Annual Report 2021

Empowering People Unlocking Dreams Building Communities

NCB FINANCIAL GROUP LIMITED

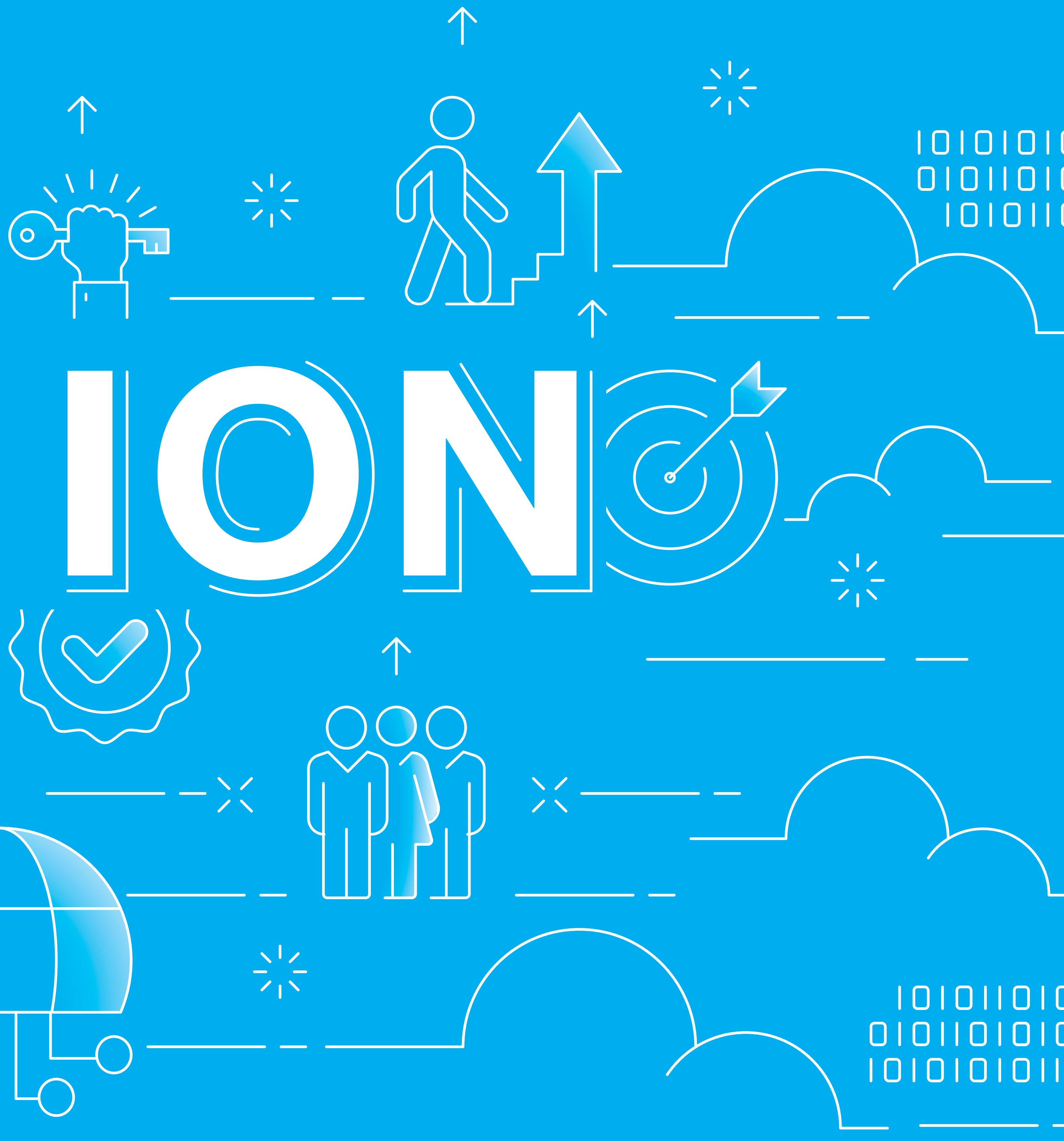

UNLOCKING DREAMS
PUR
BUILDING COMMUNITIES

EMPOWERING PEOPLE

POSE

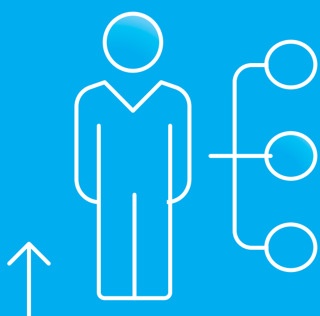
VIS

To create a world class financial ecosystem that serves to power the advancement of individuals, businesses and communities, wherever we operate.


ION

CUSTOMER OBSESSION

Delights all customers as he/she consistently anticipates and exceeds their expectations.



VAL

OWNER'S MINDSET

Takes accountability for all outcomes and embraces challenges as opportunities to win!

RESPECT

Treats others how he/she wants to be treated.

UES

INNOVATION

Thinks creatively and pursues solutions that add value.

