted in the software development industry and enterprise-wide agility is now a critical success factor for any organisation to thrive in the new norm.

In the 2018 financial year, we grew the number of agile teams to fifteen, resulting in solutions enabling our customers to access new loan and deposit accounts, in-branch, in less than 30 minutes. In the case of our pre-approved loans for existing customers, these can be accessed in less than ten minutes online without a branch visit. We were also able to launch our mobile app, which provides our customers with another convenient channel for checking their balances and conducting transactions at the times most convenient for them. Leveraging the agile way of working, we have been successful in quickly rolling out solutions that deliver value for our customers and we continue to work on improvements as we scale.

To what do we owe this track record of success? In summary – big, bold aspirations and high standards. In Amazon's 2018 Letter to Shareholders, Jeff Bezos says, "High standards are fun. Once you've tasted high standards, there's no going back."

High standards are also core to NCB's DNA. We refuse to be defined by what is considered reasonable or possible for an indigenous Jamaican financial institution. The high standards that we set for ourselves will continue to manifest themselves to the benefit of our employees, customers, shareholders, nation and region.

As we move forward, we do so with the commitment to continued excellence. We do so with the intention to continue the pursuit of bigger aspirations and higher standards with the world as our benchmark. It is imperative that we do so because in the words of Aristotle, "We are what we repeatedly do. Excellence is not an act, but a habit".

In closing, I take another opportunity to thank our esteemed employees, customers and shareholders for your continued loyalty and support and I thank you in advance for continuing on this journey with us to higher heights.

Patrick A. Hylton, CD
President and Group Chief Executive Officer

Management Team

The leaders of the NCB Financial Group work together towards a common goal of creating stakeholder value, committing to building superior customer experiences and raising the BAR for the financial services industry. [for more info - www.myncb.com]

Allison Wynter
Group Chief Risk Officer

Allison has responsibility for the identification, assessment, measurement, monitoring and shared-management of the principal risks faced by the Group, with particular emphasis on credit, market, liquidity and operational risks.

Dave Garcia
Group General Counsel and Corporate Secretary

Dave is responsible for providing the NCB Group with general advice, leadership and direction on all legal, regulatory and corporate secretarial matters. He is charged with guiding the Group's legal strategy in its drive toward growth and expansion in Jamaica and elsewhere in the Caribbean and ensuring the effective management of legal risk.

Dennis Cohen
Group Chief Financial Officer and Deputy Chief Executive Officer

Dennis provides leadership and oversight for the Group's financial planning and reporting. He is responsible for monitoring the performance against strategy and budget and overseeing the Group's transformation office and investor relations function, along with several of our key business segments.

Misheca Seymour Senior
Group Chief Compliance Officer

Misheca heads the Group Compliance Unit and is responsible for the development, implementation and effectiveness of compliance programmes, specifically to ensure appropriate measures are maintained for anti-money laundering ("AML") and counter-financing of terrorism ("CFT"), as well as to monitor and ensure compliance with regulations relevant to the Group.

Mukisa Ricketts
Group Chief Audit Executive

Mukisa is charged with providing strategic direction and oversight of the internal audit activities for the NCB Group. Her role facilitates transparency of the Group's operations through the independent and objective assurance on the effectiveness of the risk management and governance processes and the internal control environment.

Patrick Hylton
President and
Group Chief Executive Officer

Patrick provides strategic leadership to all entities within the NCB Group. He is responsible for the strategic development of the Group so that its sales, service and risk management goals are appropriately set and achieved.

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

Leadership
Team

Our leaders are the creators and implementors of our strategic and operational direction. Their roles require focus and flexible actions to create and maintain value for all stakeholders. [for more info - www.jncb.com]

Allison Wynter
Chief Risk Officer
Group Risk Management Division

Allison is also an officer of NCBFG (See profile on page 55).

Andrew Simpson
Head
Corporate Banking Division

Andrew is responsible for strategically guiding and growing the NCBJ's Corporate Banking portfolio. He is also responsible for the delivery and management of an asset portfolio of high-value, 'blue chip' corporate clients with significant loan and deposit bases important to NCBJ's profitability and growth.

Brian Boothe
Head
Retail Banking Division

Brian is charged with the responsibility to successfully lead the Division through the implementation of initiatives, which will allow the business to achieve its mandate of growth and profitability. He will, in this evaluates market trends both locally and internationally in order to develop a wide array of banking solutions to meet consumer needs. Major areas of focus include improving customer experience and operating efficiency.

Claudette Rodriquez
Head
Payment Services

Claudette is responsible and accountable for the overall strategy, design and implementation of NCB's enterprise-wide Payment Services. She is responsible for developing an effective agenda for Payments, which includes driving innovation to support customer needs, creating relevant products, improving services, corporate-wide alignment, growing market share, ensuring sustainable growth and profitability.

Danielle Cameron Duncan
Head
Non-Branch Channels

Danielle heads the Non-Branch Channel Unit and has responsibility for the development and execution of strategies to enhance the customer's experience with respect to e-channels including Online, Mobile, ABM, Kiosk, IVR and Customer Care Centre. Her oversight also involves creating a seamless experience that compels customers to select e-channels as their first choice for fulfilment.

Dave Garcia
General Counsel and Corporate Secretary
Group Legal & Compliance Division

Dave is also an officer of NCBFG (see profile on page 55).

Dennis Cohen
Chief Financial Officer and Deputy Chief Executive Officer

Dennis is also an officer of NCBFG (see profile on page 55).

Howard Gordon
Head
Group Operations and Technology Division

Howard leads the technical and operating environments across the Group to support execution of the Group's strategy and day-to-day operations, while building technical skill sets to support digital aspirations and continuous improvement of the enterprise-wide technology infrastructure.

Mark Thompson
President and Chief Executive Officer
Advantage General Insurance Company Limited

Mark has responsibility for the development and execution of the strategic goals to propel Advantage General Insurance Company Limited to achieve its vision of becoming a widely recognised and innovative industry leader. In executing his leadership mandate, he provides direction to his team in financial, risk and performance management and corporate governance and compliance.

Leadership Team

CONTINUED

Mukisa Ricketts
Chief Audit Executive

Mukisa is also an officer of NCBFG

(see profile on page 56).

Nadeen Matthews Blair
Chief Digital & Marketing Officer and Chief Executive Officer-N.C.B. Foundation

Nadeen is responsible for the development and execution of integrated Marketing and Communications strategies to help drive the organisation's strategic growth objectives and further enhance the organisation's brand equity and image.

She is also leading NCB's digital transformation programme with the objectives of enhancing customer experiences, increasing organisational efficiency and agility and transforming NCB's business model for long-term viability.

As CEO of the Foundation she ensures effective execution of significant aspects of NCB's Corporate Social Responsibility mandate.

Patrick Hylton
Chief Executive Officer

Patrick is also an officer of NCBFG

(see profile on page 56)

Dr. Rickert Allen
Head
Group Human Resources & Facilities Division

Rickert's core mandate is the development and execution of strategies for the effective and efficient management of the human capital of the Group. He also has responsibilities for the management of all facilities of the NCB Group, which includes construction projects, maintenance of buildings and equipment and real estate management. Additionally, he has group responsibility for the safety, security, environment and procurement portfolios.

Septimus 'Bob' Blake
Chief Operating Officer

Bob provides oversight of the NCBJ's Strategic Business Units, namely Retail Banking, Treasury and Correspondent Banking, Corporate Banking, Payment Services and Non-Branch Channels to ensure continued growth, profitability and alignment to the Group's strategy.

Steven Gooden
CEO
NCB Capital Markets Limited

Steven leads the Group's wealth, asset management and investment banking arm, which under his leadership has expanded into the southern and eastern Caribbean via the establishment of hubs in the Cayman Islands, Trinidad & Tobago and Barbados. His strategic focus is to drive product penetration throughout the Group and to expand its reach across the region, which includes Spanish and Dutch speaking territories.

Tanya Watson-Francis
General Manager
Treasury & Correspondent Banking

Tanya has responsibility for providing strategic leadership for NCBJ's Asset and Liability management functions. This includes the management of the NCBJ's Investment portfolio, management of interest rate, liquidity, funding and foreign exchange risk. She also provides direction for the management of relationships with financial institutions and correspondent banks.

Vernon James
Managing Director & CEO
NCB Insurance Company Limited

Vernon has overall responsibility for the strategic leadership of NCB Insurance Company Limited (NCBIC), the Group's life insurance subsidiary, offering a variety of individual and group insurance products. He has portfolio responsibility for over $50 billion in Pension Funds under management and is charged with improving NCBIC's market share.

Management Discussion & Analysis (MD&A)

Index

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	*Cari***A** (local currency)	Stable
			*Cari***A-** (foreign currency)	
		National Scale	*jm***AAA** (local currency)	
			*jm***AA+** (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	*Cari***A-** (local currency)	Stable
			*Cari***BBB+** (foreign currency)	
		National Scale	*jm***AA+** (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	*Cari***BBB+** (foreign currency)	Stable
			*Cari***BBB** (foreign currency)	
		National Scale	*jm***A+** (local currency)	
NCB Cayman	CariCRIS	Regional Scale	*Cari***A** (foreign and local currency)	Stable

Extract from the Jamaican financial services industry

Financial system structure [1] (in billions, except percentages and number of institutions)

COMMERCIAL BANKS - AT JUNE 30, 2018 [2]

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 [3]

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

JAMAICAN INSURANCE INDUSTRY - AT MARCH 31, 2018 [4]

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 [5]

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 [6]	249.2
NCBCM percentage market share of unit trusts	13.7%

(1) Financial sector assets are not consolidated
(2) Bank of Jamaica - Annual Prudential Indicators of Commercial Banks, Licensees under The Financial Institutions Act (FIA) & Building Societies as at June 30, 2018
(3) Bank of Jamaica - Unaudited Assets & Liabilities of Commercial Banks as at June 30, 2018
(4) Financial Services Commission of Jamaica - Insurance Industry Performance Report as at March 2018
(5) FFinancial 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

(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)
	For the year ended September 30,						
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

CONTINUED

TABLE 4: KEY RATIOS AND PER STOCK UNIT DATA

	Year ended September 30,				
	2014	2015	2016	2017	**2018**
Profitability ratios					
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%**
Capital ratios					
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%**
Per stock unit data					
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:

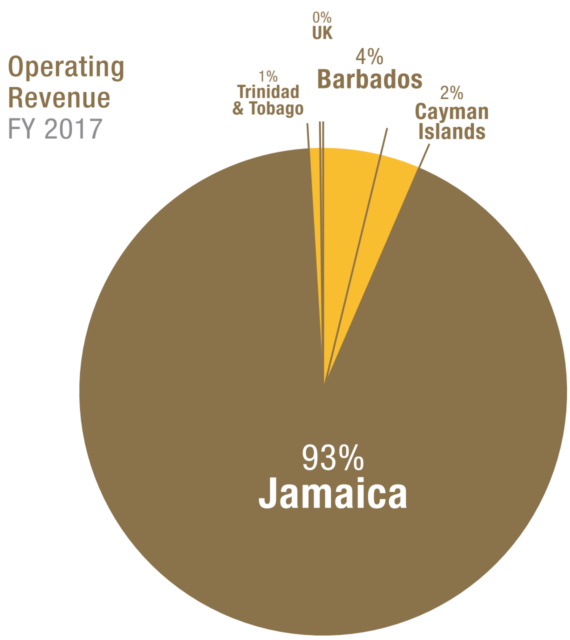
- **Building a world-class digital experience**
  1. Develop distinctive digital capabilities
- **Accelerating regional expansion**
  2. Expand in priority markets
- **Reinventing our core business**
  3. Enhance sales and service excellence
  4. Focus on payments innovation
  5. Develop and engage our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

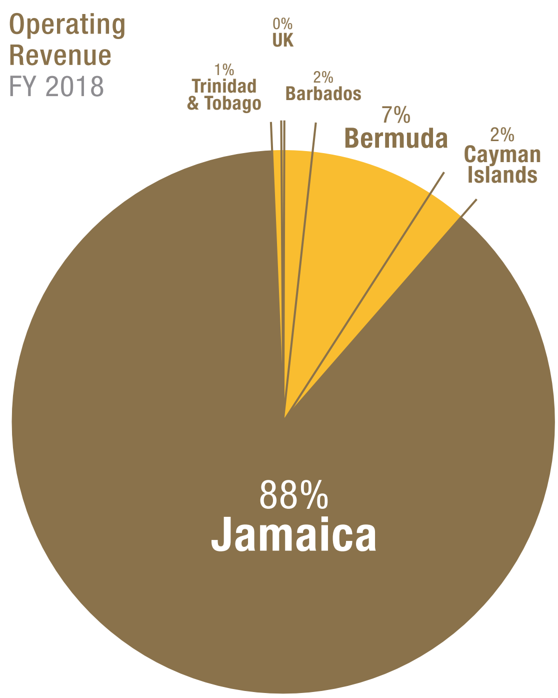
For the year, we continued to develop an ecosystem of innovation to fuel the digital transformation. The components included agile labs and partnerships with ecosystem players and fintechs to create a foundation for automated interactions. Several initiatives were also pursued to enhance our core business 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

CONTINUED

Strengthening core

41% growth in asset base and 12% growth in equity

+

Regional acquisition

- 50.1% majority stake in Clarien
- gain (negative goodwill) of $4.4B on acquisition

+

Improving macro-economic activity

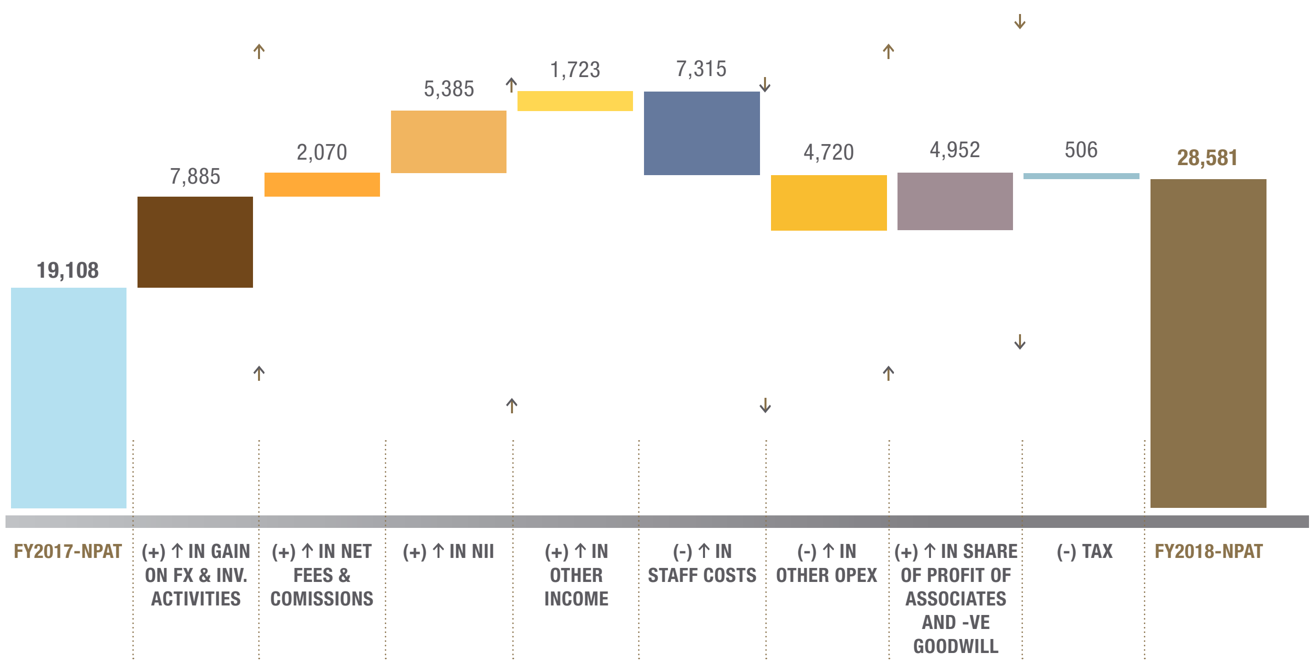
102% increase in gains from foreign currency and investment activities

+

Increased regional capital markets and structured deals

Improved revenues from corporate finance and investment activities

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 drove 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.

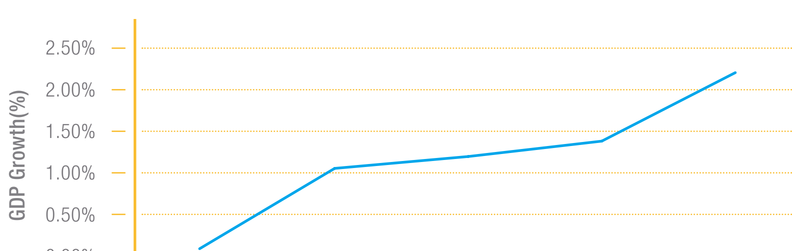
JAMAICA

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)



	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2
GDP Growth	0.06%	1.05%	1.19%	1.38%	2.22%

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.

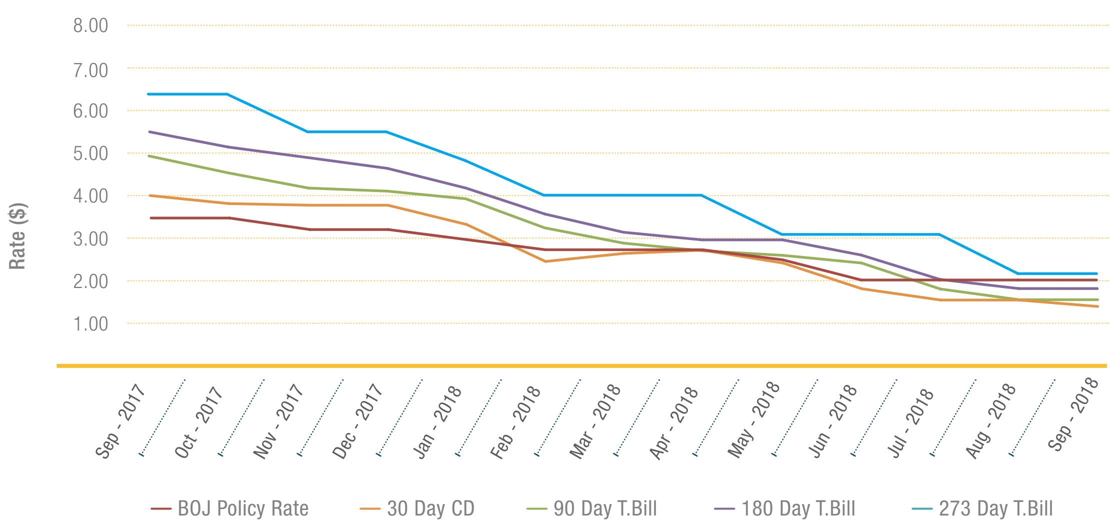
Fiscal Performance

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.

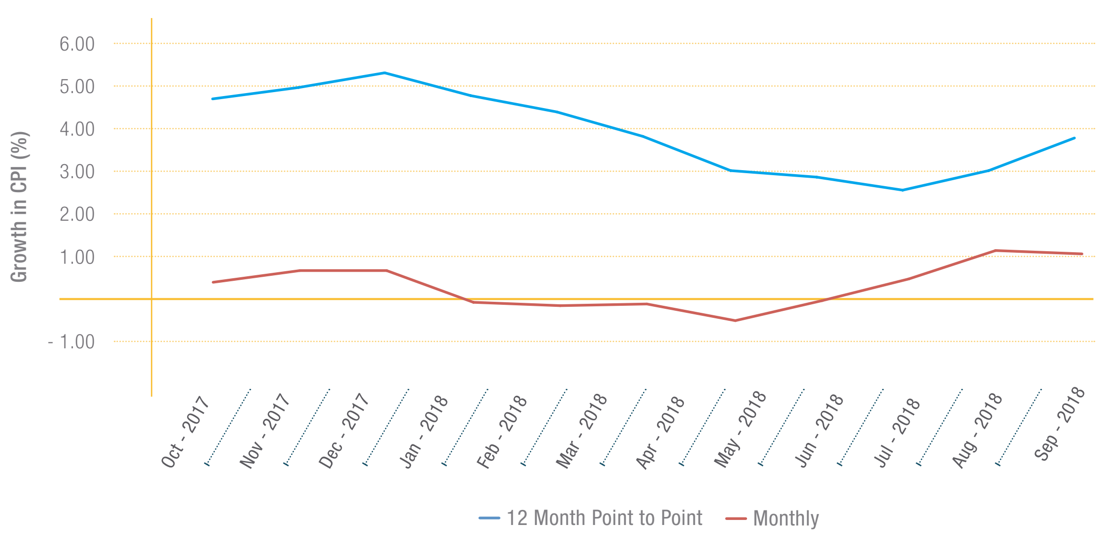
Within this context, average yields on GOJ Global Bonds increased by 74 bps to 5.7%, while yields on the most frequently traded, JAMAN 2028, increased by 47 bps to 5.2% during the financial year. At the same time the average spread on the GOJ Global Bonds have tightened, as there remains considerable 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)

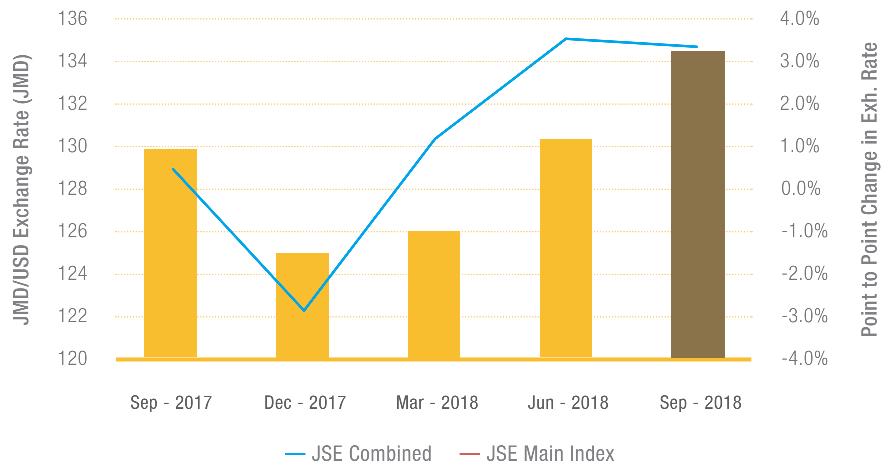


35%, while the Junior Market Index and Jamaica Select Index grew 16% and 21%, respectively. Increased JMD liquidity, following the maturity and net redemption of certain GOJ Bonds; the GOJ's budget surplus for fiscal year 2017/18, which lead to a reduction in its demand for capital market funding; and 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 repute 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.

Quarterly JMD/USD Exchange Rate Movement FY2017/18



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

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

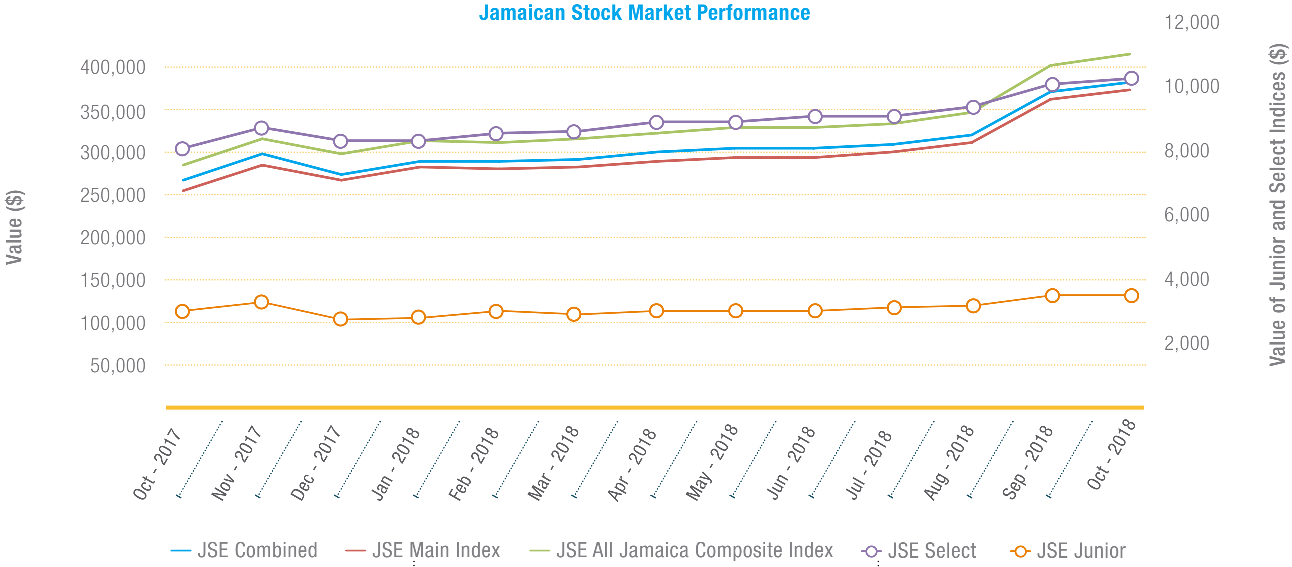
Barbados' economic activity is estimated to have contracted by -0.6% during the first 6 months of 2018, driven by lower output from the tourism, manufacturing and non-tradable sectors. The unemployment rate declined by 3.2% year over year to 8.2% in Q2 2018. Domestic Inflation, as measured by the twelve-month 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



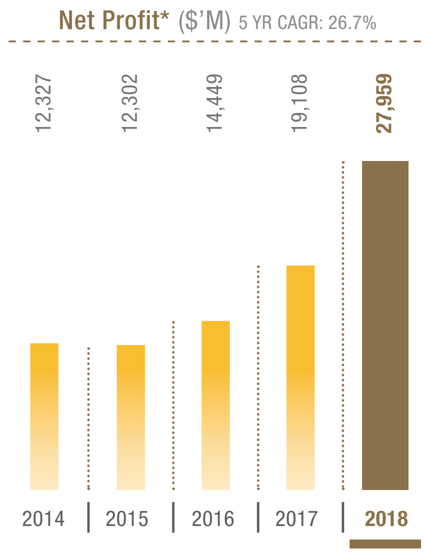
Financial Performance

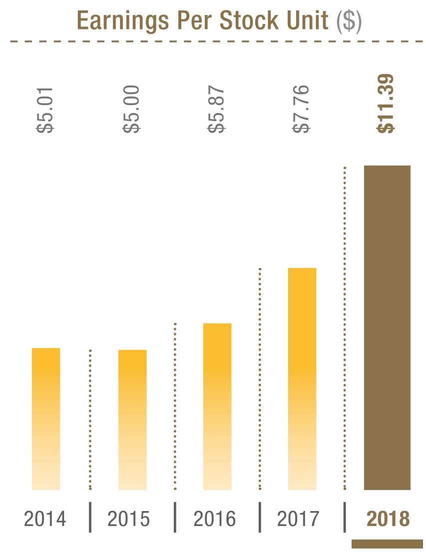
* Attributable to Stockholders of the Parent

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

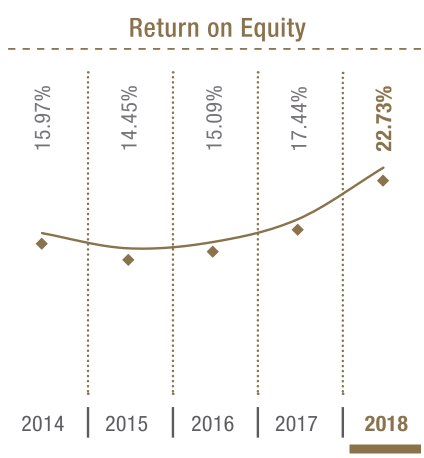


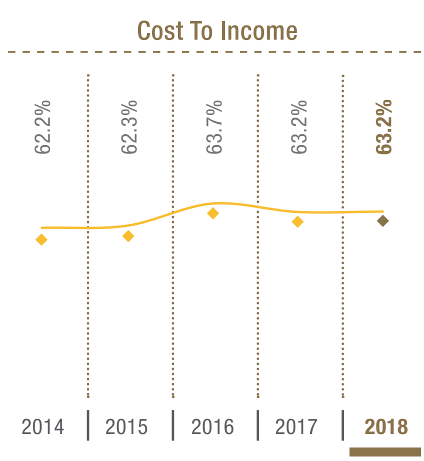


rates which generated a high demand for debt securities during the year. Net interest income was bolstered by the consolidation of Clarien, adding $4.4 billion in interest related revenue. With Clarien as a member of the Group, we are now positioned to offer financial services to a wider market.

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





FINANCIAL PERFORMANCE

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 GHL when compared to the prior year.

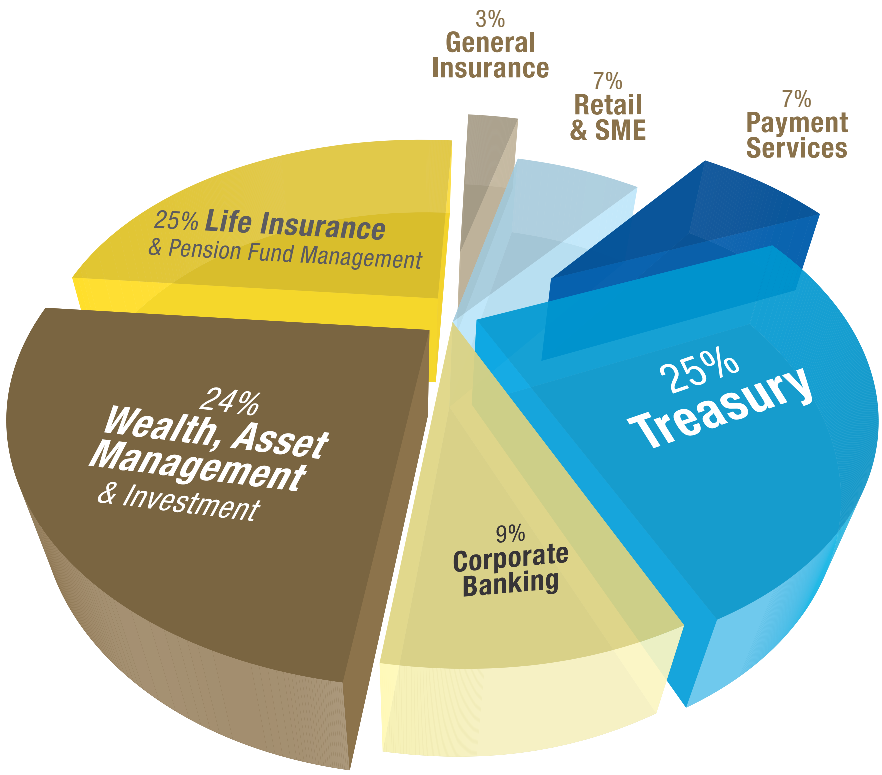
Outlook

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

CONTINUED

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 testiment 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 [1]

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

[1] 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

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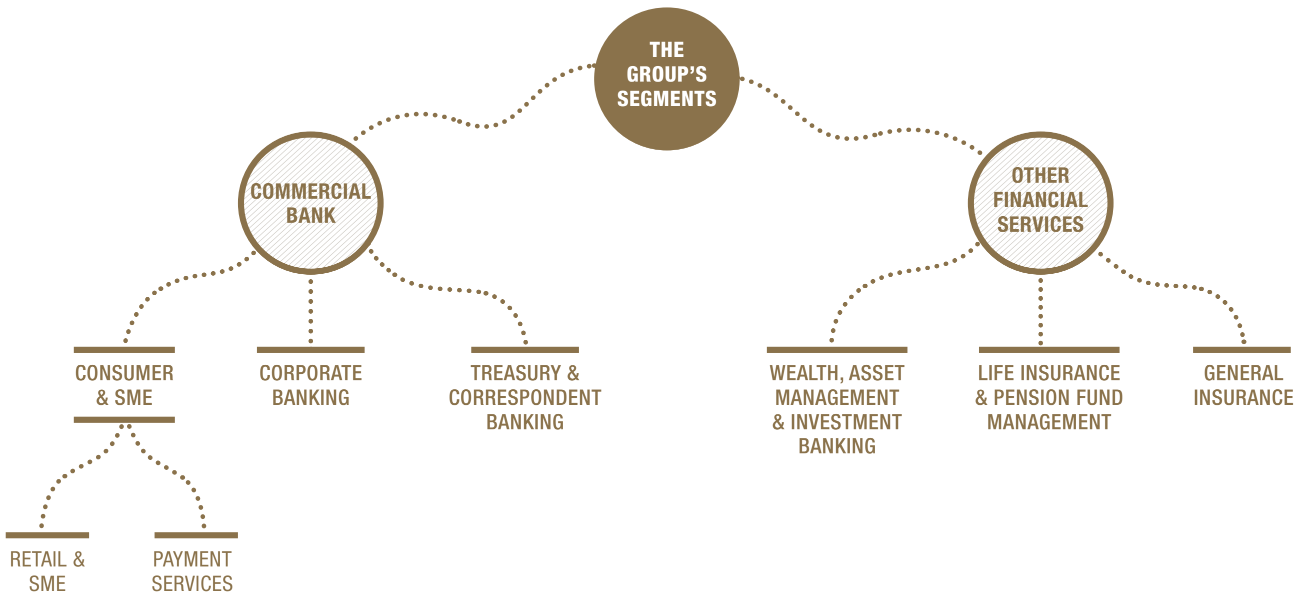


portfolio and a 16% or $33.7 billion growth in its customer deposits portfolio. The growth in the loan portfolio contributed to increased credit related fees earned.

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, NCBCM 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

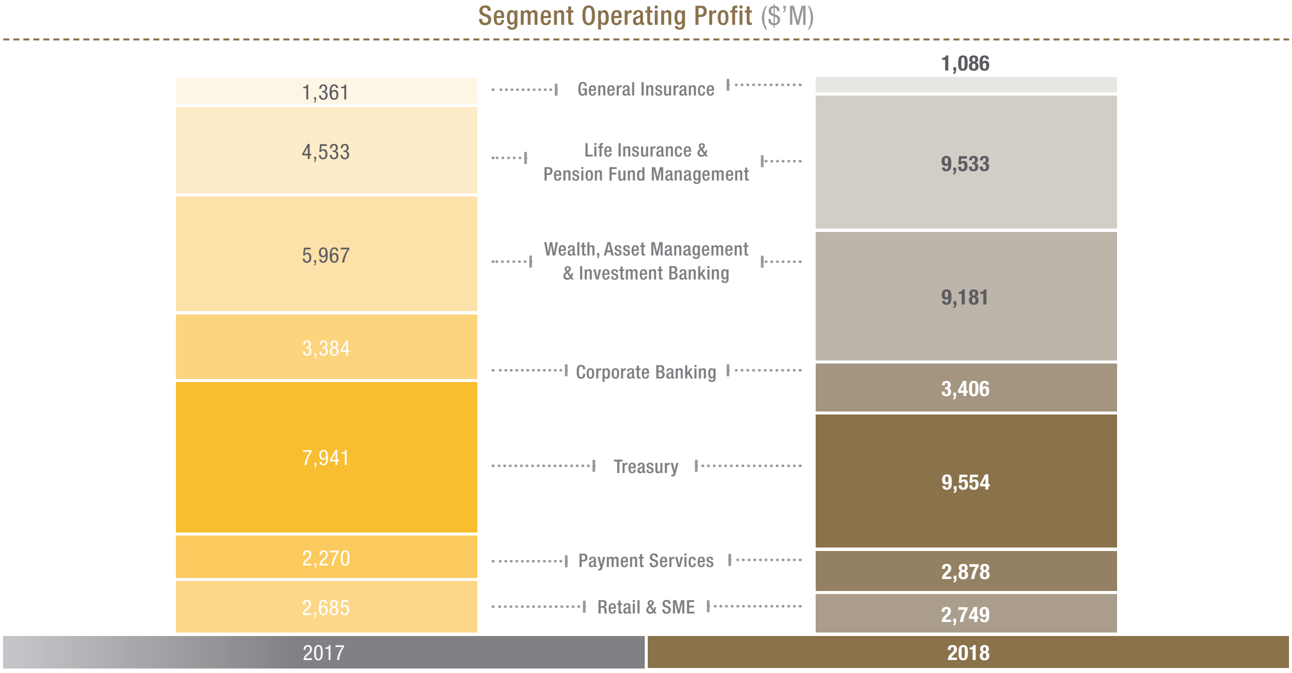
Our life insurance and pension fund management segment incorporates the results of the life insurance and pension fund management services of the Group. This segment increased its contribution to operating profit from 16% in the prior year to 25% for the current year. Our life insurance segment earned 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)



Financial Performance

CONTINUED

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.

