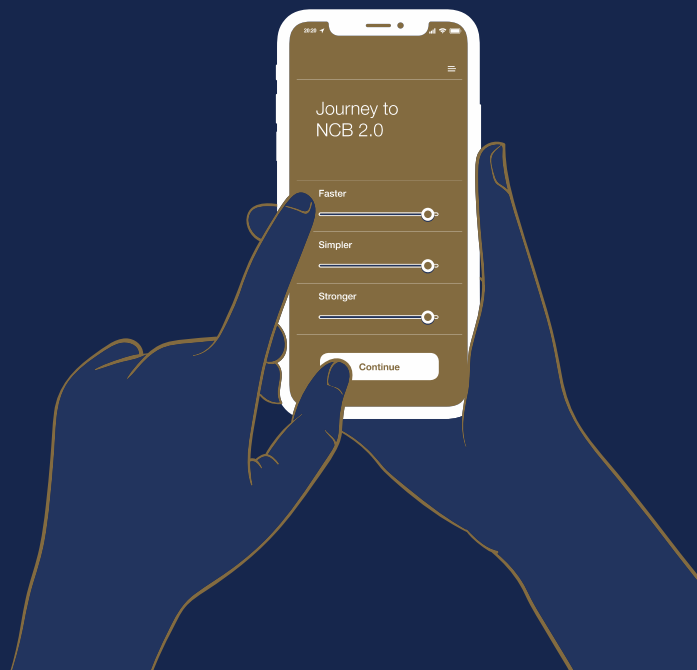


# Financial Results

For the financial year ended September 30, 2019

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## KEY RESULTS

  
**\$29.6B**  
Net Profit

  
**\$1.6T**  
Total Assets

  
**\$146.6B**  
Equity

  
**\$12.18**  
EPS

  
**2.29%**  
Return on Assets

  
**21.39%**  
Return on Equity

## Fourth Quarter 2019 Report to Shareholders

November 7, 2019 – The Board of Directors is pleased to release the financial results for NCB Financial Group Limited (NCBFG) and its subsidiaries (the Group) for the financial year ended September 30, 2019.

NCBFG reports a net profit of \$30.7 billion for the financial year ended September 30, 2019. Net profit attributable to stockholders is \$29.6 billion, an improvement of 6% or \$1.6 billion over the prior year.

This has been a pivotal financial year marked by a significant milestone for the Group with the acquisition of a majority stake in Guardian Holdings Limited (GHL), a major financial services group providing life, health, property and casualty insurance, coupled with pensions and asset management services. This forms the foundation for a more customer centric integrated financial services group with the ability to provide a

broader range of services from a combined platform, while creating additional growth opportunities in the region.

Our results demonstrate the strength of our strategy and top line revenue growth in all operating segments. Our performance was also bolstered by three main extraordinary items:

- The divestment of our associate interest in Jamaica Money Market Brokers Limited in the first quarter resulting in a \$3.3 billion gain from the disposal;
- A \$2.3 billion provisional gain on the revaluation of the associate interest in GHL following the acquisition of the majority interest in the third quarter; and
- The sale of Advantage General Insurance Company Limited (AGIC) at the end of the fourth quarter, realising a gain of \$2.6 billion.

We are proud of our achievements and will focus on extracting value from the synergies and integration of our various business segments in the new financial year.

For more information, contact:

### INVESTOR RELATIONS

**Jacqueline De Lisser**

Head

Group Investor Relations, Performance Monitoring & Planning

Email: [DelisserJN@jncb.com](mailto:DelisserJN@jncb.com)

### MEDIA RELATIONS

**Nichole Brackett Walters**

Manager

Group Marketing & Communications

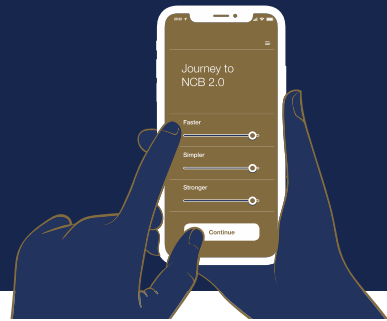
Email: [BrackettWaltersNC@JNCB.com](mailto:BrackettWaltersNC@JNCB.com)

# Financial Results

For the financial year ended September 30, 2019

**Net Profit of \$29.6 billion** (attributable to stockholders of the parent)

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## Group Financial Performance

### *Operating Income*

For the financial year, operating income totalled \$90.6 billion, a 30% improvement over the prior year, with \$31.3 billion of that total earned in the fourth quarter. Our banking and investment services and insurance activities contributed equally to this increase which demonstrates the strength of our diversified business model.

### *Banking and Investment Activities*

The net result from banking and investment activities grew by 16% or \$10.3 billion to \$76.1 billion. The growth was primarily as a result of:

- Net interest income increasing by \$11.6 billion or 33%. The growth in our Jamaican loan portfolio accounted for just under half of the increase despite lower interest rates; while the consolidation of five months of GHL's results along with a full year of Clarien's performance compared to nine months in the prior year accounted for the balance.
- Net fee and commission income growing by 21% or \$3.3 billion. The improved performance stems from the consolidation of GHL coupled with growth in transactions in our wealth and payment services (card acquiring and issuing) business segments.

These increases were partially offset by a decline in gains from the sale of debt securities and increased credit impairment provisions.

### *Insurance Activities*

The net result from insurance activities increased by \$10.6 billion to \$14.4 billion. The growth was attributable to the consolidation of GHL's insurance activities which contributed \$7.1 billion to net insurance revenues, coupled with the improved performance of NCB Insurance Company Limited's life insurance business which benefited from improved spread performance and reserve releases.

### *Operating Expenses*

Operating expenses increased by \$21.3 billion or 49% to \$64.7 billion. Our cost to income ratio increased to 68.5%, up from 60.7% in the prior year. During the year, investments were made to innovate our service and product offerings, upgrade our technological capacity and core systems, advance our digital offerings and improve the skillsets and competencies of our employees. These investments will assist in strengthening the Group and position us to capitalise on growth opportunities. The consolidation of GHL was also a factor for the change in the metric.

### *Other income items*

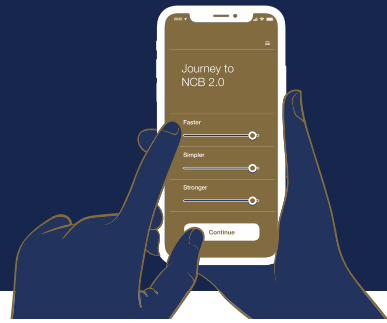
The fourth quarter included an extraordinary gain from the sale of AGIC which was completed on September 30. AGIC's full year's performance has been included in the income statement; contributing \$2.5 billion to operating income and \$561 million to profit.

# Financial Results

For the financial year ended September 30, 2019

**Net Profit of \$29.6 billion** (attributable to stockholders of the parent)

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## Consolidated Statement of Financial Position

The Group's assets totalled \$1.6 trillion, a 65% or \$632 billion increase over the prior year. The growth in the asset base was primarily due to the consolidation of GHL, with total assets of \$580 billion. At September 30, 2019, consequent on the Group's strategy of regional expansion, approximately half of the Group's assets are now outside of Jamaica.

### *Investment Securities and Reverse Repurchase Agreements*

Investment securities, including pledged assets, and reverse repurchase agreements totalled \$769 billion, were 48% of total assets. This portfolio increased by 95% or \$373 billion over the prior year, primarily due to the consolidation of GHL.

### *Loans and Advances*

The Group's loans and advances, net of provision for credit losses, totalled \$423 billion, an increase of \$50 billion or 14% over the prior year, representing 26% of total assets. Our initiatives to improve our sales and service effectiveness expanded our loan portfolio, along with the consolidation of GHL. Non-performing loans for the Group totalled \$22 billion as at September 30, 2019 (September 30, 2018: \$18 billion) and represented 5.1% of the gross loans compared to 4.8% as at September 30, 2018. 70% of the increase in non-performing loans was due to Clarien and GHL.

### *Deposits*

Customer deposits grew by 5% or \$24 billion to \$509 billion as at September 30, 2019 and accounted for 36% of total liabilities. This displays the confidence our customers continue to show in the Group.