TEAMWORK

Collaborates and supports others on the journey towards our aspiration.

TRUSTWORTHINESS

People can rely on him/her to show up with Integrity and do what he/she says.

BOLDNESS

Speaks up, shows up courageously and pushes relentlessly towards our aspiration.

Brand **Pillars**

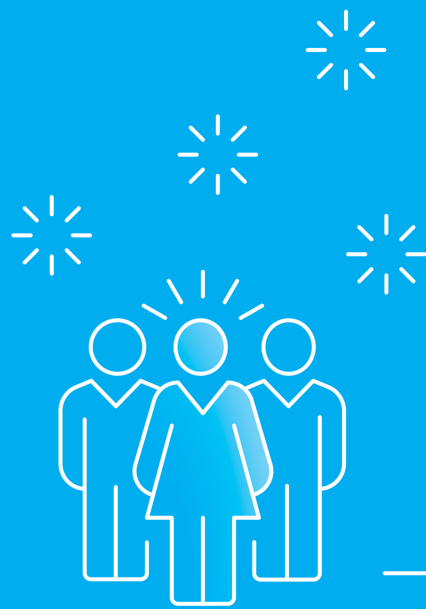
INNOVATION

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

EXPERTISE

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

STRENGTH



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

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of NCB FINANCIAL GROUP LIMITED will be held at **The Atrium, 32 Trafalgar Road, Kingston 10, in the parish of Saint Andrew, Jamaica on February 4, 2022,** and online using access information set out below, to start at **10:30 a.m.**, to consider and if thought fit pass the following resolutions:

ORDINARY BUSINESS

Ordinary Resolutions

1. **Audited Accounts**

   "**THAT** the Audited Accounts for the year ended September 30, 2021, and the Reports of the Directors and Auditors, circulated with the Notice convening the Meeting, be and are hereby adopted."

2. **Declaration of Dividend**

   "**THAT** the interim dividend per stock unit of $0.50 paid in May 2021 be treated on the recommendation of the Directors as the final dividend for the financial year ended September 30, 2021."

3. **Election of Directors**

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

   The proposed resolutions are therefore as follows:

   a) "**THAT** Director **Mrs Sandra Glasgow** retiring pursuant to Article 94 of the Articles of Incorporation be and is hereby re-elected."

   b) "**THAT** Director **Mrs Sanya Goffe** retiring pursuant to Article 94 of the Articles of Incorporation be and is hereby re-elected."

4. **Directors' Remuneration**

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

   b) "**THAT** the total remuneration of all of the Directors combined, other than the Executive Directors, for the financial year of the Company ending September 30, 2022, BE AND IS HEREBY fixed at $27,000,000, which remuneration may include such share incentive scheme for directors as may be determined by the Board."

5. **Appointment of Auditors and their Remuneration**

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

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

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

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

Instructions for participation in the hybrid AGM follow.

DATED this **31st** day of **December 2021**

BY ORDER OF THE BOARD

DAVE L. GARCIA
CORPORATE SECRETARY

Special instructions for attendance and participation at the Annual General Meeting (AGM)

Shareholders will not be able to attend the meeting in person; however, they will have an opportunity to attend and vote on resolutions raised at the AGM electronically once they register using this link: **https://iteneri.com/ncbfg**

Non-shareholders may also attend the meeting if they register using this same link.

Upon registration and verification, an electronic link and a password will be sent to the same e-mail address that was used for registration. ***The link and password should not be shared with anyone.***

The deadline for registration is February 2, 2022.

The AGM will be streamed live at **www.myncb.com** and on the National Commercial Bank Jamaica Limited YouTube Page for viewing by all persons worldwide regardless of whether they register.

Persons are strongly encouraged to submit any questions related to the audited accounts prior to the AGM by e-mail to ncbfginvestorqueries@jncb.com so that they may be addressed during presentations and/or the course of the meeting. During the meeting questions may only be submitted through the question & answer feature in the application and will be addressed, time permitting, in the designated "Audited Accounts" or "Question & Answer" segments of the meeting agenda.

Voting by shareholders on all resolutions shown on the Notice of AGM will be done electronically. Only those shareholders who have registered or their proxies will be able to vote on resolutions.

The Notice of AGM, Proxy Form and 2021 Annual Report are available at **www.myncb.com/Investor-Relations/Information**.

23

Although this new era has shifted the world into uncharted territory, we forge ahead with confidence, guided by the compass of our purpose.

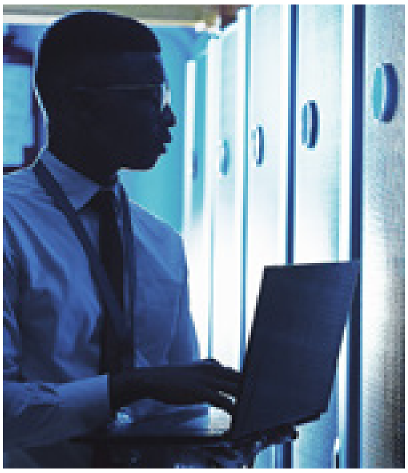
During this financial year, the COVID-19 pandemic continued to present challenges worldwide and required the continued focus of the Board on the risks faced as a Group.