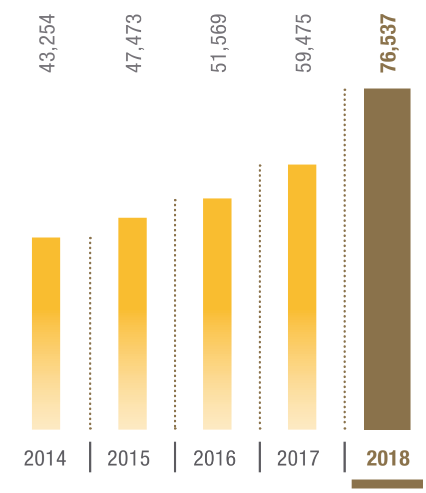
- Interest income from investment securities was $17.6 billion, a decrease from the prior year's total of $18.0 billion. This represented a marginal decline of $381 million or 2%. The inclusion of Clarien added $694 million in investment income which partially offset the impact from the declining interest 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.

Operating Income ($'M)

5 YR CAGR: 15.1%



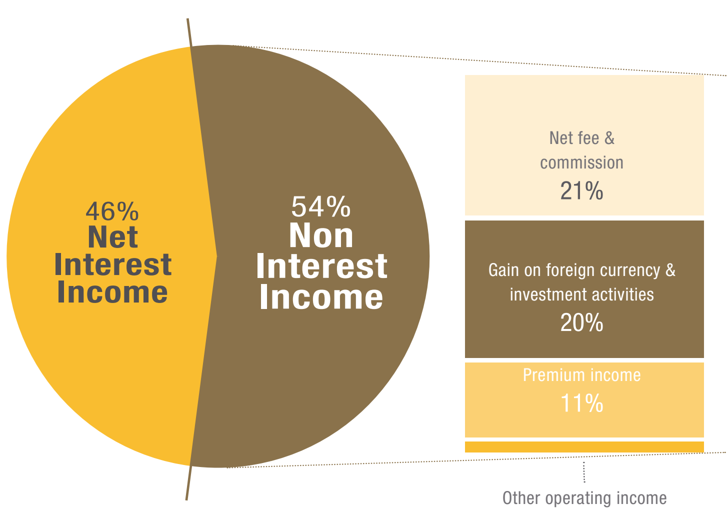
Non-Interest Income

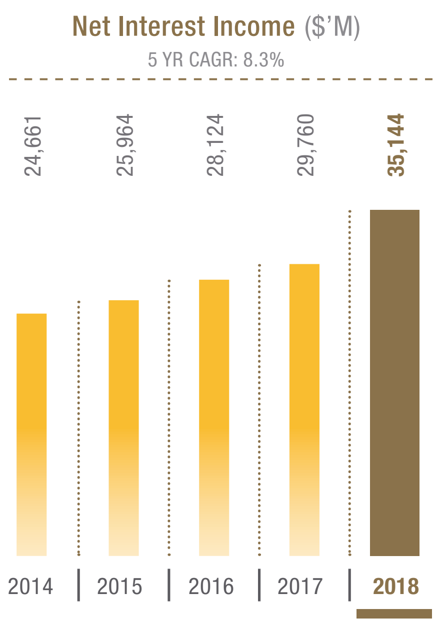
[refer to table 6 of MD&A, page 87]

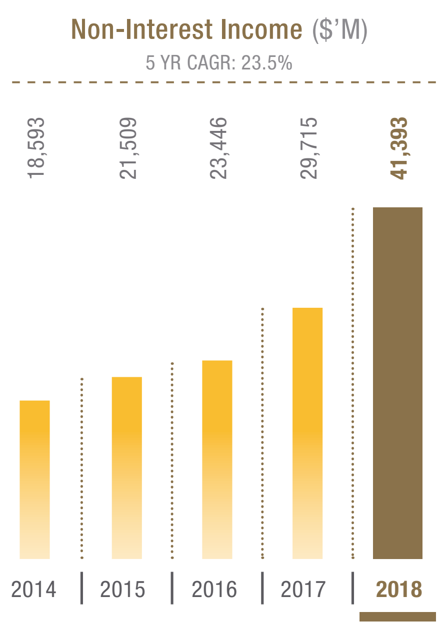
Non-interest income grew to $41.4 billion, up $11.7 billion or 39%, over the prior year.

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

Income Mix FY 2018







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

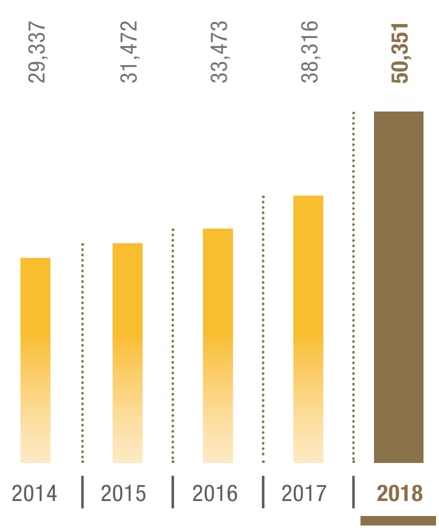
Financial Performance

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%
Total	**29,715**	**100.00%**	**41,393**	**100.00%**

Operating Expenses ($'M)

5 YR CAGR: 12.6%



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.

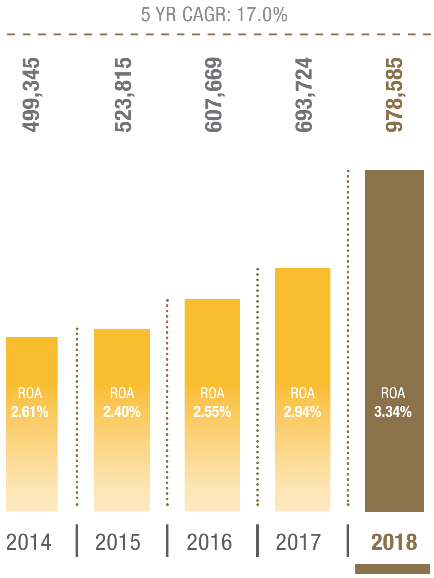
Connected parties include our affiliates, associated companies, principal shareholders, directors, key management personnel, officers and employees.

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 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.

Total Assets ($'M)



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
Total	**302,039**	**393,297**

* $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.

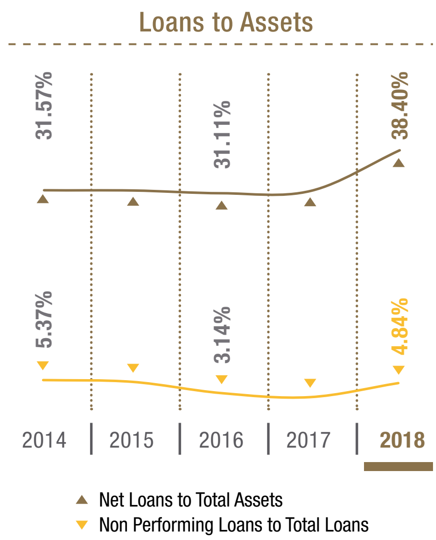
Net Loans

[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 ha 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.

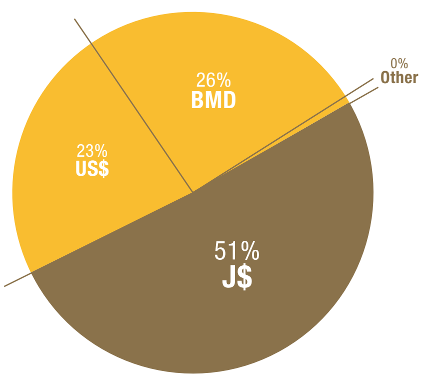


Investment in Associates

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

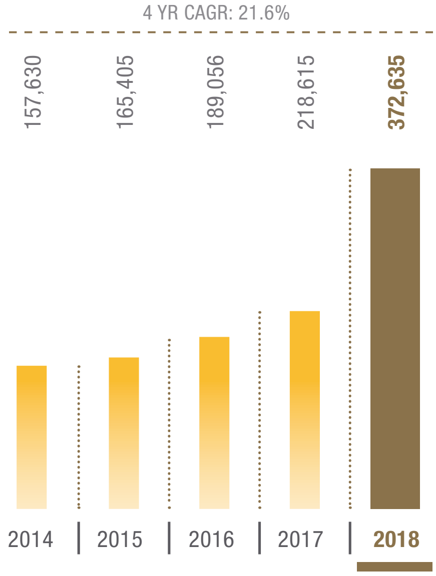
TABLE 8: LOAN PORTFOLIO DETAILS	2017 $'M	% of Total %	2018 $'M	% of Total %
Retail and SME	125,882	57.58%	148,991	39.98%
Regional subsidiaries	4,996	2.29%	101,364	27.20%
Corporate	69,181	31.65%	101,116	27.13%
Credit Cards	18,556	8.49%	21,165	5.68%
Total	**218,615**	**100.00%**	**372,635**	**100.00%**

Net Loans by Currency (J$'B)



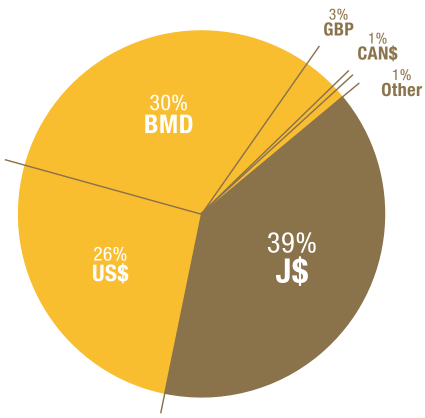
Net Loans ($'M)

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%
Total	**288,464**	**100.00%**	**484,848**	**100.00%**

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.

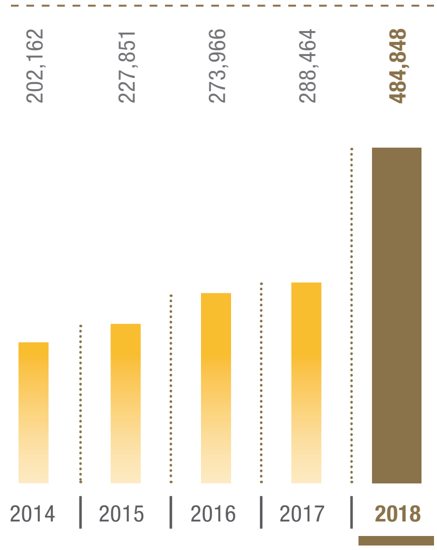
This arrangement is in addition to the Diversified Payment Rights (DPR) securitisation arrangement, which is a structured financing transaction selling the rights to receive payments from correspondent banks based overseas when a payment order is initiated by a person or entity situated overseas in favour 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%



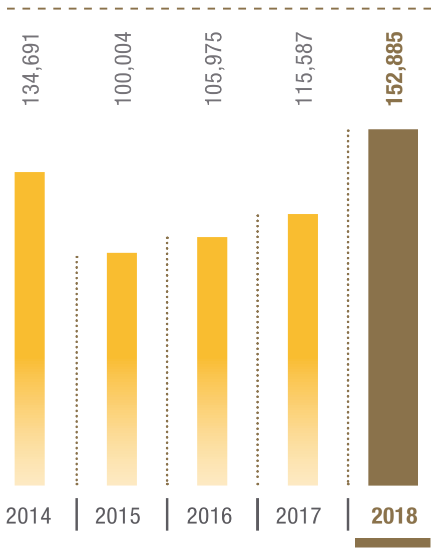
Fitch reported the key ratings drivers as follows:

- 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

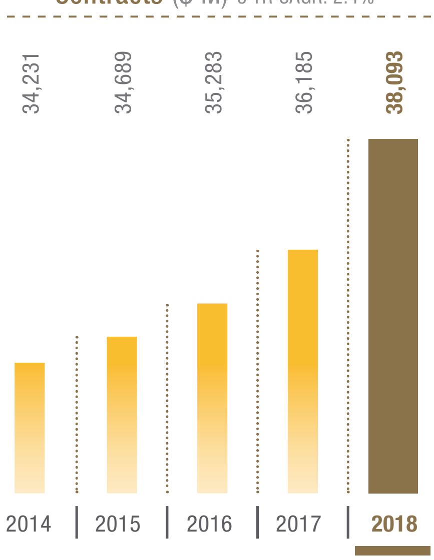
ISSUER	NOTE	RATING	OUTLOOK
Jamaica Merchant Voucher Receivables Limited	USD$400 million series 2015-1 and series 2016-1 notes	'BB+'	Stable
Jamaica Diversified Payment Rights Company	USD$125 million series 2013-1 notes	'BB'	Stable

Repurchase Agreements ($'M)

5 YR CAGR: 5.4%



Liabilities Under Annuity & Insurance Contracts ($'M) 5 YR CAGR: 2.4%

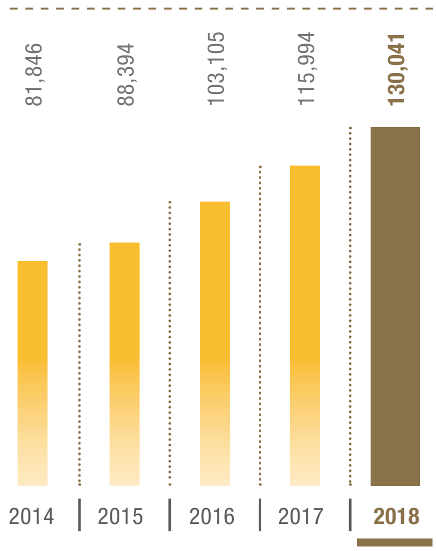


notches. It stated NCBJ's market-leading credit card franchise has been supporting strong levels of international Visa and MasterCard merchant vouchers (MV), but the tourism industry and related economic activities drive international MV volumes and the transaction remains exposed to a drop in tourism.

- 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.

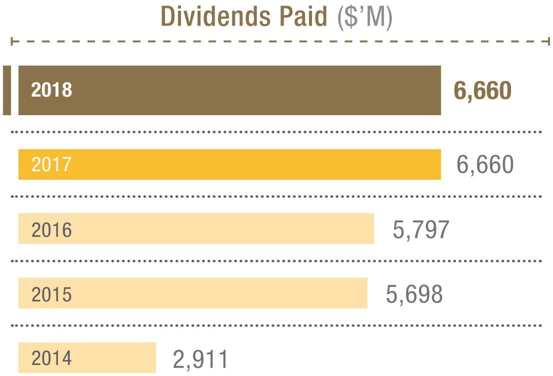
NCBFG TOTAL SHAREHOLDER RETURN

For The Year Ended September 30	2013	2014	2015	2016	2017	2018	Three Year CAGR (%)	Five Year CAGR (%)
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%
							Three Year Shareholder Return	**Five Year Shareholder Return**
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 & 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.

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 positve 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.


Portmore Branch

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.

Our Operations

CONTINUED

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:

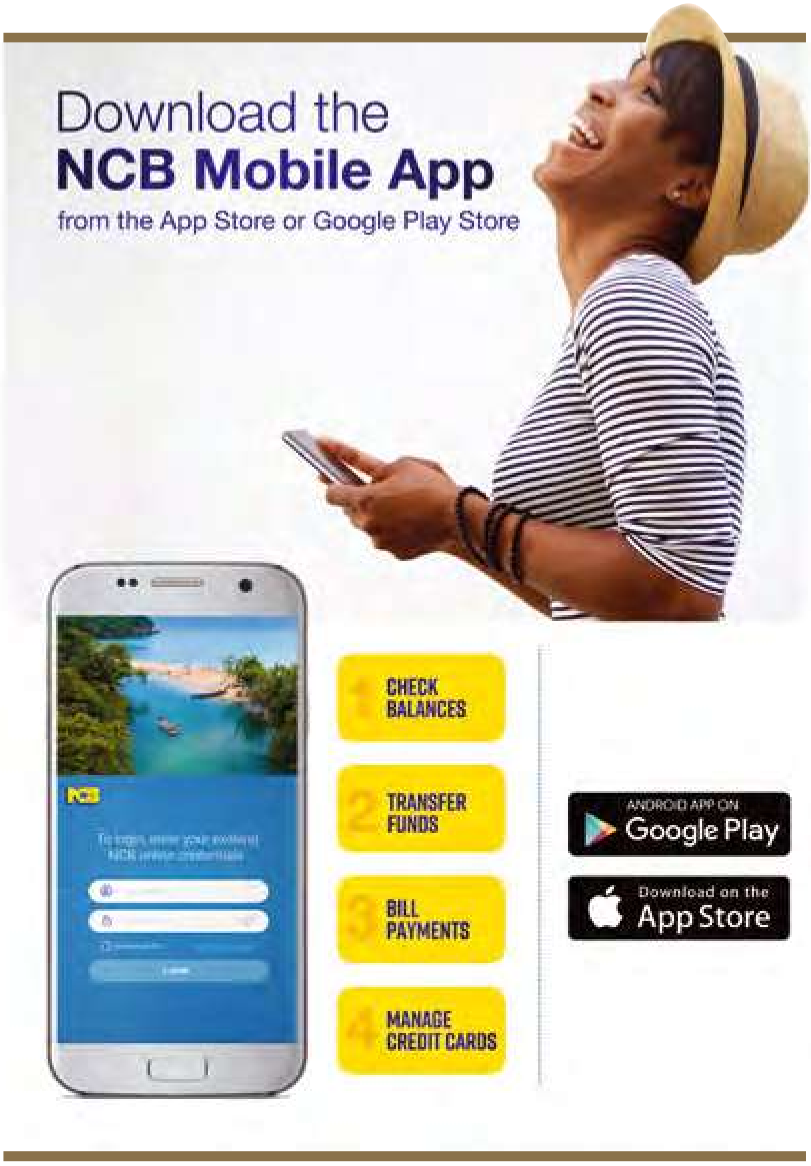
- View account information saving/current/loan/credit card/term deposit
- Own Account Transfers
- Third party transfers within NCB
- Adding new beneficiaries
- Bill payments
- Adding New Bill Payees

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



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
- 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.

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 though 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

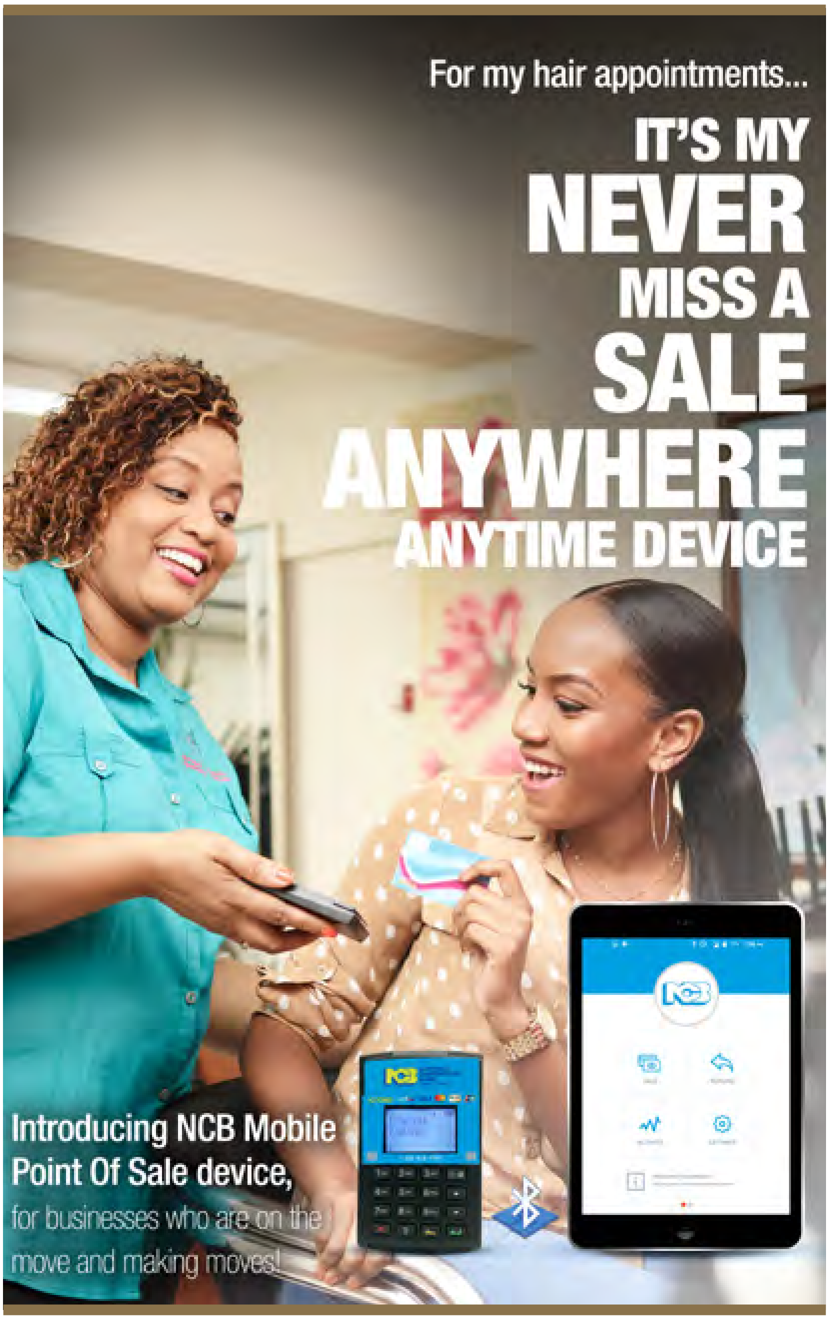
The Payment Services Division continued to focus on improving the overall customer experience with innovative products and solutions, however the process of bolstering the safety and security of both merchants and cardholders took priority during the 2017/2018 financial year.

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



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 sell-funding of the loan portfolio.

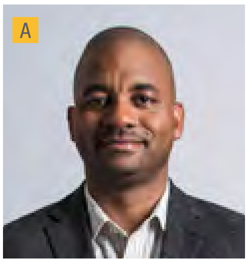
In the Jamaican market, NCB's Corporate Banking Division is considered to be best in class by corporate entities based on its experienced team, agility, proven leadership and strength in closing syndicated transactions, short turnaround time and relationship obsession post client acquisition. Our aspiration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

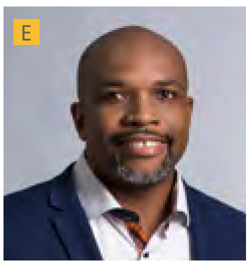
SENIOR MANAGEMENT TEAM

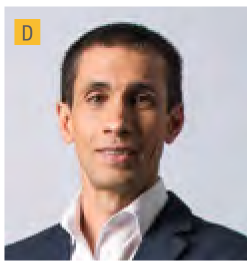


A **STEVEN GOODEN**, CEO

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

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





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

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

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

NCB CAPITAL MARKETS LIMITED

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.

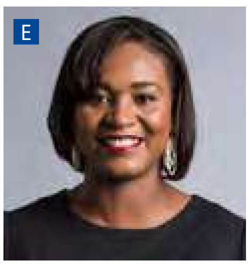
Our clients can look forward to new channels and new functionalities on existing channels. We are investing heavily to automate and simplify processes. We are currently working in collaboration with the JSE to improve the IPO process for our investment banking clients and the application process for 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 **VERNON JAMES**, MANAGING DIRECTOR & CEO

B **ANTONIO SPENCE**, Senior Assistant General Manager - Insurance Revenue C **DESMOND JOHNSON**, Business Development Manager - Group Business



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 COMPANY LIMITED

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.

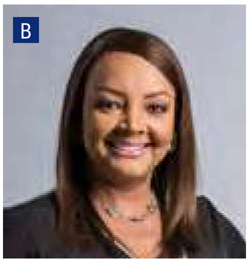
PENSION MARKET

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.

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

Advantage General INSURANCE COMPANY Limited

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.

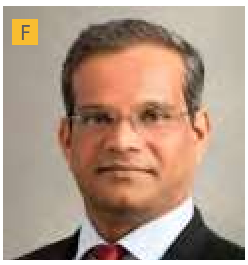
Digital initiatives in progress and scheduled for completion during the next financial year include establishing connectivity with our various business channels, incorporating intermediaries, online and mobile, with our core enterprise software. This will facilitate straight through processing of e-business 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

CLARIEN

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



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.

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 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.

23.8

Staff Costs
($ billions)

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

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.

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.

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 on database systems using Structured Query Language (SQL) and data visualiation. 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 architectured 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

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:

EDUCATION | **COMMUNITY DEVELOPMENT & SPORTS** | **YOUTH LEADERSHIP AND ENTREPRENEURSHIP**

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

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 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.

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.

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.

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 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.

Malikah 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.

(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 NCBFrecently 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 SCHOO:** 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 J$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 is 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 finacial 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.

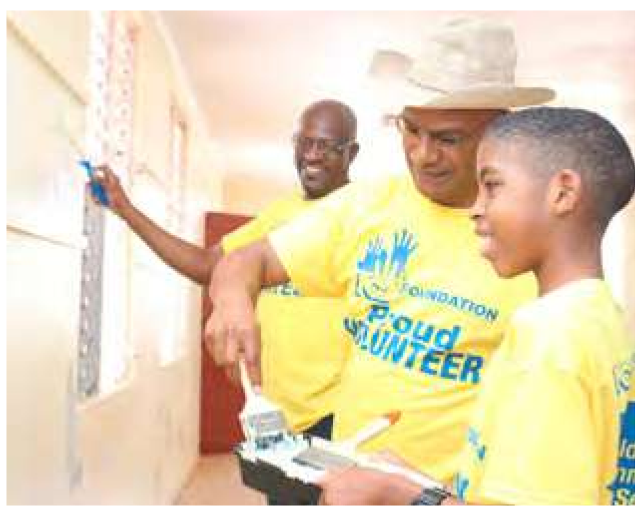
Members of the NCB Volunteer Corps at the 2017 Day of Care hosted by the Council of Voluntary Social Services (CVSS) on December 2. N.C.B. Foundation partnered with CVSS for the second time for the initiative which provides a rallying point of organisations and individual volunteers to express their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

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

CONTINUED

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.

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

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, excitingly 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

In 2016 we embarked on a journey to set the 'BAR' in the financial services industry, by **b**uilding a world class digital experience, **a**ccelerating regional expansion and **r**einventing 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.

September 30, 2018

Financial Statements

NCB Financial Group Limited

Index

Index

NOTES TO THE FINANCIAL STATEMENTS

Directors' Report

The directors submit herewith the Consolidated Income Statement of NCB Financial Group Limited and its subsidiaries for the year ended September 30, 2018, together with the Consolidated Statement of Financial Position as at that date:

Operating Results

	$'000
Gross operating revenue	97,956,508
Profit before taxation	33,988,918
Taxation	(5,407,952)
Net profit	28,580,966

Dividends

The following dividends were paid during the year:

- **$0.60** per ordinary stock unit was paid in December 2017
- **$0.70** per ordinary stock unit was paid in February 2018
- **$0.70** per ordinary stock unit was paid in May 2018
- **$0.70** per ordinary stock unit was paid in August 2018

Another interim dividend of $0.70 per ordinary stock unit was declared for payment in December 2018. The directors recommend that the Company's final dividend be $2.80, representing the aggregate of the interim dividends declared in 2018.

Directors

During the financial year, the Board of Directors comprised:

- Hon. **Michael A. Lee-Chin**, OJ – Chairman
- Mr **Patrick A.A. Hylton**, CD – President & Group Chief Executive Officer
- Mr **Dennis G. Cohen** – Group Chief Financial Officer & Deputy Chief Executive Officer
- Mr **Robert W. Almeida**
- Mrs **Sandra A.C. Glasgow**
- Mrs **Sanya M. Goffe**
- Mrs **Thalia G. Lyn**, OD
- Professor **Alvin G. Wint**, CD
- Mr **Oliver Mitchell Jr.**
- Mr **Wayne Chen** (retired January 26, 2018)
- Hon. **Noel Hylton**, OJ (deceased February 24, 2018)

Company Secretary

The Company Secretary is Mr Dave L. Garcia.

Pursuant to Article 94-96 of the Company's Articles of Incorporation, one third of the Directors (or the number nearest to one third) other than the Managing Director (that is, our President and Group Chief Executive Officer) and Deputy Managing Director (that is, our Group Chief Financial Officer and Deputy Chief Executive Officer) will retire at the Annual General Meeting and shall then be eligible for re-election. The Directors offering themselves for re-election are Hon. Michael Anthony Lee-Chin, OJ and Mr Robert Wilfred Almeida.

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and offer themselves for re-appointment.

On behalf of the Board

Dave L. Garcia
Company Secretary

Independent auditor's report

To the Members of NCB Financial Group Limited

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of NCB Financial Group Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at September 30, 2018, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

NCB Financial Group Limited's consolidated and stand-alone financial statements comprise:

- the consolidated income statement for the year ended September 30, 2018;
- the consolidated statement of comprehensive income for the year ended September 30, 2018;
- the consolidated statement of financial position as at September 30, 2018;
- the consolidated statement of changes in equity for the year ended September 30, 2018;
- the consolidated statement of cash flows for the year ended September 30, 2018;
- the statement of comprehensive income for the year ended September 30, 2018;
- the statement of financial position as at September 30, 2018;
- the statement of changes in equity for the year ended September 30, 2018;
- the statement of cash flows for the year ended September 30, 2018; and
- the notes to the consolidated and stand-alone financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm
L.A. McKnight P.E. Williams A.K. Jain B.L. Scott B.J.Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K.Moore

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Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Audit scope
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand- alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters, as it pertains to the stand-alone financial statements, in our report.

Key audit matter	How our audit addressed the key audit matter

Business combination
See notes 2 (b), 3 and 49 to the consolidated financial statements for management's disclosures of related accounting policies, judgements and estimates.
 	
The Group acquired 50.1% of the share capital of Clarien Group Limited for a total consideration of $4.2 billion.
 	
The accounting for the acquisition was a key audit matter because it was a significant transaction for the year, given the financial and operational impacts on the Group. We focused on this area due to nature of business combinations, the requirements of which can be complex and require management to exercise judgement in determining certain estimates. The complex judgements include identifying and estimating the fair value of the intangible assets acquired. The Group was assisted by an external valuation expert in this process.
	We were assisted by our own valuation expert in aspects of our work. We tested the fair values of the intangible assets recognized, as follows:
	• Evaluated the application of valuation methodology utilised to derive the fair value of identified intangible assets.
	• Tested the reasonableness of valuation assumptions and inputs by:
	  ○ Referencing historical information in management's cash flow projections to supporting documents and information;
	  ○ Corroborating the revenue growth rates, terminal growth rates and attrition rates by comparison to independent economic and statistical data;
	  ○ Comparing the discount rate to that used by other market participants; and
	  ○ Agreeing the remaining useful lives of each intangible asset identified to the period over which most of the cash flows are expected to be generated.
	• Tested the mathematical accuracy of management's discounted cash flow by reperforming the underlying calculations.
	• Assessed the competence and capability of management's expert.
	
	Based on the procedures performed, no adjustments to the financial statements or disclosures were deemed necessary.

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Key audit matter	How our audit addressed the key audit matter
Impairment losses on loans and advances to customers *See notes 2 (j) and 22 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.*	
As at September 30, 2018, loans and advances, net of provision for credit losses represented $372.6 billion or 38% of total assets of the Group. IFRS determined impairment provisions of $8.3 billion have been recognised for the Group. We focused on the IFRS determined impairment assessment as the assumptions used for estimating both the amount and timing of future cash flows are complex and involve significant judgment by management, including: ▪ Classification of loans as impaired: we focused on management's identification of the customer accounts that are included in the impairment assessment from a completeness perspective. ▪ Valuation of real estate property pledged as collateral: this is the most significant repayment source for impaired retail and impaired commercial loans. The estimation of collateral values is impacted by market trends as well as the circumstances of the specific property and involves judgment and specialised skills. ▪ The key assumptions and judgments made by management when calculating the provision for individually impaired loans include: the estimated costs to sell the collateral, time to liquidate the pledged collateral and the amount and timing of collection of cash flows from other sources than pledged collateral.	We assessed and tested the design and operating effectiveness of the controls over impairment data and calculations. These controls included identification of which loans and advances were impaired. We determined we could rely on these controls for the purposes of our audit. We evaluated management's process by testing a sample of loans and advances which had not been identified by management as potentially impaired and formed our own judgement as to whether that was appropriate. The criteria we used to determine if there is objective evidence of impairment included: ● Significant financial difficulty of the borrower; ● Default or delinquency in interest or principal payments; ● Concessions granted to a borrower that would not otherwise be considered due to the borrower's financial difficulty; ● The probability that the borrower will enter bankruptcy or other financial reorganization; or Observable market data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio since the initial recognition of the loans. Based on the testing, no adjustments were considered necessary.

Key audit matter	How our audit addressed the key audit matter
	Where impairment had been identified, we inspected the forecasts of future cash flows prepared by management to support the calculation of the impairment, testing the assumptions and comparing estimates to external evidence where available. Management uses valuation experts to support their estimate of future cash flows from the asset, including realisation of the collateral held. Using a risk based approach, we engaged our experts to perform independent valuations of commercial and residential properties held as collateral. Based on the testing results, no adjustments were considered necessary. We tested the completeness of management's listing of potentially impaired loans by reperforming the process using management's impairment criterion. No differences were noted. Where an impairment provision had been identified by management based on an expected default rate against performing loans by sector, we evaluated the default rate model and compared inputs to relevant data including historical loss experience for loans with similar risk characteristics. We also checked the calculations for mathematical accuracy, noting no exceptions. We evaluated the performance of the loan portfolio subsequent to the end of the reporting period to identify significant adjusting subsequent events and did not identify any such events.

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Key audit matter	How our audit addressed the key audit matter
Valuation of investments classified as fair value through profit or loss, available-for-sale and loans and receivable, and pledged assets. *See notes 2(k), 20, 23 and 24 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.* As at September 30, 2018, investments classified as investment securities at fair value through profit or loss, available-for-sale and loans and receivable, and pledged assets together account for $391.4 billion or 40% of total assets of the Group. For some of the investments, an active market exists, from which quoted prices can be obtained. For others, management uses valuation techniques, which utilise inputs such as the investment cash flow details and a market yield obtained from established yield curves. The magnitude of this balance, the complexity of the models used, the use of management assumptions, and the potential for misstatement from the use of inappropriate yields from the yield curve resulted in this being an area of focus.	For investments for which quoted prices were available, we compared prices used by management to independent pricing sources. No exceptions identified. For investments which were valued using a valuation technique, we tested management's valuation for a sample of individual investment holdings by comparing investment cash flow details and yields to independent pricing and data sources, including externally independently developed yield curves. We evaluated management's assumptions in relation to the timing and amounts of cash flows in relation to the sample of investments by considering any indicators to suggest that there may be variations to the contractual cash flows expected. We recalculated the carrying value, and amounts disclosed for the fair value of the Group's investments for mathematical accuracy and noted no exceptions. Based on the testing, no adjustments were considered necessary.

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Key audit matter	How our audit addressed the key audit matter
Valuation of incurred but not reported claims for property & casualty contracts *See notes 2(t) and 35 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.*	
As at 30 September 2018, total incurred but not reported reserves account for $2.0 billion or 0.2% of total liabilities of the Group.	We tested the completeness, accuracy and reliability of the underlying data utilized by management, and their external actuarial experts to support the actuarial valuation. Our tests did not identify any exceptions.
The methodologies and assumptions utilized to develop incurred but not reported reserves involve a significant degree of judgement.	We were assisted by actuarial specialists who performed a review of the actuarial valuation done by the Group's actuary. In reviewing the valuation, we evaluated the assumptions used by management and assessed the methodologies used for appropriateness and consistency with established actuarial practice and methodologies used in the prior year.
The liabilities are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. There is generally less information available in relation to these claims, which can result in variability between initial estimates and final settlement. A range of methods, may be used to determine these provisions.	The assumptions used by management were found to be reasonable and the methodologies applied appropriate in the circumstance.
We focused on this area because, underlying these methods are a number of explicit and implicit assumptions relating to the expected settlement amount and settlement patterns of claims and the values determined are subject to complex calculations.	