### *Policyholders' Liabilities*

The consolidation of GHL increased the Group's liabilities under annuity and insurance contracts from \$38 billion in the prior year to \$385 billion at September 2019. At that time, these contracts accounted for 27% of total liabilities, with 86% being liabilities under life and health insurance and annuity contracts.

### *Capital*

Stockholders' equity grew by 13% or \$17 billion to \$147 billion as at September 30, 2019. All our regulated entities are adequately capitalised and have exceeded the applicable regulatory requirements.

### Dividends

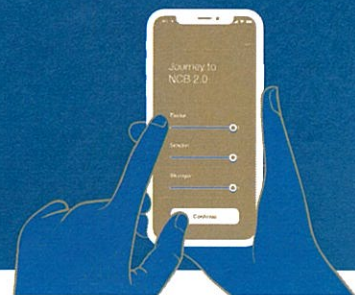
The Board of Directors, at its meeting on November 7, 2019, declared an interim dividend of \$0.90 per ordinary stock unit. The dividend is payable on December 6, 2019 to stockholders on record as at November 22, 2019.

# Financial Results

For the financial year ended September 30, 2019

**Net Profit of \$29.6 billion** (attributable to stockholders of the parent)

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## Business Highlights

### Awards

Global Finance Magazine named National Commercial Bank Jamaica Limited (NCBJ) Best Bank and Safest Bank for 2019.



Malcolm Sadler, Chief Financial Officer at NCBJ, collects NCBJ's Best Bank 2019 Award from Joseph Giarraputo, Global Finance's Publisher and Editorial Director at the Global Finance Best Bank Awards Ceremony held in Washington DC in October 2019.

### Credit Rating

Caribbean Information and Credit Rating Services Limited (CariCRIS) upgraded the regional scale issuer rating of NCBFG to CariA+ (local currency) and CariA (foreign currency) and reaffirmed the Jamaican national scale rating of jmAAA (local currency) and jmAA+ (foreign currency). This regional scale rating indicates NCBFG's creditworthiness is adjudged as good in relation to other issuers in the Caribbean. This local currency national scale rating indicates NCBFG's creditworthiness is adjudged as the highest in relation to other issuers in Jamaica.

## Corporate Social Responsibility (CSR) Highlights

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

### Nation Building

- NCBFG is keen on supporting democracy and a fair and transparent electoral process, which will ultimately contribute to nation building. In the light of this, we contributed \$2 million to each of the two major Jamaican political parties during the year.
- Our Foundations - N.C.B. Foundation, Guardian Group Foundation and Clarien Foundation - continued voluntary and outreach work in areas such as health, education, and community development reaching a wide cross-section of persons across the region.

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

**ON BEHALF OF THE BOARD**

Patrick Hylton, President and Group Chief Executive Officer

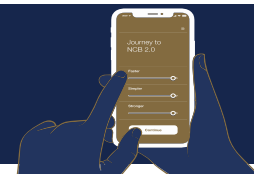


## Consolidated Income Statement

Year ended September 30, 2019

(expressed in Jamaican dollars unless otherwise indicated)

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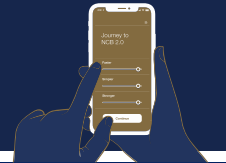
|  |      | CURRENT YEAR                                    |  |  | PRIOR YEAR                                      |  |
|--|------|---|--|--|---|--|
|  | Note | Quarter ended<br>September 30<br>2019<br>\$'000 | Quarter ended<br>June 30<br>2019<br>\$'000 | Year ended<br>September 30<br>2019<br>\$'000 | Quarter ended<br>September 30<br>2018<br>\$'000 | Year ended<br>September 30<br>2018<br>\$'000 |
| <b>Operating income</b>                              |      |   |  |  |   |  |
| <b>Banking and investment activities</b>             |      |   |  |  |   |  |
| Interest income                                      |      | 20,495,879                                      | 17,690,188                                 | 67,177,716                                   | 14,314,044                                      | 52,235,806                                   |
| Interest expense                                     |      | (6,154,615)                                     | (5,319,854)                                | (20,473,144)                                 | (4,585,532)                                     | (17,091,622)                                 |
| Net interest income                                  |      | 14,341,264                                      | 12,370,334                                 | 46,704,572                                   | 9,728,512                                       | 35,144,184                                   |
| Fee and commission income                            |      | 6,963,900                                       | 6,482,316                                  | 24,172,608                                   | 5,411,764                                       | 20,191,880                                   |
| Fee and commission expense                           |      | (1,168,918)                                     | (1,343,314)                                | (4,992,775)                                  | (1,236,857)                                     | (4,327,906)                                  |
| Net fee and commission income                        |      | 5,794,982                                       | 5,139,002                                  | 19,179,833                                   | 4,174,907                                       | 15,863,974                                   |
| Gain on foreign currency and investment activities   |      | 3,118,585                                       | 2,792,950                                  | 11,864,473                                   | 4,205,879                                       | 15,611,240                                   |
| Credit impairment losses                             |      | (351,973)                                       | (1,766,133)                                | (4,002,290)                                  | (587,082)                                       | (1,960,638)                                  |
| Dividend income                                      |      | 484,046   | 493,481                                    | 1,274,735                                    | 205,265   | 553,305                                      |
| Other operating income                               |      | 616,113   | 383,317                                    | 1,112,460                                    | 91,924  | 605,446                                      |
|  |      | 3,866,771                                       | 1,903,615                                  | 10,249,378                                   | 3,915,986                                       | 14,809,353                                   |
| Net result from banking and investment activities    |      | 24,003,017                                      | 19,412,951                                 | 76,133,783                                   | 17,819,405                                      | 65,817,511                                   |
| <b>Insurance activities</b>                          |      |   |  |  |   |  |
| Premium income                                       |      | 33,545,529                                      | 22,309,516                                 | 60,618,692                                   | 2,330,786                                       | 9,485,444                                    |
| Insurance premium ceded to insurers                  |      | (9,351,444)                                     | (6,224,914)                                | (16,057,907)                                 | (183,190)                                       | (823,439)                                    |
| Reinsurance commission income                        |      | 1,749,788                                       | 1,779,692                                  | 3,594,053                                    | 29,910  | 96,826                                       |
| Net underwriting income                              |      | 25,943,873                                      | 17,864,294                                 | 48,154,838                                   | 2,177,506                                       | 8,758,831                                    |
| Policyholders' and annuitants' benefits and reserves |      | (18,161,843)                                    | (14,213,977)                               | (27,305,981)                                 | (426,169)                                       | (4,731,479)                                  |
| Commission and other selling expenses                |      | (444,074)                                       | (306,250)                                  | (6,417,342)                                  | (61,645)  | (230,061)                                    |
| Net result from insurance activities                 |      | 7,337,956                                       | 3,344,067                                  | 14,431,515                                   | 1,689,692                                       | 3,797,291                                    |
| <b>Net operating income</b>                          |      | 31,340,973                                      | 22,757,018                                 | 90,565,298                                   | 19,509,097                                      | 69,614,802                                   |
| <b>Operating expenses</b>                            |      |   |  |  |   |  |
| Staff costs  |      | 10,459,920                                      | 8,654,133                                  | 32,120,544                                   | 7,229,282                                       | 23,776,353                                   |
| Depreciation and amortisation                        |      | 2,584,990                                       | 1,744,920                                  | 6,941,434                                    | 1,010,748                                       | 3,472,372                                    |
| Other operating expenses                             |      | 9,565,664                                       | 5,897,440                                  | 25,674,925                                   | 4,049,832                                       | 16,180,020                                   |
|  |      | 22,610,574                                      | 16,296,493                                 | 64,736,903                                   | 12,289,862                                      | 43,428,745                                   |
| <b>Operating profit</b>                              |      | 8,730,399                                       | 6,460,525                                  | 25,828,395                                   | 7,219,235                                       | 26,186,057                                   |
| Share of profit of associate and gain on dilution    |      | 241,758   | 1,024,239                                  | 2,897,176                                    | 760,889   | 2,573,232                                    |
| Gain on disposal of associate                        | 4    | -   | -  | 3,291,544                                    | 837,480   | 837,480                                      |
| Gain on revaluation of investment in associate       | 5    | -   | 2,329,179                                  | 2,329,179                                    | -   | -  |
| Gain on disposal of subsidiary                       | 6    | 2,626,425                                       | -  | 2,626,425                                    | -   | -  |
| Negative goodwill on acquisition of subsidiary       |      | -   | -  | -  | -   | 4,392,149                                    |
| <b>Profit before taxation</b>                        |      | 11,598,582                                      | 9,813,943                                  | 36,972,719                                   | 8,817,604                                       | 33,988,918                                   |
| Taxation   |      | (2,215,207)                                     | (919,662)                                  | (6,280,694)                                  | (1,186,001)                                     | (5,407,952)                                  |
| <b>NET PROFIT</b>                                    |      | 9,383,375                                       | 8,894,281                                  | 30,692,025                                   | 7,631,603                                       | 28,580,966                                   |
| Attributable to:                                     |      |   |  |  |   |  |
| Stockholders of parent                               |      | 8,827,696                                       | 8,292,686                                  | 29,576,423                                   | 7,296,617                                       | 27,958,752                                   |
| Non-controlling interest                             |      | 555,679   | 601,595                                    | 1,115,602                                    | 334,986   | 622,214                                      |
|  |      | 9,383,375                                       | 8,894,281                                  | 30,692,025                                   | 7,631,603                                       | 28,580,966                                   |
| <b>Earnings per stock unit</b>                       |      |   |  |  |   |  |
| Basic and diluted (expressed in \$)                  |      | 3.69  | 3.42                                       | 12.18  | 2.97  | 11.39  |