29

51

Our unwavering commitment is to realise our 2024 aspiration of becoming a world-class Caribbean financial ecosystem while staying true to our purpose...

CONT

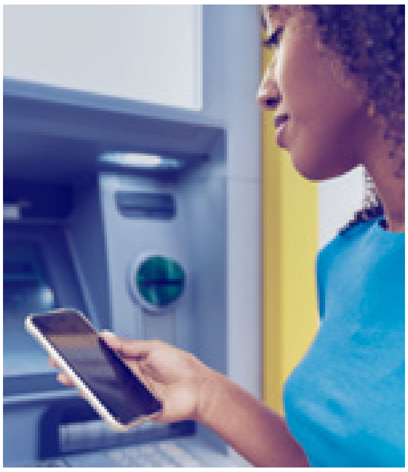


Close to a hundred digital transformation initiatives were undertaken across the organisation this year, primarily geared at improving efficiency, cost-effectiveness, and customer experience...

107

Our transformation journey is equipping us to navigate any environment and is charting a path for a renewed organisation dedicated to our purpose...

119



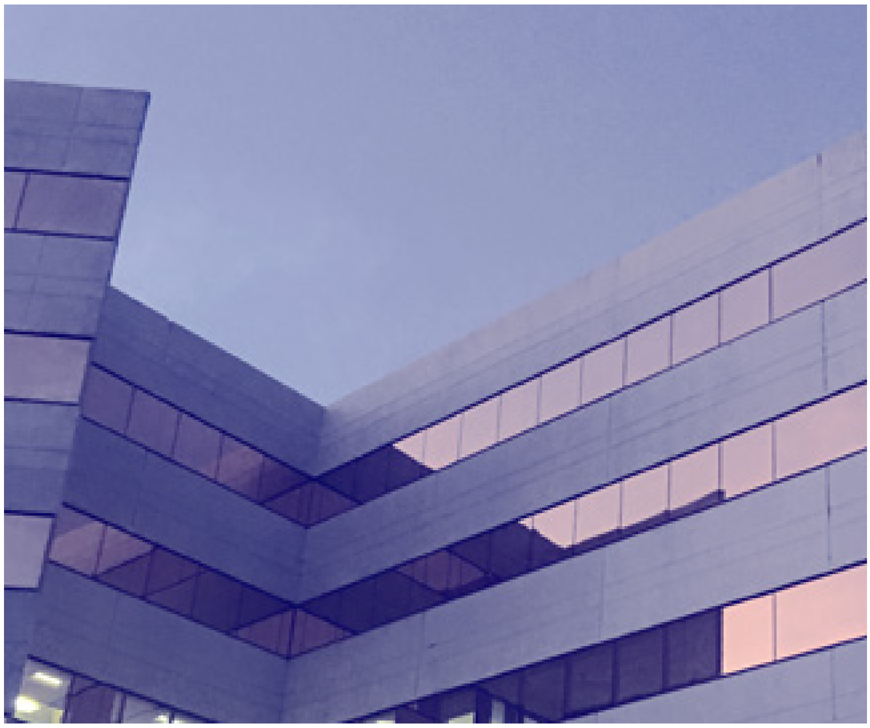
NCBFG's commitment to delivering on its CSR is considered essential to the long-term viability of the business – given its traditionally positive impact on all stakeholders.

123

ENTS

Our Business in Brief

Even on the cusp of celebrating its landmark 185th anniversary, the NCB story is one which tells the coming-of-age of one of the region's most venerable financial institutions.



NCB Financial Group stands strong on the legacy created by the institutions which paved the way before it – starting with the Colonial Bank of London in 1837, which became Barclay's Bank in 1925.

A series of pivotal mergers and acquisitions since then led to the incorporation of NCB Financial Group Limited in April 2016, one of the Caribbean's most resilient financial service conglomerates. The journey to becoming a world-class financial ecosystem continues, powered by an unending future-forward digital transformation and commitment to turning every obstacle in the road into a stepping-stone for reaching its audacious goals.

A refreshed mindset also helped to bring into focus the Group's purpose of empowering people, unlocking dreams and building communities. In spite of the challenges created by the ongoing COVID-19 pandemic in the last two years, the NCB Financial Group is unwavering in its pursuit of excellence, economic recovery, revitalisation and nation-building.

NCB Financial Group Limited (NCBFG) is the financial holding company of the Caribbean-based financial services conglomerate consisting of National Commercial Bank Jamaica Limited (NCBJ) and its subsidiaries, Clarien Group Limited (Clarien) and its subsidiaries, NCB Global Holdings Limited – the majority owner of Guardian Holdings Limited and its subsidiaries and TFOB (2021) Limited. NCBFG was incorporated in April 2016, and today, the Group operates in 21 territories across the English and Dutch-speaking Caribbean, as well as in the United Kingdom.