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Key audit matter	How our audit addressed the key audit matter
Methodologies and assumptions used for determining insurance contract liabilities for life insurance and annuity insurance contracts *See notes 2(t) and 35 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.*	
As at September 30, 2018, risk reserves for life insurance and annuity contracts account for \$3.2 billion or 0.4% of the total liabilities of the Group. We focused on this area because the valuation of the provisions for the settlement of future claims involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions may result in significant impacts to the valuation of these liabilities.	We tested the completeness, accuracy and reliability of the underlying data utilized by management to support the actuarial valuation. We tested a sample of contracts to assess whether contract features and demographic data corresponded to the data file given by management to its actuary. We engaged an actuarial specialist to evaluate the methodologies and assumptions utilized by management's actuarial expert considering industry and component specific facts and circumstances. Specific areas of focus were mortality assumptions, contract lapses, investment return and associated discount rate, and operating expenses, all of which are based on entity experience or publicly available information. We found the significant estimates and assumptions used by management to be reasonable, and that the methodologies used were actuarially established and accepted and appropriate in the circumstance.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment for the Group's shareholding in associated company *See notes 2 (b), 3 and 25 to the financial statements for disclosures of related accounting policies, judgements and estimates.*	
At September 30, 2018, the market capitalisation for the Group's shareholdings in one of its associated companies was below its carrying value of $29.4 billion, as determined using equity accounting. This was considered to be an indicator of potential impairment, which required further consideration by management, as to whether a formal impairment assessment was required. Management concluded that an assessment was required, and performed a value in use calculation. We focused on this due to its subjectivity and the sensitivity to changes in inputs, as the performance of value in use calculation involves the use of estimates including future cash flow projections, revenue growth rates, discount rates and terminal growth rates. Based on the results of management's assessment, management has concluded that the investment is not impaired.	We examined management's assessment of the historical performance of its investment and compared underlying financial data used in the assessment, to audited financial statements and other publicly available financial information. We were assisted by our valuation expert to evaluate management's value in use calculation. We evaluated management's assumptions in relation to future cash flow projections, revenue growth rates, discount factors and terminal growth rates by forming our own independent expectation, referencing historical entity performance information, economic and statistical data. Our procedures did not identify any exceptions which would indicate that the investment in the associated company would require an impairment provision.

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Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after this auditor's report date.
Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

Management is responsible for the preparation of the consolidated and stand-alone financial statements that give a true and fair view in accordance with IFRS and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s responsibilities for the audit of the consolidated and stand-alone financial statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying consolidated and stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Garfield Reece.

PricewaterhouseCoopers
Chartered Accountants
26 November 2018
Kingston, Jamaica

NCB Financial Group Limited

Consolidated Income Statement

Year ended September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Operating Income			
Interest income		52,235,806	42,837,213
Interest expense		(17,091,622)	(13,077,544)
Net interest income	6	35,144,184	29,759,669
Fee and commission income		20,288,706	17,010,753
Fee and commission expense		(4,327,906)	(3,119,686)
Net fee and commission income	7	15,960,800	13,891,067
Gain on foreign currency and investment activities	8	15,611,240	7,726,060
Premium income	9	8,662,005	7,573,599
Dividend income	10	553,305	295,123
Other operating income		605,446	229,070
		25,431,996	15,823,852
		76,536,980	59,474,588
Operating Expenses			
Staff costs	11	23,776,353	16,461,158
Provision for credit losses	22	1,676,755	729,234
Policyholders' and annuitants' benefits and reserves	12	4,731,479	4,180,027
Depreciation and amortisation		3,472,372	2,359,274
Impairment losses on securities	13	283,883	-
Other operating expenses	14	16,410,081	14,586,267
		50,350,923	38,315,960
Operating Profit		26,186,057	21,158,628
Negative goodwill on acquisition of subsidiary	49	4,392,149	-
Share of profit of associates and gain on dilution	25	2,573,232	2,850,700
Gain on partial disposal of associates	25	837,480	-
Profit before Taxation		33,988,918	24,009,328
Taxation	15	(5,407,952)	(4,901,510)
NET PROFIT		28,580,966	19,107,818
Attributable to:			
Stockholders of the parent		27,958,752	19,107,818
Non- controlling interest	50	622,214	-
		28,580,966	19,107,818
Earnings per stock unit			
Basic and diluted (expressed in $)	16	11.39	7.76

NCB Financial Group Limited

Consolidated Statement of Comprehensive Income

Year ended September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Net Profit		28,580,966	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		(481,392)	(388,640)
Share of other comprehensive income of associated companies		-	45,157
		(481,392)	(343,483)
Items that may be reclassified subsequently to profit or loss			
Currency translation gains		1,263,927	204,415
Share of other comprehensive income of associated companies		(1,413,911)	402,481
Unrealised gains on available-for-sale investments		548,555	3,484,021
Realised fair value gains on sale and maturity of available-for-sale investments		(6,049,801)	(3,318,701)
		(5,651,230)	772,216
Total other comprehensive income		(6,132,622)	428,733
TOTAL COMPREHENSIVE INCOME		22,448,344	19,536,551
Total comprehensive income attritutable to:			
Stockholders of parent		21,415,907	19,536,551
Non-controlling interest	50	1,032,437	-
		22,448,344	19,536,551

Consolidated Statement of Financial Position

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018	2017
		$'000	**$'000**
ASSETS			
Cash in hand and balances at Central Banks	17	74,711,396	65,314,659
Due from banks	18	48,702,014	39,414,981
Derivative financial instruments	19	233,329	205,984
Investment securities at fair value through profit or loss	20	2,540,013	2,580,938
Reverse repurchase agreements	21	3,807,177	2,861,218
Loans and advances, net of provision for credit losses	22	372,634,701	218,615,226
Investment securities classified as available-for-sale and loans and receivables	23	211,903,094	189,070,828
Pledged assets	24	176,910,304	109,321,414
Investment in associates	25	35,125,894	37,186,185
Investment properties	26	1,366,950	812,619
Intangible assets	27	12,398,591	4,922,810
Property, plant and equipment	28	13,280,060	10,431,461
Deferred income tax assets	29	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	30	16,413,126	7,876,257
Total Assets		978,584,626	693,724,191

NCB Financial Group Limited

Consolidated Statement of Financial Position (continued)

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
LIABILITIES			
Due to banks	31	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	32	58,992,666	66,743,350
Derivative financial instruments	19	259,002	132,347
Other borrowed funds	33	65,558,639	38,649,556
Income tax payable		-	168,582
Deferred income tax liabilities	29	910,710	1,498,616
Liabilities under annuity and insurance contracts	35	38,093,007	36,185,320
Post-employment benefit obligations	36	5,502,973	4,020,696
Liability – letters of credit and undertaking		2,305,130	1,971,727
Other liabilities	37	17,830,555	13,762,244
Total Liabilities		839,000,298	577,730,422
STOCKHOLDERS' EQUITY			
Share capital	38	153,827,330	153,827,330
Treasury shares	38	(1,050,785)	(330,129)
Reserves from scheme of arrangement	39	(147,034,858)	(147,034,858)
Fair value and capital reserves	39	3,535,115	9,596,567
Loan loss reserve	40	3,470,490	4,287,288
Banking reserve fund	41	6,598,442	6,567,333
Retained earnings reserve	42	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	50	9,543,760	-
Total stockholders' equity		139,584,328	115,993,769
Total stockholders' 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 Equity

Year ended September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Treasury Shares	Reorganisation 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	38	153,827,330	(330,129)	(6,462,343)	(147,034,858)	-	-	-	-	-	-	-
Transaction with owners of the Company												
Dividends paid	48	-	-	-	-	-	-	-	-	(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	38	-	(720,656)	-	-	-	-	-	-	-	-	(720,656)
Non-controlling interest on acquisition of subsidiary	49	-	-	-	-	-	-	-	-	-	8,511,323	8,511,323
Transaction with owners of the Company												
Dividends paid	48	-	-	-	-	-	-	-	-	(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)

	Note	2018 $'000	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		19,957,599	(15,237,164)
Net cash provided by operating activities	43	48,538,565	3,870,654
Cash Flows from Investing Activities			
Acquisition of investment in associate		-	(50,000)
Acquisition of property, plant and equipment	28	(2,541,303)	(3,306,436)
Acquisition of intangible assets – computer software	27	(3,948,971)	(2,539,825)
Net cash acquired on purchase of subsidiary	49	1,822,570	-
Net proceeds from partial disposal of associate	25	2,709,769	-
Proceeds from disposal of property, plant and equipment		473,030	48,376
Purchase of investment property	26	(8,971)	(164,491)
Dividends received from associates	25	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
Repayment of 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		12,232,935	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		75,170,642	62,937,707
Comprising:			
Cash in hand and balances at Central Banks	17	31,134,075	26,290,505
Due from banks	18	41,463,485	35,515,793
Reverse repurchase agreements	21	312,414	2,170,573
Investment securities	23	12,064,968	2,725,170
Due to banks	31	(9,804,300)	(3,764,334)
		75,170,642	62,937,707

Statement of Comprehensive Income

Year ended September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Year ended September 30 2018 $'000	Eighteen months ended September 30 2017 $'000
Income			
Management fees	7	5,117,427	3,864,750
Dividend income	10	9,382,928	4,369,900
Losses on foreign currency activities	8	(1,911,720)	(890,967)
		12,588,635	7,343,683
Expenses			
Staff costs	11	1,722,148	544,668
Other operating expenses	14	2,252,035	1,079,338
		3,974,183	1,624,006
Operating profit		8,614,452	5,719,677
Interest income	6	1,300,381	382,867
Interest expense	6	(4,146,382)	(2,809,471)
Profit before Taxation		5,768,451	3,293,073
Taxation	15	1,205,764	269,207
NET PROFIT, BEING TOTAL COMPREHENSIVE INCOME		6,974,215	3,562,280

NCB Financial Group Limited

Statement of Financial Position

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
ASSETS			
Due from banks	18	16,576,953	30,093,874
Loan to related party	22	-	9,591,511
Investment securities classified as loans and receivables	23	7,115,932	-
Investment in subsidiaries		185,932,668	181,779,442
Deferred income tax assets	29	1,494,739	269,207
Income tax recoverable		66,230	-
Other assets	30	3,692,115	5,249,697
Total Assets		214,878,637	226,983,731
LIABILITIES			
Due to banks	31	-	31,464,349
Other borrowed funds	33	60,149,078	40,359,048
Income tax payable		-	62,246
Other liabilities	37	706,766	668,594
Total Liabilities		60,855,844	72,554,237
EQUITY			
Share capital	38	153,827,330	153,827,330
Treasury shares		(720,656)	-
Retained earnings		916,119	602,164
Total Equity		154,022,793	154,429,494
Total Equity and Liabilities		214,878,637	226,983,731

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

Statement of Changes in Equity

Year ended September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Treasury Shares	Retained Earnings	Total
		$'000	$'000	$'000	$'000
Issue of shares	38	153,827,330	-	-	153,827,330
Total comprehensive income (eighteen months)		-	-	3,562,280	3,562,280
Transaction with owners of the Company -					
Dividends paid		-	-	(2,960,116)	(2,960,116)
Balance at September 30, 2017		153,827,330	-	602,164	154,429,494
Total comprehensive income		-	-	6,974,215	6,974,215
Purchase of treasury shares	38	-	(720,656)	-	(720,656)
Transaction with owners of the Company -					
Dividends paid	48	-	-	(6,660,260)	(6,660,260)
Balance at September 30, 2018		153,827,330	(720,656)	916,119	154,022,793

NCB Financial Group Limited

Statement of Cash Flows

Year ended September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018	2017
		$'000	$'000
Cash Flows from Operating Activities			
Net profit		6,974,215	3,562,280
Adjustments to reconcile net profit to net cash provided by/(used in) operating activities:			
Interest income	6	(1,300,381)	(382,867)
Interest expense	6	4,146,382	2,809,471
Income tax expense	15	(1,205,764)	(269,207)
Foreign exchange losses	8	1,911,720	890,967
Changes in operating assets and liabilities:			
Loans and advances		10,545,012	(9,579,184)
Withholding taxes		(128,476)	62,246
Other		1,595,754	(4,581,100)
		15,564,247	(11,049,674)
Interest received		1,518,928	2,323
Interest paid		(6,062,923)	(237,946)
Income tax paid		(19,768)	-
		11,000,484	(11,285,297)
Net cash provided by/(used in) operating activities		17,974,699	(7,723,017)
Cash Flows from Investing Activities			
Outflow of cash to acquire subsidiary	49	(4,153,226)	(27,952,114)
Purchases of investment securities		(7,000,000)	-
Net cash used in investing activities		(11,153,226)	(27,952,114)
Cash Flows from Financing Activities			
Purchase of treasury shares		(720,656)	-
Proceeds from other borrowed funds		29,860,974	40,240,744
Repayment of other borrowed funds		(12,669,825)	-
Due to banks		(29,088,688)	28,120,160
Dividends paid		(6,660,260)	(2,960,116)
Net cash (used in)/provided by financing activities		(19,278,455)	65,400,788
Effect of exchange rate changes on cash and cash equivalents		(737,787)	-
Net (decrease)/increase in cash and cash equivalents		(13,194,769)	29,725,657
Cash and cash equivalents at beginning of period		29,725,657	-
Cash and Cash Equivalents at End of Period	18	16,530,888	29,725,657

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% (2017 - 49.17%) 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.

During the prior year, under a Scheme of Arrangement, the pre-existing shares in National Commercial Bank Jamaica Limited (the Bank) were transferred en-bloc to the Company, which in turn issued, on a one for one basis, shares in the Company to the previous shareholders in the Bank. Nominal shares, previously existing in the Company, were also cancelled. At the end of the transaction, each shareholder in the Company had an identical number of shares in the Company, as he or she had in the Bank prior to the Scheme of Arrangement. The execution of the Scheme of Arrangement did not change ultimate control of the Company or the Bank and consequently the transaction was accounted for as a re-organisation. As explained in note 2 (a) and 3, in accounting for the transaction, the Company applied the predecessor method of accounting, and accounted for the transaction retrospectively, as if the existing ownership structure was always in place.

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 financial position and performance of the group was particulary affected by the acquisition of a 50.1% majority stake in Clarien Group Limited (CGL). This resulted in an increase in assets and liabilities and the recognition of negative goodwill and other intangible assets. The details of the transaction are disclosed in Note 49.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

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.

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

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.

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 (2017 – nil), JMMB Group Limited (2017 -26.30%) and Elite Diagnostic Limited (2017 – 29.61%), the Group's shareholdings in the above listed entities was 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. Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (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. The areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in Note 3.

As referenced in Note 1, the Group underwent a re-organisation during the prior year, following the completion and execution of a court sanctioned and shareholder approved Scheme of Arrangement. In accounting for the re-organisation, the Company used the predecessor method of accounting, and applied it retrospectively. In applying the precedessor method retrospectively, prior period amounts for income and expenses, and assets and liabilities, and cash flows were presented without any valuation adjustments. The financial statements have been presented as if the current ownership structure and arrangements had always been in place. Share capital for the Group is considered from the perspective of the Company. Therefore, prior to the consummation of the Scheme of Arrangement, the consolidated financial statements for the Group reflect share capital of nil.

The value of share capital issued by the Company was determined by reference to the published Jamaica Stock Exchange (JSE) market capitalisation for the Bank for the last day of trading. Management of the Group was of the view, that this best reflected fair value. The difference between the value attributed to the shares issued, and the previous share capital is reflected as an adjustment to equity, and the re-organisation reserve was eliminated.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to existing standards effective during the current year

The following amendments to existing standards became effective during the financial year and are deemed to be relevant to the Group's operations:

Amendments to IAS 7, 'Statement of Cash Flows', *(effective for annual periods beginning on or after 1 January 2017)*. In January 2016, the IASB published amendments to IAS 7 to improve information about an entity's financing activities. These amendments are a part of the IASB initiative to improve presentation and disclosure in financial reports. The amendments require disclosure of information enabling users to evaluate changes in liabilities arising from financing activities including both cash and non-cash changes. The Group has provided the additional disclosures in these financial statements. The reconciliation of changes in liabilities arising from financing activities is disclosed in Note 51.

Amendments to IAS 12, 'Income Taxes', *(effective for annual periods beginning on or after 1 January 2017)*. In January 2016, the IASB published amendments to IAS 12 clarifying specifically how to account for deferred tax assets related to debt instruments measured at fair value as well as clarifying the guidance for deferred tax assets in general by adding examples and elaborating on some of the requirements in more detail. The amendments did not change the underlying principles for the recognition of deferred tax assets.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not effective at the date of the statement of financial position, and which the Group has not early adopted.

IFRS 15, 'Revenue from Contracts with Customers' (effective for accounting periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

Amendment to IFRS 15, 'Revenue from Contracts with Customers' (effective for accounting periods beginning on or after 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard. The Group's main source of revenue is out of the scope of IFRS 15. The Group has identified and reviewed the contracts with customers that are within the scope of this standard and has concluded that the impact of adoption will not be significant on the Group.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 9, 'Financial Instruments', *(effective for annual periods beginning on or after 1 January 2018).* IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL). Classification of debt instruments under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. All equity instruments are measured at fair value under IFRS 9. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on October 1, 2018:

Classification and measurement

Debt instruments
The standard introduces new requirements to determine the measurement basis of financial assets, involving the cash flow characteristics of assets and the business models under which they are managed. Based on these conditions for classification, the Group has concluded on the following:

(a) The majority of debt instruments currently classified as available-for-sale will be classified as measured at FVOCI;
(b) Some debt instruments which are currently classified as loans and receivables will be classified as measured at FVOCI and some will be classified as measured at amortised cost.
(c) Some debt instruments currently classified as available-for-sale and loans and receivables have failed to meet the 'solely payments, principal and interest' (SPPI) requirement for the amortised cost classification under IFRS 9. As a result, these instruments will be classified as FVTPL and the related fair value gains/(losses) will have to be transferred from the fair value reserve to retained earnings on October 1, 2018.

Equity instruments
The Group currently classifies some of its equity instruments as available for sale. With the adoption of IFRS 9, the Group has decided to measure all equity instruments at FVTPL. The change will result in related fair value gains/(losses) being transferred from the fair value reserve to retained earnings for instruments measured at FVTPL on October 1, 2018.

2. **Significant Accounting Policies (Continued)**

(a) **Basis of preparation (continued)**

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 9, 'Financial Instruments' (continued)

Financial liabilities

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules are unchanged from IAS 39 'Financial Instruments: Recognition and Measurement'.

Impairment

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than incurred credit losses as required under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 'Revenue from Contracts with Customers', lease receivables, loan commitments and certain financial guarantee contracts. Impairment provisions will not apply to financial assets classified as FVTPL.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The standard must be applied for financial years commencing on or after January 1, 2018. The Group will apply the new rules retrospectively from October 1, 2018, with the practical expedients permitted under the standard. Comparatives for the prior year will not be restated.

The adoption of IFRS 9 is a significant initiative for the Group supported by a formal governance framework and a robust implementation plan. An Executive Steering Committee was formed with representatives from Finance, Risk and all key functional areas within the Group. A communication plan including progress reporting protocols was established with regular updates provided to the Executive Steering Committee on key decisions. IFRS 9 overview sessions were held at various levels within the Group, including the Audit Committee of the Board.

The key responsibilities of the project include defining IFRS 9 risk methodology and accounting policy, identifying data and system requirements, and developing an appropriate operating model and governance framework. Controls surrounding IFRS 9 processes continue to be developed and refined.

The adoption of IFRS 9 will have a significant impact on the Group's impairment methodology. The Group is required to assess, on a forward-looking basis, the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and the exposures arising from loan commitments and financial guarantee contracts, including overdrafts and undrawn amounts under revolving facilities. Under IFRS 9, ECL will be recognised in income statement before a loss event has occurred, which will likely result in earlier recognition of credit losses compared to the current model. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by considering multiple scenarios based on reasonable and supportable forecasts. Under current guidance, the impairment loss represents the best estimate of losses considering the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 9, 'Financial Instruments' (continued)

Impairment (continued)

IFRS 9 considers the calculation of ECL by multiplying the Probabilities of Defaults (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The IFRS 9 Impairment model uses a three stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12 month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using the respective PD occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a PD is used that corresponds to remaining maturity. This Stage 1 approach is different from the current approach which estimates a collective allowance to recognise losses that have been incurred but not reported on performing loans.

Stage 2 – When a financial asset experiences a SICR subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on probabilities of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3 – Financial assets that have objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will capture the lifetime ECL.

Some of the key concepts in IFRS 9 that have the most significant impact and require a high level of judgement are:

Assessment of Significant Increase in Credit Risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at initial recognition, using risk indicators that are used in the Group's existing risk management framework. At each reporting date, the assessment of a change in credit risk will be individually assessed for those exposures that are considered individually significant and at the segment/product level for retail and other homogenous exposure types. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

2. **Significant Accounting Policies (Continued)**

(a) **Basis of preparation (continued)**

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 9, 'Financial Instruments' (continued)

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios
IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and FLI are required to be incorporated into the measurement of ECL. The ECL at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group will use three scenarios that will be probability weighted to determine ECL.

Expected Life
When measuring ECL, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. The expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Definition of Default and Write-off
The Group's definition of impaired financial instruments (Stage 3) is unchanged. The Group does not expect to rebut the presumption in IFRS 9 that loans which are 90 days past due are in default. The policy on the write-off of loans remains unchanged.

Regulatory impact
The application of IFRS 9 has no significant impact on regulatory capital due to:

(a) The transfer of provisions from fair value reserves to retained earnings. Both are in regulatory capital for certain regulated entities.
(b) For bank, regulatory capital does not include retained earnings and fair value reserves.
(c) All regulated entities maintain adequate regulatory capital sufficient to absorb the impact of the adoption.

The estimated impact relates primarily to the implementation of the ECL requirements. The Group continues to revise, refine and validate the impairment models and related process controls leading up to the September 30, 2019 financial year.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 16, 'Leasing' *(effective for annual periods beginning on or after 1 January 2019)* Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of finanical position) and an operating lease (off statement of finanical position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Group does not expect any significant impact on the financial statements arising from future adoption of the standard.

IFRIC 22, 'Foreign currency transactions and advance consideration', *(effective for annual periods beginning on or after 1 January 2018)*. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The Group does not expect any significant impact on the financial statements arising from future adoption of the interpretation.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRIC 23, 'Uncertainty over income tax treatments' (effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS Interpretation Committee had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group does not expect any significant impact on the financial statements arising from future adoption of the interpretation.

Annual improvements IFRS 2015-2017 Cycle – Amendments to IAS 12 and IAS 23 *(effective for annual periods beginning on or after 1 January 2019)*. The amendments to IAS 12 clarify that all income tax consequences of dividends should be recognised in the income statement, regardless of how the tax arises. The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Group does not expect any significant impact on the financial statements arising from future adoption of these amendments.

IFRS 17, 'Insurance contracts' *(effective for annual periods beginning on or after 1 January 2021)*. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investments contracts with discretionary participation features. The Group is still assessing the impact that will arise from adopting this standard.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 *(effective for annual periods beginning on or after 1 January 2018)*. In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9, Financial Instruments, and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional. The Group's insurance operations will be implementing IFRS 9 on October 1, 2018, so this amendment will have no impact on these financial statements.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

Subsidiaries

Subsidiaries are those entities which the Group controls because the Group (i) has power to direct relevant activities of the entities that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the entities, and (iii) has the ability to use its power over the entities to affect the amount of the entities' returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the entities need to be made. The Group may have power over an entity even when it holds no ownership interests in the entity, or when it holds less than majority of voting power in an entity. In such cases, the Group exercises judgement and assesses its power to direct the relevant activities of the entity, as well as its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the entity. Protective rights of other investors, such as those that relate to fundamental changes in the entity's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

In the Company's stand-alone financial statements, investments in subsidiaries are accounted for at cost less impairment.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition.

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Associates (continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group determines at each reporting date whether there is any objective evidence that investments in associates are impaired. If this is the case, the Group recognises an impairment charge in the income statement for the difference between the recoverable amount of the associate and its carrying value.

The results of associates with financial reporting year-ends that are different from the Group are determined by prorating the results for the audited period as well as the period covered by management accounts to ensure that a year's result is accounted for where applicable.

Investments in associates are accounted for using the equity method of accounting (as described above), and are initially recognised at cost.

In the Company's stand-alone financial statements, investments in associates are accounted for at cost less impairment.

(c) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses and whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment. Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision maker. The chief operating decision maker is the President and Group Chief Executive Officer.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Jamaican dollars, which is the Company's functional currency.

Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the date of the statement of financial position, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate.

Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the income statement.

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the income statement (applicable for trading securities), or within other comprehensive income if non-monetary financial assets are classified as available-for-sale. In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.

2. **Significant Accounting Policies (Continued)**

(e) Revenue recognition

Interest income and expense

Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective interest method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount on treasury bills and other discounted instruments.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering the contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The Group accounts for interest income on loans in accordance with Jamaican banking regulations. These regulations stipulate that, where collection of interest is considered doubtful or where the loan is in non-performing status (payment of principal or interest is outstanding for 90 days or more), interest should be taken into account on the cash basis and all previously accrued but uncollected interest be reversed in the period that collection is doubtful or the loan becomes non-performing. IFRS require that when loans are impaired, they are written down to their recoverable amounts and interest income is thereafter recognised by applying the original effective interest rate to the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

Fee and commission income

Fee and commission income is generally recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

Premium income

Premium income is recognised on the accrual basis in accordance with the terms of the underlying contracts as outlined in Note 2(t).

Dividend income

Dividend income is recognised when the right to receive payment is established.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(f) Income taxes

Taxation expense in the income statement comprises current and deferred income tax charges.

Current income tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted or substantively enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited to other comprehensive income or equity, in which case, deferred tax is also dealt with in other comprehensive income or equity.

(g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and balances at Central Banks (excluding statutory reserves), due from banks, investment securities, reverse repurchase agreements and due to banks.

(h) Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group transacts derivatives to manage its own exposure to interest rate and foreign exchange risk.

Derivative instruments are initially recognised at fair value on the date a derivative contract is entered into, and subsequently are re-measured at their fair value at the date of each statement of financial position. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Assets and liabilities are set off where the contracts are with the same counterparty, a legal right of set off exists and the cash flows are intended to be settled on a net basis.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

Gains and losses from changes in the fair value of derivatives are included in the income statement.

2. Significant Accounting Policies (Continued)

(i) Repurchase and reverse repurchase transactions
Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(j) Loans and advances and provisions for credit losses
Loans and advances are recognised when cash is advanced to borrowers. They are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method.

Provision for credit losses determined under the requirements of IFRS
The Group continuously monitors loans or groups of loans for indicators of impairment. In the event that indicators are present, the loans or groups of loans are tested for impairment. A provision for credit losses is established if there is objective evidence of impairment. A loan or group of loans is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a 'loss event') and that loss event has reduced the estimated future cash flows of the loan and the amount of the reduction can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:
(i) significant financial difficulty of the obligor;
(ii) default or delinquency in interest or principal payments;
(iii) having to grant the borrower a concession that would not otherwise be considered due to the borrower's financial difficulty;
(iv) the probability that the borrower will enter bankruptcy or other financial reorganisation; or
(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio since the initial recognition of the loans, although the decrease cannot yet be identified with the individual loan in the portfolio, including:
   a) adverse changes in the payment status of borrowers in the portfolio; and
   b) national or local economic conditions that correlate with defaults on the loan portfolio.

The Group first assesses whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the carrying amount of the loan and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan. For accounting purposes, the carrying amount of the loan is reduced through the use of a provision for credit losses account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For the purpose of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Group's grading process that considers loan type, industry, collateral type and past-due status). Those characteristics are relevant to the estimation of future cash flows for groups of such loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the loans being evaluated.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(j) Loans and advances and provisions for credit losses (continued)

Provision for credit losses determined under the requirements of IFRS (continued)

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the group. Losses for the preceding period are used as a baseline to determine historical loss experience for loans with credit risk characteristics similar to those in the group. This historical loss experience is then adjusted, if necessary, to reflect broader economic trends. Finally, applicable adjustments are made on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of loans should reflect and be directionally consistent with changes in related observable data and our assessment of changes in the economy from period to period (for example, changes in unemployment levels, property and motor vehicle prices, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is deemed uncollectible, it is written off against the related provision for credit losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision for credit losses. The amount of the reversal is recognised in the income statement.

Provision for credit losses determined under the Bank of Jamaica (BOJ) regulatory requirements

The effect of the provision for credit losses determined under the Bank of Jamaica regulatory requirements is to preserve capital. No amounts are booked to the income statement in respect of regulatory provisions. Provisions calculated based on regulatory requirements that exceed the amounts required under IFRS are transferred from retained earnings to a non-distributable loan loss reserve in stockholders' equity.

The provision for credit losses determined under the Bank of Jamaica regulatory requirements comprises a “specific provision” and a “general provision”. The specific is determined based on each specific loan for which problems have been identified. The general provision is considered to be prudential in nature and is established to absorb portfolio losses.

2. Significant Accounting Policies (Continued)

(j) Loans and advances and provisions for credit losses (continued)

Provision for credit losses determined under the Bank of Jamaica (BOJ) regulatory requirements (continued)

The specific provision is established for the estimated net loss for all non-performing loans and performing loans that meet specified criteria. Loans are considered to be non-performing where a principal or interest payment is contractually 90 days or more in arrears. At the time of classification as non-performing, any interest that is contractually due but in arrears is reversed from the income statement and interest is thereafter recognised in the income statement on the cash basis only. The estimated net loss is defined as the net exposure remaining after deducting the estimated net realisable value of the collateral (as defined by and determined by the regulations) from the outstanding principal balance of the loan. The regulations quantify the specific provision at ranges from 20% to 100% of the estimated net loss of each non-performing loan depending on the length of time the loan has been in arrears. In addition, where a non-performing loan is fully secured but the collateral is unrealised for a period of 12 months, a provision of 50% of the amounts outstanding should be made. Where the collateral is unrealised for a further 6 months (with limited exceptions which allow for up to a further 15 months) a full provision is made. The regulations further require that the specific provision for each loan should not be less than 1% of the amounts outstanding.

A general provision is established for all loans (other than loans for which specific provisions were established) at 1% of the amounts outstanding.

(k) Investment securities

All purchases and sales of investment securities are recognised at settlement date.

Investment securities are classified into the following categories: investment securities at fair value through profit or loss (FVPL), available-for-sale (AFS) securities and loans and receivables (LAR). Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Investment securities at fair value through profit or loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists or those financial assets that the entity upon initial recognition, designates as FVPL. They are initially recognised at fair value and transaction costs are expensed in the income statement. They are subsequently carried at fair value. Interest income on investment securities at FVPL is recognised as part of interest income in the income statement. All other realised and unrealised gains and losses are included in gain on foreign currency and investment activities in the income statement.

AFS securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity, changes in interest rates, foreign exchange rates or market prices. They are initially recognised at fair value (including transaction costs), and subsequently remeasured at fair value. Unrealised gains and losses arising from changes in fair value of AFS securities are recognised in other comprehensive income. When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in other comprehensive income are transferred to the income statement.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(k) Investment securities (continued)

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (i) those financial assets that the Group intends to sell immediately or in the short term, which are classified as FVPL, or (ii) those financial assets that the entity upon initial recognition, designates as at FVPL or has designated as AFS. LAR are initially measured at fair value which is the consideration to originate the loan and are subsequently carried at amortised cost using the effective interest method.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Financial assets are assessed at each date of the statement of financial position for objective evidence of impairment. A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

In the case of equity securities classified as AFS, a significant or prolonged decline in the fair value below cost is considered an indicator of impairment. Significant or prolonged are assessed based on market conditions and other indicators. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment losses previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

Investment securities are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

(l) Investment properties

Investment property is held for long-term rental yields and is, therefore, treated as a long-term investment.

Investment property is measured initially at cost, including transaction costs, and is subsequently carried at fair value, representing open market value determined annually by the directors or by independent valuators. Changes in fair values are recorded in the income statement.

2. Significant Accounting Policies (Continued)

(m) Intangible assets

Computer software

Costs that are directly associated with acquiring and developing identifiable and unique software products are recognised as intangible assets. These costs are amortised using the straight-line method over their useful lives, not exceeding a period of five years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Core deposits, customer relationships and trade name

These assets are associated with the acquisition of a subsidiary and are measured at fair value as at the date of acquisition. These assets are amortised using the straight line method over their useful lives, not exceeding a period of twenty years.

(n) Property, plant and equipment

Land and buildings are shown at deemed cost less impairment losses, and less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

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

Land is not depreciated. Depreciation on other assets is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates or periods over which depreciation is charged are as follows:

Freehold buildings	2%
Leasehold improvements	Period of lease
Computer equipment	20 - 33 1/3%
Office equipment and furniture	20%
Other equipment	5 - 7%
Motor vehicles	20 - 25%
Leased assets	Shorter of period of lease or useful life of asset

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income in the income statement.

(o) Impairment of long lived assets

Property, plant and equipment and intangibles are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(p) Financial liabilities

The Group's financial liabilities comprise primarily amounts due to banks, customer deposits, repurchase agreements, obligations under securitisation arrangements, other borrowed funds, liabilities under annuity and insurance contracts, liabilities under letters of credit and undertaking and other liabilities.

The recognition and measurement of liabilities under annuity and insurance contracts is detailed in Note 2(t); other financial liabilities are measured at amortised cost.

Offsetting financial instruments

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

(q) Borrowings

Borrowings, including those arising under securitisation arrangements, are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective yield method.

(r) Structured products

Structured products are recognised initially at the nominal amount when funds are received. Derivatives are separately accounted for at fair value through the income statement (Note 19). The non-derivative elements are stated at amortised cost using the effective interest method.

(s) Leases

As lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged in the income statement over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged in the income statement on a straight-line basis over the period of the lease.

As lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(t) Insurance and investment contracts – classification, recognition and measurement

Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Recognition and measurement

Insurance contracts are classified into four main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Short duration insurance contracts

These contracts are principally property, motor, casualty (employers' liability, public liability), and group life insurance contracts.

Property insurance contracts indemnify the Group's customers in the event of a loss from a specified insured peril such as fire, windstorm or earthquake (not limited to these perils) up to the insured amount and within the terms of the policy conditions. These contracts are issued for both private and commercial risks. Customers who undertake commercial activities on their premises could also receive compensation for consequential loss/business interruption caused by the insured perils.

Motor insurance contracts indemnify the Group's customers for their legal requirement under the Road Traffic Act. These contracts may be extended for additional coverage such as physical damage, theft and personal accident.

Casualty insurance contracts provide coverage for liability exposures that indemnify the Group's customers against actions from third parties which are subject to the policy limits and conditions. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and employers who become liable to pay compensation to third parties for bodily harm or property damage (public liability).

Group life contracts protect the Group's customers from the consequences of events (such as death or critical illness) that would affect the ability of the customer or his/her dependants to maintain his/her current level of income.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premiums received on inforce contracts that relate to unexpired risks at the date of the statement of financial position is reported as an unearned premium liability. Premiums are shown before deduction of commissions payable to agents and brokers and exclude any taxes or duties levied on such premiums. Premium income includes premiums collected by agents and brokers not yet received by the Group.

Unearned premiums represent the portion of premiums written in the current year which relate to periods of insurance subsequent to the date of the statement of financial position calculated principally using the twenty-fourths method.

2. Significant Accounting Policies (Continued)

(t) Insurance and investment contracts – classification, recognition and measurement (continued)

Recognition and measurement (continued)

Short duration insurance contracts (continued)
Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They arise from events that have occurred up to the date of the statement of financial position even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported (IBNR), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising from these revisions are recognised within claims expense in the current year.