## Consolidated Statement of Comprehensive Income

Year ended September 30, 2019

(expressed in Jamaican dollars unless otherwise indicated)

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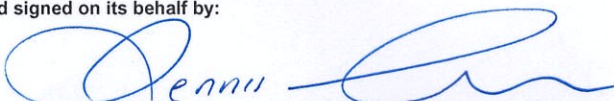
|   | Quarter ended<br>September 30<br>2019<br>\$'000 | Quarter ended<br>June 30<br>2019<br>\$'000 | Year ended<br>September 30<br>2019<br>\$'000 | Quarter ended<br>September 30<br>2018<br>\$'000 | Year ended<br>September 30<br>2018<br>\$'000 |
|---|---|--|--|---|--|
| <b>Net Profit</b>   | <b>9,383,375</b>                                | <b>8,894,281</b>                           | <b>30,692,025</b>                            | <b>7,631,603</b>                                | <b>28,580,966</b>                            |
| <b>Other comprehensive income, net of tax-</b>  |   |  |  |   |  |
| <b>Items that will not be reclassified to profit or loss</b>  |   |  |  |   |  |
| Remeasurements of post-employment benefit obligations   | (344,235)                                       | (22,898)                                   | (487,254)                                    | 12,871  | (481,392)                                    |
| Share of other comprehensive income of associated companies   | 236,872   | (292,136)                                  | 113,755                                      | -   | -  |
|   | (107,363)                                       | (315,034)                                  | (373,499)                                    | 12,871  | (481,392)                                    |
| <b>Items that may be subsequently reclassified to profit or loss</b>  |   |  |  |   |  |
| Currency translation gains/(losses)   | 419,829   | 1,801,361                                  | (21,059)                                     | 1,817,878                                       | 1,263,927                                    |
| Share of other comprehensive income of associated companies   | -   | 93,292                                     | 169,019                                      | (1,055,025)                                     | (1,413,911)                                  |
| Changes in unrealised gains on securities designated as fair value through other comprehensive income (FVOCI) | 6,007,326                                       | 4,832,427                                  | 14,281,598                                   | -   | -  |
| Realised gains on securities designated as FVOCI  | (2,205,423)                                     | (1,189,128)                                | (4,012,903)                                  | -   | -  |
| Expected credit losses on debt instruments at fair value through other comprehensive income (FVOCI)           | (272,565)                                       | (20,369)                                   | (256,831)                                    | -   | -  |
| Realised currency translation and other gains, of former associated company                                   | -   | (1,426,598)                                | (1,426,598)                                  | -   | -  |
| Unrealised gains on available-for-sale investments  | -   | -  | -  | 1,464,042                                       | 548,555                                      |
| Realised fair value gains on sale and maturity of available-for-sale investments                              | -   | -  | -  | (1,794,154)                                     | (6,049,801)                                  |
|   | 3,949,167                                       | 4,090,985                                  | 8,733,226                                    | 432,741   | (5,651,230)                                  |
| <b>Total other comprehensive income</b>   | <b>3,841,804</b>                                | <b>3,775,951</b>                           | <b>8,359,727</b>                             | <b>445,612</b>                                  | <b>(6,132,622)</b>                           |
| <b>TOTAL COMPREHENSIVE INCOME</b>   | <b>13,225,179</b>                               | <b>12,670,232</b>                          | <b>39,051,752</b>                            | <b>8,077,215</b>                                | <b>22,448,344</b>                            |
| <b>Total comprehensive income attributable to:</b>  |   |  |  |   |  |
| Stockholders of the parent  | 13,265,268                                      | 10,644,959                                 | 37,475,362                                   | 7,523,493                                       | 21,415,907                                   |
| Non-controlling interest  | (40,089)  | 2,025,273                                  | 1,576,390                                    | 553,722   | 1,032,437                                    |
|   | <b>13,225,179</b>                               | <b>12,670,232</b>                          | <b>39,051,752</b>                            | <b>8,077,215</b>                                | <b>22,448,344</b>                            |

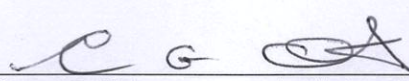


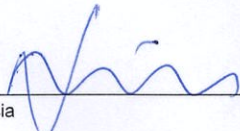
|  | September 30<br>2019<br>\$'000 | September 30<br>2018<br>\$'000 |
|--|--------------------------------|--------------------------------|
| <b>ASSETS</b>  |                                |                                |
| Cash in hand and balances at Central Banks               | 62,535,389                     | 74,711,396                     |
| Due from banks   | 140,707,290                    | 48,702,014                     |
| Derivative financial instruments                         | 239,279                        | 233,329                        |
| Reverse repurchase agreements                            | 7,837,898                      | 3,807,177                      |
| Loans and advances, net of credit impairment losses      | 423,102,600                    | 372,634,701                    |
| Investment securities                                    | 380,263,263                    | 214,443,107                    |
| Pledged assets   | 380,486,525                    | 176,910,304                    |
| Investment in associates                                 | 5,271,465                      | 35,125,894                     |
| Investment properties                                    | 28,155,110                     | 1,366,950                      |
| Intangible assets  | 51,714,731                     | 12,398,591                     |
| Property, plant and equipment                            | 23,480,667                     | 13,280,060                     |
| Properties for development and sale                      | 2,368,042                      | -                              |
| Deferred income tax assets                               | 8,141,066                      | 4,639,482                      |
| Income tax recoverable                                   | 5,174,472                      | 1,613,365                      |
| Reinsurance assets                                       | 33,779,448                     | 410,356                        |
| Customers' liability - letters of credit and undertaking | 2,051,519                      | 2,305,130                      |
| Other assets   | 54,792,371                     | 16,002,770                     |
| <b>Total assets</b>                                      | <b>1,610,101,135</b>           | <b>978,584,626</b>             |
| <b>LIABILITIES</b>                                       |                                |                                |
| Due to banks   | 22,776,255                     | 11,815,200                     |
| Customer deposits  | 508,721,853                    | 484,847,790                    |
| Repurchase agreements                                    | 174,619,976                    | 152,884,626                    |
| Obligations under securitisation arrangements            | 48,305,823                     | 58,992,666                     |
| Derivative financial instruments                         | 239,279                        | 259,002                        |
| Other borrowed funds                                     | 128,975,616                    | 65,558,639                     |
| Deferred income tax liabilities                          | 19,432,408                     | 910,710                        |
| Third party interests in mutual funds                    | 22,138,490                     | -                              |
| Liabilities under annuity and insurance contracts        | 385,395,889                    | 38,093,007                     |
| Segregated fund liabilities                              | 16,549,531                     | -                              |
| Investment contract liabilities                          | 39,257,656                     | -                              |
| Post-employment benefit obligations                      | 9,400,738                      | 5,502,973                      |
| Liability - letters of credit and undertaking            | 2,051,519                      | 2,305,130                      |
| Other liabilities  | 47,048,018                     | 17,830,555                     |
| <b>Total liabilities</b>                                 | <b>1,424,913,051</b>           | <b>839,000,298</b>             |
| <b>STOCKHOLDERS' EQUITY</b>                              |                                |                                |
| Share capital  | 153,827,330                    | 153,827,330                    |
| Treasury shares  | (11,351,200)                   | (1,050,785)                    |
| Reserve from the scheme of arrangement                   | (147,034,858)                  | (147,034,858)                  |
| Fair value and capital reserves                          | 13,478,617                     | 3,535,115                      |
| Loan loss reserve  | 2,947,624                      | 3,470,490                      |
| Statutory reserve fund                                   | 6,625,209                      | 6,598,442                      |
| Retained earnings reserve                                | 43,820,000                     | 39,250,000                     |
| Retained earnings  | 84,248,355                     | 71,444,834                     |
| <b>Equity attributable to shareholders of the parent</b> | <b>146,561,077</b>             | <b>130,040,568</b>             |
| Non-controlling interest                                 | 38,627,007                     | 9,543,760                      |
| <b>Total stockholders' equity</b>                        | <b>185,188,084</b>             | <b>139,584,328</b>             |
| <b>Total stockholders' equity and liabilities</b>        | <b>1,610,101,135</b>           | <b>978,584,626</b>             |