NCB FINANCIAL GROUP LIMITED

SUBSIDIARIES

CLARIEN

Clarien Group Limited and its subsidiaries provide personal, commercial and private banking services to clients primarily based in Bermuda. It is one of the largest independent, privately-owned integrated financial services organisations in Bermuda, with an extensive portfolio of offerings. These include personal banking, business banking and payment services through Clarien Bank Limited; exclusive wealth management services through Clarien Investments Limited; and customised trust and fiduciary services through Clarien Trust Limited.

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

National Commercial Bank Jamaica Limited (NCBJ) and its subsidiaries provide an expansive range of products and services aimed at meeting all the commercial banking, wealth and asset management needs of customers primarily in Jamaica, the Cayman Islands, Barbados and Trinidad and Tobago. The main subsidiaries are NCB Capital Markets Limited, NCB Insurance Agency and Fund Managers Limited, NCB Cayman Limited, and NCB Merchant Bank (Trinidad and Tobago) Limited. NCBJ has over 30 locations in Jamaica – including digital branches and full-service branches – more than 300 ABMs and financial kiosks, and over 10,000 merchants.

Guardian Group

Guardian Holdings Limited is the parent company for Guardian Group, an integrated financial services provider which focuses on life, health, property and casualty insurance, as well as pensions and asset management. The Group currently serves markets in 21 territories across the English and Dutch-speaking Caribbean, including Trinidad and Tobago, Barbados, Jamaica, Curaçao, Aruba, St. Maarten and Bonaire. Guardian Group's products and services are also marketed throughout the Eastern Caribbean, the Bahamas, Cayman Islands, US Virgin Islands and Belize.

TFOB (2021) LIMITED

TFOB (2021) Limited (TFOB) is a recently incorporated FINTECH, which intends to bring new and innovative digital payment solutions to the market. TFOB launched a mobile wallet - Lynk in 2021, enabling customers to do peer to peer transfers, send and receive money from a linked bank account and make payments to merchants.

Operating Groups	Banking & Investment Activities					Insurance Activities	
Operating Segments	Consumer & SME Banking	Corporate & Commercial Banking	Payment Services	Treasury & Correspondent Banking	Wealth, Asset Management & Investment Banking	Life & Health Insurance and Pension Fund Management	General Insurance
Lines of Business	Personal Banking; Private Banking; Commercial Banking; Lending/Credit; Deposits		Credit Card Issuing; Card Acquiring; Mobile Wallet (Electronic Payments)	Liquidity Management; Correspondent Banking; Wholesale Funding; Foreign Exchange Management	Regional Asset Management; Investments; Corporate Financing; Investment Banking; Brokerage Services	Individual and Group Life Insurance; Health Insurance; Property Insurance; Casualty Insurance; Annuity Products; Pension Fund Management	

Through these segments, NCBFG is able to serve its customers with a wide range of specialised and customised financial products and services.

Performance Highlights

Highest Ever - Record Performance

1.9
ASSETS
($'Trillions)

14
NET PROFIT*
($'Billions)

121
OPERATING INCOME
($'Billions)

161
STOCKHOLDERS' EQUITY*
($'Billions)

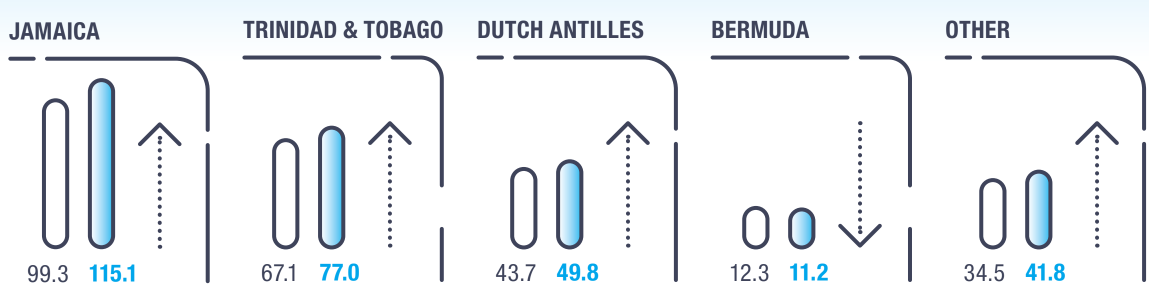
NET RESULT
($'Billions)

	2020	2021
From Banking & Investment Activities	76	98
From Insurance Activities	32	23

*Attributable to shareholders of the company.