Long duration insurance contracts
The accounting treatment of long duration contracts differs according to whether the contract bears investment options or not.

For long duration contracts that do not bear investment options, premiums are recognised as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when incurred.

A liability for policyholders' benefits that is expected to be incurred in the future is recorded when the premiums are recognised. Typically, the liability is determined as the sum of the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used (the valuation premiums). In particular, the liability is based on assumptions as to mortality and investment income. A margin for adverse deviations is included in the assumptions.

For long duration contracts that bear investment options, insurance premiums are recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. Revenue consists of fees deducted for policy administration, mortality and surrenders and interest credited is treated as an expense.

Long duration insurance contract liabilities are calculated by independent actuaries at each statement of financial position date using the Policy Premium Method. The change in these liabilities are recognised in the income statement.

Outstanding claims
Provision for outstanding claims and the related costs of settlement are based on incidents reported before the end of the financial year and include appropriate provisions for claims incurred but not yet reported. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are included with claims expense in the current year. Benefits and claims payable represent the gross cost of all claims notified but not settled on the date of the statement of financial position. Any reinsurance recoverable is shown separately as a receivable.

Policyholders' benefits
Maturities and annuities are accounted for when due. Death and disability claims and surrenders are recognised in the financial statements in the year in which they have been notified. Differences between the estimated claims and subsequent settlements are recognised in the income statement in year of settlement.

2. Significant Accounting Policies (Continued)

(t) Insurance and investment contracts – classification, recognition and measurement (continued)

Liability adequacy test

At the date of the statement of financial position, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the deficiency is recognised in the income statement and the amount of the relevant insurance liabilities is increased.

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group periodically assesses its reinsurance assets for impairment. If there is objective evidence that a reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement.

(u) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(v) Post-employment benefits

Pension benefits

The Group and its subsidiaries operate a number of retirement plans, the assets of which are generally held in separate trustee administered funds. The pension plans are funded by payments from employees and by the relevant companies, taking into account the recommendations of independent qualified actuaries. The Group has both defined benefit and defined contribution plans.

Defined benefit pension plans

A defined benefit pension plan is a plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The amount recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, included in staff costs in the income statement, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. The cost is included in staff costs in the income statement.

Past-service costs are recognised immediately in expenses.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Defined contribution pension plans

A defined contribution pension plan is a plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions. The contributions are charged to the income statement in the period to which they relate.

Other post-employment benefit obligations

The Group provides post-employment health care benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

2. Significant Accounting Policies (Continued)

(v) Post-employment benefits (continued)

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

(w) Acceptances, guarantees, indemnities, letters of credit and undertakings

Acceptances, guarantees, indemnities and letters of credit and undertakings are various forms of contractual commitments to advance funds to or on behalf of customers and include:

(i) Obligations on the part of the Group to make payments (directly or indirectly) to a designated third party contingent upon a default by the Group's customer in the performance of an obligation under the terms of that customer's contract with the third party; and
(ii) Obligations to guarantee or stand as surety for the benefit of a third party.

Where the Bank's obligations under acceptances, guarantees, indemnities and letters of credit and undertakings are not considered to be contingent, the amounts are reported as a liability in the statement of financial position. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset.

Where the Bank's obligations are considered to be contingent, the amounts are disclosed in Note 52.

(x) Share capital

Share issue costs

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, for the proceeds.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Treasury shares

Where the Employee Share Scheme purchases the Company's equity share capital or company shares are held in custody for eventual distribution, the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to the Company's stockholders until the shares are cancelled, reissued or disposed of. Where the shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's stockholders.

(y) Fiduciary activities

The Group acts as trustee and in other fiduciary capacities that result in holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other third parties. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgment, which necessarily have to be made in the course of preparation of the financial statements.

The Group makes estimates and assumptions that may affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgments are continuously evaluated and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgments for certain items are especially critical for the Group's results and financial position due to their materiality.

Business combinations

Business combinations are accounted for using the acquisition method. The Group determines the identifiable assets and liabilities using the purchase price allocation method. Under this method, the Group makes estimates about future cash flows which are derived based on factors such as revenue growth, attrition rates and discount rates in determining the fair values of the identifiable intangible assets.

Accounting for the Scheme of Arrangement

As explained in notes 1, and 2(a), the Group has exercised judgement in determining that the Scheme of Arrangement which was executed during the prior year should be accounted for as a re-organisation, as described in the referenced notes. Management's conclusion was based on the fact that before and after the transaction, there was no change in ultimate control with repect to the entities which were part of the re-orgainsation. Consequently, there was no additional value created with respect to the pre-existing assets and liabilities which should have been reflected in the financial statements.

Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for actual and anticipated tax audit issues based on estimates of whether additional taxes will be due. In determining these estimates, management considers the merit of any tax audit issues raised, based on their interpretation of the taxation laws, and their knowledge of any precedents established by the taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences could materially impact the current tax and deferred tax provisions in the period in which such determination is made.

Impairment losses on loans and advances

The Group reviews its loan portfolio to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Fair value of investment securities

Management uses its judgement in selecting appropriate valuation techniques to determine fair value of investment securities. These techniques are described in Note 46.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Estimates of future benefit payments and premiums arising from long duration insurance contracts
The determination of the liabilities under insurance contracts represents the liability for future benefits payable by the Group based on contracts for the life assurance business in force at the date of the statement of financial position using the Policy Premium Method. These liabilities represent the amount which, together with future premiums and investment returns will, in the opinion of the actuary, be sufficient to pay future benefits relating to contracts of insurance in force, as well as meet the expenses incurred in connection with such contracts. The Policy Premium Method of valuation is based on assumptions of mortality, persistency, investment income, renewal expenses and other assumptions considered appropriate to be included in the basis for the determination of the liabilities of the Group under the terms of its life insurance policy contracts in force. A margin for risk or uncertainty (adverse deviations) in these assumptions is added to the liability. The assumptions are examined each year in order to determine their validity in light of current best estimates or to reflect emerging trends in the Group's experience.

The ultimate liability arising from claims made under insurance contracts
For the property and casualty insurance business, outstanding claims comprise estimates of the amount of reported losses and loss expenses and a provision for losses incurred but not reported (IBNR) based on the historical experience of the Group and industry data. These claims are analysed separately between those arising from damage to insured property and consequential losses. Claims arising from damage to insured property can be estimated with greater reliability, and the Group's estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allow the Group to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year-end. However, the longer time needed to assess the emergence of claims arising from consequential losses makes the estimation process more uncertain for these claims. Significant delays may occur in the notification of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as at the reporting date. The reserve for claims outstanding is determined on the basis of information currently available; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

Future obligations for post-employment benefits
The cost of these benefits and the present value of the future obligations depend on a number of factors that are determined by actuaries using a number of assumptions. The assumptions used in determining the net periodic cost or income for retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of health benefits, the expected rate of increase in health costs. Any changes in these assumptions will impact the net periodic cost or income recorded for retirement benefits and may affect planned funding of the pension plan. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. In determining the appropriate discount rate, the Group considered interest rate on government bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the related obligations. The expected rate of increase of health costs has been determined by comparing the historical relationship of the actual health cost increases with the rate of inflation. Other key assumptions for the retirement benefits are based on current market conditions.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Interests in structured entities

Unit Trust Scheme

The Group manages a Unit Trust Scheme comprising seven portfolios – the JMD Money Market Portfolio, the JMD High Yield Portfolio, the High Yield Asset and Loans Portfolio, the Caribbean Equity Portfolio, the USD Money Market Portfolio, the USD Indexed Bond Portfolio and the USD Bond Portfolio. The Unit Trust has an independent trustee. The Group is the investment manager of the Unit Trust. Determining whether the Group controls the Unit Trust requires judgement. This would include a consideration of the investors' rights to remove the investment manager and an assessment of the exposure to variability arising from the aggregate economic interests of the Group in the Trust.

The Group as investment manager earns income from preliminary charges ranging from 0-4% and management fees ranging from 1.5-1.75% on these Unit Trust portfolios and the Group owns 0.43% (2017 - 0.40%) of the units in the Unit Trust at September 30, 2018.

In addition, pending the availability of investments consistent with the investment objective of each portfolio, a significant portion of the Unit Trust funds are invested in cash equivalent instruments issued by the Group. These are short-term fixed rate instruments with maturities of 90 days or less, collateralised by Government of Jamaica securities, that face an insignificant risk of changes in fair value. The interest margin earned by the Group on these instruments is immaterial to the results of its operations.

Management has concluded that, although the contractual terms provide the Group with power over the Unit Trust, the Group is acting as an agent for the investors in the Unit Trust as management does not consider the Group's aggregate interest in the Unit Trust to be significant. Management does not believe that the investment of Unit Trust funds in cash equivalent instruments issued by the Group changes this conclusion as (i) this investment is intended to be temporary and not representative of the Unit Trust's purpose or investment objective (ii) the investment is in cash equivalent instruments subject to an insignificant risk of changes in fair value that bear interest at market rates and (iii) the investment does not expose the Group to any additional variability of returns from the Unit Trust beyond its insignificant aggregate interest through fees and unit holdings. The Unit Trust has therefore not been consolidated.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Investment in Associates
For its investments in associated companies which are listed on local or regional stock exchanges, with carrying values determined using the equity method which exceed market capitalisation, management has made determinations as to whether there are impairment indicators, which would require a formal impairment assessment. In determining whether there are impairment indicators, management has determined whether there has been a significant or prolonged decline below purchase price for the investments, and whether or not there are performance indicators which imply impairment. Where no such indicators, exist, management has concluded that there is no impairment and has not adjusted the carrying value.

Where such indicators exist, management has carried out formal impairment assessments, which seek to establish a model based valuation for the holdings. In applying those valuation techniques, management makes assumptions regarding cash flows, growth rates for those cash flows, certain earnings ratios, discount factors and terminal growth rates. The values arrived are sensitive to changes in those assumptions.

Based on the foregoing assessments and activities, management has determined that none of the Group's investments in associated companies is impaired.

4. Responsibilities of the Appointed Actuaries and External Auditors

The Boards of Directors of the insurance subsidiaries, pursuant to the Insurance Act, appoint the Actuaries. Their responsibility is to carry out an annual valuation of the Group's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. In performing the valuations for life insurance policies and annuities, the Actuaries make assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Group and the insurance policies in force.

The shareholders pursuant to the Companies Act appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the Appointed Actuaries and their report on the policyholders' liabilities.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting

The Group is organised into the following business segments:

(a) Retail & SME – This incorporates the provision of banking services to individual and small and medium business clients and pension remittance services.

(b) Payment services – This incorporates the provision of card related services.

(c) Corporate banking – This incorporates the provision of banking services to large corporate clients.

(d) 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.

(e) Wealth, asset management & investment banking – This incorporates stock brokerage, securities trading, investment management and other financial services provided by certain overseas subsidiaries.

(f) Life insurance & pension fund management – This incorporates life insurance, pension and investment management services.

(g) 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 (NCBJ) that are not allocated to the banking segments.

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

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

Eliminations
Eliminations comprise inter-company and inter-segment transactions.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

Year ended September 30, 2018	Consumer and 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	273,514	796,663	(12,773,631)	-
Total revenue	29,478,933	14,353,566	8,750,834	21,063,555	18,356,559	14,061,071	5,818,279	(1,152,658)	(12,773,631)	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 operating income and dividend 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
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	1,745,439	2,999,942	-	(13,902)	4,731,479
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
Other operating expenses	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 expenses	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 costs	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 c/fwd	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

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

Year ended September 30, 2018	Consumer and SME: Retail & SME $'000	Consumer and SME: Payment Services $'000	Corporate Banking $'000	Treasury & Correspondent Banking $'000	Wealth, Asset Management & Investment Banking $'000	Life Insurance & Pension Fund Management $'000	General Insurance $'000	Other $'000	Eliminations $'000	Total $'000
Operating profit b/fwd	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 and gain on dilution										2,573,232
Gain on partial disposal of associates										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	(180,024,696)	937,205,883
Associates										35,125,894
Unallocated assets										6,252,849
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

Notes to the Financial Statements

September 30, 2018
(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

Year ended September 30, 2018	Total per segment report $'000	Allocated expenses $'000	Unallocated corporate expenses $'000	Total per income statement $'000
Reconciliation to income statement				
Interest income	52,235,662	111	33	52,235,806
Interest expense	(16,490,425)	(463,885)	(137,312)	(17,091,622)
Net fee and commission income	12,951,614	166,071	2,843,115	15,960,800
Gain on foreign currency and investment activities	15,623,438	(9,412)	(2,786)	15,611,240
Premium income	8,662,005	-	-	8,662,005
Other operating income and dividend income	938,166	170,202	50,383	1,158,751
Staff costs	(17,002,745)	(5,226,515)	(1,547,093)	(23,776,353)
Provision for credit losses	(1,676,795)	30	10	(1,676,755)
Policyholders' and annuitants' benefits and reserves	(4,731,479)	-	-	(4,731,479)
Depreciation and amortisation	(1,870,686)	(1,235,862)	(365,824)	(3,472,372)
Impairment losses on securities	(283,883)	-	-	(283,883)
Other operating expenses	(7,587,571)	(2,558,182)	(6,264,328)	(16,410,081)
Operating profit	40,767,301	(9,157,442)	(5,423,802)	26,186,057

5. Segment Reporting (Continued)

Year ended September 30, 2017	Consumer and SME									
	Retail & SME $'000	Payment Services $'000	Corporate Banking $'000	Treasury & Correspondent Banking $'000	Wealth, Asset Management & Investment Banking $'000	Life Insurance & Pension Fund Management $'000	General Insurance $'000	Other $'000	Eliminations $'000	Total $'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)	-
Total revenue	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 operating income and dividend 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
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	1,461,083	2,726,404	-	(7,460)	4,180,027
Depreciation and amortisation	330,003	443,362	6,839	16,827	104,354	93,527	75,567	-	71,643	1,142,122
Other operating expenses	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 expenses	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 costs	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
Allocated costs	(5,583,037)	(1,352,467)	(748,570)	(348,411)	-	-	-	-	-	(8,032,485)
Operating profit c/fwd	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

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

Year ended September 30, 2017	Consumer and SME: Retail & SME	Consumer and 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
Operating profit b/fwd	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
Unallocated corporate expenses										(5,226,166)
Share of profit of 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)

5. Segment Reporting (Continued)

Year ended September 30, 2017	**Total per segment report $'000**	**Allocated expenses $'000**	**Unallocated corporate expenses $'000**	**Total per income statement $'000**
Reconciliation to income statement				
Interest income	42,837,006	160	47	42,837,213
Interest expense	(13,055,615)	(16,920)	(5,009)	(13,077,544)
Net fee and commission income	13,686,787	157,667	46,613	13,891,067
Gain on foreign currency and investment activities	7,711,059	11,575	3,426	7,726,060
Premium income	7,573,599	-	-	7,573,599
Other operating income and dividend income	499,968	18,693	5,532	524,193
Staff costs	(10,624,949)	(4,503,219)	(1,332,990)	(16,461,158)
Provision for credit losses	(729,265)	23	8	(729,234)
Policyholders' and annuitants' benefits and reserves	(4,180,027)	-	-	(4,180,027)
Depreciation and amortisation	(1,142,122)	(939,155)	(277,997)	(2,359,274)
Other operating expenses	(8,159,162)	(2,761,309)	(3,665,796)	(14,586,267)
Operating profit	34,417,279	(8,032,485)	(5,226,166)	21,158,628

6. Net Interest Income

	The Group		The Company	
	2018	2017	Year ended September 30 2018	Eighteen months ended September 30 2017
	$'000	$'000	$'000	$'000
Interest income				
Loans and advances	34,590,764	24,811,477	14,442	12,327
Investment securities –				
Available-for-sale and loans and receivables (including pledged assets)	16,907,073	17,559,605	196,941	-
At fair value through profit or loss	45,798	138,670	-	-
Reverse repurchase agreements	100,304	146,828	-	-
Deposits and other	591,867	180,633	1,088,998	370,540
	52,235,806	42,837,213	1,300,381	382,867
Interest expense				
Customer deposits	3,972,268	2,267,451	-	-
Repurchase agreements	4,008,395	3,756,207	-	-
Policyholders' benefits	967,114	907,932	-	-
Securitisation arrangements	4,144,887	4,312,097	-	-
Other borrowed funds and amounts due to banks	3,998,958	1,833,857	4,146,382	2,809,471
	17,091,622	13,077,544	4,146,382	2,809,471
Net interest income/(expense)	35,144,184	29,759,669	(2,846,001)	(2,426,604)

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

7. Net Fee and Commission Income

	The Group		The Company	
	2018 $'000	2017 $'000	Year ended September 30 2018 $'000	Eighteen months ended September 30 2017 $'000
Fee and commission income				
Retail and SME	4,879,154	4,328,367	-	-
Payment services	9,376,738	7,419,450	-	-
Corporate banking	1,034,461	1,515,148	-	-
Management Fees	-	-	5,117,427	3,864,750
Treasury and correspondent banking	442,559	505,090	-	-
Wealth, asset management & investment banking	2,258,862	1,189,438	-	-
Life insurance and pension fund management	2,044,728	1,837,636	-	-
General insurance	190,082	167,140	-	-
Other	62,122	48,484	-	-
	20,288,706	17,010,753	5,117,427	3,864,750
Fee and commission expense				
Payment services	4,327,906	3,119,686	-	-
	15,960,800	13,891,067	5,117,427	3,864,750

8. Gain on Foreign Currency and Investment Activities

	The Group		The Company	
	2018 $'000	2017 $'000	Year ended September 30 2018 $'000	Eighteen months ended September 30 2017 $'000
Net foreign exchange gains/(losses)	3,274,209	2,807,457	(1,911,720)	(890,967)
(Loss)/Gain on sale of debt securities held for trading	(16,202)	3,579	-	-
Gain on sale of other debt securities	11,556,906	4,429,890	-	-
Fair value loss on embedded put option	(31,401)	(129,972)	-	-
Gain on sale of equity securities	810,011	514,895	-	-
Fair value gain on revaluation of investment property (Note 26)	17,717	100,211	-	-
	15,611,240	7,726,060	(1,911,720)	(890,967)

Net foreign exchange gains/(losses) include gains and losses arising from translation of assets and liabilities denominated in foreign currencies as well as those arising from foreign currency dealing activities.

9. Premium Income

	The Group	
	2018	2017
	$'000	$'000
Annuity contracts	1,638,198	1,056,869
Life insurance contracts	2,455,146	2,113,204
General insurance contracts	4,568,661	4,403,526
	8,662,005	7,573,599

10. Dividend Income

	The Group		The Company	
	2018	2017	Year ended September 30 2018	Eighteen months ended September 30 2017
	$'000	$'000	$'000	$'000
Subsidiaries	-	-	9,382,928	4,369,900
Other equity securities	553,305	295,123	-	-
	553,305	295,123	9,382,928	4,369,900

11. Staff Costs

	The Group		The Company	
	2018	2017	Year ended September 30 2018	Eighteen months ended September 30 2017
	$'000	$'000	$'000	$'000
Wages, salaries, allowances and benefits	17,100,576	12,147,246	1,530,704	494,059
Payroll taxes	1,662,437	1,320,551	178,534	45,820
Pension costs – defined contribution plans (Note 36)	418,371	391,914	12,910	4,789
Pension costs – defined benefit plans (Note 36)	21,316	41,140	-	-
Staff profit share	2,778,579	2,044,602	-	-
Termination benefits	834,390	166,035	-	-
Other post-employment benefits (Note 36)	960,684	349,670	-	-
	23,776,353	16,461,158	1,722,148	544,668

Wages, salaries, allowances and benefits

Included in wages, salaries, allowances and benefits are base salaries for employees. Amounts also include annual incentive and merit awards based on performance, annual and non-annual lump-sum fringe benefits, including those that have been agreed based on collective bargaining with the trade unions representing staff.

Employees are categorised as permanent pensionable, contract, part-time and temporary.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

12. Policyholders' and Annuitants' Benefits and Reserves

	The Group	
	2018 $'000	2017 $'000
Annuity contracts	2,535,947	1,902,714
Life insurance contracts	(790,508)	(441,630)
General insurance contracts	2,986,040	2,718,943
	4,731,479	4,180,027

The above amounts include insurance claims by policyholders amounting to $1,574,046,000 (2017 –$1,317,957,000) in respect of life insurance and annuity contracts and $3,480,712,000 (2017 – $2,987,072,000) in respect of general insurance contracts.

13. Impairment Losses on Securities

This represents impairment losses recognised by certain subsidiaries of the Group on investment securities classified as available-for-sale and loans and receivables. The losses relate entirely to debt securities.

14. Other Operating Expenses

	The Group		The Company	
	2018 $'000	2017 $'000	Year ended September 30 2018 $'000	Eighteen months ended September 30 2017 $'000
Auditors' remuneration - current year	189,836	92,333	8,000	4,700
Auditors' remuneration - prior year	2,750	-	-	-
Credit card rebates	1,078,086	921,039	-	-
Insurance and premiums	542,357	330,293	42	-
Commission to insurance brokers	230,061	228,417	-	-
Irrecoverable general consumption tax and asset tax	3,105,100	2,743,047	200	200
License and transaction processing fees	1,314,205	1,406,632	51,696	5,480
Marketing, customer care, advertising and donations	1,632,923	1,455,304	4,279	-
Operating lease rentals	340,903	227,713	-	-
Property, vehicle and ABM maintenance and utilities	3,319,406	3,028,171	34,130	2,088
Stationery	221,089	184,940	21	-
Technical, consultancy and professional fees	1,499,243	1,637,141	1,860,880	849,005
Travelling, courier and telecommunication	990,892	927,198	360	-
Management and royalty fees	457,561	183,854	289,937	-
Operational losses	490,886	330,392	-	-
Other	994,783	889,793	2,490	217,865
	16,410,081	14,586,267	2,252,035	1,079,338

15. Taxation

	The Group		The Company	
	2018	2017	Year ended September 30 2018	Eighteen months ended September 30 2017
	$'000	$'000	$'000	$'000
Current:				
Income tax	7,075,685	6,667,501	-	-
Prior year (over)/under provision	(117,636)	(4,809)	19,768	-
Deferred income tax (Note 29)	(1,550,097)	(1,761,182)	(1,225,532)	(269,207)
	5,407,952	4,901,510	(1,205,764)	(269,207)

The tax on profit differs from the theoretical amount that would arise using the basic statutory rate of 25% for the life insurance subsidiary, 33⅓% for the Company and other "regulated companies", 21% for the subsidiary incorporated in the United Kingdom and 25% for all other subsidiaries (with the exception of the subsidiaries incorporated in Cayman Islands, Bermuda and the NCB Employee Share Scheme which are not subject to income tax), as follows:

	The Group		The Company	
	2018	2017	Year ended September 30 2018	Eighteen months ended September 30 2017
	$'000	$'000	$'000	$'000
Profit before tax	33,988,918	24,009,328	5,768,451	3,293,073
Tax calculated at actual tax rates	10,893,997	8,069,530	1,922,817	1,097,691
Income not subject to tax	(4,858,694)	(1,833,877)	(299,088)	-
Expenses not deductible for tax purposes	635,541	520,606	-	-
Effect of share of profit of associates included net of tax	(857,744)	(1,248,900)	-	-
Effect of change in tax rate applicable to life insurance subsidiary	(17,414)	-	-	-
Effect of different tax rates applicable to dividend income	(135,418)	(73,170)	(2,828,272)	(1,092,475)
Deferred tax not recognised	(11,700)	(35,280)	-	-
Prior year (over)/under provision	(117,636)	(4,809)	19,768	-
Other	(122,980)	(492,590)	(20,989)	(274,423)
Taxation expense	5,407,952	4,901,510	(1,205,764)	(269,207)

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

15. Taxation (Continued)

Tax (charge)/credit relating to components of other comprehensive income is as follows:

	The Group		
At 30 September 2018	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**
Currency translation gains	1,263,927	-	1,263,927
Fair value gains on available-for-sale investments, net of gains recycled to profit or loss	(7,431,371)	1,930,125	(5,501,246)
Share of other comprehensive income of associated companies, net of tax	(1,413,911)	-	(1,413,911)
Remeasurement of post-employment benefit obligation	(606,354)	124,962	(481,392)
Other comprehensive income	(8,187,709)	2,055,087	(6,132,622)
Deferred income tax (Note 29)		2,055,087	

	The Group		
At 30 September 2017	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**
Currency translation gains	204,415	-	204,415
Fair value gains on available-for-sale investments, net of gains recycled to profit or loss	328,444	(163,124)	165,320
Share of other comprehensive income of associated companies, net of tax	447,638	-	447,638
Remeasurement of post-employment benefit obligation	(582,961)	194,320	(388,640)
Other comprehensive income	397,536	31,196	428,733
Deferred income tax (Note 29)		31,196	

16. Earnings per Stock Unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders of the parent by the weighted average number of ordinary stock units in issue during the year. Diluted earnings per stock unit equals basic earnings per stock unit as there are no potential dilutive ordinary stock units.

	2018	2017
Net profit attributable to stockholders of the parent ($'000)	27,958,752	19,107,818
Weighted average number of ordinary stock units in issue ('000)	2,453,424	2,461,469
Basic and diluted earnings per stock unit ($)	11.39	7.76

17. Cash in Hand and Balances at Central Banks

	The Group	
	2018	2017
	$'000	$'000
Cash in hand	10,762,743	4,531,037
Balances with central banks other than statutory reserves	20,371,332	21,759,468
Included in cash and cash equivalents	31,134,075	26,290,505
Statutory reserves with central bank – non-interest-bearing	43,575,130	39,022,524
	74,709,205	65,313,029
Interest receivable	2,191	1,630
	74,711,396	65,314,659

Statutory reserves with central bank represent the required ratio of prescribed functional and foreign currency liabilities. They are not available for investment, lending or other use by the Group.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

18. Due from Banks

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Placements with NCBJ	-	-	16,530,888	29,725,657
Items in course of collection from banks	682,312	491,368	-	-
Placements with other banks	46,262,342	40,717,877	-	-
	46,944,654	41,209,245	16,530,888	29,725,657
Interest receivable	3,620,727	1,628	46,065	368,217
	50,565,381	41,210,873	16,576,953	30,093,874
Less: Placements pledged as collateral for letters of credit (Note 24)	(1,863,367)	(1,795,892)	-	-
	48,702,014	39,414,981	16,576,953	30,093,874

Placements with banks include short term fixed deposits and other balances held with correspondent banks. These bank balances are held to facilitate the payment of wire transfers, bank drafts, treasury related activities and to satisfy liquidity requirements.

The amounts included as cash equivalents in the statement of cash flows are as follows:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Due from NCBJ	-	-	16,530,888	29,725,657
Due from banks	45,081,287	39,414,981	-	-
Less: amounts restricted to the settlement of obligations under securitisation arrangements	(3,617,802)	(3,899,188)	-	-
	41,463,485	35,515,793	16,530,888	29,725,657

19. Derivative Financial Instruments

The carrying values of derivatives for the Group are as follows:

	The Group	
	2018	**2017**
Assets	**$'000**	**$'000**
Embedded put option	-	73,637
Equity indexed options	233,329	132,347
	233,329	205,984
Liabilities		
Forward contracts	25,673	-
Equity indexed options	233,329	132,347
	259,002	132,347

19. Derivative Financial Instruments (Continued)

Derivatives are carried at fair value in the statement of financial position as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group's counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group was to default.

Embedded put option

The Group holds certain Government of Jamaica debt securities which were issued in February 2013 and mature in February 2024. The terms of these securities contain an investor put option which was exercisable in February 2018 under which the holder may require the Government of Jamaica to redeem the securities at 100% of the principal value plus any accrued interest. The option was not exercised by the Group. Prior to the expiration date, the embedded put option was separated and recognised as a financial asset in the statement of financial position. Gains and losses arising from changes in the fair value of the option were reflected in "gain/(loss) on foreign currency and investment activities" (Note 8).

Equity indexed options

The derivative liability represents the equity index option element of principal protected notes issued by the Group (Note 33(d)) and is carried at fair value.

The derivative asset represents equity index options purchased by the Group to match the liability. The terms of the purchased options are identical to those included in the principal protected notes issued by the Group. The Group is exposed to credit risk on purchased options to the extent of the carrying amount, which is their fair value.

20. Investment Securities at Fair Value through Profit or Loss

	The Group	
	2018	2017
	$'000	$'000
Government of Jamaica debt securities	-	1,163,435
Government of Jamaica guaranteed corporate bonds	13,191	-
	13,191	1,163,435
Other corporate bonds	1,610,197	1,613,768
Foreign government	258,954	97,610
Equity securities	1,258,201	1,373,114
Other securities	545,546	521
	3,686,089	4,248,448
Interest receivable	8,924	11,275
	3,695,013	4,259,723
Less pledged securities (Note 24)	(1,155,000)	(1,678,785)
	2,540,013	2,580,938

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

21. Reverse Repurchase Agreements

The Group entered into collateralised reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Included within reverse repurchase agreements is related accrued interest receivable of $3,535,000 (2017 –$15,903,000) for the Group.

At September 30, 2018, the Group held $ 4,145,542,000 (2017 – $3,066,136,000) of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements. Of amounts received as collateral for reverse repurchase agreements, the Group has pledged $2,362,295,000 (2017 – $684,464,000) as collateral for some of their own repurchase agreements.

Included in reverse repurchase agreements for the Group are securities with an original maturity of less than 90 days amounting to $312,414,000 (2017 –$2,170,573,000) which are regarded as cash equivalents for purposes of the statement of cash flows.

22. Loans and Advances

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Gross loans and advances	376,724,836	220,854,699	-	9,579,184
Provision for credit losses	(8,260,943)	(3,659,526)	-	-
	368,463,893	217,195,173	-	9,579,184
Interest receivable	4,170,808	1,420,053	-	12,327
	372,634,701	218,615,226	-	9,591,511

The current portion of loans and advances amounted to $39,149,885,000 (2017 – $65,982,683,000) for the Group and for the Company.

The movement in the provision for credit losses determined under the requirements of IFRS is as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Balance at beginning of year	3,659,526	3,782,255
On acquisition of subsidiary	4,480,585	-
	8,140,111	3,782,255
Provided during the year	2,498,542	1,697,785
Recoveries	(821,787)	(968,551)
Net charge to the income statement	1,676,755	729,234
Write-offs	(1,555,923)	(851,963)
Balance at end of year	8,260,943	3,659,526

The provision for credit losses at the end of the year includes $4,115,240,000 (2017 - nil) relating to non BOJ regulated entities within the Group, which is not considered in calculating the excess reserves required to meet the BOJ's loan loss provision.

The aggregate amount of non-performing loans on which interest was not being accrued as at September 30, 2018 was $18,215,201,000 (2017 – $5,403,474,000).

22. Loans and Advances (Continued)

The provision for credit losses determined under Bank of Jamaica regulatory requirements is as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Specific provision	4,945,297	5,539,720
General provision	2,670,896	2,407,094
	7,616,193	7,946,814
Excess of regulatory provision over IFRS provision recognised in the Bank reflected in non-distributable loan loss reserve (Note 40)	3,470,490	4,287,288

23. Investment Securities classified as Available-for-sale and Loans and Receivables

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Available-for-sale securities – at fair value				
Debt securities –				
Government of Jamaica and Bank of Jamaica	205,933,696	186,060,301	-	-
Government of Jamaica guaranteed corporate bonds	3,552,769	3,155,236	-	-
	209,486,465	189,215,537	-	-
Other corporate bonds	36,294,167	26,582,525	-	-
Foreign governments	55,119,954	9,768,973	-	-
Equity securities –				
Quoted	2,066,826	2,736,023	-	-
Unquoted	689,427	559,913	-	-
Unit Trust investments	592,323	639,868	-	-
	304,249,162	229,502,839	-	-
Loans and receivables – at amortised cost				
Debt securities –				
Government of Jamaica and Bank of Jamaica	42,293,683	44,141,505	-	-
Government of Jamaica guaranteed corporate bonds	2,695,605	3,786,213	-	-
	44,989,288	47,927,718	-	-
Other corporate bonds	31,959,920	13,432,012	7,000,000	-
	76,949,208	61,359,730	7,000,000	-
Interest receivable	4,596,661	4,054,996	115,932	-
Total investment securities	385,795,031	294,917,565	7,115,932	-

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

23. Investment Securities classified as Available-for-sale and Loans and Receivables (Continued)

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Total investment securities, as above	385,795,031	294,917,565	7,115,932	-
Less: Pledged securities (Note 24)	(173,891,937)	(105,846,737)	-	-
Amount reported on the statement of financial position	211,903,094	189,070,828	7,115,932	-

The current portion of total investment securities amounted to $50,717,131,000 (2017 - $30,574,444,000) for the Group.

Included in investment securities are debt securities with an original maturity of less than 90 days amounting to $12,064,968,000 (2017 - $2,725,170,000) for the Group which are regarded as cash equivalents for purposes of the statement of cash flows.

24. Pledged Assets

	The Group	
	2018	2017
	$'000	$'000
Investment securities classified as available-for-sale and loans and receivables pledged as collateral for:		
Repurchase agreements	172,909,299	105,118,840
Clearing services	805,420	583,543
Investment securities held as security in respect of life insurance subsidiary	177,218	144,354
	173,891,937	105,846,737
Investment securities at fair value through profit or loss pledged as collateral for:		
Repurchase agreements	1,155,000	1,678,785
	175,046,937	107,525,522
Placements with banks pledged as collateral for letters of credit	1,863,367	1,795,892
	176,910,304	109,321,414

The Financial Services Commission holds investment securities for certain subsidiaries in accordance with Section 8(1)(B) of the Insurance Regulations 2001.

25. Investment in Associates

	The Group	
	2018	2017
	$'000	$'000
At the beginning of the year	37,186,185	34,787,067
Acquisition	-	50,000
Disposal	(1,788,726)	-
Gain on dilution	11,696	-
Share of profits	2,561,536	2,850,700
Dividends received:		
Guardian Holdings Limited	(899,108)	(886,501)
JMMB Group Limited	(201,525)	(192,950)
Movement in other reserves	(1,744,164)	577,869
At end of year	35,125,894	37,186,185

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 proceeds from the sale amounted to $2,709,769,000. 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. A gain of $837,480,000 was recognised in the income statement as a result of these transactions.

The Group acquired a 50% interest in Mundo Finance Limited during the prior year. The Group has accounted for this investment as an associated company and has applied the equity method based on a three-month lag.

The Group has used the financial statements of its associates as at June 30 for the purpose of equity accounting to facilitate the availability of financial information in accordance with the Group's reporting timetable. Adjustments are made for significant transactions or events, where identified, that occur between that date and September 30.

The carrying values of investment in associates and the values indicated by prices quoted on the Jamaica Stock Exchange ("JSE Indicative Value") and Trinidad and Tobago Stock Exchange ("TTSE Indicative Value") as at September 30 are as follows:

	The Group			
	Carrying Value	JSE and TTSE Indicative Value	Carrying Value	JSE and TTSE Indicative Value
	2018	2018	2017	2017
	$'000	$'000	$'000	$'000
Guardian Holdings Limited	29,387,732	23,135,087	29,811,695	19,916,558
JMMB Group Limited	5,635,527	10,512,655	7,254,544	9,587,461
Other	102,635	202,093	119,946	-
	35,125,894	33,849,835	37,186,185	29,504,019

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

25. Investment in Associates (Continued)

Management has conducted an impairment assessment in respect of these investments involving a review of the performance of the entities as well as the values of the underlying assets and determined that no impairment in the carrying values has occurred.

The following tables present summarised financial information in respect of the Group's associated companies.