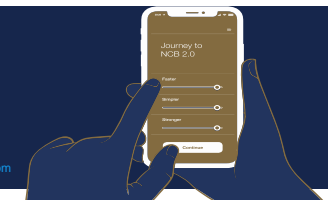
Approved for issue by the Board of Directors on November 7, 2019 and signed on its behalf by:

  
Patrick Hylton President and Group  
Chief Executive Officer

  
Dennis Cohen Group Chief Financial Officer and  
Deputy Chief Executive Officer

  
Professor Alvin Wint Lead Independent Director

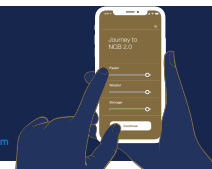
  
Dave Garcia Corporate Secretary



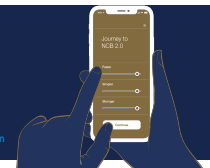
| Note  | Share capital | Treasury shares | Reserve from the Scheme of Arrangement | Fair value and capital reserves | Loan loss reserve | Statutory reserve fund | Retained earnings reserve | Retained earnings | Non-controlling interest | Total       |
|---|---------------|-----------------|--|---------------------------------|-------------------|------------------------|---------------------------|-------------------|--------------------------|-------------|
|   | \$'000        | \$'000          | \$'000                                 | \$'000                          | \$'000            | \$'000                 | \$'000                    | \$'000            | \$'000                   | \$'000      |
| <b>Balance at October 1, 2017</b>                     | 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 statutory reserve                         | -             | -               | -                                      | -                               | -                 | 31,109                 | -                         | (31,109)          | -                        | -           |
| Transfer to retained earnings reserve                 | -             | -               | -                                      | -                               | -                 | -                      | 3,600,000                 | (3,600,000)       | -                        | -           |
| Purchase of treasury shares                           | -             | (720,656)       | -                                      | -                               | -                 | -                      | -                         | -                 | -                        | (720,656)   |
| Non-controlling interest on acquisition of subsidiary | -             | -               | -                                      | -                               | -                 | -                      | -                         | -                 | 8,511,323                | 8,511,323   |
| Transaction with owners of the Company -              |               |                 |  |                                 |                   |                        |                           |                   |                          | -           |
| Dividends paid  | -             | -               | -                                      | -                               | -                 | -                      | -                         | (6,648,452)       | -                        | (6,648,452) |
| <b>Balance at September 30, 2018</b>                  | 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 |
| Initial impact of IFRS 9 adoption                     | 2             | -               | -                                      | 1,914,494                       | (245,692)         | -                      | -                         | (3,457,496)       | (37,556)                 | (1,826,250) |
| Balance as at October 1, 2018                         | 153,827,330   | (1,050,785)     | (147,034,858)                          | 5,449,609                       | 3,224,798         | 6,598,442              | 39,250,000                | 67,987,338        | 9,506,204                | 137,758,078 |
| Total comprehensive income                            | -             | -               | -                                      | 8,029,008                       | -                 | -                      | -                         | 28,734,546        | 1,613,946                | 38,377,500  |
| Transfer from loan loss reserve                       | -             | -               | -                                      | -                               | (277,174)         | -                      | -                         | 277,174           | -                        | -           |
| Transfer to statutory reserve                         | -             | -               | -                                      | -                               | -                 | 26,767                 | -                         | (26,767)          | -                        | -           |
| Transfer to retained earnings reserve                 | -             | -               | -                                      | -                               | -                 | -                      | 4,570,000                 | (4,570,000)       | -                        | -           |
| Purchase of treasury shares                           | -             | (1,551,735)     | -                                      | -                               | -                 | -                      | -                         | -                 | -                        | (1,551,735) |
| Disposal of treasury shares                           | -             | 1,591,840       | -                                      | -                               | -                 | -                      | -                         | 239,246           | -                        | 1,831,086   |
| On acquisition of subsidiary                          | -             | (10,340,520)    | -                                      | -                               | -                 | -                      | -                         | -                 | 27,506,857               | 17,166,337  |
| Share options   | -             | -               | -                                      | -                               | -                 | -                      | -                         | 319,674           | -                        | 319,674     |
| Transaction with owners of the Company -              |               |                 |  |                                 |                   |                        |                           |                   |                          | -           |
| Dividends paid  | -             | -               | -                                      | -                               | -                 | -                      | -                         | (8,712,856)       | -                        | (8,712,856) |
| <b>Balance at September 30, 2019</b>                  | 153,827,330   | (11,351,200)    | (147,034,858)                          | 13,478,617                      | 2,947,624         | 6,625,209              | 43,820,000                | 84,248,355        | 38,627,007               | 185,188,084 |



|  | September 30<br>2019<br>\$'000 | September 30<br>2018<br>\$'000 |
|--|--------------------------------|--------------------------------|
| <b>Cash Flows from Operating Activities</b>  |                                |                                |
| Net profit   | 30,692,025                     | 28,580,966                     |
| Adjustments to reconcile net profit to net cash (used in)/provided by operating activities | (44,396,746)                   | 23,580,518                     |
| Net cash (used in)/provided by operating activities  | (13,704,721)                   | 52,161,484                     |
| <b>Cash Flows from Investing Activities</b>  |                                |                                |
| Net cash acquired on purchase of subsidiary  | 16,952,070                     | 1,822,570                      |
| Acquisition of property, plant and equipment   | (4,170,071)                    | (2,541,303)                    |
| Acquisition of intangible asset - computer software  | (4,789,731)                    | (3,948,971)                    |
| Proceeds from disposal of property, plant and equipment                                    | 217,403                        | 473,030                        |
| Purchase of investment property  | -                              | (8,971)                        |
| Net cash inflow on sale of subsidiary  | 6,651,806                      | -                              |
| Net cash from partial disposal of associate  | -                              | 2,709,769                      |
| Dividend received from associates  | 680,869                        | 1,100,633                      |
| Purchases of investment securities   | (279,595,295)                  | (379,552,551)                  |
| Sales/maturities of investment securities  | 370,971,090                    | 342,691,491                    |
| Net cash provided by/(used in) investing activities  | 106,918,141                    | (37,254,303)                   |
| <b>Cash Flows from Financing Activities</b>  |                                |                                |
| Repayments under securitisation arrangements   | (8,798,148)                    | (8,605,600)                    |
| Proceeds from other borrowed funds   | 49,333,206                     | 56,633,130                     |
| Repayments of other borrowed funds   | (38,267,719)                   | (32,510,656)                   |
| Purchase of treasury shares  | (1,551,735)                    | (720,656)                      |
| Proceeds from disposal of treasury shares  | 1,831,086                      | -                              |
| Due to banks   | (5,629,837)                    | (4,749,583)                    |
| Dividends paid   | (8,712,856)                    | (6,648,452)                    |
| Net cash (used in)/provided by financing activities  | (11,796,003)                   | 3,398,183                      |
| Effect of exchange rate changes on cash and cash equivalents                               | 3,739,331                      | (2,449,510)                    |
| Net increase in cash and cash equivalents  | 85,156,748                     | 15,855,854                     |
| Cash and cash equivalents at beginning of period   | 75,170,642                     | 62,937,707                     |
| <b>Cash and cash equivalents at end of period</b>  | <b>160,327,390</b>             | <b>78,793,561</b>              |
| <b>Comprising:</b>   |                                |                                |
| Cash in hand and balances at Central Banks   | 25,218,426                     | 31,136,267                     |
| Due from banks   | 137,260,863                    | 45,084,212                     |
| Reverse repurchase agreements  | 2,198,982                      | 312,414                        |
| Investment securities  | 10,806,108                     | 12,064,968                     |
| Due to banks   | (15,156,989)                   | (9,804,300)                    |
|  | <b>160,327,390</b>             | <b>78,793,561</b>              |