FY2020 FY2021

REVENUES
By Geographical Segments
($'Billions)



295

GROSS INCOME
($'Billions)

433

LIABILITIES UNDER ANNUITY AND INSURANCE CONTRACTS
($'Billions)

523

NET LOANS
($'Billions)

647

CUSTOMER DEPOSIT
($'Billions)

78.92 FY2020

80.90 FY2021

NET LOANS TO CUSTOMER DEPOSIT RATIO
(%)

TOTAL ASSETS
By Geographical Segments
($'Billions)

	JAMAICA	TRINIDAD & TOBAGO	DUTCH ANTILLES	BERMUDA	OTHER
	955.7	246.6	170.4	202.7	224.7
	993.1	**291.7**	**186.4**	**205.8**	**244.4**

Our Business
Highlights

1. Sheree Martin, NCBJ's Head of Retail Banking and Customer Experience, cuts the ribbon to the newly-relocated Corporate Learning Campus, now housed at the Atrium, NCBFG's Headquarters in Kingston, Jamaica. Looking on are Septimus 'Bob' Blake, CEO - NCBJ, Dennis Cohen, Group Chief Financial Officer and Deputy CEO - NCBFG and Euton Cummings, Head - Group Human Resources and Facilities Division - NCBJ. **2.** Nichole Brackett Walters, NCBJ's Group Marketing and Communications Manager (left), helped to kick off the 2021 Sigma Run with a donation of $1 million to the Sigma Run 2021 Charities. An ecstatic Alysia Moulton-White, Executive Director of the Sagicor Foundation, received the donation on its behalf. **3.** Joseph Montaque, Marketing Manager – Business - NCBJ, and colleague Akiem Henry, Sales Agent at NCBJ, presented Godfrey Salmon and Kerry-Ann Walters of Virtual Mart Jamaica with a token of appreciation. Virtual Mart Jamaica is an online shopping and home delivery service in Jamaica, which gives customers the convenience of shopping online, and paying through NCBJ's credit card and point-of-sale services.

4. Crime Stop Jamaica, a community crime-fighting programme, received a donation from Guardian Life Limited, through the Guardian Group Foundation. Cherise Bruce-Douglas (centre), Manager, Crime Stop Jamaica and Prudence Gentles who has responsibility for Special Projects at Crime Stop Jamaica received the donation from Joycelyn Boland (right), Unit Manager - Guardian Life's Trafalgar Financial Centre. **5.** CEO - N.C.B. Foundation, Nadeen Matthews Blair, presents a gift of $850,000 to Marcia Tucker, Manager of the Strathmore Gardens Children's Home in St. Catherine, Jamaica. The institution received top votes in N.C.B. Foundation's annual Grant a Wish programme in December 2021. **6.** Members of the Clarien team participated in the annual AXA End-to-End event in Bermuda, a charity event held in support of Age Concern Bermuda and an initiative to provide funding for Chromebook laptops for students in Bermuda's Public Schools.

10 Year Financial Statistical Review

Consolidated Income Statement Summary (J$'000)

	2021	2020	2019	2018
Net profit	**20,075,606**	26,883,412	31,164,938	28,580,966
Net profit attributable to the stockholders of the parent	**14,226,671**	19,090,378	29,869,398	27,958,752
Gross operating income	**294,890,376**	256,816,559	171,252,858	98,779,947
Operating income	**121,105,355**	108,826,889	91,180,975	69,614,802
Net interest income	**48,626,967**	52,489,709	44,595,084	35,144,184
Non-interest income	**75,863,514**	66,622,174	51,410,625	36,431,256
Credit impairment losses	**3,385,126**	10,284,994	4,824,734	1,960,638
Net result from banking & investment activities	**98,153,663**	76,370,898	76,749,460	65,817,511
Net result from insurance activities	**22,951,692**	32,455,991	14,431,515	3,797,291
Operating expenses	**94,850,111**	81,565,804	64,736,903	43,428,745
Staff costs	**44,500,542**	40,526,668	32,120,544	23,776,353
Depreciation, amortisation and finance cost	**11,146,310**	9,941,198	6,941,434	3,472,372
Taxation expenses	**6,519,927**	690,064	6,423,458	5,407,952

Consolidated Statement of Financial Position Summary (J$'000)

	2021	2020	2019	2018
Total assets	**1,921,368,172**	1,800,260,275	1,616,299,602	978,584,626
Loans and advances, net of provision for credit losses	**523,488,890**	452,954,936	423,102,600	372,634,701
Investment securities	**900,512,195**	853,085,972	759,496,006	389,490,044
Statutory reserves with Central Banks	**41,247,661**	35,552,128	37,316,963	43,575,130
Customer deposits	**647,085,400**	573,968,886	504,678,536	484,847,790
Liabilities under annuity and insurance contracts	**433,056,798**	405,014,541	394,615,307	38,093,007
Repurchase agreements	**224,805,387**	211,436,379	174,619,976	152,884,626
Other borrowed funds	**136,972,443**	125,066,336	124,953,101	65,558,639
Obligations under securitisation arrangements	**63,087,217**	71,083,957	48,305,823	58,992,666
Stockholders' equity	**206,665,026**	200,204,923	183,870,618	139,584,328
Stockholders' equity attributable to the stockholders of the parent	**161,456,191**	156,114,678	147,590,179	130,040,568

Profitability Ratios (%)

	2021	2020	2019	2018
Return on average stockholders' equity (1)	**8.96%**	12.57%	21.52%	22.73%
Return on average total assets (2)	**1.08%**	1.57%	2.40%	3.42%
Net result from banking & investment to operating income	**81.05%**	70.18%	84.17%	94.55%
Net result from insurance activities to operating income	**18.95%**	29.82%	15.83%	5.45%
Effective tax rate (3)	**24.52%**	2.50%	17.09%	15.91%
Cost to income ratio (4)	**76.19%**	68.48%	67.43%	60.68%

1. Return on average stockholders' equity is calculated as net profit attributable to stockholders of the parent divided by average stockholders' equity attributable to stockholders of the parent (stockholders' equity at the end of the financial year plus stockholders' equity at the end of the prior financial year, divided by two).
2. Return on average total assets is calculated as net profit divided by average total assets (total assets at the end of the financial year plus total assets at the end of the prior financial year, divided by two).