	Guardian Holdings Limited $'000	JMMB Group Limited $'000	Other individually immaterial associates $'000	Total $'000
2018				
Current assets	75,499,210	42,257,472	163,144	117,919,826
Non-current assets	437,280,261	272,435,353	738,532	710,454,146
Current liabilities	22,761,912	185,289,904	30,088	208,081,904
Non-current liabilities	428,544,289	103,105,027	416,118	532,065,434
Revenue	109,412,821	24,713,947	360,246	134,487,014
Profit or loss from continuing operations	6,770,042	3,947,620	6,570	10,724,232
Other comprehensive income	(2,509,881)	(2,143,536)	-	(4,653,417)
Total comprehensive income	4,260,161	1,804,084	6,570	6,070,815
Percentage ownership	29.99%	20.01%		
Net assets of the associate - 100%	61,050,159	27,842,077		
Pre-acquisition goodwill and intangible assets	(11,733,244)	-		
Non-controlling interests	(423,112)	(1,064,845)		
Adjusted net assets	48,893,803	26,777,232		
Group share of adjusted net assets	14,663,252	5,358,124		
Intangible assets recognised on acquisition	5,248,108	657,079		
Goodwill on acquisition	10,251,360	-		
Accumulated amortisation	(774,988)	(379,676)		
Carrying amount	29,387,732	5,635,527		

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

25. Investment in Associates (Continued)

	Guardian Holdings Limited $'000	JMMB Group Limited $'000	Other individually immaterial associates $'000	Total $'000
2017				
Current assets	41,281,247	40,575,048	97,337	81,953,632
Non-current assets	439,448,946	227,475,242	240,069	667,164,257
Current liabilities	24,069,778	174,291,786	16,368	198,377,932
Non-current liabilities	396,702,124	66,954,152	68,084	463,724,360
Revenue	107,062,063	23,202,215	199,574	130,463,852
Profit or loss from continuing operations	7,708,406	3,370,545	2,459	11,081,410
Other comprehensive income	1,577,165	600,485	-	2,177,650
Total comprehensive income	9,716,327	3,971,030	2,459	13,689,816
Percentage ownership	29.99%	26.30%		
Net assets of the associate - 100%	59,958,290	26,804,352		
Pre-acquisition goodwill and intangible assets	(11,888,961)	-		
Non-controlling interests	(401,436)	(867,238)		
Adjusted net assets	47,667,893	25,937,114		
Group share of adjusted net assets	14,295,601	6,821,461		
Intangible assets recognised on acquisition	5,516,024	862,477		
Goodwill on acquisition	10,387,411	-		
Accumulated amortisation	(387,341)	(429,394)		
Carrying amount	29,811,695	7,254,544		

26. Investment Properties

	The Group	
	2018	2017
	$'000	$'000
Balance at beginning of year	812,619	524,917
Acquisition of subsidiary (Note 49)	507,409	-
Additions	8,971	164,491
Reclassification	-	23,000
Fair value gains (Note 8)	17,717	100,211
Foreign exchange adjustments	20,234	-
Balance at end of year	1,366,950	812,619
Income earned from the properties	91,956	54,944
Expenses incurred by the properties	(46,508)	(46,879)

The Group did not classify any properties held under operating leases as investment properties. The properties held are stated at fair market value, as appraised by professional, independent valuators. The value for the property was determined using the direct capitalisation approach.

The valuations of investment property have been classified as Level 3 of the fair value hierarchy under IFRS 13, 'Fair Value Measurement'.

27. Intangible Assets

	The Group			
	Trade name $'000	Core deposit & other customer relationships $'000	Computer Software $'000	Total $'000
		2018		
Net book value, at beginning of year	182,582	80,221	4,660,007	4,922,810
On acqusition of subsidiary	62,649	3,356,211	1,643,052	5,061,912
Translation adjustments	-	-	117,863	117,863
Additions	-	-	3,948,971	3,948,971
Transfer	-	-	24,217	24,217
Amortisation charge	(11,948)	(59,693)	(1,605,541)	(1,677,182)
Net book value, at end of year	233,283	3,376,739	8,788,569	12,398,591
Cost	3,657,834	358,162	18,056,107	22,072,103
Accumulated amortisation	(68,340)	(337,634)	(9,267,538)	(9,673,512)
Closing net book value	3,589,494	20,528	8,788,569	12,398,591
		2017		
Net book value, at beginning of year	194,531	139,916	3,110,750	3,445,197
Additions	-	-	2,539,825	2,539,825
Amortisation charge	(11,949)	(59,695)	(990,568)	(1,062,212)
Net book value, at end of year	182,582	80,221	4,660,007	4,922,810
Cost	238,974	358,162	10,151,624	10,748,760
Accumulated amortisation	(56,392)	(277,941)	(5,491,617)	(5,825,950)
Closing net book value	182,582	80,221	4,660,007	4,922,810

Computer software for the Group at year end include items with a cost of $2,305,776,000 (2017 - $1,318,682,000) on which no amortisation has yet been charged as these software applications are in the process of implementation.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

28. Property, Plant and Equipment

	The Group					
	Freehold Land and Buildings	**Leasehold Improvements**	**Motor Vehicles, Furniture & Equipment**	**Assets Capitalised Under Finance Leases**	**Work-in-Progress**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost -						
At October 1, 2016	5,718,893	731,263	8,918,375	720,321	313,164	16,402,016
Additions	6,895	34,333	656,940	304,358	2,303,910	3,306,436
Disposals	(94,990)	(197,654)	(166,995)	(157,878)	(498)	(618,015)
Transfers	28,402	39,363	115,799	-	(206,564)	(23,000)
Reclassifications and adjustments	43,542	(14,909)	(5,207)	24,583	3,299	51,308
At September 30, 2017	5,702,742	592,396	9,518,912	891,384	2,413,311	19,118,745
On acquisition of subsidiary	1,185,033	720,364	174,459	-	-	2,079,856
Translation adjustments	-	-	159,220	-	-	159,220
Additions	298,188	27,051	1,262,581	287,561	665,922	2,541,303
Disposals	(101,411)	(4,927)	(95,500)	(239,543)	-	(441,381)
Transfers	2,170,588	15,090	580,159	-	(2,790,054)	(24,217)
Reclassifications and adjustments	-	83	150	176	-	409
At September 30, 2018	9,255,140	1,350,057	11,599,981	939,578	289,179	23,433,935
Accumulated Depreciation -						
At October 1, 2016	917,067	604,134	6,018,726	422,128	-	7,962,055
Charge for the year	144,609	55,151	903,428	193,874	-	1,297,062
Disposals	(22,818)	(188,809)	(165,470)	(150,194)	-	(527,291)
Reclassifications and adjustments	(53,224)	(7,559)	14,715	1,526	-	(44,542)
At September 30, 2017	985,634	462,917	6,771,399	467,334	-	8,687,284
Charge for the year	293,458	123,209	1,147,835	230,688	-	1,795,190
Disposals	(34,187)	(683)	(93,391)	(200,206)	-	(328,467)
Reclassifications and adjustments	(3,741)	46	5,934	(2,371)	-	(132)
At September 30, 2018	1,241,164	585,489	7,831,777	495,445	-	10,153,875
Net Book Value -						
September 30, 2018	8,013,976	764,568	3,768,204	444,133	289,179	13,280,060
September 30, 2017	4,717,108	129,479	2,747,513	424,050	2,413,311	10,431,461

The carrying value of assets capitalised under finance leases pledged as collateral amounted to $623,324,000 (2017 – $463,755,000).

29. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 25% for the life insurance subsidiary, 33⅓% for the Company and other "regulated companies", 21% for the subsidiary incorporated in the United Kingdom and 25% for all other subsidiaries; with the exception of the subsidiaries incorporated in Cayman Islands and Bermuda and the NCB Employee Share Scheme which are not subject to income tax.

The net assets recognised in the statement of financial position are as follows:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Deferred tax assets	(4,639,482)	(1,622,204)	(1,494,739)	(269,207)
Deferred tax liabilities	910,710	1,498,616	-	-
Net asset at end of year	(3,728,772)	(123,588)	(1,494,739)	(269,207)

The movement in the net deferred income tax balance is as follows:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Net (asset)/liability at beginning of year	(123,588)	1,668,790	(269,207)	-
Deferred tax credited in the income statement (Note 15)	(1,550,097)	(1,761,182)	(1,225,532)	(269,207)
Deferred tax credited to other comprehensive income (Note 15)	(2,055,087)	(31,196)	-	-
Net asset at end of year	(3,728,772)	(123,588)	(1,494,739)	(269,207)

The amounts shown in the statement of financial position included the following:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Deferred tax assets to be recovered after more than 12 months	(2,629,316)	(1,994,822)	-	-
Deferred tax liabilities to be settled after more than 12 months	439,790	1,671,561	-	-

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

29. Deferred Income Taxes (Continued)

Deferred income tax assets and liabilities, prior to offsetting of balances, are due to the following items:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Deferred income tax assets:				
Property, plant and equipment	760,721	654,590	-	-
Investment securities classified as available-for-sale	761,248	1,422	-	-
Loan loss provisions	15,134	11,893	-	-
Pensions and other post-retirement benefits	1,868,595	1,340,232	-	-
Interest payable	378,910	185,278	218,325	-
Unrealised foreign exchange loss	1,350,482	327,161	1,350,023	-
Unutilised tax losses	348,265	-	348,265	269,207
Other temporary differences	751,848	637,608	290,909	-
	6,235,203	3,158,184	2,207,522	269,207
Deferred income tax liabilities:				
Property, plant and equipment	-	2,303	-	-
Investment securities at fair value through profit or loss	117,331	1,804	-	-
Investment securities classified as available-for-sale	439,790	1,669,258	-	-
Interest receivable	412,372	124,415	-	-
Unrealised foreign exchange gains	1,024,582	345,257	712,783	-
Loan loss provisions	262,659	621,251	-	-
Other temporary differences	249,697	270,308	-	-
	2,506,431	3,034,596	712,783	-
Net deferred tax asset	(3,728,772)	(123,588)	(1,494,739)	(269,207)

29. Deferred Income Taxes (Continued)

The amounts recognised in the income statement are due to the following items:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Property, plant and equipment	601,218	(260,982)	-	-
Investment securities	19,395	(57,742)	-	-
Loan loss provisions	-	(148,740)	-	-
Pensions and other post-retirement benefits	(271,086)	(100,692)	-	-
Interest receivable	(48,802)	86,334	-	-
Interest payable	(192,694)	(20,726)	(218,328)	-
Accrued profit share	(44,165)	-	-	-
Accrued vacation leave	(3,241)	-	-	-
Fair value (losses)/gains on derivatives	(67,854)	(50,942)	-	-
Unrealised foreign exchange gains and losses	(709,748)	(1,233,179)	(637,240)	-
Unutilised tax losses	(348,265)	-	-	(269,207)
Other temporary differences	(484,855)	25,487	(369,964)	-
	(1,550,097)	(1,761,182)	(1,225,532)	(269,207)

The amounts recognised in other comprehensive income are due to the following items:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Unrealised gains on available-for-sale investments	(828,146)	746,491	-	-
Realised fair value gains on sale and maturity of investments	(1,024,823)	(583,367)	-	-
Remeasurement of the post-employment benefit obligationete the monthly accounts for the bank and some subsidiaries	(202,118)	(194,320)	-	-
	(2,055,087)	(31,196)	-	-

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

30. Other Assets

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Due from merchants, financial institutions, clients and payment systems providers	7,752,158	5,153,514	-	-
Prepayments	2,366,761	1,197,314	8,557	24,085
Re-insurance recoverable	411,917	271,145	-	-
Due from banks	114,718	-	-	3,466,870
Management fees & royalties	-	-	3,664,696	1,758,742
Repossessed assets	3,106,595	-	-	-
Other	2,660,977	1,254,284	18,862	-
	16,413,126	7,876,257	3,692,115	5,249,697

The fair values of other assets approximate carrying values. All receivable balances are due within the next 12 months.

31. Due to Banks

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Items in course of payment	3,324,039	3,364,253	-	-
Borrowings from NCBJ	-	-	-	29,088,688
Borrowings from other banks	8,210,685	7,056,477	-	-
Deposits from other banks	234,335	60,883	-	-
Other	2,938	-	-	-
	11,771,997	10,481,613	-	29,088,688
Interest payable	43,203	65,768	-	2,375,661
	11,815,200	10,547,381	-	31,464,349

Items in the course of payment primarily represent cheques drawn by the Group which have been accounted for as a deduction from its bank balances but which have not been presented on its bank accounts. These relate to accounts held with banks outside of Jamaica and at central banks. Borrowings from banks are denominated in United States dollars and have various maturity dates. These attract interest at 5.56 - 11.63% per annum.

The amounts included as cash equivalents in the statement of cash flows are as follows:

	The Group	
	2018	2017
	$'000	$'000
Total due to banks	11,815,200	10,547,381
Less: amounts with original maturities of greater than 90 days	(2,010,900)	(6,783,047)
	9,804,300	3,764,334

32. Obligations under Securitisation Arrangements

	The Group	
	2018	2017
	$'000	$'000
Diversified payment rights		
Principal outstanding – US$83,333,000 (2017 – US$116,667,000)	11,171,267	15,073,438
Merchant voucher receivables		
Principal outstanding – US$355,656,000 (2017 – US$400,000,000)	47,677,530	51,680,360
	58,848,797	66,753,798
Unamortised transaction fees	(526,985)	(755,963)
	58,321,812	65,997,835
Interest payable	670,854	745,515
Net liability	58,992,666	66,743,350

The current portion of obligations under securitisation arrangements amounted to $11,171,266,000 (2017 – $10,781,502,000).

Diversified Payment Rights

National Commercial Bank Jamaica Limited (NCBJ) has entered into a number of structured financing transactions involving securitisation of its Diversified Payment Rights. A Diversified Payment Right ("DPR") is a right of NCBJ to receive payments from correspondent banks based overseas whenever a payment order is initiated by a person or entity situated overseas in favour of a person or entity situated in Jamaica. Under these securitisation transactions, NCBJ assigns its rights to all present and future DPRs to an offshore special purpose vehicle, Jamaica Diversified Payment Rights Company Limited (Note 34), which then issues notes which are secured by DPR flows. The cash flows generated by the DPRs are used by Jamaica Diversified Payment Rights Company Limited to make scheduled principal and interest payments to the note holders and any excess cash is transferred to NCBJ, provided no early amortisation event or default has occurred under the terms of the notes.

On May 30, 2013, NCBJ raised US$100 million through the Diversified Payments Rights Securitisation (Series 2013-1 Notes). The transaction was structured with an interest-only period of eighteen months and thereafter quarterly principal amortisation on a straight line basis, beginning September 15, 2014 to final maturity on March 15, 2018. Interest is due and payable on a quarterly basis calculated at three month US dollar LIBOR plus 675 basis points beginning September 15, 2015.

On February 21, 2014, NCBJ increased the existing Series 2013-1 Notes by US$25 million on the same terms as the existing Notes.

On April 25, 2014, the holders of the Series 2013-1 Notes exercised their option to extend the maturity of the Notes by 12 months, adjusting the principal amortisation to commence on September 15, 2015 and final maturity to March 15, 2019.

On April 27, 2015, the holders of the Series 2013-1 Notes exercised their option to extend the maturity of the Notes by 12 months, adjusting the principal amortisation to commence on September 15, 2016 and final maturity to March 16, 2020.

32. Obligations under Securitisation Arrangements (Continued)

Diversified Payment Rights (Continued)

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 to commence on September 15, 2017 and final maturity to March 15, 2021.

Merchant Voucher Receivables

NCBJ has entered into a structured financing transaction involving securitisation of its Merchant Voucher Receivables. This arrangement involves 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.

A merchant voucher is created when an international Visa or MasterCard cardholder pays for goods or services at a NCB merchant. NCB approves the charge, pays the merchant under contractual terms, and submits the merchant voucher information to Visa or MasterCard for settlement. Upon approval and receipt of the charge information, Visa or MasterCard is obligated to pay the amounts due, and this represents a receivable under the transaction.

Arising from this arrangement, NCBJ transferred its rights to all future receivables to an off-shore special purpose company (SPC), Jamaica Merchant Voucher Receivables Limited, which then issues notes which are secured by the Merchant Voucher Receivables flows. The cash flows generated by the Merchant Vouchers Receivables are used by Jamaica Merchant Voucher Receivables Limited to make scheduled principal and interest payments to the note holders and any excess cash is transferred to NCBJ, provided no early amortisation event or default has occurred under the terms of the notes.

On May 18, 2015, NCBJ raised US$250 million through the Merchant Voucher Receivables securitisation transaction. The transaction was structured on a mortgage-style amortisation basis with an interest-only period of twenty eight months and thereafter quarterly principal amortisation, beginning October 6, 2017 to final maturity on July 8, 2022. Interest is due and payable on a quarterly basis calculated at a rate of 5.875% beginning July 7, 2015.

On November 21, 2016, NCBJ raised an additional US$150 million through the Merchant Voucher Receivables securitisation transaction. The transaction was structured on a mortgage-style amortisation basis with an interest-only period of forty-one months and thereafter quarterly principal amortisation, beginning July 7, 2020 to final maturity on January 8, 2027. Interest is due and payable on a quarterly basis calculated at a rate of 5.625% beginning January 9, 2017.

33. Other Borrowed Funds

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
(a) Development Bank of Jamaica	4,730,513	4,409,372	-	-
(b) Customer long-term investments	6,500	40,450	-	-
(c) Corporate notes	58,806,520	33,026,926	59,610,252	40,240,744
(d) Principal protected notes	423,850	565,600	-	-
(e) National Housing Trust	673,745	-	-	-
(f) Finance lease obligations	471,383	453,851	-	-
(g) Other	1,463	1,463	-	-
	65,113,974	38,497,662	59,610,252	40,240,744
Unamortised transaction fees	(164,334)	(77,560)	(116,158)	(77,560)
Interest payable	608,999	229,454	654,984	195,864
	65,558,639	38,649,556	60,149,078	40,359,048

The current portion of other borrowed funds amounted to $30,270,418,000 (2017 – $6,656,717,000) for the Group and nil for the Company.

(a) The loans from Development Bank of Jamaica are granted in both Jamaican and US dollars and are utilised by the Group to finance customers with viable ventures in agricultural, agro-industrial, construction, manufacturing, mining and tourism sectors of the economy. These loans are for terms up to 12 years and at rates ranging from 3.5% - 7%.

(b) Customer long-term investments represent investments placed by customers for a minimum period of five (5) years. The investments are not subject to withholding tax if held to maturity. They are repayable between 2018 and 2019 and attract interest at 4.0% - 4.4% (2017: 2.6% - 4.4%) per annum.

(c) Corporate notes are both unsecured and secured variable and fixed rate notes issued in a combination of Jamaican dollars and United States dollars. The notes are repayable between 2018 and 2023. The fixed rate notes attract interest between 4.25% and 9.75% and the variable rate notes attract interest based on weighted average treasury bill yield plus 2.25% - 2.5% per annum.

(d) The Group has issued principal protected notes which entitle the holders to participate in positive returns on the Euro Stoxx 50 or S&P 500 indices while providing a principal protection feature with or without an annual coupon interest payment. If the return on the index is negative, the holder will obtain the principal invested for the notes. Both the principal and interest payments are indexed to the US dollar. These notes are structured products and comprise a fixed income element accounted for at amortised cost (disclosed above) and a derivative (equity indexed option) element disclosed in Note 19.

(e) The loans from National Housing Trust (NHT) are granted as part of the Joint Financing Mortgage Programme. Under the partnership agreement, NHT contributors are able to access their NHT loans directly from NCBJ at the prevailing interest rate offered by NHT. These loans are for the terms up to 40 years at rates ranging from 0% - 6%.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

33. Other Borrowed Funds (Continued)

(f) The finance lease obligations are as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Minimum lease payments under finance leases:		
Not later than 1 year	251,899	227,651
Later than 1 year and not later than 5 years	280,274	289,247
	532,173	516,898
Future finance charges	(60,790)	(63,047)
Present value of finance lease obligations	471,383	453,851

The present value of finance lease obligations is as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Not later than 1 year	214,276	190,311
Later than 1 year and not later than 5 years	257,107	263,540
	471,383	453,851

34. Interests in Structured Entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Group. Such interests include holdings of debt or equity securities and investment management agreements. Structured entities are assessed for consolidation in accordance with the accounting policy set out in Note 2(b).

Consolidated Structured Entities

Securitisation Vehicles
The Bank uses securitisation as a source of financing and a means of risk transfer. Securitisation of its Diversified Payment Rights and Merchant Voucher Receivables (Note 32) is conducted through structured entities, Jamaica Diversified Payment Rights Company Limited and Jamaica Merchant Voucher Receivables Limited, exempted limited liability companies incorporated under the laws of the Cayman Islands. The relationship between the transferred rights and the associated liabilities is that holders of Notes may only look to cash flows from the securitised assets for payments of principal and interest due to them under the terms of their Notes.

Unconsolidated Structured Entity

The Group manages a Unit Trust Scheme comprising seven portfolios – the JMD Money Market Portfolio, the JMD High Yield Portfolio, the High Yield Asset and Loans Portfolio, the Caribbean Equity Portfolio, the USD Money Market Portfolio, the USD Indexed Bond Portfolio and the USD Bond Portfolio.

The Unit Trust has an independent trustee. The Group is the investment manager of the Unit Trust and is entitled to receive management fees based on the assets under management. The Group also holds units in the Unit Trust.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

34. Interests in Structured Entities (Continued)

***Unconsolidated Structured Entity* (continued)**

The table below shows the total assets of the Unit Trust, the Group's interest in and income arising from involvement with the Unit Trust as well as the maximum exposure to loss. The maximum exposure to loss from the Group's interests represents the maximum loss that the Group could incur as a result of its involvement with the Unit Trust regardless of the probability of the loss being incurred. The income from the Group's interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis.

	The Group	
	2018	2017
	$'000	$'000
Total assets of the Unit Trust	35,172,540	35,783,505
The Group's interest – Carrying value of units held (included in available-for-sale investment securities – Note 23)	148,819	139,179
Maximum exposure to loss	148,819	139,179
Liability to the Unit Trust in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)	2,732,729	2,623,046
Total income from the Group's interests	681,760	656,466

The Group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the Unit Trust in the future.

35. Liabilities under Annuity and Insurance Contracts

The Group's liabilities under annuity and insurance contracts arise from the operations of its life insurance subsidiary and its general insurance subsidiary.

The life insurance subsidiary issues life insurance and annuity contracts. These contracts insure human life events (for example, death or survival) over a long duration.

The general insurance subsidiary issues property and casualty insurance contracts. Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability). Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Liabilities under Annuity and Insurance Contracts comprise the following:

	The Group	
	2018	2017
	$'000	$'000
Liabilities under life insurance and annuity contracts	31,285,228	29,106,118
Liabilities under general insurance contracts	6,807,779	7,079,202
	38,093,007	36,185,320

Liabilities under Life Insurance and Annuity Contracts

	The Group	
	2018	2017
	$'000	$'000
(a) Composition of liabilities under life insurance and annuity contracts:		
Life assurance fund	27,922,603	25,915,372
Risk reserve	3,199,883	3,028,489
Benefits and claims payable	67,882	71,366
Unprocessed premiums	94,860	90,891
	31,285,228	29,106,118

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

35. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

	The Group	
	2018	**2017**
	$'000	**$'000**
(b) Change in policyholders' liabilities:		
Life assurance fund:		
At the beginning of the year	25,915,372	24,787,816
Gross premiums	4,464,505	3,855,348
Premium refunds	(956)	(2,249)
Mortality charges transferred to the income statement	(120,033)	(82,201)
Fees transferred to the income statement	(493,871)	(502,827)
Claims and benefits	(2,809,528)	(3,048,447)
Interest credited	967,114	907,932
At the end of the year	27,922,603	25,915,372
Risk reserve:		
At the beginning of the year	3,028,489	2,885,362
Issue of new contracts	872,484	496,779
Normal changes	838,257	824,666
Effect of change in assumptions:		
Base renewal expense levels	(461,552)	(853,543)
Investment returns	(155,898)	(192,403)
Lapse and surrender rates	(4,915)	(9,070)
Mortality rates	(888,515)	(123,302)
Disability	(28,467)	-
At the end of the year	3,199,883	3,028,489
Benefits and claims payable:		
At the beginning of the year	71,366	48,495
Policyholders' claims and benefits	229,545	216,851
Benefits and claims paid	(233,029)	(193,980)
At the end of the year	67,882	71,366
Unprocessed premiums:		
At the beginning of the year	90,891	89,554
Premiums received	8,543,310	6,975,442
Premiums applied	(8,539,341)	(6,974,105)
At the end of the year	94,860	90,891

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

35. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)
The movement in the risk reserve per type of contract is as follows:

	2018			
	Annuity	Individual life	Group life	Total
	$'000	$'000	$'000	$'000
Balance brought forward	7,804,064	(5,680,072)	904,497	3,028,489
Changes in assumptions:				
Investment returns	(242,427)	53,796	32,733	(155,898)
Base renewal expense levels, inflation and disability	(7,862)	(481,167)	(990)	(490,019)
Lapse and surrender rates	-	(6,124)	1,209	(4,915)
Mortality rates	317,496	(969,457)	(236,554)	(888,515)
	67,207	(1,402,952)	(203,602)	(1,539,347)
Issue of new contracts	855,817	(691,005)	707,672	872,484
Normal changes	142,457	948,725	(252,925)	838,257
Net change	1,065,481	(1,145,232)	251,145	171,394
	8,869,545	(6,825,304)	1,155,642	3,199,883

	2017			
	Annuity	Individual life	Group life	Total
	$'000	$'000	$'000	$'000
Balance brought forward	7,002,457	(4,651,463)	534,368	2,885,362
Changes in assumptions:				
Investment returns	102,703	(295,106)	-	(192,403)
Base renewal expense levels and inflation	(3,182)	(847,375)	(2,986)	(853,543)
Lapse and surrender rates	-	(9,070)	-	(9,070)
Mortality rates	-	(113,502)	(9,800)	(123,302)
	99,521	(1,265,053)	(12,786)	(1,178,318)
Issue of new contracts	677,684	(599,464)	418,559	496,779
Normal changes	24,402	835,908	(35,644)	824,666
Net change	801,607	(1,028,609)	370,129	143,127
	7,804,064	(5,680,072)	904,497	3,028,489

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

35. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

The Group's life insurance subsidiary holds assets that match insurance liabilities. These assets comprise mainl investment securities, which are classified as available-for-sale and loans and receivables, and reverse repurchas agreements.

The assets supporting policyholders' and other liabilities are as follows:

	2018			
	Annuity Contracts	**Individual and Group Life Insurance Contracts**	**Other Liabilities Surplus and Capital**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Investment securities	11,650,871	31,113,791	8,264,247	51,028,909
Reverse repurchase agreements	85,091	292,162	-	377,253
Other assets	82,525	565	1,304,776	1,387,866
Property, plant and equipment	-	-	20,543	20,543
Intangible asset – computer software	-	-	313,831	313,831
	11,818,487	31,406,518	9,903,397	53,128,402

	2017			
	Annuity Contracts	**Individual and Group Life Insurance Contracts**	**Other Liabilities, Surplus and Capital**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Investment securities	7,828,680	27,604,957	6,789,606	42,223,243
Reverse repurchase agreements	212,444	1,499,880	7,027	1,719,351
Other assets	949,366	1,596,445	(147,428)	2,398,383
Property, plant and equipment	-	-	17,609	17,609
Intangible asset – computer software	-	-	355,060	355,060
	8, 990,490	30,701,282	7,021,874	46,713,646

(expressed in Jamaican dollars unless otherwise indicated)

35. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)
Policy assumptions
For insurance contracts, the assumptions used to determine the liabilities are updated at each reporting date to reflect the latest best estimates. The assumptions used for valuing the insurance contracts disclosed in this note are as follows:

Mortality and morbidity
Mortality estimates are made as to the expected number of deaths for each of the years in which the Group's life insurance subsidiary is exposed to risk. These assumptions are based on North American standard industry mortality tables adjusted to reflect recent local historical experience. Assumptions vary by sex, underwriting class and type of insurance contract. The main source of uncertainty is that epidemics and wide ranging lifestyle changes, such as eating, smoking and exercise habits could result in future mortality being significantly worse than in the past for age groups in which the Group's life insurance subsidiary has significant exposure to mortality risk. Conversely, improvements in longevity in excess of those allowed for in determining the liabilities, could result in a lessening of future liabilities.

Morbidity relates to the frequency of illness, sickness and diseases contracted. The rate of recovery from such afflictions is derived from industry experience studies, adjusted where appropriate from the Group's life insurance subsidiary's own experience.

Investment yields
The Group's life insurance subsidiary matches assets and liabilities. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the Group's life insurance subsidiary's investment policy to determine expected rates of return on these assets for all future years. Investment yields include expected future asset defaults. For the current valuation these are:

	Individual with Investment Options	Individual & Group Life	Annuities
Year 1	6.13%	6.52%	13.24%
Year 2 – 10	Decreasing to 5.78%	Decreasing to 6.05%	13.24%
Year 11 – 29	Decreasing to 5.04%	Decreasing to 5.05%	13.24%
Year 29 onwards	5.00%	5.00%	13.12%
Year 39 onwards	-	-	11.72%

The main source of uncertainty is the fluctuation in the economy. Lower yields would result in higher reserves and reduced income.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

35. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

Policy assumptions (continued)

Persistency

Persistency assumptions are made in relation to the time since inception that a policy exists before it lapses or is surrendered. Lapses relate to termination of policies due to non-payment of premiums. Surrenders relate to voluntary termination of policies by the policyholders. Policy terminations are based on the Group's life insurance subsidiary's own experience adjusted for expected future conditions. A statistical study of the past two years is performed in order to determine an appropriate persistency rate and best estimates of future rates are determined by examining any trends in the data. The main source of uncertainty derives from changes in policyholder behaviour as these relate to changes in economic conditions.

Renewal expenses and inflation

Policy maintenance expenses are derived from the Group's life insurance subsidiary's own internal cost studies projected into the future with an allowance for inflation as shown below:

Year 1	4.50%
Year 2 – 10	Decreasing to 3.79%
Year 11 – 25	Decreasing to 3.00%
Year 25 onwards	3.00%

Taxation

It is assumed that current tax legislation and rates continue unaltered.

Provisions for adverse deviations

The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the Appointed Actuary is required to include a margin in each assumption.

The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Appointed Actuary uses assumptions which are considered conservative, taking into account the risk profiles of the policies written.

35. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

Sensitivity analysis

The following table represents the sensitivity of the value of the policyholders' liabilities under life insuranc contracts disclosed in this note to certain movements in the valuation assumptions used.

	Change in Variable	Increase in Liability	
		2018	2017
	%	$'000	$'000
Lowering of investment returns	-1	3,144,229	2,687,203
Increase in investment returns	1	(2,575,314)	(2,218,136)
Worsening of base renewal expense levels	-10	(210,115)	(208,895)
Improvement in base renewal expense levels	10	210,158	208,959
Worsening of mortality	-10	(80,639)	(91,278)
Improvment in mortality	10	79,663	92,278
Worsening of lapse and surrender rates	-10	(501,027)	(329,191)
Improvement in lapse and surrender rates	10	441,740	369,925

Liabilities under General Insurance Contracts

	The Group	
	2018 $'000	2017 $'000
Gross:		
Claims outstanding	4,083,352	4,619,396
Unearned premiums	2,724,427	2,459,806
	6,807,779	7,079,202
Reinsurance ceded		
Claims outstanding	(10,655)	(39,792)
Unearned premiums	(399,328)	(204,847)
	(409,983)	(244,639)
Net:		
Claims outstanding	4,072,697	4,579,604
Unearned premiums	2,325,099	2,254,959
	6,397,796	6,834,563

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

35. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under General Insurance Contracts (continued)

The movement in and composition of claims outstanding are as follows:

	2018			2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Notified claims	2,687,327	(25,648)	2,661,679	3,215,853	(160,334)	3,055,519
Claims incurred but not reported	1,932,069	(14,144)	1,917,925	1,761,769	(5,735)	1,756,034
Balance at beginning of year	4,619,396	(39,792)	4,579,604	4,977,622	(166,069)	4,811,553
Claims incurred	2,969,567	2,834	2,972,401	2,816,198	(61,074)	2,755,124
Claims paid	(3,505,611)	26,303	(3,479,308)	(3,174,424)	187,351	(2,987,073)
Balance at end of year	4,083,352	(10,655)	4,072,697	4,619,396	(39,792)	4,579,604
Comprising:						
Notified claims	2,071,886	(8,526)	2,063,360	2,687,327	(25,648)	2,661,679
Claims incurred but not reported	2,011,466	(2,129)	2,009,337	1,932,069	(14,144)	1,917,925
	4,083,352	(10,655)	4,072,697	4,619,396	(39,792)	4,579,604

35. Liabilities under Insurance and Annuity Contracts (Continued)

Liabilities under General Insurance Contracts (continued)

The policy and claims liabilities were determined in accordance with accepted actuarial principles and as directed by the Financial Services Commission.

In determining the valuation, the actuary employed the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method and the Frequency-Severity method. In using the Paid/Incurred Loss Development methods, ultimate losses are estimated by calculating past paid/incurred loss development factors and applying them to exposure periods with further expected paid/incurred loss development. The Bornhuetter-Ferguson Paid/Incurred Loss methods is a combination of the Paid/Incurred Loss Development methods and a loss ratio method; however, these expected losses are modified to the extent paid/incurred losses to date differ from what would have been expected based on the selected paid/incurred loss development pattern. Finally, the Frequency-Severity method is calculated by multiplying an estimate of ultimate claims with an estimate of the ultimate severity per reported claim.

The movement in and composition of unearned premiums are as follows:

	2018			2017		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at beginning of year	2,459,806	(204,847)	2,254,959	2,601,002	(224,381)	2,376,621
Premiums written	5,672,695	(781,942)	4,890,753	5,076,766	(509,750)	4,567,016
Premiums earned	(5,408,074)	587,461	(4,820,613)	(5,217,962)	529,284	(4,688,678)
Balance at end of year	2,724,427	(399,328)	2,325,099	2,459,806	(204,847)	2,254,959
Comprising, by type of business:						
Liability insurance contracts	38,431	(15,739)	22,692	33,832	-	33,832
Motor insurance contracts	2,215,642	(87)	2,215,555	2,124,002	38,384	2,162,386
Pecuniary loss insurance contracts	49,310	(44,511)	4,799	37,919	(33,733)	4,186
Property insurance contracts	421,044	(338,991)	82,053	264,053	(209,498)	54,555
	2,724,427	(399,328)	2,325,099	2,459,806	(204,847)	2,254,959

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

36. Post-employment Benefits

Liabilities recognised in the statement of financial position are as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Pension schemes	46,448	(122,358)
Other post-employment benefits	5,456,525	4,143,054
	5,502,973	4,020,696

The amounts recognised in the income statement are as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Pension schemes	21,316	41,140
Other post-employment benefits	960,684	349,670
	982,000	390,810

The amounts recognised in the statement of comprehensive income are as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Pension schemes	182,975	(175,451)
Other post-employment benefits	423,379	758,412
	606,354	582,961

36. Post-employment Benefits (Continued)

(a) Pension schemes

The Company's subsidiaries have established the following pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. The Group's pension schemes are regulated by the Financial Services Commission.

National Commercial Bank Staff Pension Fund 1986

This is a defined benefit scheme, which comprises the following pension funds which were merged on September 30, 1999:

- National Commercial Bank Staff Pension Fund 1975 (NCB 1975 Fund)
- National Commercial Bank Staff Pension Fund 1986 (NCB 1986 Fund)
- Mutual Security Bank Superannuation Scheme (MSB Fund)
- Computer Service and Programming Limited Pension Fund (CSP Fund)

Members' rights under each of the funds as at the date of merger were fully preserved in the NCB 1986 Fund and members of the merged funds receive pension benefits from the NCB 1986 Fund in respect of service up to the date of merger. The scheme was closed to new members effective October 1, 1999.

National Commercial Bank Staff Pension Fund 1999

This is a defined contribution scheme which is funded by payments from employees and by the relevant companies. Group companies contribute an amount equivalent to 5% of employees' salary to the scheme each pay cycle and employees must contribute at least 5% and up to a maximum of 15%. Contribution to the scheme for the year was $418,371,000 (2017 – $391,914,000)

Advantage General Insurance Company Limited Superannuation Fund

The Group's subsidiary, Advantage General Insurance Company Limited (AGIC), sponsors a defined benefit pension scheme, which is open to all its employees who have satisfied certain minimum service requirements, and is managed by NCB Insurance Company Limited. Retirement and other benefits are based on average salary for the last three years of pensionable service. The scheme is funded by employee contributions of at least 5% and up to a maximum of 10% of salary and employer contributions as recommended by the actuary consequent on triennial funding reviews.