| Year ended September 30, 2019                      | Banking and Investment Activities |                   |                   |                                  |   | Insurance Activities                                |  |                    |                     |                      |
|--|-----------------------------------|-------------------|-------------------|----------------------------------|---|---|--|--------------------|---------------------|----------------------|
|  | Commercial & Consumer             | Payment Services  | Corporate Banking | Treasury & Correspondent Banking | Wealth, Asset Management & Investment Banking | Life and Health Insurance & Pension Fund Management | General, Property & Casualty Insurance | Other              | Eliminations        | Total                |
|  | \$'000                            | \$'000            | \$'000            | \$'000                           | \$'000  | \$'000  | \$'000                                 | \$'000             | \$'000              | \$'000               |
| External revenue                                   | 30,238,579                        | 16,731,518        | 10,575,574        | 15,290,935                       | 15,364,114                                    | 52,033,660  | 27,387,648                             | 2,192,709          | -                   | 169,814,737          |
| Revenue from other segments                        | 2,036,630                         | -                 | 317,584           | 5,445,625                        | 11,311,914                                    | 72,303  | 250,242                                | 17,672,530         | (37,106,828)        | -                    |
| <b>Total Revenue</b>                               | <b>32,275,209</b>                 | <b>16,731,518</b> | <b>10,893,158</b> | <b>20,736,560</b>                | <b>26,676,028</b>                             | <b>52,105,963</b>                                   | <b>27,637,890</b>                      | <b>19,865,239</b>  | <b>(37,106,828)</b> | <b>169,814,737</b>   |
| Net interest income                                | 23,102,162                        | 5,418,956         | 5,595,928         | 4,194,552                        | 4,784,874                                     | 8,302,089   | 816,623                                | (2,334,507)        | (3,048,955)         | 46,831,722           |
| Net fee and commission income                      | 4,860,085                         | 5,754,119         | 961,680           | 402,971                          | 3,901,888                                     | 2,457,320   | 1,322,139                              | 1,796,946          | (5,287,038)         | 16,170,110           |
| Gain on foreign currency and investment activities | 210,013                           | (1,533)           | 208,791           | 6,282,307                        | 4,598,896                                     | 3,963,709   | 390,470                                | (125,853)          | (3,664,773)         | 11,862,027           |
| Credit impairment losses                           | (4,142,223)                       | (977,370)         | (59,362)          | 840,193                          | 329,664                                       | 118,119   | (71,113)                               | (41,033)           | 814                 | (4,002,311)          |
| Other income                                       | 238,420                           | 3,550             | 1,161             | 89,320                           | 463,937                                       | 1,438,500   | 100,640                                | 3,158,495          | (3,266,052)         | 2,227,971            |
| Net result from insurance activities               | -                                 | -                 | -                 | -                                | -   | 9,597,806   | 5,239,425                              | -                  | (405,512)           | 14,431,719           |
| <b>Total operating income</b>                      | <b>24,268,457</b>                 | <b>10,197,722</b> | <b>6,708,198</b>  | <b>11,809,343</b>                | <b>14,079,259</b>                             | <b>25,877,543</b>                                   | <b>7,798,184</b>                       | <b>2,454,048</b>   | <b>(15,671,516)</b> | <b>87,521,238</b>    |
| Staff costs  | 9,777,214                         | 1,042,758         | 349,166           | 268,586                          | 2,028,194                                     | 3,308,616   | 2,645,522                              | 1,136,439          | 3,340,185           | 23,896,680           |
| Depreciation and amortisation                      | 1,137,272                         | 551,667           | 9,003             | 13,379                           | 135,306                                       | 435,464   | 405,385                                | 2,057,839          | (137,248)           | 4,608,067            |
| Other operating expense                            | 4,749,504                         | 2,852,730         | 495,276           | 1,106,209                        | 2,022,364                                     | 3,393,890   | 2,413,878                              | 1,086,924          | (5,769,428)         | 12,351,347           |
| <b>Total operating expense</b>                     | <b>15,663,990</b>                 | <b>4,447,155</b>  | <b>853,445</b>    | <b>1,388,174</b>                 | <b>4,185,864</b>                              | <b>7,137,970</b>                                    | <b>5,464,785</b>                       | <b>4,281,202</b>   | <b>(2,566,491)</b>  | <b>40,856,094</b>    |
| Operating profit before allocated cost             | 8,604,467                         | 5,750,567         | 5,854,753         | 10,421,169                       | 9,893,395                                     | 18,739,573  | 2,333,399                              | (1,827,154)        | (13,105,025)        | 46,665,144           |
| Allocated costs                                    | (9,018,055)                       | (2,113,845)       | (644,550)         | (523,680)                        | -   | -   | -                                      | -                  | -                   | (12,300,130)         |
| <b>Operating profit</b>                            | <b>(413,588)</b>                  | <b>3,636,722</b>  | <b>5,210,203</b>  | <b>9,897,489</b>                 | <b>9,893,395</b>                              | <b>18,739,573</b>                                   | <b>2,333,399</b>                       | <b>(1,827,154)</b> | <b>(13,105,025)</b> | <b>34,365,014</b>    |
| Unallocated corporate expenses                     |                                   |                   |                   |                                  |   |   |  |                    |                     | (8,536,619)          |
| Share of profit of associates                      |                                   |                   |                   |                                  |   |   |  |                    |                     | 2,897,176            |
| Gain on disposal of associate                      |                                   |                   |                   |                                  |   |   |  |                    |                     | 3,291,544            |
| Gain on disposal of subsidiary                     |                                   |                   |                   |                                  |   |   |  |                    |                     | 2,626,425            |
| Gain on revaluation of investment in associate     |                                   |                   |                   |                                  |   |   |  |                    |                     | 2,329,179            |
| <b>Profit before taxation</b>                      |                                   |                   |                   |                                  |   |   |  |                    |                     | <b>36,972,719</b>    |
| Taxation   |                                   |                   |                   |                                  |   |   |  |                    |                     | (6,280,694)          |
| <b>Net Profit</b>                                  |                                   |                   |                   |                                  |   |   |  |                    |                     | <b>30,692,025</b>    |
| Segment assets                                     | 420,800,189                       | 28,996,202        | 126,194,622       | 329,569,352                      | 269,046,779                                   | 453,001,106   | 104,247,538                            | 55,278,634         | (195,620,290)       | 1,591,514,132        |
| Associates   |                                   |                   |                   |                                  |   |   |  |                    |                     | 5,271,465            |
| Unallocated assets                                 |                                   |                   |                   |                                  |   |   |  |                    |                     | 13,315,538           |
| <b>Total assets</b>                                |                                   |                   |                   |                                  |   |   |  |                    |                     | <b>1,610,101,135</b> |
| Segment liabilities                                | 369,547,583                       | 17,462,507        | 92,741,678        | 327,937,875                      | 223,599,296                                   | 346,704,148   | 75,253,247                             | 83,248,946         | (122,905,826)       | 1,413,589,454        |
| Unallocated liabilities                            |                                   |                   |                   |                                  |   |   |  |                    |                     | 11,323,597           |
| <b>Total liabilities</b>                           |                                   |                   |                   |                                  |   |   |  |                    |                     | <b>1,424,913,051</b> |
| Capital expenditure                                | 3,640,303                         | 987,573           | 333,064           | 142,982                          | 1,121,849                                     | 1,411,388   | 914,695                                | 407,948            | -                   | 8,959,802            |