2017	2016	2015	2014	2013	2012
19,107,818	14,448,560	12,301,790	12,327,120	8,578,858	10,045,862
19,107,818	14,448,560	12,301,790	12,327,120	8,578,858	10,045,862
76,213,792	65,747,306	61,158,813	58,067,343	48,999,634	44,413,755
54,336,912	46,936,071	41,495,517	36,794,886	32,027,321	30,140,837
29,759,669	28,123,770	25,964,030	24,660,667	23,558,986	21,784,090
25,306,477	19,424,656	17,410,410	14,561,253	10,621,731	11,287,336
729,234	612,355	1,878,923	2,427,034	2,153,396	2,930,589
51,096,962	43,423,353	37,854,769	34,418,353	30,975,528	29,887,501
3,239,950	3,512,718	3,640,748	2,376,533	1,051,793	253,336
33,178,281	28,839,998	25,494,334	22,912,745	27,775,657	17,958,962
16,461,158	13,809,023	11,942,482	11,523,930	11,226,597	9,755,916
2,359,274	1,899,414	1,563,551	1,247,403	1,209,971	812,512
4,901,510	4,479,992	4,082,309	3,142,766	2,472,246	3,070,027

693,724,191	607,669,433	523,815,161	499,345,092	446,575,055	379,435,519
218,615,226	189,055,786	165,404,606	157,630,000	141,150,312	111,904,854
299,177,288	275,669,541	275,987,700	264,170,757	234,437,453	210,653,557
39,022,524	29,832,265	23,247,218	22,833,217	20,392,153	17,727,899
288,464,013	273,965,888	227,850,985	202,162,392	178,411,021	162,930,350
36,185,320	35,282,653	34,689,274	34,230,910	33,914,506	25,194,324
115,586,590	105,974,938	100,004,008	134,690,626	117,377,395	101,890,449
38,649,556	12,061,154	8,595,313	11,992,819	4,900,592	3,620,012
66,743,350	47,899,756	44,292,064	13,885,577	10,101,032	2,593,201
115,993,769	103,105,310	88,394,211	81,846,383	72,516,720	65,895,952
115,993,769	103,105,310	88,394,211	81,846,383	72,516,720	65,895,952

17.44%	15.09%	14.45%	15.97%	12.40%	15.71%
2.94%	2.55%	2.40%	2.61%	2.08%	2.72%
94.04%	92.52%	91.23%	93.54%	96.72%	99.16%
5.96%	7.48%	8.77%	6.46%	3.28%	0.84%
20.42%	23.67%	24.92%	20.32%	22.37%	23.41%
60.25%	60.65%	58.78%	58.42%	81.26%	54.30%

3. Effective tax rate is calculated as taxation expenses divided by profit before taxation.
4. Cost to income ratio is calculated as staff costs, depreciation, amortisation, finance cost and other operating expenses divided by total operating income excluding credit impairment losses.

10 Year Financial Statistical **Review**

CONTINUED

Stock Unit Information (J$)

	2021	2020	2019	2018
Earnings per stock unit[5]	**$6.25**	$8.01	$12.30	$11.39
Dividends paid per stock unit	**$0.50**	$1.90	$3.40	$2.70
Book value per stock unit	**$70.36**	$65.82	$61.60	$53.00
Closing share price at September 30 - Jamaica Stock Exchange (JSE) (*)	**$127.52**	$130.90	$208.79	$124.52
Closing share price at September 30 - Trinidad & Tobago Stock Exchange (TTSE) (**)	**TT$8.25**	TT$7.75	TT$10.44	TT$5.73
Price earnings ratio	**20.40**	16.34	16.97	10.93
Dividends paid [J$'000]	**1,197,040**	4,680,465	8,368,730	6,660,260
Dividend yield (payment date) [%]	**0.39%**	1.45%	1.63%	2.17%
Dividend payout ratio (payment date) [%]	**8.00%**	23.72%	27.64%	23.71%
Total annual shareholder return [%]	**-2.20%**	-36.40%	70.41%	46.20%

Asset Quality Ratios (%)