The amounts recognised in the statement of financial position in respect of defined benefit pension schemes are as follows:

	2018		2017	
	The Bank $'000	AGIC $'000	The Bank $'000	AGIC $'000
Present value of funded obligations	27,481,763	1,195,080	23,304,895	884,946
Fair value of plan assets	(32,837,947)	(1,148,632)	(29,107,197)	(1,007,304)
(Over)/under – funded obligations	(5,356,184)	46,448	(5,802,302)	(122,358)
Limitation on pension assets	5,356,184	-	5,802,302	-
	-	46,448	-	(122,358)

No asset has been recognised in relation to the Bank's defined benefit scheme as, under the rules of the scheme, the employer would not benefit from any surplus on the winding up of the scheme. No additional current service cost has been incurred since closure of the scheme and the employer only makes a nominal contribution.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

36. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The schemes are valued by independent actuaries annually using the projected unit credit method; the latest such valuation being carried out as at September 30, 2018 for the Bank's scheme and at August 31, 2018 for the AGIC scheme.

The movement in the defined benefit obligation is as follows:

	2018		2017	
	The Bank	AGIC	The Bank	AGIC
	$'000	$'000	$'000	$'000
At beginning of year	23,304,895	884,946	18,797,371	897,371
Employee's contributions	-	35,517	-	34,592
Service cost	-	25,820	-	30,340
Interest cost	2,028,154	79,987	1,640,393	81,228
Remeasurements:				
Experience losses	844,083	24,712	3,887,955	8,359
Losses/(gains) from changes in financial assumptions	2,844,333	180,285	120,746	(133,297)
Benefits paid	(1,539,702)	(36,187)	(1,141,570)	(33,647)
At end of year	27,481,763	1,195,080	23,304,895	884,946

The movement in the fair value of plan assets is as follows:

	2018		2017	
	The Bank	AGIC	The Bank	AGIC
	$'000	$'000	$'000	$'000
At beginning of year	29,107,197	1,007,304	24,390,232	854,076
Interest on plan assets	2,550,362	92,126	2,143,750	78,424
Remeasurement - return on plan assets, excluding amounts included in interest on plan assets	2,720,090	22,021	3,714,785	50,512
Contributions	-	71,003	-	65,934
Administration fees	-	(7,635)	-	(7,995)
Benefits paid	(1,539,702)	(36,187)	(1,141,570)	(33,647)
At end of year	32,837,947	1,148,632	29,107,197	1,007,304

36. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in the income statement are as follows:

	2018		2017	
	The Bank	AGIC	The Bank	AGIC
	$'000	$'000	$'000	$'000
Current service cost	-	25,820	-	30,340
Administration fees	-	7,635	-	7,995
Net (income)/interest expense	-	(12,139)	-	2,805
Total, included in staff costs	-	21,316	-	41,140

The amounts recognised in other comprehensive income are as follows:

	2018		2017	
	The Bank	AGIC	The Bank	AGIC
	$'000	$'000	$'000	$'000
Loss/(gain) on present value of funded obligations	3,688,416	204,996	4,008,702	(124,939)
Gain on fair value of plan assets	(2,720,090)	(22,021)	(3,714,785)	(50,512)
Change in effect of asset ceiling	(968,326)	-	(293,917)	-
Net loss/(gain)	-	182,975	-	(175,451)

Plan assets for the Bank's defined benefit pension scheme are comprised as follows:

	2018		2017	
	$'000	%	$'000	%
Debt securities	12,982,081	39.53	13,004,469	44.68
Equity securities	17,279,315	52.62	13,666,272	46.95
Real estate and other	2,576,551	7.85	2,436,456	8.37
	32,837,947	100.00	29,107,197	100.00

These plan assets included:

- Ordinary stock units of the Company with a fair value of $6,257,404,000 (2017 – $4,189,409,000).
- Repurchase obligations, promissory notes and lease obligations of the Group aggregating $307,400,000 (2017 –$162,407,000)
- Properties occupied by the Group with a fair value of $665,444,000 (2017 - $493,166,000).

36. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

Plan assets for AGIC's defined benefit pension scheme are comprised as follows:

	2018		2017	
	$'000	%	$'000	%
Debt securities	634,496	55.24	614,026	60.96
Equity securities	417,747	36.37	299,383	29.72
Real estate and other	96,389	8.39	93,895	9.32
	1,148,632	100.00	1,007,304	100.00

Expected contributions to the Bank's and AGIC's defined benefit pension schemes for the year ending September 30, 2019 are nil and $35,500,000 respectively.

The principal actuarial assumptions used are as follows:

	2018		2017	
	The Bank	AGIC	The Bank	AGIC
Discount rate	7.50%	7.50%	9.00%	9.00%
Future salary increases	6.00%	6.00%	7.00%	7.00%
Future pension increases	3.50%	-	4.00%	-

Post-employment mortality for active members and mortality for pensioners is based on the 1994 Group Annuity Mortality tables (GAM (94) (U.S. mortality tables) with no age setback.

The average duration of the defined benefit pension obligation at September 30, 2018 is 11.7 years (2017 – 11 years) for the Bank's defined benefit scheme and 17.8 years (2017 –16.6 years) for AGIC's scheme.

36. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The sensitivity of the defined benefit pension obligation to changes in the principal assumptions is as follows:

The Bank

	Increase/(decrease) in defined benefit obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(2,817,461)	3,408,518
Future salary increases	1%	123,569	(117,739)
Future pension increases	1%	2,990,148	(2,547,475)
Life expectancy	1 year	766,000	(796,000)

AGIC

	Increase/(decrease) in defined benefit obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(181,918)	237,383
Future salary increases	1%	113,195	(96,771)
Life expectancy	1 year	16,900	(19,600)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

36. Post-employment Benefits (Continued)

(b) Other post-employment benefits

In addition to pension benefits, the Group offers medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for pension schemes, the main actuarial assumption is a long-term increase in health costs of 1.5 percentage points above CPI per year (2017 – 1.5 percentage points above CPI).

The average duration of the other post-employment benefits obligation at September 30, 2018 is 18.6 years for the Bank and 19.4 years for AGIC.

The amounts recognised in the statement of financial position are as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Present value of unfunded obligations	5,456,525	4,143,054

The movement in the defined benefit obligation is as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
At beginning of the year	4,143,054	3,087,822
Service costs	590,097	73,704
Interest cost	370,587	275,966
Remeasurements:		
Experience losses	27,429	31,537
Demographic assumptions	891,833	52,279
(Gains)/losses from changes in financial assumptions	(495,883)	674,597
Benefits paid	(70,592)	(52,851)
At end of year	5,456,525	4,143,054

The amounts recognised in the income statement are as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Service cost	590,097	73,704
Net interest expense	370,587	275,966
Total, included in staff costs (Note 11)	960,684	349,670

36. Post-employment Benefits (Continued)

(b) Other post-employment benefits (continued)

The sensitivity of the other post-employment benefit obligation to changes in the principal assumptions is as follows:

The Bank	Increase/(decrease) in obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(819,807)	1,066,088
Medical cost inflation	1%	1,053,354	(824,866)
Life expectancy	1 year	175,620	(175,620)

AGIC	Increase/(decrease) in obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(44,169)	57,663
Medical cost inflation	1%	56,768	(44,301)
Life expectancy	1 year	7,800	(7,300)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

(c) Risks associated with pension plans and post-employment schemes

Through its defined benefit pension and other post-employment benefit schemes, the Group is exposed to a number of risks, the most significant of which are detailed below. The Group does not use derivatives to manage its plan risk. Investments are well diversified, such that failure of any single investment would not have a material impact on the overall level of assets.

Asset volatility risk

The schemes' liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if the schemes' assets underperform this yield, this will create a deficit.

Interest rate risk

The schemes' liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields. A decrease in Government of Jamaica bond yields will increase the schemes' liabilities, although this will be partially offset by an increase in the value of the schemes' fixed-rate bond holdings.

Salary risk

The present values of the defined benefit schemes' liabilities are calculated by reference to the future salaries of participants. As such, an increase in the salaries of participants will increase the schemes' liabilities.

Longevity risk

The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

37. Other Liabilities

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Accrued staff benefits	5,063,996	3,445,276	362,298	29,968
Due to customers, merchants and clients	5,801,608	6,920,334	-	-
Accrued other operating expenses	5,725,870	2,312,276	344,468	586,045
Due to Government	268,857	228,209	-	52,581
Other	970,224	856,149	-	-
	17,830,555	13,762,244	706,766	668,594

38. Share Capital

	2018	**2017**
	$'000	**$'000**
Authorised - unlimited		
Issued and fully paid up –		
2,466,762,828 ordinary stock units of no par value	153,827,330	153,827,330
Treasury shares - 13,306,206 (2017: 5,301,716) ordinary stock units	(1,050,785)	(330,129)
Issued and outstanding	152,776,545	153,497,201

The share capital of $153,827,330,000 is based on the Jamaica Stock Exchange market capitalisation value of the Bank immediately preceding the Scheme of Arrangement during the prior year. This represents the best estimate of consideration exchanged by the Company. The negative reserves of $147,034,858,000 arising on the consolidation of the Group is accounted for in capital reserves, representing the difference between the value for share capital recognised and the previous carrying value of the share capital in the financial statements of the Company (Note 39).

The NCB Employee Share Scheme was established in 1986 to acquire certain shares of NCB Group Limited, the then holding company for the Group, for the beneficial interest of eligible employees. The scheme holds 5,301,716 stock units of the Company's ordinary stock that have not been transferred to staff and are accounted for as treasury shares. The scheme, which is included in the consolidated financial statements, is currently dormant.

8,004,490 stock units of the Company's ordinary stock were purchased by a custodian on the Company's behalf. The stock units are being held for eventual distribution in an incentive scheme, and are accounted for as treasury shares.

39. Fair Value and Capital Reserves

	The Group	
	2018	2017
	$'000	$'000
Fair value reserve	(1,292,288)	4,619,180
Capital reserve (excluding scheme of arrangement)	4,827,403	4,977,387
	3,535,115	9,596,567
Reserve from the scheme of arrangement (Note 38)	(147,034,858)	(147,034,858)
	(143,499,743)	(137,438,291)
Capital reserve comprises:		
Realised –		
Surplus on revaluation of property, plant and equipment	92,991	92,991
Retained earnings capitalised	98,167	98,167
Share redemption reserve	1,077,382	1,077,382
Unrealised –		
Translation reserve	3,840,611	2,576,684
Surplus on revaluation of property, plant and equipment	142,963	142,963
Share of movement in reserves of associate	(879,495)	534,416
Other	454,784	454,784
	4,827,403	4,977,387
Reserve from the scheme of arrangement (Note 38)	(147,034,858)	(147,034,858)
	(143,207,455)	(142,057,471)

40. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 22).

41. Banking Reserve Fund

This fund is maintained in accordance with the Banking Services Act, 2014, enacted in Jamaica, which requires that a minimum of 15% of the net profits, as defined by the Act, of the Bank be transferred to the reserve fund until the amount of the fund is equal to 50% of the paid-up capital of the Bank and thereafter 10% of the net profits until the amount of the fund is equal to the paid-up capital of the Bank. The amount of the fund has surpassed the paid-up capital of the Bank and therefore no further mandatory transfers were required.

The Financial Institutions Act, 2008, enacted in Trinidad and Tobago, which is applicable for the Group's regulated subsidiary in that country, requires that a minimum of 10% of the profit for the year in each period be transferred to a statutory reserve account until the balance on this reserve is not less than the paid-up capital.

42. Retained Earnings Reserve

The Banking Services Act 2014 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base and regulatory capital of the Bank.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

43. Cash Flows from Operating Activities

	Note	The Group	
		2018	**2017**
		$'000	**$'000**
Net profit		28,580,966	19,107,818
Adjustments to reconcile net profit to net cash flow provided by operating activities:			
Depreciation	28	1,795,190	1,297,062
Amortisation of intangible assets	27	1,677,182	1,062,212
Impairment losses on securities	13	283,883	-
Negative goodwill	49	(4,392,149)	-
Gain on partial disposal of associate	25	(837,480)	-
Share of after tax profits of associates	25	(2,573,232)	(2,850,700)
Provision for credit losses	22	1,676,755	729,234
Interest income	6	(52,235,806)	(42,837,213)
Interest expense	6	17,091,622	13,077,544
Income tax expense	15	5,407,952	4,901,510
Unrealised exchange losses on securitisation arrangements		700,599	570,743
Amortisation of upfront fees on securitisation arrangements		228,978	207,951
Unrealised exchange losses on other borrowed funds		2,410,343	26,209
Change in post-employment benefit obligations	36	982,000	390,810
Foreign exchange gains	8	(3,274,209)	(2,807,457)
Gain on disposal of property, plant and equipment and intangible assets		(360,657)	(53,502)
Fair value gains on investment property	26	(17,717)	(100,211)
Fair value losses on derivative financial instruments	8	31,401	129,972
Changes in operating assets and liabilities:			
Statutory reserves at Central Bank		(4,552,605)	(9,190,259)
Pledged assets included in due from banks		(67,475)	333,183
Restricted cash included in due from banks		281,386	(3,493,509)
Reverse repurchase agreements		(2,816,486)	806,557
Loans and advances		(60,332,581)	(29,314,355)
Customer deposits		63,016,401	14,575,878
Repurchase agreements		37,121,959	9,670,207
Liabilities under annuity and insurance contracts		1,907,687	902,667
Other		(4,399,211)	5,880,706
		(1,246,270)	(36,084,761)
Interest received		45,233,103	41,627,242
Interest paid		(16,689,184)	(12,796,873)
Income tax paid		(7,340,050)	(7,982,772)
		19,957,599	(15,237,164)
Net cash provided by operating activities		48,538,565	3,870,654

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

44. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. Related party transactions are in the ordinary course of business. The volumes of related party transactions, outstanding balances at the year end and related expenses and income for the year are as follows:

	The Group							
	Parent and companies controlled by major shareholder		Associated companies of the group		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Loans and advances								
Balance at September 30	36,042	-	411,345	668,603	1,802,066	219,759	1,097,751	1,057,573
Interest income earned	3,744	-	51,235	67,260	104,735	8,732	82,521	85,295
Investment securities								
Balance at September 30	-	-	-	-	-	-	-	-
Interest income earned	-	-	-	-	-	-	-	-
Reverse repurchase agreements								
Balance at September 30	-	-	2,349,807	843,000	-	-	-	-
Interest income earned	-	-	14,887	10,444	-	-	-	-
Other assets								
Balance at September 30	-	-	-	-	-	-	209,355	185,000
Fee and commission income	32,947	10,843	11,247	17,465	7,297	3,216	34,897	13,601
Other operating income	-	-	-	-	289	15,000	843,296	721,660
Dividend income	-	-	201,525	192,950	-	-	14,257	13,220

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

44. Related Party Transactions and Balances (Continued)

	The Group (Continued)							
	Parent and companies controlled by major shareholder		Associated companies of the group		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Customer deposits								
Balance at September 30	954,460	463,007	1,919,070	2,676,497	1,467,166	211,367	871,206	646,886
Interest expense	1,496	335	4,531	7,329	8,596	751	2,081	430
Repurchase agreements								
Balance at September 30	367,351	175,227	10,055	1,000,082	850,931	654,807	984,156	163,277
Interest expense	4,603	2,601	11,812	24,726	7,599	10,223	37,651	2,637
Borrowed Funds								
Balance at September 30	-	-	-	-	405,027	387,212	45,708	43,790
Interest expense	-	-	-	-	19,703	3,046	2,274	356
Other liabilities								
Balance at September 30	-	-	-	-	92,349	77,023	-	160
Operating expenses	297,504	49,764	7,684	5,028	20,570	30,848	1,661,884	749,727

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

44. Related Party Transactions and Balances (Continued)

	The Company					
	Parent, subsidiaries and companies controlled by major shareholder		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Loans and advances						
Balance at September 30	-	9,591,511	-	-	-	-
Interest income earned	14,442	12,327	-	-	-	-
Investment securities						
Balance at September 30	7,000,000	-	-	-	-	-
Interest income earned (investment securities)	115,932	-	-	-	-	-
Deposits with related party						
Balance at September 30	16,576,953	30,093,874	-	-	-	-
Interest income earned (Deposits)	1,170,007	370,540	-	-	-	-
Other assets						
Balance at September 30	3,783,105	1,761,219	-	-	-	-
Fee and commission income	3,500,000	3,864,750	-	-	-	-
Dividend income	9,382,928	4,369,900	-	-	-	-
Borrowed funds						
Balance at September 30	23,893,168	54,827,939	405,027	387,212	45,708	43,790
Interest expense on Borrowings	2,086,265	2,092,228	20,375	3,046	2,274	356
Other liabilities						
Balance at September 30	5,893	31,079	-	-	-	-
Operating Expenses	301,318	6,223	-	1,271	16,241	6,011

44. Related Party Transactions and Balances (Continued)

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Key management compensation:				
Salaries and other short-term benefits	2,773,194	1,262,516	1,689,760	539,785
Post-employment benefits	76,611	53,330	32,388	4,883
	2,849,805	1,315,846	1,722,148	544,668
Directors' emoluments:				
Fees	28,603	30,960	12,152	9,631
Management remuneration:				
Share benefits	609,402	-	609,402	-
Salaries and other benefits	760,940	638,784	763,707	419,421
	1,370,342	638,784	1,373,109	419,421

45. Financial Risk Management

The Group takes an enterprise-wide approach to the identification, measurement, monitoring, reporting and management of all its risks. The principal financial risks faced by the organisation are identified as: credit, market, interest rate and liquidity risks.

The Group's risk management framework guides its risk-taking activities and ensures that it is in conformity with regulatory requirements, applicable laws, the Group's risk appetite, shareholder expectations and standards of best practice. The framework incorporates a comprehensive risk governance structure and appropriate policies and procedures.

Risk Governance Structure

The Group's risk governance structure seeks to manage risk/reward by ensuring that revenue-generation activities are compliant with the Group's standards and risk tolerance, while maximising long term shareholder value. The Group's comprehensive risk governance structure incorporates: (a) oversight effected through the Board, Board committees and relevant management committees, (b) administrative controls effected through the establishment of policies, and (c) organisational controls effected through segregation of duties. These controls are reviewed on an ongoing basis to ensure that they provide effective governance of the Group's risk-taking activities.

45. Financial Risk Management (Continued)

Risk limits and benchmarks are integral to the risk management process, as they characterise the Group's risk tolerance and conform to regulatory requirements. Limits are established for:
(i) Credit and Counterparty risk - exposures to individuals, groups, counterparty, country;
(ii) Market risk - rate gap exposure, currency exposure, market value exposure; and
(iii) Liquidity risk - liquidity gaps, funding exposures/liability diversification and liquid assets levels.

Limits and benchmarks are monitored on an ongoing basis and reported to the relevant governance committees.

Policies & Procedures
Rigorous policies and operational procedures are established throughout the organisation and are approved by the relevant management personnel and/or governance committees.

These policies and procedures incorporate requirements for compliance monitoring, maintenance of contingency plans and the provision of reports to management and the relevant governance committees and/ or the Board of Directors.

(a) Credit risk

This is defined as potential for loss to the organisation arising from failure of a borrower, guarantor or counterparty to honour their contractual obligations to the Group.

The Group incurs credit and counterparty risk primarily in its loan business, reverse repurchase arrangements, and certain investment activities. There is also credit risk in off-statement of finanical position financial instruments, such as loan commitments. Credit risk management is facilitated by a cadre of loans officers and credit risk personnel, who together operate within a control framework which employs a hierarchical level of authorisations for transactions that expose the organisation to credit risk. Operating practices include the establishment of limits, ongoing monitoring of credit risk exposures, a disciplined approach to provisioning and loan loss evaluation in addition to ongoing reporting of portfolio exposures to the relevant governance committees and the regulators.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Group to risks similar to loans and these are mitigated by the same control policies and processes.

Credit review process
The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

The Group employs the following classifications in assessing its exposures to its borrowing customers. The classifications are in line with the Central Bank regulations.

Standard
Special Mention
Sub-Standard
Doubtful
Loss

Exposure to credit risk is mitigated by the taking of financial or physical assets.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

45. Financial Risk Management (Continued)

(a) Credit risk (continued)

Collateral and other credit enhancements

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

(i) Loans - mortgages over residential properties, charges over business assets such as premises, inventory and accounts receivable and charges over financial instruments such as debt securities.

(ii) Securities lending and reverse repurchase transactions – cash or securities.

The Group may also obtain guarantees from parent companies for loans to their subsidiaries.

Collateral values are monitored with a view to requesting additional collateral where market values are compromised or the terms in the loan agreements dictate.

Impairment loss provision methodology

Provisions for impairment losses are assessed under three categories as described below:

Sub-standard, Doubtful or Loss rated loans

The Group identifies substandard, doubtful or loss rated loans as determined by Bank of Jamaica Regulations. The calculated provision is adjusted by the future cash flow from the realisation of the related collateral.

Individually Significant, Standard and Special Mention loans

Individually significant loans are reviewed to determine whether the loans show objective evidence of impairment and to determine the extent of provision required. Impairment may be determined through assessment of a number of factors, which include:

(i) Any significant financial difficulty being experienced by the borrower.

(ii) Breach of contract, such as default term, delinquency in principal and interest.

(iii) High probability of bankruptcy or other financial reorganisation by the borrower.

Collectively assessed provisions

All loans, excluding those that are impaired, are assessed on a portfolio basis where possible, in order to reflect the homogenous nature of the loans. The provision is determined by a quantitative review of the respective portfolios.

45. Financial Risk Management (Continued)

(a) Credit risk (continued)
The tables below show the loans and the associated impairment provision for each internal rating class:

	The Group			
	2018		2017	
	Loans $'000	Impairment provision $'000	Loans $'000	Impairment provision $'000
Standard	343,574,418	1,108,283	210,739,900	1,226,500
Special Mention	11,854,375	86,716	3,387,679	17,572
Sub-Standard	3,872,251	908,348	1,782,341	380,360
Doubtful	12,503,804	3,668,954	586,677	441,660
Loss	4,919,988	2,488,642	4,358,102	1,593,434
	376,724,836	8,260,943	220,854,699	3,659,526

	The Company			
	2018		2017	
	Loans $'000	Impairment provision $'000	Loans $'000	Impairment provision $'000
Standard	-	-	9,579,184	-
Special Mention	-	-	-	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	-	-	9,579,184	-

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

45. Financial Risk Management (Continued)

(a) Credit risk (continued)

The credit quality of loans is summarised as follows:

	The Group		The Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Unimpaired	364,465,324	217,670,452	-	9,579,184
Impaired	12,259,512	3,184,247	-	-
Gross	376,724,836	220,854,699	-	9,579,184
Less: provision for credit losses	(8,260,943)	(3,659,526)	-	-
Net	368,463,893	217,195,173	-	9,579,184

The ageing analysis of past due but not impaired loans is as follows:

	The Group		The Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Less than 30 days	52,773,386	57,851,236	-	-
31 to 60 days	5,210,004	1,965,450	-	-
61 to 90 days	2,887,442	1,378,399	-	-
Greater than 90 days	2,227,054	2,249,068	-	-
	63,097,886	63,444,153	-	-

Of the aggregate amount of gross past due but not impaired loans, $43,465,884,000 was secured as at September 30, 2018 (2017 – $44,870,991,000).

Restructured loans

Restructuring activities include extended payment arrangements, approved external management plans, and modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

45. Financial Risk Management (Continued)

(a) Credit risk (continued)

Restructured loans (continued)

The determination of whether a loan would qualify for renegotiation is made only if all factors indicate that the borrower is able to repay in full (including interest). In making this assessment, the Group takes its historic experience with the borrowers, their expected future cash flows, collateral valuations and any guarantees into consideration. Therefore, at the time of modification, all renegotiated loans are interest bearing with interest being calculated using the terms of the modified loan.

All renegotiated loans are individually assessed for impairment as the active renegotiation of a loan as a result of borrower difficulty, as defined in paragraph 59(c) of IAS 39, is considered a trigger for determining whether the loan should be tested for impairment. In carrying out its assessment, the Group uses the same methodology as with any other loan in the portfolio that exhibits other objective evidence of impairment. These loans are, however, actively monitored for at least 12 months from the time of renegotiation to determine whether circumstances have changed that would result in the loan being impaired or whether there should be an increase in the current level of impairment.

Credit risk exposure

The table below represents a worst case scenario of credit risk exposure of the Group and the Company at the date of the statement of financial position, without taking account of any collateral held or other credit enhancements. For on-statement of financial position assets, the exposures set out below are based on net carrying amounts as reported in the statement of financial position.

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Credit risk exposures relating to on-statement of financial position assets:				
Balances with Central Banks	74,711,396	65,314,659	-	-
Due from banks	50,565,381	41,210,873	16,576,953	30,093,874
Derivative financial instruments	233,329	205,984	-	-
Investment securities at fair value through profit or loss	1,891,266	2,886,088	-	-
Reverse repurchase agreements	3,807,177	2,861,218	-	-
Loans and advances, net of provision for credit losses	372,634,701	218,615,226	-	9,591,511
Investment securities classified as available-for-sale and loans and receivables	382,446,455	290,981,761	7,115,932	-
Customers' liability – letters of credit and undertaking	2,305,130	1,971,727	-	-
Other assets	10,939,770	6,678,940	3,683,558	5,225,612
	899,534,605	630,726,476	27,376,443	44,910,997
Credit risk exposures relating to off-statement of financial position items:				
Credit commitments	57,515,620	47,183,147	-	-
Acceptances, guarantees and indemnities	8,607,672	9,711,400	-	-
	66,123,292	56,894,547	-	-

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

45. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposures

(i) Loans

The majority of loans are made to customers in Jamaica and Bermuda. The following table summarises the credit exposure for loans at their carrying amounts, as categorised by the industry sectors:

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Agriculture	8,981,384	5,149,081	-	-
Public Sector	7,666,508	8,253,799	-	-
Construction and land development	25,481,855	7,102,971	-	-
Other financial institutions	2,909,737	732,970	-	9,579,184
Distribution	27,877,051	24,712,100	-	-
Electricity, water & gas	9,849,945	7,671,753	-	-
Entertainment	1,422,772	1,642,758	-	-
Manufacturing	8,202,738	7,481,226	-	-
Mining and processing	2,997,701	357,649	-	-
Personal	207,231,872	106,316,583	-	-
Professional and other services	17,097,785	10,340,508	-	-
Tourism	35,095,041	33,913,415	-	-
Transportation storage and communication	2,381,812	1,534,273	-	-
Overseas residents	19,528,635	5,645,613	-	-
Total	376,724,836	220,854,699	-	9,579,184
Total provision	(8,260,943)	(3,659,526)	-	-
	368,463,893	217,195,173	-	9,579,184
Interest receivable	4,170,808	1,420,053	-	12,327
Net	372,634,701	218,615,226	-	9,591,511

(ii) Debt securities

The following table summarises the credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	The Group	
	2018 $'000	2017 $'000
Government of Jamaica and Bank of Jamaica	248,227,379	231,365,241
Government of Jamaica guaranteed corporate bonds	6,261,565	6,941,449
Other corporate bonds	69,864,284	41,628,305
Foreign governments	55,378,908	9,866,583
	379,732,136	289,801,578
Interest receivable	4,605,585	4,066,271
	384,337,721	293,867,849

45. Financial Risk Management (Continued)

(b) Liquidity risk

The Group's liquidity risk policy is designed to ensure that it can meet cash obligations when they fall due and take advantage of unanticipated earnings enhancement opportunities.

Liquidity management within the Group, which incorporates funding risk management, ensures that there is a sufficient level of liquid assets available in addition to stable funding lines to meet ongoing cash commitments even during periods of stress. The management of liquidity risk is executed within a framework which comprises:

(i) Oversight by relevant governance committees;

(ii) Daily management of liquidity by the relevant treasury/investment units within each group company;

(iii) Use of tools to measure the organisation's exposures;

(iv) Establishment and monitoring of limits/benchmarks for maturity mismatches and funding concentrations;

(v) Diversification of funding sources;

(vi) Maintenance of committed lines of credits; and

(vii) Monitoring of adherence to regulatory ratios.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group's liquidity exposure. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

45. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities

The tables below present the contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the financial assets (expected) and liabilities (contractual and expected) based on the remaining period.

	The Group					
	Within 1 Month $'000	**2 to 3 Months $'000**	**4 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
As at September 30, 2018:						
Due to Banks	9,853,737	-	2,196,684	-	-	12,050,421
Customer deposits	374,917,555	49,028,203	60,635,721	26,832,754	12,018	511,426,251
Repurchase agreements	57,216,409	51,990,987	23,847,709	26,191,095	-	159,246,200
Obligations under securitisation arrangements	2,228,801	1,436,165	10,730,679	51,723,898	12,603,158	78,722,701
Other borrowed funds	1,270,035	1,700,402	7,375,488	63,610,786	1,547,339	75,504,050
Liabilities under annuity and insurance contracts	28,574,796	1,554,195	5,905,377	6,125,336	56,184,925	98,344,629
Other	13,121,114	-	-	-	-	13,121,114
Total financial liabilities (contractual maturity dates)	487,182,447	105,709,952	110,691,658	174,483,869	70,347,440	948,415,366
Total financial liabilities (expected maturity dates)	118,854,402	40,680,607	107,576,219	338,276,662	384,876,474	990,264,364
Total financial assets (expected maturity dates)	179,570,093	21,000,955	81,622,751	448,695,253	530,969,692	1,261,858,744

	The Group					
	Within 1 Month $'000	**2 to 3 Months $'000**	**4 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
As at September 30, 2017:						
Due to Banks	3,712,517	120,883	5,928,635	2,141,480	-	11,903,515
Customer deposits	273,695,960	15,323,673	36,659,208	3,517,969	149,204	329,346,014
Repurchase agreements	44,506,785	42,202,235	21,032,832	9,324,555	-	117,066,407
Obligations under securitisation arrangements	2,893,607	1,384,160	10,342,109	54,972,776	12,146,783	81,739,435
Other borrowed funds	69,529	1,800,916	6,368,494	32,390,026	2,304,023	42,932,988
Liabilities under annuity and insurance contracts	26,045,114	920,219	4,680,953	7,411,086	48,071,582	87,128,954
Other	12,458,108	1,128,761	719,187	-	9,014	14,315,070
Total financial liabilities (contractual maturity dates)	363,381,620	62,880,847	85,731,418	109,757,892	62,680,606	684,432,383
Total financial liabilities (expected maturity dates)	85,421,073	44,510,517	89,796,234	117,474,266	377,885,789	715,087,879
Total financial assets (expected maturity dates)	135,351,843	17,557,504	79,648,492	224,259,395	350,472,985	807,290,219

45. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

	The Company					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2018:						
Other borrowed funds	494,003	673,179	11,618,254	59,114,604	-	71,900,040
Other	759,751	-	-	-	-	759,751
Total financial liabilities (contractual maturity dates)	1,253,754	673,179	11,618,254	59,114,604	-	72,659,791
Total financial liabilities (expected maturity dates)	1,253,754	673,179	11,618,254	59,114,604	-	72,659,791
Total financial assets (expected maturity dates)	14,094,297	230,616	1,844,932	7,882,575	-	24,052,420

	The Company					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2017:						
Due to banks	-	-	32,383,269	-	-	32,383,269
Other borrowed funds	-	544,985	2,201,849	46,632,135	4,651	49,383,620
Other	586,045	-	-	-	-	586,045
Total financial liabilities (contractual maturity dates)	586,045	544,985	34,585,118	46,632,135	4,651	82,352,934
Total financial liabilities (expected maturity dates)	586,045	544,985	34,585,118	46,632,135	4,651	82,352,934
Total financial assets (expected maturity dates)	39,323,892	4,595,528	11,239,498	-	-	55,158,918

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection, investment securities and other eligible bills, loans and advances to banks, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

45. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

Off-statement of financial position items

The tables below show the contractual expiry by maturity of commitments.

	The Group			
	No later than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At September 30, 2018				
Credit commitments	56,197,509	944,200	373,911	57,515,620
Guarantees, acceptances and other financial facilities	5,408,294	1,428,224	1,771,154	8,607,672
Operating lease commitments	259,129	1,043,378	212,745	1,515,252
Capital commitments	8,529,424	41,691	-	8,571,115
	70,394,356	3,457,493	2,357,810	76,209,659
At September 30, 2017				
Credit commitments	47,183,367	-	-	47,183,367
Guarantees, acceptances and other financial facilities	7,615,283	1,346,452	749,665	9,711,400
Operating lease commitments	136,410	369,847	129,535	635,792
Capital commitments	6,715,436	-	-	6,715,436
	61,650,496	1,716,299	879,200	64,245,995

Capital commitments are in relation to approved expenditures for property, plant, equipment and computer software that were unused as at the end of the respective financial years either because they relate to work in progress or are awaiting the start of the project. Of the total capital commitments, planned expenditure valuing $3,223,517,000 (2017 – $3,192,774,000) for the Group has already been contracted for.

45. Financial Risk Management (Continued)

(c) Market risk

The Group takes on exposure to market risk, which is defined as the potential for loss arising from changes in the market value of the organisation's financial instruments due to changes in certain market variables, such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads.

The Group incurs market risk primarily in treasury, trading and structural banking activities. The Group takes a comprehensive governance approach in accordance with the enterprise-wide risk management framework. This includes:

- Oversight provided by the relevant governance committees.
- An independent market risk oversight function.
- The utilisation of tools and models to measure market risk exposure.
- Limit setting mechanisms and a monitoring process.
- The utilisation of scenario analysis and of stress testing for worst case events.

There has been no change to the manner in which the Group manages and measures this risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Group takes an open position in a currency. To control this exchange risk, the Group has approved limits for net open positions in each currency for both intra-day and overnight.

The Group also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to be settled. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

45. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-statement of financial position financial instruments

The tables below summarise the Group's and the Company's exposure to foreign currency exchange rate risk as at the date of the statement of financial position.