| Year ended September 30, 2018                      | Banking and Investment Activities |                   |                   |                                  |   | Insurance Activities                                |  | Other              | Eliminations        | Total              |
|--|-----------------------------------|-------------------|-------------------|----------------------------------|---|---|--|--------------------|---------------------|--------------------|
|  | Commercial & Consumer             | Payment Services  | Corporate Banking | Treasury & Correspondent Banking | Wealth, Asset Management & Investment Banking | Life and Health Insurance & Pension Fund Management | General, Property & Casualty Insurance |                    |                     |                    |
|  | \$'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)        | -                  |
| <b>Total Revenue</b>                               | <b>29,478,933</b>                 | <b>14,353,566</b> | <b>8,750,834</b>  | <b>21,063,555</b>                | <b>18,356,559</b>                             | <b>14,061,071</b>                                   | <b>5,818,279</b>                       | <b>(1,152,658)</b> | <b>(12,773,631)</b> | <b>97,956,508</b>  |
| 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         |
| Credit impairment losses                           | (1,105,165)                       | (532,120)         | (51,397)          | 11,003                           | (282,999)                                     | -   | -                                      | -                  | -                   | (1,960,678)        |
| Other income                                       | 372,150                           | 4,159             | 1,402             | 217,525                          | 471,247                                       | 141,245   | 85,371                                 | 796,466            | (1,151,399)         | 938,166            |
| Net result from insurance activities               | -                                 | -                 | -                 | -                                | -   | 2,411,950   | 1,820,668                              | -                  | (302,092)           | 3,930,526          |
| <b>Total operating income</b>                      | <b>24,336,413</b>                 | <b>8,601,674</b>  | <b>4,731,254</b>  | <b>11,237,123</b>                | <b>12,543,792</b>                             | <b>11,327,373</b>                                   | <b>2,818,337</b>                       | <b>1,101,154</b>   | <b>(9,468,817)</b>  | <b>67,228,303</b>  |
| 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         |
| Depreciation and amortisation                      | 924,697                           | 521,303           | 8,041             | 11,335                           | 112,833                                       | 148,236   | 70,395                                 | 1,300              | 72,546              | 1,870,686          |
| Other operating expense                            | 3,789,044                         | 2,637,291         | 432,606           | 1,070,750                        | 1,571,668                                     | 624,249   | 787,892                                | 34,657             | (3,360,586)         | 7,587,571          |
| <b>Total operating expense</b>                     | <b>15,036,423</b>                 | <b>4,063,246</b>  | <b>762,693</b>    | <b>1,299,071</b>                 | <b>3,362,539</b>                              | <b>1,793,883</b>                                    | <b>1,732,623</b>                       | <b>1,866,971</b>   | <b>(3,456,447)</b>  | <b>26,461,002</b>  |
| Operating profit before allocated cost             | 9,299,990                         | 4,538,428         | 3,968,561         | 9,938,052                        | 9,181,253                                     | 9,533,490   | 1,085,714                              | (765,817)          | (6,012,370)         | 40,767,301         |
| Allocated costs                                    | (6,550,650)                       | (1,660,672)       | (562,129)         | (383,991)                        | -   | -   | -                                      | -                  | -                   | (9,157,442)        |
| <b>Operating profit</b>                            | <b>2,749,340</b>                  | <b>2,877,756</b>  | <b>3,406,432</b>  | <b>9,554,061</b>                 | <b>9,181,253</b>                              | <b>9,533,490</b>                                    | <b>1,085,714</b>                       | <b>(765,817)</b>   | <b>(6,012,370)</b>  | <b>31,609,859</b>  |
| Unallocated corporate expenses                     |                                   |                   |                   |                                  |   |   |  |                    |                     | (5,423,802)        |
| Negative goodwill on acquisition of subsidiary     |                                   |                   |                   |                                  |   |   |  |                    |                     | 4,392,149          |
| Share of profit of associates                      |                                   |                   |                   |                                  |   |   |  |                    |                     | 2,573,232          |
| Gain on disposal of associate                      |                                   |                   |                   |                                  |   |   |  |                    |                     | 837,480            |
| <b>Profit before taxation</b>                      |                                   |                   |                   |                                  |   |   |  |                    |                     | <b>33,988,918</b>  |
| Taxation   |                                   |                   |                   |                                  |   |   |  |                    |                     | (5,407,952)        |
| <b>Net Profit</b>                                  |                                   |                   |                   |                                  |   |   |  |                    |                     | <b>28,580,966</b>  |
| Segment assets                                     | 371,812,382                       | 28,225,714        | 112,327,839       | 301,620,091                      | 216,828,952                                   | 53,116,340  | 15,382,157                             | 17,917,104         | (180,024,697)       | 937,205,882        |
| Associates   |                                   |                   |                   |                                  |   |   |  |                    |                     | 35,125,895         |
| Unallocated assets                                 |                                   |                   |                   |                                  |   |   |  |                    |                     | 6,252,849          |
| <b>Total assets</b>                                |                                   |                   |                   |                                  |   |   |  |                    |                     | <b>978,584,626</b> |
| 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            |
| <b>Total liabilities</b>                           |                                   |                   |                   |                                  |   |   |  |                    |                     | <b>839,000,298</b> |
| Capital expenditure                                | 2,981,420                         | 1,066,251         | 254,380           | 183,449                          | 842,017                                       | 486,332   | 577,075                                | 99,350             | -                   | 6,490,274          |



## 1. Identification and Principal Activities

NCB Financial Group Limited ("the Company") is incorporated and domiciled in Jamaica. The Company is 53.08% (September 30, 2018 - 53.02%) owned by AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael A. Lee-Chin, O.J., Chairman of the Company.

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

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

The Company's is a financial holding company.

The financial position and performance of the Group was impacted during the year by the acquisition of a majority stake in Guardian Holdings Limited (GHL) and the disposal of the entire shareholding in Advantage General Insurance Company Limited. This resulted in an increase in assets and liabilities and the recognition of goodwill and other intangible assets. The details of the transaction are disclosed in Note 5 and 6.

In 2018, the Group acquired 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 Group disposed of its interest in one of its associates, JMMB Group Limited, in December 2018 (Note 4).

## 2. Basis of preparation

The condensed consolidated interim financial statements (interim financial statements) for the quarter and year ended September 30, 2019 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2018 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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.

### IFRS 9, 'Financial Instruments'

Effective October 1, 2018, the Group adopted IFRS 9, 'Financial Instruments', which replaced IAS 39. The Group has applied the new rules under the modified retrospective treatment allowed under the standard, with the practical expedients permitted. The modified retrospective treatment does not require the restatement of prior periods, therefore comparatives for the prior year were not restated and are therefore in accordance with IAS 39.

Under IFRS 9, financial assets are required to be classified into three measurement categories: (i) those to be measured subsequently at amortised cost, (ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI) and (iii) those to be measured subsequently at fair value through profit or loss (FVTPL). 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 is 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.

### 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 majority of the Group's debt instruments which were classified as available-for-sale were reclassified as measured at FVOCI. Certain debt instruments which were classified as loans and receivables were reclassified as measured at FVOCI and some were reclassified as measured at amortised cost. Some debt instruments which were 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, those instruments were reclassified as FVTPL and the related fair value gains/(losses) were transferred from the fair value reserve to retained earnings on October 1, 2018.

#### Equity instruments

The Group had previously classified 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 has resulted in the 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. Basis of preparation (continued)

### IFRS 9, 'Financial Instruments' (continued)

#### Classification and measurement (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 previously 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 do not apply to financial assets classified as FVTPL.

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 is computed by using the respective probabilities of defaults (PD) occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, the PD used corresponds to the remaining maturity. This Stage 1 approach is different from the previous 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 PD 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 are 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 include: (i) assessment of significant increase in credit risk; (ii) macroeconomic factors, forward looking information, including multiple scenarios; (iii) expected life; and (iv) definition of default and write-off.