	2021	2020	2019	2018
Non-performing loans as a percentage of gross loans and advances [6]	**6.08%**	5.29%	5.28%	4.84%
Non-performing loans as a percentage of total assets	**1.69%**	1.37%	1.41%	1.86%
Non-performing loans as a percentage of equity attributable to stockholders' of the parent	**20.14%**	15.85%	15.47%	14.01%
Total provision for credit losses as a percentage of gross loans and advances	**2.90%**	3.98%	3.04%	2.17%
Provision coverage ratio [7]	**47.64%**	75.13%	57.64%	45.35%

Consolidated Financial Position Ratios (%)

	2021	2020	2019	2018
Loans and advances, net of provision for credit losses, as a percentage of total assets	**27.25%**	25.16%	26.18%	38.08%
Investment securities as a percentage of total assets	**46.87%**	47.39%	46.99%	39.80%
Loans and advances, net of provision for credit losses, as a percentage of customer deposits	**80.90%**	78.92%	83.84%	76.86%
Equity to total assets	**8.40%**	8.67%	9.13%	13.29%

Other Statistics

	2021	2020	2019	2018
JSE Index at September 30 (*)	**414,889.96**	380,425.98	516,042.91	358,320.11
JSE Index annual movement (Twelve months ended September 30) [%] (**)	**9.06%**	(26.28%)	44.02%	36.38%
Inflation Rate (Twelve months ended September 30) [%]	**8.29%**	4.84%	3.36%	4.33%
USD foreign exchange rate at September 30	**146.35**	141.57	134.14	134.06

5. Earnings per stock unit is calculated as net profit attributable to stockholders of the parent divided by weighted average shares outstanding for the relevant financial year.
6. Non-performing loans are loans as to which there have been no payments of principal or interest for 90 days or more.
7. Total provisions for credit losses divided by non-performing loans.

2017	2016	2015	2014	2013	2012
$7.76	$5.87	$5.00	$5.01	$3.49	$4.08
$2.70	$2.35	$2.31	$1.18	$1.11	$1.10
$47.12	$41.89	$35.91	$33.25	$29.46	$26.77
$87.02	$41.55	$27.72	$17.93	$18.80	$21.83
TT$5.10	TT$2.60	TT$1.63	TT$1.00	TT$1.13	TT$1.60
11.21	7.08	5.54	3.58	5.39	5.35
6,660,260	5,796,893	5,698,222	2,910,780	2,738,107	2,713,439
3.10%	5.66%	8.33%	6.58%	5.90%	5.04%
34.79%	40.03%	46.20%	23.55%	31.81%	26.96%
115.93%	58.37%	67.48%	1.65%	(8.80%)	(16.01%)
2.45%	3.14%	5.05%	5.37%	4.84%	7.14%
0.78%	0.99%	1.63%	1.74%	1.56%	2.18%
4.67%	5.86%	9.66%	10.62%	9.60%	12.55%
1.66%	1.97%	2.62%	3.03%	2.25%	4.12%
67.73%	62.58%	51.92%	63.80%	46.35%	57.62%
31.51%	31.11%	31.58%	31.57%	31.61%	29.49%
43.13%	45.37%	52.69%	52.90%	52.50%	55.52%
75.79%	69.01%	72.59%	77.97%	79.12%	68.68%
16.72%	16.97%	16.88%	16.39%	16.24%	17.37%
262,729.14	164,482.25	96,324.59	72,238.36	84,500.20	87,188.38
59.73%	70.76%	33.34%	(14.51%)	(3.08%)	(4.95%)
4.61%	1.83%	1.81%	9.03%	10.45%	6.65%
129.20	127.93	118.70	112.53	103.23	89.72

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

Chairman's Message

Our legacy as a Caribbean people has been forged and fortified by courage and fearlessness and that same boldness embodies the NCB Financial Group.

My fellow shareholders

We have all been touched by the COVID-19 pandemic in some way - from the simple disruption of life's routines, to the impact on our finances and our mental and physical health. However, one thing has become crystal clear to me - the resilience and fortitude of the Caribbean people. As always, we joined together in solidarity and confronted this threat head-on. Many more challenges lie ahead but I am confident that, as a region, we will get through this and we will be a stronger people.

Within the NCBFG community, many of our employees, customers, shareholders, suppliers and partners continue to be impacted by the pandemic. Their personal stories of perseverance and courage continue to inspire. Behind the numbers of our financial statements, are countless stories of people, communities, businesses and institutions that have persisted in spite of the unprecedented challenges posed by the pandemic. Our results are quantitative representations of hopes and dreams manifested and the embodiment of our ultimate purpose of Empowering People. Unlocking Dreams. Building Communities. I am proud of the many ways in which our Group has demonstrated agility and resilience in response to, and in anticipation of, the needs of our community.

It is because of this persistence that we remain firmly focused on our 2024 aspiration of becoming a world-class Caribbean financial ecosystem, in spite of the ongoing uncertainties and challenges. It is only natural that a crisis triggers a flight or fight response. Zig Ziglar is quoted as saying, "FEAR has two meanings: Forget Everything and Run or Face Everything and Rise." We have seen global and regional examples of companies responding positively to fear and challenges.