	The Group						
	J$	**US$**	**BMD**	**GBP**	**CAN$**	**Other**	**Total**
September 30, 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Banks	53,828,009	18,872,941	-	1,702,902	294,151	13,393	74,711,396
Due from banks	596,696	27,539,548	4,552,470	10,677,640	1,642,769	5,556,258	50,565,381
Investment securities at fair value through profit or loss	2,976,359	617,654	-	-	-	101,000	3,695,013
Reverse repurchase agreements	3,552,468	254,709	-	-	-	-	3,807,177
Loans and advances net of provision for credit losses	190,268,378	84,501,804	95,631,741	-	-	2,232,778	372,634,701
Investment securities classified as available-for-sale and loans and receivables	218,909,883	111,493,920	52,098,510	2,276,591	-	1,016,127	385,795,031
Derivative financial instruments	-	233,329	-	-	-	-	233,329
Other	9,026,250	2,233,825	-	83,393	2,173	39,747	11,385,388
Total financial assets	479,158,043	245,747,730	152,282,721	14,740,526	1,939,093	8,959,303	902,827,416
Liabilities							
Due to banks	7,350,774	4,325,053	-	89,966	49,407	-	11,815,200
Customer deposits	190,938,719	126,187,871	147,351,483	14,574,406	2,274,923	3,520,388	484,847,790
Repurchase agreements	54,596,761	98,154,134	-	133,731	-	-	152,884,626
Obligations under securitisation arrangements	-	59,519,651	-	-	-	-	59,519,651
Other borrowed funds	18,597,829	47,125,144	-	-	-	-	65,722,973
Liabilities under annuity and insurance contracts	37,342,865	750,142	-	-	-	-	38,093,007
Derivative financial instruments	-	259,002	-	-	-	-	259,002
Other	6,696,728	4,200,527	2,324,983	181,380	72,158	212,189	13,687,965
Total financial liabilities	315,523,676	340,521,524	149,676,466	14,979,483	2,396,488	3,732,577	826,830,214
Net on-statement of financial position position	163,634,367	(94,773,794)	2,606,255	(238,957)	(457,395)	5,226,726	75,997,202
Guarantees, acceptances and other financial facilities	3,221,574	5,097,037	163,011	1,048	-	125,002	8,607,672
Credit commitments	36,349,806	18,941,465	2,224,349	-	-	-	57,515,620

45. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-statement of financial position financial instruments (continued)

	The Group					
	J$	**US$**	**GBP**	**CAN$**	**Other**	**Total**
September 30, 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Central Banks	40,522,177	22,271,215	1,761,802	399,744	419719	65,314,659
Due from banks	6,745,432	20,157,788	9,981,210	1,011,642	3,314,801	41,210,873
Investment securities at fair value through profit or loss	3,679,276	464,202	15,936	-	100,309	4,259,723
Reverse repurchase agreements	2,588,508	272,710	-	-	-	2,861,218
Loans and advances net of provision for credit losses	152,066,760	62,398,102	398,765	-	3,751,599	218,615,226
Investment securities classified as available-for-sale and loans and receivables	134,032,128	160,065,908	373,326	-	446,203	294,917,565
Derivative financial instruments	73,637	132,347	-	-	-	205,984
Other	4,810,437	1,718,475	93,249	-	56,779	6,678,940
Total financial assets	344,518,355	267,480,747	12,624,288	1351,386	8,089,412	634,064,188
Liabilities						
Due to banks	1,173,043	9,122,353	180,888	47,213	23,884	10,547,381
Customer deposits	156,466,322	112,732,968	12,297,138	1,325,450	5,642,135	288,464,013
Repurchase agreements	43,626,688	71,959,902	-	-	-	115,586,590
Obligations under securitisation arrangements	-	67,499,313	-	-	-	67,499,313
Other borrowed funds	14,134,683	24,592,433	-	-	-	38,727,116
Liabilities under annuity and insurance contracts	35,509,987	675,333	-	-	-	36,185,320
Other	4,235,064	4,431,420	293,125	62,458	3,961,629	12,983,696
Total financial liabilities	255,145,787	291,013,722	12,771,151	1,435,121	9,627,648	569,993,429
Net on-statement of finanical position position	89,372,568	(23,532,975)	(146,863)	(83,735)	(1,538,236)	64,070,759
Guarantees, acceptances and other financial facilities	3,671,556	5,895,948	1,246	142,650	-	9,711,400
Credit commitments	28,957,378	18,225,939	-	-	-	47,183,317

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

45. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk–on- and off-balance sheet financial instruments (continued)

	The Company		
	J$	**US$**	**Total**
September 30, 2018	**$'000**	**$'000**	**$'000**
Assets			
Due from banks	1,966,309	14,610,644	16,576,953
Investment securities classified as available-for-sale and loans and receivables	7,115,932	-	7,115,932
Other	3,518,862	164,696	3,683,558
Total financial assets	12,601,103	14,775,340	27,376,443
Liabilities			
Other borrowed funds	12,076,095	48,189,141	60,265,236
Other	436,232	295,281	731,513
Total financial liabilities	12,512,327	48,484,422	60,996,749
Net on-statement of finanical position position	88,776	(33,709,082)	(33,620,306)

	J$	**US$**	**Other**	**Total**
September 30, 2017	**$'000**	**$'000**	**$'000**	**$'000**
Assets				
Cash	140	-	-	140
Due from banks	20,669,702	9,424,172	-	30,093,874
Loans and advances net of provision for credit losses	9,591,511	-	-	9,591,511
Other	1,761,219	3,464,393	-	5,225,612
Total financial assets	32,022,572	12,888,565	-	44,911,137
Liabilities				
Due to banks	-	29,403,477	2,060,872	31,464,349
Other borrowed funds	10,400,622	30,035,986	-	40,436,608
Other	304,125	281,920	-	586,045
Total financial liabilities	10,704,747	59,721,383	2,060,872	72,487,002
Net on-statement of finanical position position	21,317,825	(46,832,818)	(2,060,872)	(27,575,865)

45. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-statement of finanical position financial instruments (continued)

Foreign currency sensitivity

The following table indicates the currencies to which the Group and the Company have significant exposures on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for changes in foreign currency rates. The sensitivity analysis includes loans and advances to customers, investment securities and deposits. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in each variable, variables had to be considered on an individual basis. It should be noted that movements in these variables are non-linear. There was no effect on other comprehensive income.

	2018			2017		
	% Change in Currency Rate	Effect on Profit before Taxation		% Change in Currency Rate	Effect on Profit before Taxation	
		The Group	The Company		The Group	The Company
		$'000	$'000		$'000	$'000
Currency:						
USD	Appreciation 2%	1,895,476	674,181	Appreciation 2%	470,659	938,207
	Depreciation 4%	(3,790,952)	(1,348,363)	Depreciation 6%	(1,411,978)	(2,814,620)
GBP	Appreciation 2%	4,779	-	Appreciation 2%	2,937	-
	Depreciation 4%	(9,558)	-	Depreciation 6%	(8,812)	-
CAN	Appreciation 2%	9,148	-	Appreciation 2%	1,675	-
	Depreciation 4%	(18,296)	-	Depreciation 6%	(5,024)	-
BMD	Appreciation 2%	(52,125)	-	Appreciation 2%	-	-
	Depreciation 4%	104,250	-	Depreciation 6%	-	-

(ii) Interest rate risk

Interest rate risk arises when the Group's principal and interest cash flows from on- and off-statement of financial position items have mismatched repricing dates. The short term impact is experienced on the Group's net interest income and long term impact is felt on its equity.

The Group incurs interest rate mismatches from its interest bearing assets and liabilities with the size of such exposure being heavily dependent on the direction and degree of interest rate movements in addition to the size and maturity structure of the mismatched position. The Group's policy requires that such mismatches are managed. Accordingly, the Board requires that a comprehensive system of limits, gap analysis and stress testing be used to manage the Group's exposure.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

45. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Limits are established and monitored with respect to the level of mismatch of interest rate repricing that may be undertaken.

The following tables summarise the exposure to interest rate risk. It includes the financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						
	Within 1 Month	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
September 30, 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Banks	19,990,000	-	-	-	-	54,721,396	74,711,396
Due from banks	25,540,184	214,827	2,029,760	-	-	22,780,610	50,565,381
Investment securities at fair value through profit or loss	-	89,035	27,628	120,407	1,645,272	1,812,671	3,695,013
Reverse repurchase agreements	2,851,824	633,017	318,800	-	-	3,536	3,807,177
Loans and advances net of provision for credit losses	86,867,097	44,715,421	19,799,096	115,619,148	101,450,743	4,183,196	372,634,701
Investment securities classified as available-for-sale and loans and receivables	52,787,779	23,132,770	19,101,116	105,785,488	177,042,641	7,945,237	385,795,031
Derivative financial instruments	-	-	-	-	-	233,329	233,329
Other	-	-	-	-	-	11,385,388	11,385,388
Total financial assets	188,036,884	68,785,070	41,276,400	221,525,043	280,138,656	103,065,363	902,827,416
Liabilities							
Due to banks	5,785,613	10,805	2,010,827	-	-	4,007,955	11,815,200
Customer deposits	297,309,415	33,316,366	41,350,672	15,503,807	17,472,927	79,894,603	484,847,790
Repurchase agreements	55,974,542	50,166,193	22,255,954	23,801,290	-	686,647	152,884,626
Obligations under securitisation arrangements	2,658,234	-	8,111,837	39,735,296	8,343,430	670,854	59,519,651
Other borrowed funds	766,735	10,839,294	21,030,929	30,668,388	1,869,708	547,919	65,722,973
Derivative financial instruments	-	-	-	-	-	259,002	259,002
Liabilities under annuity and insurance contracts	26,864,171	154,944	772,229	-	-	10,301,663	38,093,007
Other	-	-	-	-	-	13,687,965	13,687,965
Total financial liabilities	389,358,710	94,487,602	95,532,448	109,708,781	27,686,065	110,056,608	826,830,214
On-statement of financial position interest sensitivity gap	(201,321,826)	(25,702,532)	(54,256,048)	111,816,262	252,452,591	(6,991,245)	75,997,202
Cumulative interest sensitivity gap	(201,321,826)	(227,024,358)	(281,280,406)	(169,464,144)	82,988,447	75,997,202	

45. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group						
	Within 1 Month	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
September 30, 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Banks	17,000,000	-	-	-	-	48,314,659	65,314,659
Due from banks	27,372,378	-	4,653,315	-	-	9,185,180	41,210,873
Investment securities at fair value through profit or loss	-	-	-	308,189	2,566,624	1,384,910	4,259,723
Reverse repurchase agreements	1,372,456	1,472,859	-	-	-	15,903	2,861,218
Loans and advances net of provision for credit losses	121,031,432	23,122,317	11,433,005	29,735,288	31,873,131	1,420,053	218,615,226
Investment securities classified as available-for-sale and loans and receivables	49,949,869	31,632,740	15,753,061	65,317,038	122,640,290	9,624,567	294,917,565
Derivative financial instruments	-	-	-	-	-	205,984	205,984
Other	-	-	-	-	-	6,678,940	6,678,940
Total financial assets	216,726,135	56,227,916	31,839,381	95,360,515	157,080,045	76,830,196	634,064,188
Liabilities							
Due to banks	2,280,547	-	2,896,661	1,938,014	-	3,432,159	10,547,381
Customer deposits	194,937,438	15,270,937	35,583,651	3,266,146	-	39,405,841	288,464,013
Repurchase agreements	43,761,551	41,695,290	20,538,962	9,081,662	-	509,125	115,586,590
Obligations under securitisation arrangements	1,401,149	1,076,675	7,558,163	45,761,515	10,956,296	745,515	67,499,313
Other borrowed funds	1,553,586	13,988,044	1,606,740	19,562,044	1,652,535	364,167	38,727,116
Liabilities under annuity and insurance contracts	25,054,849	143,805	716,717	-	-	10,269,949	36,185,320
Other	-	-	-	-	-	12,983,696	12,983,696
Total financial liabilities	268,989,120	72,174,751	68,900,894	79,609,381	12,608,831	67,710,452	569,993,429
On-statement of financial position interest sensitivity gap	(52,262,985)	(15,946,835)	(37,061,513)	15,751,134	144,471,214	9,119,744	64,070,759
Cumulative interest sensitivity gap	(52,262,985)	(68,209,820)	(105,271,333)	(89,520,199)	54,951,015	64,070,759	

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

45. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The Company

September 30, 2018	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Assets							
Due from banks	16,530,888	-	-	-	-	46,065	16,576,953
Investment securities classified as available-for-sale and loans and receivables	-	-	-	-	7,000,000	115,932	7,115,932
Other	-	-	-	-	-	3,683,558	3,683,558
Total financial assets	16,530,888	-	-	-	7,000,000	3,845,555	27,376,443
Liabilities							
Other borrowed funds	-	8,699,914	-	50,910,338	-	654,984	60,265,236
Other	-	-	-	-	-	731,513	731,513
Total financial liabilities	-	8,699,914	-	50,910,338	-	1,386,497	60,996,749
On-statement of financial position interest sensitivity gap	16,530,888	(8,699,914)	-	(50,910,338)	7,000,000	2,459,058	(33,620,306)
Cumulative interest sensitivity gap	16,530,888	7,830,974	7,830,974	(43,079,364)	(36,079,364)	(33,620,306)	

September 30, 2017	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Assets							
Cash in hand and balances at Central Bank	-	-	-	-	-	140	140
Due from banks	29,725,657	-	-	-	-	368,217	30,093,874
Loans and advances net of provision for credit losses	9,579,184	-	-	-	-	12,327	9,591,511
Other	-	-	-	-	-	5,225,612	5,225,612
Total financial assets	39,304,841	-	-	-	-	5,606,296	44,911,137
Liabilities							
Due to banks	-	-	29,088,678	-	-	2,375,671	31,464,349
Other borrowed funds	-	-	-	40,240,744	-	195,864	40,436,608
Other	-	-	-	-	-	586,045	586,045
Total financial liabilities	-	-	29,088,678	40,240,744	-	3,157,580	72,487,002
On-statement of financial position interest sensitivity gap	39,304,841	-	(29,088,678)	(40,240,744)	-	2,448,716	(27,575,865)
Cumulative interest sensitivity gap	39,304,841	39,304,841	10,216,163	(30,024,581)	(30,024,581)	(27,575,865)	

(expressed in Jamaican dollars unless otherwise indicated)

45. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise the effective interest rates for financial instruments by major currencies.

	The Group					The Company				
	J$	US$	CAN$	GBP	BMD	J$	US$	CAN$	GBP	BMD
	%	%	%	%	%	%	%	%	%	%
September 30, 2018										
Assets										
Balances at Central Banks	2.00	-	-	-	-	-	-	-	-	-
Due from banks	3.00	1.55	1.95	0.51	1.09	-	5.25	-	-	-
Investment securities at fair value through profit or loss	6.51	7.00	-	-	-	-	-	-	-	-
Reverse repurchase agreements	1.57	1.94	-	-	-	-	-	-	-	-
Loans and advances	11.85	6.66	-	-	6.74	-	-	-	-	-
Investment securities classified as available-for-sale and loans and receivables	6.00	5.00	-	0.38	2.03	6.50	-	-	-	-
Liabilities										
Due to banks	2.00	8.56	-	-	-	-	-	-	-	-
Customer deposits	3.07	1.22	0.15	0.11	1.24	-	-	-	-	-
Repurchase agreements	2.22	4.93	-	-	-	-	-	-	-	-
Obligations under securitisation arrangements	-	6.38	-	-	-	-	-	-	-	-
Other borrowed funds	5.99	6.08	-	-	-	9.27	6.28	-	-	-
September 30, 2017										
Assets										
Balances at Central Banks	3.71	-	-	-	-	-	-	-	-	-
Due from banks	5.64	0.28	-	-	0.23	9.75	5.25	-	-	-
Investment securities at fair value through profit or loss	7.73	6.88	-	-	-	-	-	-	-	-
Reverse repurchase agreements	4.20	1.29	-	-	-	-	-	-	-	-
Loans and advances	14.27	7.48	-	-	-	4.27	-	-	-	-
Investment securities classified as available-for-sale and loans and receivables	7.49	5.90	-	-	-	-	-	-	-	-
Liabilities										
Due to banks	4.82	6.59	-	-	-	-	6.00	-	-	-
Customer deposits	1.54	0.93	0.10	-	0.14	-	-	-	-	-
Repurchase agreements	5.54	2.06	-	-	-	-	-	-	-	-
Obligations under securitisation arrangements	-	6.36	-	-	-	-	-	-	-	-
Other borrowed funds	8.20	6.44	-	-	-	9.75	5.91	-	-	-

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

45. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of non-trading financial assets and financial liabilities. The sensitivity of other comprehensive income is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates.

	The Group	
	Effect on Net Profit Before Tax	Effect on Other Comprehensive Income
	2018 $'000	2018 $'000
Change in basis points:		
Decrease - JMD -100 and USD -100	(379,169)	8,722,913
Increase - JMD +100 and USD +100	379,169	(8,786,020)

	Effect on Net Profit Before Tax	Effect on Other Comprehensive Income
	2017 $'000	2017 $'000
Change in basis points:		
Decrease - JMD -100 and USD -50	(252,700)	3,994,259
Increase - JMD +100 and USD +50	252,700	(6,705,754)

The financial instruments of the Company attract a fixed rate of interest and are not subject to fair value interest rate risk.

45. Financial Risk Management (Continued)

(c) Market risk (continued)

(iii) Other price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified either as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in quoted equity securities are of entities that are publicly traded on the Jamaica Stock Exchange.

Sensitivity to changes in price of equity securities

The following table indicates the sensitivity to a reasonable possible change in prices of equity securities, with all other variables held constant, on the income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed fair value changes of investment securities classified at fair value through profit or loss. The sensitivity of other comprehensive income is the effect of the assumed fair value changes of investment securities classified as available-for-sale

	The Group			
	Effect on Net Profit Before Tax	Effect on Other Comprehensive Income	Effect on Net Profit Before Tax	Effect on Other Comprehensive Income
	2018	2018	2017	2017
	$'000	$'000	$'000	$'000
Percentage change in share price				
10% decrease	(83,628)	(428,202)	(163,870)	(404,589)
10% increase	83,628	428,202	163,870	404,589

45. Financial Risk Management (Continued)

(d) Derivative financial instruments

The Group's derivative transactions are primarily directed at hedging its risk exposures which arise during the normal course of its treasury and investment activities. When entering into derivative transactions, the Group employs the same credit risk management procedures to assess and approve potential credit exposures that are used for traditional lending.

(e) Insurance risk

The Group issues contracts that transfer insurance risk or financial risk or both.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract this risk is random and therefore unpredictable. Experience shows that the larger the portfolio of similar insurance contracts, the smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency of or severity of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Life insurance risk

The Group issues contracts that have a maximum period determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the Group has to assess the cash flows which may be attributable to the contract. The process of underwriting may also be undertaken and may include specific medical tests and other enquiries which affect the Group's assessment of the risk.

Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, resulting in earlier or more claims than expected.

The Group charges for mortality risks on a monthly basis for insurance contracts with investment options and has the right to alter these charges based on mortality experience and hence to minimise its exposure to mortality risk on these contracts. Delays in implementing increases in mortality charges, and contractual, market or regulatory restraints over the extent of any increases, may reduce this mitigating effect.

The Group also manages mortality risks on its contracts through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to minimise the risk of anti-selection. The Group's underwriting strategy has a twofold approach:

a) products that are subject to traditional methods of application and assessment are controlled by traditional underwriting methods including medical and financial selection with benefits being limited to reflect the health and/or financial condition of applicants and by the application of retention limits on any single life insured.

b) products which are not subject to traditional methods of application and assessment contain pre-existing conditions and exclusionary clauses for certain types of high-risk medical and financial events, with claims on these types of policies examined for breaches to those clauses and denied or settled accordingly.

45. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Life insurance risk (continued)

The tables below indicate the concentration of insured benefits across bands of insured benefits per individual life assured. The Group uses catastrophe re-insurance cover against its Individual contracts as the main risks faced by these contracts are interest rate and liquidity:

	Total Benefits Assured - Individual			
	2018		2017	
	$'000 Contracts with Investment Options	$'000 Contracts without Investment Options	$'000 Contracts with Investment Options	$'000 Contracts without Investment Options
Benefits assured per life assured ($'000)				
0 – 1,000	14,749,853	3,298,115	14,342,146	3,551,283
1,000 – 2,000	5,012,238	17,786,213	4,383,793	16,481,648
2,000 – 5,000	10,412,729	15,912,203	6,411,418	14,908,803
5,000 – 10,000	7,690,689	2,415,000	4,038,129	1,805,000
Over 10,000	7,191,512	-	4,810,113	-
	45,057,021	39,411,531	33,985,599	36,746,734

	Total Benefits Assured – Group			
	2018		2017	
	$'000 Before Re-insurance	$'000 After Re-insurance	$'000 Before Re-insurance	$'000 After Re-insurance
Benefits assured per life assured ($'000)				
0 – 1,000	23,578,610	23,577,701	19,702,999	19,702,260
1,000 – 2,000	18,081,511	18,074,876	15,535,137	15,529,779
2,000 – 5,000	20,288,071	20,155,193	18,108,248	17,973,000
5,000 – 10,000	18,191,190	14,803,220	14,566,542	11,402,334
Over 10,000	22,033,526	7,555,369	16,926,624	5,675,365
	102,172,908	84,166,359	84,839,550	70,282,738

The Group uses catastrophe re-insurance cover against its Ordinary Life, Group Life and Creditor Life contracts as the main risks faced by these contracts are interest rate and liquidity.

- The premium ceded during the year in respect of catastrophe re-insurance cover amounted to $41,497,000 (2017 – $32,222,000). Premium income recognised in the income statement is shown net of these amounts.
- Policyholders' benefits recovered from reinsurers during the year under these contracts amounted to $15,509,000 (2017 –$28,456,000).
- At September 30, 2018, premiums payable under re-insurance contracts amounted to $3,665,000 (2017 – $2,910,000).
- At September 30, 2018, from reinsurers in respect of policyholders' benefits was Nil (2017 – Nil).

45. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Life insurance risk (continued)

The following table for annuity contracts illustrates the concentration of risk in relation to the amount payable as if the annuity were in payment at the year end:

	Total Annuities Payable	
	2018	**2017**
	$'000	**$'000**
Annuity payable per annum per annuitant ($'000)		
0 -100	57,331	45,088
100 – 300	139,786	122,561
300 – 500	130,192	122,307
500 – 1,000	252,782	226,483
Over 1,000	847,876	793,642
	1,427,967	1,310,081

The Group does not hold any re-insurance against the liabilities in these contracts.

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to pay reduced or no future premiums, or to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holders' behaviour. The Group has factored the impact of contract holders' behaviour into the assumptions used to measure these liabilities.

Sources of uncertainty in the estimation of future benefit payments and premium payments

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and morbidity and the variability in policyholder behaviour.

The Group uses appropriate base tables of standard mortality and morbidity according to the type of contract being written. An investigation as to the actual experience of the Group is carried out by the Appointed Actuary, and a comparison of the actual rates with expected rates is performed. Where data are insufficient to be statistically credible, the best estimates of future mortality and morbidity are based on standard industry tables adjusted for the Group's overall experience. For contracts that insure survival, an adjustment is made for future mortality and morbidity improvements based on trends identified in the continuous mortality and morbidity investigations performed by independent actuarial bodies. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates to be used for the best estimate assumption.

45. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Life insurance risk (continued)

Process used in deriving assumptions

The assumptions for insurance contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

Estimates are made in two stages:

(i) At inception of the contract, the Group determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used as the base assumptions for calculating the liabilities; and

(ii) Subsequently, new estimates are developed at each reporting date and the assumptions are altered to reflect the latest current estimates or experience.

Assumptions are considered to be 'best estimate' if, on average, the results are expected to be worse than the assumptions in 50% of possible scenarios and better in the other 50%. See Note 35 for details on policy assumptions.

Reinsurance risk

Reinsurance risk is the risk that a reinsurer will default and not honour obligations arising from claims. The Group limits the probable loss in the event of individual deaths and any single catastrophic accident occurrence by reinsuring its insurance risk above certain limits with other insurers. Reinsurance ceded does not discharge the Group's liability as the primary insurer. The Group manages reinsurance risk by selecting reinsurers with high credit ratings and monitoring these on an ongoing basis. The current reinsurer is Swiss Re (registered in Canada) whose financial strength rating from Standard & Poor's is AA- (at November 2017) and from AM Best A+ (at December 2017).

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The limits of coverage accepted by the Group under these contracts fall into two main categories with limits of and per life, coverage in excess of these limits is ceded to reinsurers.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

45. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Property and casualty insurance risk

The Group manages its property and casualty insurance risk through its underwriting policy that includes *inter alia*, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance. The Group actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modeling and scenario analyses.

Underwriting strategy

The Group manages the risks arising from its underwriting of property and casualty insurance contracts through policies which provide guidance on how to determine the insurability of risks and exposure to large claims. The Group follows detailed, uniform underwriting practices and procedures designed to properly assess and quantify risks before issuing coverage. The Group's underwriting guidelines also outline acceptance limits and the appropriate levels of authority for acceptance of risks.

Reinsurance strategy

A detailed analysis of the Group's exposures, reinsurance needs and quality of reinsurance securities is conducted by the Board and Senior Management. The Group's exposures are continually evaluated by Management to ensure that its reinsurances arrangements remain adequate and mechanisms are in place to continually monitor the reinsurance counterparties to ensure that they maintain "A" rating, in keeping with the Board approved Reinsurance Risk Management Policy.

45. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Property and casualty insurance risk (continued)

Motor insurance

Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage. In general, claims reporting lags are minor and claims complexity is relatively low.

The risks relating to motor contracts are managed primarily through the pricing and selection process. The Group monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims appeals.

Property insurance

Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage. The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay. Property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions. The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.

The risks relating to property contracts are managed primarily through the pricing and selection process. The Group uses strict underwriting criteria to ensure that the risk of losses is acceptable. Furthermore, the Group accepts property insurance risks for one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.

Liability insurance

Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposure is in relation to bodily injury. The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. Although bodily injury claims have a relatively long tail, the majority of bodily injury claims are settled in full within three to four years. In general, these contracts involve higher estimation uncertainty.

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, rating and reinsurance. The Group monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten. In pricing contracts, the company makes assumptions that costs will increase in line with the latest available research.

45. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Property and casualty insurance risk (continued)

Risk exposure and concentrations of risk

The following table shows the Group's exposure to Property and casualty insurance risk (based on the carrying value of insurance provisions at the reporting date) per major category of business:

	Liability	Property	Motor	Other	Total
2018					
	$'000	$'000	$'000	$'000	$'000
Gross	11,696	10,737	4,060,919	-	4,083,352
Net of proportional reinsurance	11,696	4,925	4,056,076	-	4,072,697
2017					
Gross	49,310	54,056	4,516,030	-	4,619,396
Net of proportional reinsurance	48,702	30,599	4,500,303	-	4,579,604

Claims development

Claims development information is disclosed in order to illustrate the property and casualty insurance risk inherent in the Group. The upper section of the table shows how the estimates of total claims for each accident year develop over time. The estimates are increased or decreased as losses are paid and more information becomes known about the severity of unpaid claims. The lower section of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

	2011	2012	2013	2014	2015	2016	2017	2018	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of cumulative claims at end of financial year	2,077,084	1,951,568	2,170,646	2,208,371	2,336,795	1,899,066	2,133,681	1,847,838	0
One year later	2,023,825	2,018,656	2,316,690	2,145,811	2,301,651	2,430,469	2,470,346		
Two years later	2,404,734	2,211,216	2,400,174	2,377,284	2,393,967	2,491,886			
Three years later	2,542,644	2,382,546	2,622,796	2,429,919	2,289,160				
Four years later	2,652,369	2,576,956	2,726,883	2,353,112					
Five years later	2,752,313	2,712,647	2,705,445						
Six years later	2,818,725	2,690,019							
Seven years later	2,783,836								
Estimate of cumulative claims	2,783,836	2,690,019	2,705,445	2,353,112	2,289,160	2,491,886	2,470,346	1,847,838	19,631,642
Cumulative payments to date	2,686,049	2,529,746	2,484,329	2,080,446	1,905,760	1,991,872	1,779,050	463,930	15,921,182
Net outstanding claims liability	97,787	160,273	221,116	272,666	383,400	500,014	691,296	1,383,908	3,710,460

Prior years' claims liability	77,789
Provision for adverse deviations	189,772
Provision for Unallocated Loss Adjustment Expenses	94,676
Final net claims liability	4,072,697

45. Financial Risk Management (Continued)

(f) Capital management

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

- To comply with the capital requirements set by the regulators of the financial markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

All of the Group's significant subsidiaries and associates are individually regulated by the Financial Services Commission (FSC) or other regulators. The regulatory requirements to which the subsidiaries are subject, include minimum capital and liquidity requirements which may limit the Bank's ability to extract capital or funds for other uses. The Group's subsidiaries and associates are also subject to statutory requirements to restrict distributions of capital and generally to maintain solvency. In most cases, the regulatory restrictions are more onerous than the statutory restrictions. Certain Group subsidiaries also raise finance using their financial assets as collateral. Encumbered assets are not available for transfer around the Group. The assets typically affected are disclosed in Note 24.

(i) National Commercial Bank Jamaica Limited

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Central Bank, and the relevant management committees. The required information is filed with the regulator at the stipulated intervals.

The Central Bank requires the Bank to:

- Hold a specified level of the regulatory capital, and
- Maintain a ratio of total regulatory capital to the risk-weighted assets.

The Bank's regulatory capital is divided into two tiers:

Tier 1 capital: ordinary share capital, non-redeemable non-cumulative preference shares, statutory reserve fund and retained earnings reserves. Goodwill, other intangibles and any net loss arising from the aggregate of: current year profit or loss, undistributed profits or accumulated losses for prior financial years any loss positions on revaluation reserves arising from fair value accounting, are deducted in arriving at Tier 1 capital; and

Tier 2 capital: non-redeemable cumulative preference shares, redeemable preference shares having an original term to maturity of five years or more, qualifying subordinated debt and general provisions for loss.

Equity investments in unconsolidated subsidiaries, substantial investment in any other unconsolidated entities or companies and share of accumulated losses of any unconsolidated entities are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital. The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Bank met all the regulatory capital requirements as at September 30, 2018.

45. Financial Risk Management (Continued)

(f) Capital management (continued)

(ii) NCB Insurance Company Limited

The company maintains a capital structure consisting mainly of shareholders' funds consistent with the company's profile and the regulatory and market requirements. The company is subject to a number of regulatory capital tests and also employs scenario testing on an annual basis to assess the adequacy of capital. The company has met all of these requirements during the year. Capital adequacy is managed at the operational level.

In reporting financial strength, capital and solvency is measured using the regulations prescribed by the FSC. These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written by the company.

The relevant capital requirement is the Minimum Continuing Capital Surplus Ratio (MCCSR) determined in accordance with the FSC regulations. This ratio is calculated by the Appointed Actuary and reviewed by executive management, the Audit Committee and the Board of Directors. This measure is a risk-based formula that compares available capital and surplus to a minimum requirement set by the FSC in regard to the asset and liability profile of the company. The company met all FSC regulatory capital requirements as at September 30, 2018.

The company's capital position is sensitive to changes in market conditions, due to both changes in the value of assets and the effect that changes in investment conditions may have on the value of the liabilities. The most significant sensitivities arise from changes in interest rates and expenses. The company's capital position is also sensitive to assumptions and experience relating to mortality and persistency.

Dynamic capital adequacy testing (DCAT)

DCAT is a technique used to assess the adequacy of an insurer's financial position and financial condition in different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the statement of financial position at a given date.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

45. Financial Risk Management (Continued)

(f) Capital management (continued)

(iii) Advantage General Insurance Company Limited

The company is regulated by the FSC and is subject to regulatory capital tests employed by the regulator. Under the FSC regulations, the primary measure used to assess capital adequacy is the Minimum Capital Test (MCT). This measure is a risk-based formula that compares available capital and surplus to a minimum requirement set by the FSC in regard to the asset and liability profile of the company. As at September 30, 2018, the company was in compliance with the requirement set by the FSC.

(iv) NCB Capital Markets Limited

The company is regulated by the Financial Services Commission (FSC) and is subject to regulatory capital tests employed by the regulator. Under the FSC regulations, the level of capital adequacy determines the maximum amount of liabilities including repurchase agreements the company is able to offer to clients. In addition to the requirements of the FSC, the company also engages in periodic internal testing which is reviewed by the Risk Management Committee. Capital adequacy is managed at the operational level of the company.

The regulatory capital of the company is divided into two tiers:

(i) Tier 1 capital: share capital, retained earnings and reserves created from appropriations of retained earnings.

(ii) Tier 2 capital: qualifying subordinated debt or loan capital, qualifying capital reserves and unrealised gains derived from the fair valuation of equity instruments classified as available for sale.

The FSC requires that the company maintains a capital base comprising at least 50% of Tier 1 capital.

In addition, the FSC employs certain ratios to test capital adequacy and solvency. The results of these ratios are included in a mandatory quarterly report submitted to the FSC. Two of the critical early warning ratios relating to the test for capital adequacy are ‘Capital over Total Assets’ and the ‘Capital Base over Risk Weighted Assets (RWA)’.

There was no change in relation to how the company manages its capital during the financial year.

The company met all the FSC regulatory capital requirements as at September 30, 2018.

(v) Clarien Bank Limited

Capital is held to provide a cushion for unexpected losses. The Board sets the internal level of capital with the aim of ensuring minimum regulatory capital levels are always exceeded whilst allowing for growth in the business.

Basel III superseded Basel II and took effect on January 1, 2015 with transitional arrangements until full implementation in 2019. The three pillar framework of Basel II is unchanged but there have been changes to the detailed requirements within each pillar. Pillar 3 has more detailed disclosure requirements and will adopt generic templates over the course of the transition to allow improved comparability and transparency between institutions covered by Basel accords.

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

45. Financial Risk Management (Continued)

(f) Capital management (continued)

(v) Clarien Bank Limited (continued)

The key elements of Basel III changes to capital requirements are as follows:

- Changes to the definition of capital and the introduction of common equity Tier 1 (CET1). Over the transition period there will be changes and additions to capital deductions from CET1 and Tier 2 capital, including the available-for-sale reserve.

- Higher thresholds for all forms of capital will be required with an increased focus on CET1. A capital conservation buffer of 2.5% will be introduced and phased in over the implementation period. Additionally, a capital surcharge for Domestic Systematically Important Banks ('D-SIB') ranging between 0.5% and 3.0% for all Bermuda Banks has also been implemented.

- Introduction of a non-risk based Leverage Ratio, being a measure of Tier 1 capital held against total assets, including certain off-statement of finanical position financial commitments.

The Bank has complied with all externally imposed minimum capital requirements throughout the current year.

The new Basel rules also address areas of liquidity. The authority has adopted a Liquidity Coverage Ratio ('LCR') with phased-in implementation consistent with that published by the Basel Committee. The LCR aims to ensure Banks have sufficient stock of unencumbered highly liquid assets to survive a high liquidity stressed scenario lasting 30 days.

The Bank reports its regulatory capital position to the Bermuda Monetary Authority (BMA) on a consolidated legal entity basis each calendar quarter.

46. Fair Values of Financial Instruments

The Group measures fair values using the following fair value hierarchy which reflects the significance of the inputs used in making the measurements:

- Level 1 – inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2 – inputs other than quoted market prices included within Level 1 that are observable, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – inputs that are unobservable.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1 and comprise most equity securities that are quoted on the Jamaica Stock Exchange.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. This category includes government bonds, certificates of deposit, commercial paper and most liquid corporate bonds. Indicative prices or yields of these instruments are obtained from regular, publicly available quotes by reputable pricing services, dealers and brokers, such as Bloomberg and Oppenheimer. The Group's derivatives are also included in Level 2. The embedded put option is valued using a discounted cash flow model representing the difference between the present values of future cash flows with and without exercise of the put option using observable market yields for government bonds of similar tenure. Equity-linked options are valued using standard option pricing models using observable market data from Bloomberg.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Unquoted equities are carried at cost as the fair value can not be reliably determined. These securities are classified at Level 3.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

46. Fair Values of Financial Instruments (Continued)

The following tables provide an analysis of financial instruments held as at the date of the statement of financial position that, subsequent to initial recognition, are measured at fair value. The financial instruments are classified in the fair value hierarchy into which the fair value measurement is categorised:

	The Group			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
At September 30, 2018				
Financial assets				
Investment securities classified as available-for-sale				
Government of Jamaica debt securities	-	205,933,696	-	205,933,696
Government of Jamaica guaranteed corporate bonds	-	3,552,769	-	3,552,769
Other corporate bonds	-	33,916,199	2,377,968	36,294,167
Foreign government debt securities	-	55,119,954	-	55,119,954
Quoted equity securities	2,066,826	-	-	2,066,826
Unquoted equity securities	-	-	689,427	689,427
Unit trust investments	-	592,323	-	592,323
	2,066,826	299,114,941	3,067,395	304,249,162
Investment securities at fair value through profit or loss				
Government of Jamaica guaranteed corporate bonds	-	13,191	-	13,191
Other corporate bonds	-	1,610,197	-	1,610,197
Foreign government debt securities	-	258,954	-	258,954
Quoted equity securities	1,258,201	-	-	1,258,201
Other securities	-	545,025	521	545,546
	1,258,201	2,427,367	521	3,686,089
Derivative financial instruments	-	233,329	-	233,329
	3,325,027	301,775,637	3,067,916	308,168,580
Financial liabilities				
Derivative financial instruments	-	259,002	-	259,002
Liabilities under annuity and insurance contracts	-	-	38,093,007	38,093,007
	-	259,002	38,093,007	38,352,009

46. Fair Values of Financial Instruments (Continued)

	The Group			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At September 30, 2017				
Financial assets				
Investment securities classified as available-for-sale				
Government of Jamaica debt securities	-	186,060,301	-	186,060,301
Government of Jamaica guaranteed corporate bonds	-	3,155,236	-	3,155,236
Other corporate bonds	-	25,009,268	1,573,257	26,582,525
Foreign government debt securities	-	9,768,973	-	9,768,973
Quoted equity securities	2,736,411	-	-	2,736,411
Unquoted equity securities	-	-	559,913	559,913
Unit trust investments	-	639,868	-	639,868
	2,736,411	224,633,646	2,133,170	229,503,227
Investment securities at fair value through profit or loss				
Government of Jamaica debt securities	-	1,163,435	-	1,163,435
Other corporate bonds	-	1,613,768	-	1,613,768
Foreign government debt securities	-	97,610	-	97,610
Quoted equity securities	1,373,114	-	-	1,373,114
Other securities	-	-	521	521
	1,373,114	2,874,813	521	4,248,448
Derivative financial instruments		205,984		205,984
	4,109,525	227,714,443	2,133,691	233,957,659
Financial liabilities				
Derivative financial instruments	-	132,347	-	132,347
Liabilities under annuity and insurance contracts	-	-	36,185,320	36,185,320
	-	132,347	36,185,320	36,317,667

The movement in the Group's financial assets classified as Level 3 during the year is as follows:

	The Group	
	2018 $'000	2017 $'000
At start of year	2,133,691	904,511
Acquisitions	881,265	1,229,180
Fair value gains	52,960	-
At end of year	3,067,916	2,133,691

The movement in liabilities under annuity and insurance contracts is disclosed in Note 35.