The Group's financial statements have been adjusted as at October 1, 2018 to reflect the cumulative retrospective impact of the initial adoption of IFRS 9. The effect of the adoption on the statement of financial position as at October 1, 2018 was as follows:

|   | As previously<br>stated<br>September 30<br>2018 | IFRS 9 initial<br>adoption<br>adjustments<br>October 1 2018 | Opening<br>position October<br>1 2018 |
|---|---|---|---------------------------------------|
|   | \$'000  | \$'000  | \$'000                                |
| <b>ASSETS</b>   |   |   |                                       |
| Cash in hand and balances at Central Banks                                      | 74,711,396                                      | -   | 74,711,396                            |
| Due from banks  | 48,702,014                                      | -   | 48,702,014                            |
| Derivative financial instruments  | 233,329   | (233,329)   | -                                     |
| Investment securities at fair value through profit or loss (FVTPL)              | 2,540,013                                       | 7,261,180   | 9,801,193                             |
| Reverse repurchase agreements   | 3,807,177                                       | -   | 3,807,177                             |
| Loans and advances, net of credit impairment losses                             | 372,634,701                                     | (341,300)   | 372,293,401                           |
| Investment securities classified as available-for-sale and loans and receivable | 211,903,094                                     | (211,903,094)   | -                                     |
| Investment securities classified as FVOCI and amortised cost                    | -   | 205,224,014   | 205,224,014                           |
| Pledged assets  | 176,910,304                                     | -   | 176,910,304                           |
| Investment in associates  | 35,125,894                                      | (1,340,904)   | 33,784,990                            |
| Investment properties   | 1,366,950                                       | -   | 1,366,950                             |
| Intangible assets   | 12,398,591                                      | -   | 12,398,591                            |
| Property, plant and equipment   | 13,280,060                                      | -   | 13,280,060                            |
| Deferred income tax assets  | 4,639,482                                       | (146,750)   | 4,492,732                             |
| Income tax recoverable  | 1,613,365                                       | -   | 1,613,365                             |
| Customers' liability - letters of credit and undertaking                        | 2,305,130                                       | -   | 2,305,130                             |
| Other assets  | 16,413,126                                      | -   | 16,413,126                            |
| <b>Total assets</b>   | <b>978,584,626</b>                              | <b>(1,480,183)</b>  | <b>977,104,443</b>                    |



## 2. Basis of preparation (continued)

### IFRS 9, 'Financial Instruments' (continued)

|   | As previously<br>stated<br>September 30<br>2018 | IFRS 9 initial<br>adoption<br>adjustments<br>October 1 2018 | Opening<br>position October<br>1 2018 |
|---|---|---|---------------------------------------|
|   | \$'000  | \$'000  | \$'000                                |
| <b>LIABILITIES</b>                                |   |   |                                       |
| Due to banks                                      | 11,815,200                                      | -   | 11,815,200                            |
| Customer deposits                                 | 484,847,790                                     | -   | 484,847,790                           |
| Repurchase agreements                             | 152,884,626                                     | -   | 152,884,626                           |
| Obligations under securitisation arrangements     | 58,992,666                                      | -   | 58,992,666                            |
| Derivative financial instruments                  | 259,002   | -   | 259,002                               |
| Other borrowed funds                              | 65,558,639                                      | -   | 65,558,639                            |
| Deferred income tax liabilities                   | 910,710   | 346,067   | 1,256,777                             |
| Liabilities under annuity and insurance contracts | 38,093,007                                      | -   | 38,093,007                            |
| Post-employment benefit obligations               | 5,502,973                                       | -   | 5,502,973                             |
| Liability - letters of credit and undertaking     | 2,305,130                                       | -   | 2,305,130                             |
| Other liabilities                                 | 17,830,555                                      | -   | 17,830,555                            |
| <b>Total liabilities</b>                          | <b>839,000,298</b>                              | <b>346,067</b>  | <b>839,346,365</b>                    |
| <b>STOCKHOLDERS' EQUITY</b>                       |   |   |                                       |
| Share capital                                     | 153,827,330                                     | -   | 153,827,330                           |
| Treasury shares                                   | (1,050,785)                                     | -   | (1,050,785)                           |
| Reserve from the scheme of arrangement            | (147,034,858)                                   | -   | (147,034,858)                         |
| Fair value and capital reserves                   | 3,535,115                                       | 1,914,494   | 5,449,609                             |
| Loan loss reserve                                 | 3,470,490                                       | (245,692)   | 3,224,798                             |
| Banking reserve fund                              | 6,598,442                                       | -   | 6,598,442                             |
| Retained earnings reserve                         | 39,250,000                                      | -   | 39,250,000                            |
| Retained earnings                                 | 71,444,834                                      | (3,457,496)   | 67,987,338                            |
| Equity attributable to shareholders of the parent | 130,040,568                                     | (1,788,694)   | 128,251,874                           |
| Non-controlling interest                          | 9,543,760                                       | (37,556)  | 9,506,204                             |
| <b>Total stockholders' equity</b>                 | <b>139,584,328</b>                              | <b>(1,826,250)</b>  | <b>137,758,078</b>                    |
| <b>Total stockholders' equity and liabilities</b> | <b>978,584,626</b>                              | <b>(1,480,183)</b>  | <b>977,104,443</b>                    |

### IFRS 15, 'Revenue from Contracts with Customers'

Effective October 1, 2018, the Group also adopted IFRS 15, 'Revenue from Contracts with Customers'. 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. The Group's main source of revenue is out of the scope of IFRS 15. The Group has concluded that there was no significant impact on adoption of IFRS 15.

## 3. Segment reporting

The Group is organised into the following business segments:

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

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



#### 4. Disposal of associate interest in JMMB Group Limited

National Commercial Bank Jamaica Limited, a subsidiary of NCB Financial Group Limited, disposed of 326,277,325 shares in JMMB Group Limited in December 2018 at a price of \$28.25 per share, resulting in the recording of a gain on disposal of \$3.3 billion in the current year. JMMB Group Limited is therefore no longer an associate company of the Group.

#### 5. Acquisition of Subsidiary

On May 13, 2019 the Group acquired a further 31.993% of the share capital of Guardian Holdings Limited (GHL), in addition to the previously held 29.974%, thereby obtaining an overall controlling interest of 61.967%. Guardian Holdings Limited and its subsidiaries constitute a diversified financial services group engaged in underwriting all classes of long-term and short-term insurance business, insurance brokerage operations, the provision of pension and asset management services, and property development.

Under IFRS 3, the acquisition of GHL is considered a business combination achieved in stages, which is also referred to as a 'step acquisition'. The previous non-controlling interest of 29.974% (investment in associate) is required to be remeasured at the date of achieving control (acquisition-date fair value) and any resulting gain or loss recognised in profit or loss or other comprehensive income (OCI) as if there was a direct disposal of the non-controlling interest. The non-controlling interest after remeasurement to its acquisition-date fair value is included as a part of the overall consideration for obtaining control. The acquisition-date fair value was determined provisionally using an income approach. A valuation as at the actual acquisition date has been commissioned and the provisional fair value will be revised on completion, if required. The gain on revaluation of the investment in associate booked in the income statement is as follows:

|   | <b>\$'000</b> |
|---|---------------|
| Acquisition date fair value                           | 32,585,000    |
| Less:   |               |
| Carrying value of non-controlling interest            | 31,682,419    |
| Amounts in OCI to be recycled to the income statement | (1,426,598)   |
|   | 30,255,821    |
| Gain on revaluation of investment in associate        | 2,329,179     |

In accordance with the measurement period provisions in IFRS 3, the Group's share of net identifiable assets acquired has been determined provisionally from the financial statements of GHL as at April 30, 2019 as well as valuations of certain intangibles. Details of the net assets acquired, purchase consideration and goodwill, determined on a provisional basis, are as follows:

|  | <b>\$'000</b>                 |
|--|-------------------------------|
| Purchase consideration                                       |                               |
| Cash paid for 31.993% interest acquired in May 2019          | 28,100,754                    |
| Fair value of initial 29.974% as at acquisition date         | 32,585,000                    |
|  | 60,685,754                    |
|  | <b>Provisional fair value</b> |
|  | <b>\$'000</b>                 |
| Net assets arising on the acquisition                        |                               |
| Cash in hand and balances at Central Bank                    | 41,060,665                    |
| Cash and cash equivalents of mutual funds unit holders       | 4,012,020                     |
| Investment securities classified as FVOCI and amortised cost | 438,106,872                   |
| Investment in associates                                     | 4,705,470                     |
| Investment properties  | 29,201,380                    |
| Intangible assets  | 22,021,175                    |
| Property, plant and equipment                                | 11,916,628                    |
| Reinsurance assets   | 28,901,209                    |
| Income tax recoverable                                       | 2,508,019                     |
| Other assets   | 7,216,580                     |
| Insurance contracts  | (345,450,233)                 |
| Other borrowed funds   | (51,889,188)                  |
| Investment contract liabilities                              | (39,395,293)                  |
| Third party interest in mutual funds                         | (21,379,700)                  |
| Segregated fund liabilities                                  | (16,549,531)                  |
| Deferred income tax liabilities                              | (14,642,820)                  |
| Other liabilities  | (29,123,078)                  |
| Net identifiable assets acquired                             | 71,220,175                    |
| Less : non-controlling interest                              | (27,506,857)                  |
| Net assets acquired  | 43,713,318                    |
| Consideration  | (60,685,754)                  |
| Goodwill   | (16,972,436)                  |



## 6. Disposal of subsidiary - Advantage General Insurance Company Limited

In September 2019, NCB Capital Markets Limited, a subsidiary of NCB Financial Group Limited, sold its interest in Advantage General Insurance Company Limited. The shares were sold for a consideration of US\$50,500,000.00. The Group recognised a gain of approximately \$2.6 billion upon completion of the sale.

Advantage General Insurance Company Limited contributed operating income of \$2,460,208,000 and profits of \$560,817,000 for the year ended September 30, 2019.

Details of net assets sold and gain realised are as follows:

|  | <b>\$'000</b>    |
|--|------------------|
| Cash and bank balances                           | 186,227          |
| Investment securities                            | 8,345,735        |
| Investment properties                            | 734,797          |
| Property, plant, equipment and intangible assets | 1,167,080        |
| Income tax recoverable                           | 411,737          |
| Other assets                                     | 2,182,952        |
| Liabilities and annuity contracts                | (6,559,758)      |
| Other liabilities                                | (2,336,587)      |
| <b>Net Assets</b>                                | <b>4,132,183</b> |
| <b>Gain on disposal computation:</b>             |                  |
| <b>Proceeds, net of transaction costs</b>        | <b>6,651,806</b> |
| Net assets                                       | 4,132,183        |
| Adjustments                                      | (106,802)        |
| <b>Adjusted net assets</b>                       | <b>4,025,381</b> |
| <b>Gain on disposal</b>                          | <b>2,626,425</b> |



**Interest/Ownership of Stock Units by Directors of NCB Financial Group Limited as at September 30, 2019**

| <b>Directors <sup>1.</sup></b>    | <b>Total</b>  | <b>Direct</b> | <b>Connected Parties</b> |
|-----------------------------------|---------------|---------------|--------------------------|
| Robert Almeida                    | 60,140,589    | 171,750       | 59,968,839               |
| Dennis Cohen <sup>2.</sup>        | 166,983,393   | 34,061,577    | 132,921,816              |
| Sandra Glasgow <sup>2.</sup>      | 133,281,486   | 319,470       | 132,962,016              |
| Sanya Goffe                       | 59,982,839    | 14,000        | 59,968,839               |
| Patrick Hylton, CD                | 123,071,050   | 63,102,211    | 59,968,839               |
| Hon. Michael Lee-Chin, OJ         | 1,512,371,815 | 0             | 1,512,371,815            |
| Thalia Lyn, OD <sup>2.</sup>      | 133,375,550   | 440,614       | 132,934,936              |
| Oliver Mitchell, Jr.              | 59,978,039    | 9,200         | 59,968,839               |
| Prof. Alvin Wint, CD              | 60,056,983    | 88,144        | 59,968,839               |
| Dave Garcia (Corporate Secretary) | 175,027       | 175,027       | 0                        |

**Interest/Ownership of Stock Units by Executives/Senior Managers of NCB Financial Group Limited as at September 30, 2019**

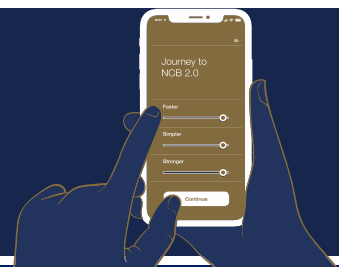
| <b>Executives/Senior Managers</b> | <b>Total</b> | <b>Direct</b> | <b>Connected Parties</b> |
|-----------------------------------|--------------|---------------|--------------------------|
| Dennis Cohen <sup>1. 2.</sup>     | 166,983,393  | 34,061,577    | 132,921,816              |
| Dave Garcia                       | 175,027      | 175,027       | 0                        |
| Patrick Hylton, CD <sup>1.</sup>  | 123,071,050  | 63,102,211    | 59,968,839               |
| Misheca Seymour-Senior            | 4,195        | 4,195         | 0                        |
| Mukisa Wilson Ricketts            | 87,552       | 87,552        | 0                        |
| Allison Wynter <sup>2.</sup>      | 73,141,214   | 191,237       | 72,949,977               |

**Interest/Ownership of Stock Units by Executives/Senior Managers of subsidiaries of NCB Financial Group Limited as at September 30, 2019**

| <b>Executives/Senior Managers</b> | <b>Total</b> | <b>Direct</b> | <b>Connected Parties</b> |
|-----------------------------------|--------------|---------------|--------------------------|
| Rickert Allen                     | 226,844      | 226,844       | 0                        |
| Gabrielle Banbury-Kelly           | 95,508       | 95,508        | 0                        |
| Septimus Blake                    | 211,144      | 211,144       | 0                        |
| Brian Boothe                      | 102,000      | 102,000       | 0                        |
| Danielle Cameron Duncan           | 91,159       | 91,159        | 0                        |
| Steven Gooden                     | 124,420      | 124,420       | 0                        |
| Howard Gordon                     | 105,051      | 105,051       | 0                        |
| Phillip Harrison                  | 25,598       | 10,000        | 15,598                   |
| Vernon James                      | 0            | 0             | 0                        |
| Nadeen Matthews Blair             | 92,305       | 92,305        | 0                        |
| Claudette Rodriguez               | 99,355       | 99,355        | 0                        |
| Malcolm Sadler                    | 58,827       | 28,774        | 30,053                   |
| Ravi Tewari                       | 0            | 0             | 0                        |
| Ian Truran                        | 0            | 0             | 0                        |
| Simona Watkis                     | 4,900        | 4,900         | 0                        |
| Tanya Watson Francis              | 156,323      | 156,323       | 0                        |
| Angus Young                       | 93,000       | 93,000        | 0                        |

1. Connected parties for all directors include shares of 59,968,839 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 as trustees of the N.C.B. Staff Pension Fund.



## 10 Largest Shareholders of NCB Financial Group Limited as at September 30, 2019

| Name of Shareholder                      | Units         | Percentage Ownership |
|--|---------------|----------------------|
| AIC (Barbados) Limited                   | 1,309,371,033 | 53.08%               |
| Sagicor PIF Equity Fund                  | 77,833,444    | 3.16%                |
| Patrick Hylton                           | 63,102,211    | 2.56%                |
| NCB Insurance Co. Ltd WT 109             | 62,989,156    | 2.55%                |
| Harprop Limited                          | 49,806,031    | 2.02%                |
| AIC Global Holdings Inc.                 | 45,449,690    | 1.84%                |
| SJIML A/C 3119                           | 35,114,981    | 1.42%                |
| Ideal Portfolio Services Company Limited | 34,250,667    | 1.39%                |
| Dennis Cohen                             | 34,061,577    | 1.38%                |
| Guardian Life of the Caribbean           | 30,206,368    | 1.22%                |

## Shareholder Profile of NCB Financial Group Limited as at September 30, 2019

| Number of Shareholders          | Ownership of Each Shareholder | Percentage Ownership | Number of Units      |
|---------------------------------|-------------------------------|----------------------|----------------------|
| (1) shareholder with 6 accounts | 53.08%                        | 53.08%               | 1,309,371,033        |
| 10                              | 1 - 5%                        | 18.60%               | 458,759,092          |
| 41,550                          | Less than 1%                  | 28.32%               | 698,632,703          |
| <b>41,561</b>                   |                               | <b>100.00%</b>       | <b>2,466,762,828</b> |