There were no transfers between levels.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

46. Fair Values of Financial Instruments (Continued)

Sensitivity analysis

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements.

	2018			
Description	**Unobservable input**	**Range of input**	**Change in basis points**	**Change in fair value $'000**
Other corporate bonds	Risk premium	3.73 – 4.36	JMD -100 and USD -50	(3,149)
			JMD +100 and USD +50	5,133

	2017			
Description	**Unobservable input**	**Range of input**	**Change in basis points**	**Change in fair value $'000**
Other corporate bonds	Risk premium	3.73 – 4.36	JMD -100 and USD -50	(25,037)
			JMD +100 and USD +100	37,070

The Group's level 3 unquoted equity securities would increase/decrease in value by $103,414,000 (2017 - $83,986,000) should there be a 15% change in the price of these securities.

The carrying value (excluding accrued interest) (Note 23) and fair value of investment securities classified as loans and receivables are as follows:

	The Group	
	Carrying Value $'000	**Fair Value $'000**
At September 30, 2018	76,949,208	77,526,429
At September 30, 2017	61,359,730	66,800,708

Similar to debt securities classified as available-for-sale, the above fair value measurements fall within Level 2 of the fair value hierarchy as indicative prices or yields of these instruments are obtained from regular, publicly available quotes by reputable pricing services, dealers and brokers, such as Bloomberg and Oppenheimer.

46. Fair Values of Financial Instruments (Continued)

The fair values for all other financial instruments approximate their carrying values and also fall within Level 2 based on the following:

- The fair value of liquid assets and other assets maturing within one year (such as cash and balances at Central Banks and amounts due from banks) is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the date of the statement of financial position;
- The fair value of variable rate loans is assumed to approximate their carrying amounts and management does not believe that, after deduction of provision for credit losses, there is any significant difference between the fair value of fixed rate loans and their carrying values as interest rates approximate current market rates offered on similar loans.

47. Fiduciary Activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At September 30, 2018, the Group had financial assets under administration of approximately $151,867,021,000 (2017 –$139,015,187,000).

48. Dividends

The following dividends were paid by NCB Financial Group Limited during the year:
- $0.60 per ordinary stock unit was paid in December 2017
- $0.70 per ordinary stock unit was paid in February 2018
- $0.70 per ordinary stock unit was paid in May 2018
- $0.70 per ordinary stock unit was paid in August 2018

On November 8, 2018, the Board declared a final interim dividend in respect of 2018 of $0.70 per ordinary stock unit. The dividend is payable on December 7, 2018 for stockholders on record as at November 23, 2018. The financial statements for the year ended September 30, 2018 do not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the year ending September 30, 2019.

49. Business combination

In December 2017, the Group acquired a 50.1% majority stake in Clarien Group Limited (CGL), owner of Clarien Bank Limited, a licenced commercial bank, based in Hamilton, Bermuda. The rationale for the transaction was to gain access to a group of customers that the Group would not have otherwise had access to or would have been assumed by competitors.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration	**$'000**
Cash Paid	4,153,226

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

49. Business combination (Continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000
Cash in hand and balances at Central Bank	2,542,765
Due from banks	3,433,031
Loan and advances, net of provision for credit losses	92,612,894
Investment in securities classified as available-for-sale and loans and receivables	44,115,649
Investment properties	507,409
Property, plant and equipment	2,079,856
Intangible assets	5,061,912
Other assets	634,945
Customer deposits	(133,419,320)
Other liabilities	(512,443)
Net identifiable assets acquired	17,056,698
Less: non-controlling interests	(8,511,323)
Net Assets acquired	8,545,375
Cash consideration	(4,153,226)
Negative goodwill	4,392,149

(a) Summary of acquisition

(i) Accounting policy choice for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interest's interests in CGL, the group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See Note 2 for the group's accounting policies for business combinations.

49. Business combination (Continued)

(a) Summary of acquisition (Continued)

(ii) Revenue and profit contribution

The acquired business contributed revenues of $7,424,523,000 and net profit of $1,246,923,000 to the group for the period from December 13, 2017 to September 30, 2018.

If the acquisition had occurred on October 1, 2017, consolidated pro-forma revenue and profit for the year ended September 30, 2018 would have been $10,100,717,000 and $1,918,240,000 respectively.

(b) Purchase consideration - cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired	**$'000**
Cash consideration	4,153,226
Less: Balance acquired	
Cash	5,975,796
Net outflow of cash - Investing activities	(1,822,570)

(c) Acquisition-related costs

Acquisition-related costs of $15,531,000 are included in administrative expenses in the income statement and in operating cash flows in the statement of cash flows.

(d) Bargain purchase

The acquisition resulted in a negative goodwill of $4,392,149,000. An offer was made at a discount to book value after taking into account the Bermudan economy, the company's loan portfolio, real estate market and additional capital requirements imposed by the Bermuda Monetary Authority.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

50. Non-Controlling Interest

The table below shows the summarised financial information for Clarien Group Limited that has non-controlling interest:

Statement of financial position	**2018**
	$'000
Total assets	169,058,839
Total liabilities	(152,633,701)
Net assets	16,425,138
Non-controlling interest	9,543,760
Statement of comprehensive income	
Revenue	7,424,523
Profit for the period	1,246,922
Other comprehensive income	822,089
Total comprehensive income	2,069,011
Profit allocated to non-controlling interest	622,214
Other comprehensive income allocated to non-controlling interest	410,223
Accummulated non-controlling interest	1,032,437

Summarised Cash Flow	**2018**
	$'000
Cash flows from operating activities	10,764,106
Cash flows from investing activities	(17,838,951)
Cash flows from financing activities	-
Net decrease in cash and cash equivalents	(7,074,845)

51. Reconciliation of Liabilities arising from Financial Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash. Financing activities represent bank and other loans, excluding bank overdrafts and amounts included as cash and cash equivalents:

	The Group		
	2018		
Liabilities	Other borrowed funds $'000	Obligation under securitisation arrangements $'000	Total $'000
At 01 October 2016	12,061,154	47,899,756	59,960,910
Cash movements -			
Drawdowns	31,350,316	18,893,926	50,244,242
Repayment - principal	(4,966,435)	(1,090,693)	(6,057,128)
Non-cash movements -			
Amortisation of upfront fees	-	207,951	207,951
Foreign exchange adjustments	26,209	570,743	596,952
Interest payable	178,312	261,667	439,979
At 01 October 2017	38,649,556	66,743,350	105,392,906
Cash movements -			
Drawdowns	56,633,130	-	56,633,130
Repayment - principal	(32,510,524)	(8,605,600)	(41,116,124)
Non-cash movements -			
Amortisation of upfront fees	-	228,978	228,978
Foreign exchange adjustments	2,410,343	700,599	3,110,942
Interest payable	376,134	(74,661)	301,473
At 30 September 2018	65,558,639	58,992,666	124,551,305

	The Company		
	2018		
Liabilities	Other borrowed funds $'000	Obligation under securitisation arrangements $'000	Total $'000
At 01 October 2017	40,359,048	-	40,359,048
Cash movements -			
Drawdowns	29,860,974	-	29,860,974
Repayment	(12,669,824)	-	(12,669,824)
Non-cash movements -			
Foreign exchange adjustments	2,178,358	-	2,178,358
Amortisation of upfront fees	(38,598)	-	(38,598)
Interest payable	459,120	-	459,120
At 30 September 2018	60,149,078	-	60,149,078

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2018

(expressed in Jamaican dollars unless otherwise indicated)

52. Litigation and Contingent Liabilities

The Company and its subsidiaries are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group for which, according to the principles outlined above, no provision has been made, management is of the opinion that such claims are without merit and can be successfully defended.

Significant matters are as follows:

(a) Suit has been filed by the NCB Staff Association against the Bank seeking various declarations regarding the Bank's profit sharing scheme, in particular as it relates to the financial year ended September 30, 2002. The Association has not quantified the claim. In 2017, the Supreme Court decided in favour of the NCB Staff Association. The Bank filed an appeal against the judgment. However, the Appeal is yet to be heard. Provision for the claim has been made in the financial statements.

(b) Suit has been filed by a customer against the Bank for breach of contract, breach of trust and negligence and damages. The claim for damages includes a sum equivalent to the profit of the business foregone as a result of an inability to access a loan approved by the Bank and the cost of interim financing. No provision was made in these financial statements for this claim as the Bank's attorneys were of the view that the suit against the Bank was unlikely to succeed. The Court subsequently ordered that the customer's claim be struck out. The customer has appealed that decision.

(c) Suit has been filed by a customer against the Bank for damages suffered as a result of the Bank's alleged negligence in relation to the sale of property. The proper value of the property, which had been owned by the customer, is in issue, along with the amount properly to be applied to the customer's loan balance. Based on the advice of the Bank's attorneys, no provision has been made in the financial statements in respect of this claim.

(d) Suit has been filed by a customer against the Bank for unlawful, wrongful and/or improper use of power in the appointment of a Receiver and manager of the customer's business property and assets. Damages, interest and costs have been claimed against the Bank. No provision has been made in the financial statements for this claim as the Bank's attorneys are of the opinion that the claim is unlikely to succeed.

(e) Suit was filed by a claimant seeking specific performance, damages for breach of contract, interest and costs. At the time of trial, the claim against the Bank was quantified by the claimant at approximately $31.4 billion plus interest and costs. No provision was made in these financial statements for this claim as the Bank's attorneys were of the view that the suit against the Bank was unlikely to succeed. The Supreme Court issued judgment in the Bank's favour, with the Court ordering a company (placed by the Bank into receivership) to pay the claimant $5 million plus interest. The claimant has appealed and the defendants (including the Bank) have cross-appealed that portion of the judgment in which the company in receivership was ordered to pay the claimant $5 million plus interest. However, in the light of a recent decision of the Court of Appeal, the claimant has applied to vacate the judgment of the Supreme Court as the Judge who delivered the judgment did so after he retired from the Supreme Court. Having heard the claimant's application the Court of Appeal has ordered that the matter be referred to the Supreme Court for re-trial.

A number of other suits have been filed by customers of the Group. In some instances counter claims have been filed by the Group. Provision has been made in the financial statements for certain of these claims. No provision has been made where the Group's attorneys are of the view that the Group has a good defence against these claims.

53. Subsequent Event - 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. A settlement of the proceedings was reached, and approved by an Order of the Commission made in November 2018. Under the approved settlement, NCBGH will make a revised take-over bid using an offer price of US$2.65 per share.

Shareholdings

10 LARGEST SHAREHOLDERS
as at September 30, 2018

	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%**

SHAREHOLDINGS OF DIRECTORS [1]
as at September 30, 2018

	Total	Direct	Connected Parties[1]
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	-

SHAREHOLDINGS OF LEADERSHIP TEAM
as at September 30, 2018

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

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

Corporate Directory

OFFICE OF THE CEO

President & Group CEO	Patrick Hylton
Chief Financial Officer & Deputy CEO	Dennis Cohen
Chief Operating Officer	Septimus 'Bob' Blake
AGM-Strategy, Mergers & Acquisition	Damian Duncan
SAGM- Strategy & Transformation Program	Gabrielle Banbury-Kelly
AGM-Special Projects	Erica Anderson
Head - Group Investor Relations, Performance Monitoring & Planning	Jacqueline De Lisser

GROUP FINANCE DIVISION

SAGM - Finance	Andre Ho Lung
AGM - Group Finance	Malcolm Sadler
Group Taxation Manager	Georgia Silvera Finnikin

GROUP HUMAN RESOURCES AND FACILITIES DIVISION

Senior General Manager	Rickert Allen
SAGM	Euton Cummings
AGM	Sandra Grey
Consultant-Environment & Asset Management	Dillon Lobban
Manager-Learning Technologies	Althea Bailey
Quality Assurance Manager	Nicole Downie
Food Services Manager	Judith Grossett
Manager-Talent Management	Michelle McItyre-Plummer
Facilities Project Manager	Shevene Logan

GROUP INTERNAL AUDIT DIVISION

Group Chief Audit Executive	Mukisa Ricketts
Internal Audit Manager	Shala Dinald
Internal Audit Manager	Amoy Parchment Graham
Internal Audit Manager	Kevin Quelch

GROUP LEGAL & COMPLIANCE DIVISION

Group General Counsel & Corporate Secretary	Dave Garcia
Group Chief Compliance Officer	Misheca Seymour Senior
Corporate Services and Compliance Manager	Stephanie Neita
Compliance Manager	Patricia Tennant
Compliance Manager	Dawn Brooks
Compliance Manager	Kevin McDonald
Legal Counsel	Janelle Muschette Leiba
Legal Counsel	Nicola Whyms-Stone
Legal Counsel	Tricia-Gaye O'Connor
Legal Counsel	Corrine Henry
Legal Counsel	Samantha Bigby
Legal Counsel	Stacey Smith
Legal Counsel	Ky-Ann Taylor

GROUP MARKETING, COMMUNICATIONS, ANALYSIS & DIGITISATION DIVISION

Chief Digital & Marketing Officer and CEO, N.C.B Foundation	Nadeen Matthews Blair
Group Marketing & Communications Manager	Nichole Brackett Walters
AGM-Enterprise Information Management	Nicole Brown
Agile Marketing Manager	Sade Powell
Head, Digital Research, Development & Analytics	Anastasia Whyte

GROUP OPERATIONS AND TECHNOLOGY DIVISION

Senior General Manager	Howard Gordon
AGM - Centralised Operations	Alison Lynn
AGM - Group Operations	Anne McMorris Cover
AGM - IT Infrastructure	Ramon Lewis
Manager - Security Governance & Compliance	Cecil Williams

GROUP RISK MANAGEMENT DIVISION

Group Chief Risk Officer	Allison Wynter
AGM - Risk Management	Karlene Bailey
Senior Credit Manager	Collin Yarru
Senior Risk Officer	Percival Hurditt
Enterprise Operational Risk Manager	Sherida Gooden

CORPORATE BANKING DIVISION

Head	Andrew Simpson
AGM - Corporate Finance - Western Region	Winston Lawson
Business Support & Finance Manager	Belinda Santokie
Senior Relationship Manager	Maxia Fairweather-O'Connor
Corporate Underwriting & Portfolio Manager	Toni-Tanille Kerr
Corporate Underwriting & Portfolio Manager	Kadian Kameka
Relationship Manager	Wayne Blake
Relationship Manager	Cornella Alladice

NON- BRANCH CHANNELS

Head of Non-Branch Channels	Danielle Cameron Duncan

PAYMENT SERVICES DIVISION

Senior Assistant General Manager	Claudette Rodriquez
Product & Portfolio Manager- Card Issuing	Michelle Thomas
Product & Portfolio Manager-Merchant Acquiring	Kirk Prendergast
Sales and Relationship Manager-Acquiring	Gregory Peart
Sales Manager-Issuing	Anitha Cross
Senior Financial Analyst	Eric Riettie

RETAIL BANKING DIVISION

Head	Brian Boothe
AGM - Credit Processing & Portfolio Quality	Garfield Palmer
AGM - Sales Management	Stuart Reid
Manager, Group Service Delivery	Sharon Williams
Sales and Relationship Manager, Government Business	Robert Brooks
Retail Sales Manager	Kerryann McCourty-Sim-monds
Business Development Manager	Miguel Thompson

TREASURY & CORRESPONDENT BANKING DIVISION

General Manager	Tanya Watson Francis
AGM - Foreign Exchange Trading	Peter Higgins
Financial Institutions Relationship Manager	Karen Watson
Senior Business Analyst	Youlan Laidlaw

ADVANTAGE GENERAL INSURANCE COMPANY LIMITED

President and CEO	Mark Thompson
VP, Channel Management and Underwriting	Ruth Cummings
VP, Claims	Odia Reid-Clarke
Company Secretary and Compliance Manager	Stephanie Neita
Underwriting Manager	Adina Bryson

CLARIEN GROUP LIMITED

CEO	Ian Truran
CEO - Clarien Investments Limited	John Johnson
Chief Risk Officer	Stephen Kelly
Chief Operations Officer	Minish Parikh
Chief of Staff	Rebecca Pitman
Chief Accounting Officer	Vishram Sawant
Chief Banking Officer	Simon Van de Weg
Chief Digital & Marketing Officer	Michael DeCouto
Chief Operating Officer, Clarien Investments Limited	Kimberly Gibson
Treasurer	Eamon O'Neill
Group Head, Financial Crime Compliance	Corey Reason

NCB CAPITAL MARKETS LIMITED & SUBSIDARIES

CEO	Steven Gooden
VP, Strategy, Research & Projects	Annya Walker
VP, Investments	Tracey-Ann Spence
VP, Investment Banking	Herbert Hall
AVP, Wealth Management	Kerry-Ann Spencer
Managing Director, NCB (Cayman) Ltd. & NCB Capital Markets (Cayman) Ltd.	Phillip Harrison
CEO, NCB Global Finance Ltd.	Angus Young
CEO, NCB Capital Markets (Barbados) Ltd.	Simona Watkis
Manager, Regional Customer Experience & Channels	Najah Peterkin
Manager, Wealth Management – Region 1 and Private Client Services	Elizabeth James
Manager, Investment Banking - Origination and Structuring	Dwight Jackson
Manager, Investment Banking – Origination and Structuring	Stanley Thompson
Manager, Strategy and Projects	Denario Brown
Manager, Portfolio and Asset Management	Stacey-Ann Tait
Finance Manager	Avril Bailey
Manager, Trading	Davie Martin

NCB INSURANCE COMPANY LIMITED

Managing Director and CEO	Vernon James
SAGM - Insurance Revenue	Antonio Spence
AGM - Product Development Projects and Strategy	Georgia Wright
Business Development Manager-Group Business	Desmond Johnson
Bancassurance Manager	Christopher Vendryes
Investment Manager	Andre Brown
Regional Manager-Region 2, Individual Line	Marsha Clarke-Bruce
Regional Manager-Region 1, Individual Line	Anntonette Cowan-Palmer
Manager, Underwriting and New Business	Nichola King
Finance Manager	Maxine Clark
Finance Manager	Kevin Parker
Manager, Insurance Operations	Leneisha Sterling

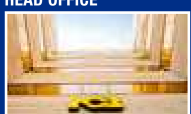
Branch
Directory

All Branches:	Customer Care Toll Free:	United States, Canada and the English Speaking Caribbean	United Kingdom
876-929-4NCB	888-NCB-FIRST	1-866-622-3477	0-800-032-2973

BUSINESS DISTRICT ONE
LOREN EDWARDS

BUSINESS DISTRICT TWO
KEVIN INGRAM

HEAD OFFICE



The Atrium

32 Trafalgar Road
Kingston 10
St. Andrew
876-929-9050

ANNOTTO BAY (Agency)

Main Street
Annotto Bay
St. Mary

Branch Manager:
ANTHONY BUTLER

BLACK RIVER (Agency)

Chambers Plaza
1 Brigade Street
Black River
St. Elizabeth

Branch Manager:
DOROTHY FOOTE

BROWN'S TOWN

17 Main Street
Brown's Town
St. Ann

Branch Manager:
DWAYNE WIGGAN

CHAPELTON (Agency)

40 Main Street
Chapelton
Clarendon

Branch Manager:
LAURIE SPENCER

CHRISTIANA (Agency)

Main Street
Christiana
Manchester

Branch Manager:
BARBARA COHEN

CONSTANT SPRING

124-126
Constant Spring Road
St. Andrew

Branch Manager:
LLOYD RICHARDSON

CROSS ROADS

90-94 Slipe Road
Kingston 5
St. Andrew

Branch Manager:
STUART BARNES

DUKE STREET

37 Duke Street
Kingston
St. Andrew

Branch Manager:
ROBERT BROOKS

FALMOUTH

2 Water Square
Falmouth
Trelawny

Branch Manager:
KELVIN HALL

FAIRVIEW

Fairview Commercial Centre
Montego Bay
St. James

Branch Manager:
WAYNE HUNTER

HAGLEY PARK

211 Hagley Park Road
Kingston 11
St. Andrew

Branch Manager:
DESRON GRAHAM

HALF MOON

Half Moon
Shopping Village
St. James

Branch Manager:
DYAN GREY

HALF WAY TREE

94 Half Way Tree Road
Kingston 10
St. Andrew

Branch Manager:
MAXINE MCKENZIE

JAGO SHOPPING CENTRE

St. Jago Shopping Centre
Burke Road,
Spanish Town,
St. Catherine

Branch Manager:
KEVIN WALKER

JUNCTION (Agency)

Junction
St. Elizabeth

Branch Manager:
DOROTHY FOOTE

KNUTSFORD BOULEVARD

1-7 Knutsford Boulevard
Kingston 5
St. Andrew

Branch Manager:
DONNA CLARKE

LINSTEAD

29 King Street
Linstead
St. Catherine

Branch Manager:
CONROY WARD

LUCEA

Main Street
Lucea
Hanover

Branch Manager:
BASHEVIS PRYCE

MANDEVILLE

6 Perth Road
Mandeville
Manchester

Branch Manager:
JACQUELINE MIGHTEN

MATILDA'S CORNER

15 Northside Plaza,
Kingston 6
St. Andrew

Branch Manager:
DAVE WILSON

MAY PEN

41 Main Street
May Pen
Clarendon

Branch Manager:
LAURIE SPENCER

MORANT BAY

39 Queen Street
Morant Bay
St. Thomas

Branch Manager:
VALRIE FERGUSON

NEGRIL

Sunshine Village Complex
West End Road
Negril
Westmoreland

Branch Manager:
JANET REID

OCHO RIOS

40 Main Street
Ocho Rios
St. Ann

Branch Manager:
BRIAN BAGGOO

OLD HARBOUR

Cnr. South & West Street
Old Harbour
St. Catherine

Branch Manager:
SHELLY ANN ALLEN

OXFORD PLACE

10 Oxford Road
Kingston 5

Branch Manager:
DEAN SIMPSON

PORTMORE

Lot 13-14 West Tradeway
Portmore Town Centre
St. Catherine

Branch Manager:
JOYCELYN ROWE

PORT ANTONIO

1 Gideon Avenue
Port Antonio
Portland

Branch Manager:
ASANA REID

PORT MARIA

8 Main Street
Port Maria
St. Mary

Branch Manager:
ANTHONY BUTLER

PRIVATE BANKING

124-126
Constant Spring Road
St. Andrew

Branch Manager:
AUDREY MCINTOSH

SANTA CRUZ

7 Coke Drive
Santa Cruz
St. Elizabeth

Branch Manager:
DOROTHY FOOTE

SAVANNA-LA-MAR

68 Great George Street
Savanna-La-Mar
Westmoreland

Branch Manager:
DONNOVAN REID

SPALDING (Agency)

Main Street
Christiana,
Manchester

Branch Manager:
BARBARA COHEN

ST. ANN'S BAY

19-21 Main Street
St. Ann's Bay
St. Ann

Branch Manager:
NEIL CAMPBELL

ST. JAMES STREET (Agency)

41 St. James Street
Montego Bay
St. James

Branch Manager:
WAYNE HUNTER

UNIVERSITY (UWI)

Mona Campus
Kingston 7
St. Andrew

Branch Manager:
KAREN YOUNG

WASHINGTON BOULEVARD

45 Elma Crescent
Kingston 20
St. Andrew

Branch Manager:
MURPHINE GARRICK

WINDWARD ROAD

89-91 Windward Road
Kingston 2
St. Andrew

Branch Manager:
NEPAUL KNIGHT

Selected NCB Subsidiaries & Foundation

* Employee
** Independent Director
*** Non-Executive

NATIONAL COMMERCIAL BANK JAMAICA LIMITED
(Subsidiary of NCBFG)

Hon. Michael Lee-Chin, OJ*** CHAIRMAN
Mr Patrick Hylton, CD* PRESIDENT & GROUP CEO
Mr Dennis Cohen* GROUP CFO & & DEPUTY CEO
Mr Robert Almeida***
Mrs Sandra Glasgow**
Mrs Sanya Goffe**
Mrs Thalia Lyn, OD**
Prof. Alvin Wint, CD**
Mr Oliver Mitchell**

COMPANY SECRETARY - Dave Garcia

NCB (CAYMAN) LIMITED
(Subsidiary of NCBJ)

Mr Dennis Cohen*
Mr Phillip Harrison* MANAGING DIRECTOR
Mr Patrick Hylton, CD*
Prof. Alvin Wint, CD**
Mr Steven Gooden*

COMPANY SECRETARY - Nicola Whyms-Stone

NCB CAPITAL MARKETS (CAYMAN) LIMITED
(Subsidiary of NCBCM)

Mr Dennis Cohen*
Mr Phillip Harrison* MANAGING DIRECTOR
Mr Patrick Hylton, CD*
Prof. Alvin Wint, CD**
Mr Steven Gooden*

COMPANY SECRETARY - Nicola Whyms-Stone

NCB TRUST COMPANY (CAYMAN) LIMITED
(Subsidiary of NCB (Cayman) Ltd.)

Mr Dennis Cohen*
Mr Phillip Harrison* MANAGING DIRECTOR
Mr Patrick Hylton, CD*
Prof. Alvin Wint, CD**

COMPANY SECRETARY - Nicola Whyms-Stone

DATA-CAP PROCESSING LIMITED
(Subsidiary of NCBJ)

Dr. Rickert Allen*
Mr Patrick Hylton, CD*

COMPANY SECRETARY - Samantha Bigby

NCB GLOBAL HOLDING LIMITED
(Subsidiary of NCBFG)

Mr. Patrick Hylton* CHAIRMAN
Mr Dennis Cohen*

NCB CAPITAL MARKETS (BARBADOS) LIMITED
(Subsidiary of NCBCM)

Mrs Simona Watkis CEO
Mr Steven Gooden* CHAIRMAN
Mr Angus Young*
Mr Julian Jordan*
Mr Lalu Vaswani**

COMPANY SECRETARY - Dave Garcia

NCB INSURANCE COMPANY LIMITED
(Subsidiary of NCBJ)

Mr Dennis Cohen* CHAIRMAN
Mr Vernon James* MANAGING DIRECTOR
Mr Patrick Hylton, CD*
Mr Milverton Reynolds**
Prof. Alvin Wint, CD**
Mrs Yvonne Clarke**
Miss Hilary B. Reid**
Mr Septimus (Bob) Blake*

COMPANY SECRETARY - Tricia-Gaye O'Connor

NCB GLOBAL FINANCE LIMITED
(Subsidiary of NCBCM)

Mr Steven Gooden* CHAIRMAN
Mr Angus Young* CEO
Mr Robert Tang Yuk**
Mr Septimus Blake*
Ms Samantha Gooden**
Ms Angela Lee Loy**

COMPANY SECRETARY - Dave Garcia

ADVANTAGE GENERAL INSURANCE COMPANY LIMITED
(Subsidiary of NCBCM)

Mr Dennis Cohen* CHAIRMAN
Mr Mark Thompson* PRESIDENT & CEO
Mr Patrick Hylton, CD*
Mrs Yvonne Clarke*
Mr David Williams**
Mr Mark McIntosh**
Dr. Rickert Allen*
Maj. General (Ret'd) Stewart Saunders**
Mr Andre Earle**

COMPANY SECRETARY - Stephanie Neita

WEST INDIES TRUST COMPANY LIMITED
(Subsidiary of NCBJ)

Mr Patrick Hylton, CD*
Mr Dennis Cohen*

COMPANY SECRETARY - Stacey Smith

NCB CAPITAL MARKETS LIMITED
(Subsidiary of NCBJ)

Mr Patrick Hylton, CD* CHAIRMAN
Mr Steven Gooden* CEO
Prof. Alvin Wint, CD**
Mr Michael Ammar (Jr.)**
Mr Dennis Cohen*
Dr. Cecil Batchelor**
Miss Shamena Khan***
Mrs Yvonne Clarke**
Mr Septimus (Bob) Blake*
Mr Harry Smith**

COMPANY SECRETARY - Janelle Muschette Leiba

NCB FINANCIAL SERVICES UK LIMITED (Subsidiary of NCBJ)

Mr Septimus (Bob) Blake* CHAIRMAN
Mr Leonard Mahipalamudali*
Dr. Franklin Johnston**
Mr Brian Boothe*
Mr Malcolm Sadler*

COMPANY SECRETARY - Stephanie Neita

CLARIEN GROUP LIMITED
(Subsidiary of NCBFG)

Mr Patrick Hylton* CHAIRMAN
Mr Robert Almeida***
Mr Dennis Cohen*
Mr James Gibbons**
Mr James Macdonald**
Mr C.H. (Hal) Masters**
Mr Andrew Parsons**
Mr Gregory Slayton**

COMPANY SECRETARY - Dave Garcia

NCB (INVESTMENTS) LIMITED
(Subsidiary of NCBJ)

Mr Andre Ho Lung*
Mr Malcolm Sadler*

COMPANY SECRETARY - Janelle Muschette Leiba

N.C.B. FOUNDATION

Mrs Thalia Lyn, OD** CHAIR
Mrs Nadeen Mathews Blair* CEO
Mr Andrew Pairman**
Mr Vernon James*
Mr Stuart L. Reid*
Mr Kanhai Skeen*
Ms Melissa Hendrickson McGrane**
Mr David O. Wilson**
Mr Brian Schmidt**
Mr Gordon Swaby**
Mr Miguel Williams**

COMPANY SECRETARY - Corrine Henry

Glossary - Abbreviation

* The Compounded Annual Growth Rate (CAGR) is a measure of growth over multiple time periods.

CURRENCIES AND UNITS:

B – Billion
BMD - Bermudan Dollar
Bn – Billion
J$ – Jamaican Dollar
JMD – Jamaican Dollar
K – Thousand
M – Million
Mn – Million
TT$ – Trinidad and Tobago Dollars
TTD – Trinidad and Tobago Dollars
US$ – United States Dollars
USD – United States dollar

ENTITIES:

A

AGIC – Advantage General Insurance Company Limited

B

BOJ – Bank of Jamaica

F

FSC – Financial Services Commission

G

GHL – Guardian Holdings Limited

I

IASB – International Accounting Standards Board
ICAJ – Institute of Chartered Accountants of Jamaica
IMF – International Monetary Fund

J

JSE – Jamaica Stock Exchange

N

NACD- National Association of Corporate Directors
NCB or NCB Group – NCBFG and its subsidiaries
NCBCM – NCB Capital Markets Limited
NCBCMBL – NCB Capital Markets (Barbados) Limited
NCBFG – NCB Financial Group Limited
NCBGF – NCB Global Finance Limited
NCBIC – NCB Insurance Company Limited
NCBJ – National Commercial Bank Jamaica Limited

P

PWC – PricewaterhouseCoopers

T

TTSE – Trinidad and Tobago Stock Exchange

TITLES:

AGM – Assistant General Manager
CEO – Chief Executive Officer
CFO – Chief Financial Officer
SAGM – Senior Assistant General Manager

OTHER ACRONYMS:

A

ABM – Automated Banking Machine
AGM – Annual General Meeting
AI – Artificial Intelligence
AmEx – American Express
AML – Anti-Money Laundering
ATM – Automated Teller Machine
ALCO - Asset and Liability Committee
API - Application Programming Interface

B

B-FXITT – BOJ Foreign Exchange Intervention Trading Tool
BPS – Basis Points

C

CAGR* – Compounded Annual Growth Rate
CBD – Corporate Banking Division
CCTV – Closed Circuit Television
CD – Certificate of Deposit
CDSU – Central Disbursement and Securities Unit
CFT – Counter Financing of Terrorism
CHD – Cardholder Data
CPI – Consumer Price Index
CSR – Corporate Social Responsibility

D

DPR – Diversified Payments Rights
DTI – Deposit Taking Institution

E

EGC – Economic Growth Council
EMV – Europay, MasterCard, and Visa
EPS – Earnings per stock unit
ERP – Economic Reform Programme
EU – European Union

F

FUM – Funds Under Management
FX – Foreign Exchange

G

GCT – General Consumption Tax
GDP – Gross Domestic Product
GHRD-Group Human Resources and Facilities Division
GIAD-Group Internal Audit Division

Glossary - Abbreviation

CONTINUED

GOJ – Government of Jamaica

GOTD – Group Operations and Technology Division

GRC – Group Risk Committee

GRMD – Group Risk Management Division

H

HNW – High Net Worth

HR – Human Resources

HVAC - heating, ventilation, and air conditioning

I

iABM – Intelligent Automated Banking Machine

ICT – information through telecommunications

IFRS – International Financial Reporting Standards

IPO – Initial Public Offering

IT – Information Technology

J

JEI – Jamaica Education Initiative

K

kWh – kilowatt hour

L

LED – light-emitting diode

M

MD&A – Management Discussion & Analysis

mPOS – Mobile Point of Sale

N

NEPA – National Environment and Planning Agency

NIR – Net International Reserves

P

PCI-DSS – Payment Card Industry Data Security Standard

POC – proof of concept

POS – Point of Sale

PSOJ – Private Sector Organisation of Jamaica

PY – Prior year

R

RBD – Retail Banking Division

S

SCT – Special Consumption Tax

SME – Small and Medium Sized Enterprise

S&P – Standard & Poor's

T

T – Bill – Treasury Bill

TCBD – Treasury & Correspondent Banking Division

TT – Trinidad & Tobago

U

UK – United Kingdom

US – United States

UI/UX Design - User Interface/User Experience

UHNW - Ultra Nigh Net Worth

UWI – University of the West Indies

V

VRF – variable refrigerant flow

W

WATBY – Weighted Average Treasury Bill Yields

Notes

Notes

NCB FINANCIAL GROUP LIMITED

Postage Stamp

Annual General Meeting Form of Proxy

I/We ....

of ....

being a Member/Members of the abovenamed Company, hereby appoint

....

of .... or failing him/her

....

of ....

as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the **Spanish Court Hotel, room Valencia T, 16 Worthington Avenue, Kingston 10**, in the parish of Saint Andrew, on **January 25, 2019 at 10:00 a.m.** and at any adjournment thereof.

Please indicate by inserting a cross in the appropriate square how you wish your votes to be cast. Unless otherwise instructed, the Proxy will vote or abstain from voting, at his/her discretion.

RESOLUTION	FOR	AGAINST
1	☐	☐
2	☐	☐
3 (i)	☐	☐
3 (ii)	☐	☐

RESOLUTION	FOR	AGAINST
4 (a)	☐	☐
4 (b)	☐	☐
5	☐	☐

As witnessed my hand this .... day of 2019

Signed: ....

NOTES:

1. This Form of Proxy must be received by the Secretary of the Company not less than 48 hours before the time appointed for the Meeting.
2. This Form of Proxy should bear stamp duty of $100. Adhesive stamps are to be cancelled by the person signing the proxy.
3. If the appointer is a Corporation, this Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized in writing.

DESIGN:
Graphics & Production Unit -
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