In the third quarter of 2021, Tesla exceeded Wall Street expectations by selling more cars than it did in 2020 despite a global chip shortage. Rather than sitting back and waiting for the global supply chain and chip shortage issues to impact them, the company pivoted and identified alternative chips and rewrote software. Regionally, I love the story of our client - a hardware company - that pivoted to online promotions, leveraging influencer marketing to attract clients from the diaspora. Ultimately, this shift led to a significant increase in the company's sales. The common thread in these stories is in the face of adversity, the leaders and their teams remain committed to their goals.

Our legacy as a Caribbean people has been forged and fortified by courage and fearlessness and that same boldness embodies the NCB Financial Group. Although this new era has shifted the world into uncharted territory, we forge ahead with confidence, guided by the compass of our purpose.

I thank our management team for their exemplary leadership and the entire NCBFG network of committed employees for having risen to the demands of this new season. I look forward to 2022 as, drawing on our experience of 185 years, backed by our strong foundation, we will continue to deliver value to our shareholders and exemplary services to our customers.

Michael Lee-Chin, OJ, LL.D. (Hon.)
Chairman
NCB Financial Group Limited

Board of **Directors**

Our Board of Directors, in executing its role, applies sound corporate governance which is vital to the activities of NCB Financial Group Limited and its subsidiaries.

HON. MICHAEL LEE-CHIN

OJ, LL.D. (HON.), B.ENG
Chairman

Although his humble roots were planted in Port Antonio, Jamaica in 1951, Michael has since flourished into a world-renowned entrepreneur, businessman and philanthropist. Formally educated in Civil Engineering at McMaster University in Canada, his professional career is a study in diversity, with interests and achievements that span various industries, sectors and countries.

He is known to be bold and visionary in his entrepreneurial pursuits, and credits his successful 'Buy, Hold and Prosper' philosophy to a couple of the greats – Warren Buffett and Benjamin Graham. Michael's most noteworthy achievements include being a father of five, being bestowed with the Order of Jamaica, and becoming a member of the Order of Ontario.

Michael sits on various boards in Canada and throughout the Caribbean, and serves on the boards of NCBJ and GHL. He is also the President and Chairman of Portland Holdings - a privately-held investment company in Canada and Chairman of Jamaica's Economic Growth Council.

Chairman of the Board

Non-Executive Director

Length of Directorship:
19 years

HON. PATRICK HYLTON

OJ, CD, LL.D. (HON.), A.C.I.B., BBA
President and Group Chief Executive Officer

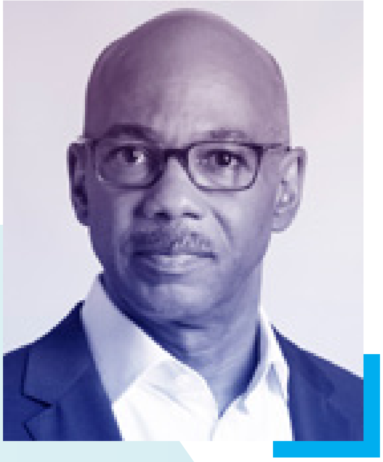
Patrick was born and raised in rural Clarendon, Jamaica. With more than three decades of experience in Banking and Finance, Patrick's bold and fearless leadership and achievements have earned him international prominence as an expert in the field. He is an avid reader with an affinity for aphorisms, and finds it nearly impossible to pick just one favourite book, or quote.

Today, Patrick is Chairman of NCBJ, NCB Capital Markets Limited, Guardian Holdings Limited, Clarien Bank Limited and the Mona School of Business & Management. He also sits on the Board of Directors for Clarien Group Limited and several of NCBFG's subsidiaries including NCB (Cayman) Limited, NCB Insurance Agency and Fund Managers Limited and NCB Capital Markets (Cayman) Limited as well as Massy Holdings Limited (Trinidad) and TransJamaican Highway Limited.

In the mid-1990s, he was appointed by the Government of Jamaica to lead the restructuring of the Jamaican financial sector – a project that earned him the national award of the Order of Distinction (Commander Class) in 2002. In October 2020, he was conferred with the Order of Jamaica for distinguished contribution to the Financial Sector and Philanthropy.

Executive Director

Length of Directorship:
18 years



DENNIS COHEN

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

Dennis provides leadership and oversight for the Group's financial planning and reporting, investor relations and several key business segments. He started his professional career at PriceWaterhouseCoopers before joining Citibank, where he served in a number of roles including Country Treasurer.

He joined NCBJ in 2004, and has served in several key roles within the Group, including CEO of NCB Capital Markets Limited. He is the Chairman of NCB Insurance Agency and Fund Managers Ltd, NCB (Cayman) Limited, NCB Capital Markets (Cayman) Limited and NCB Trust Company (Cayman). He also serves as Director of NCB Capital Markets Limited, Guardian Holdings Limited, Guardian Life of the Caribbean, Guardian General Insurance Limited (Trinidad) and Clarien Bank Limited (Bermuda).

He is a member at the Institute of Chartered Accountants of Jamaica (ICAJ), and a Fellow of the Association of Chartered Certified Accountants (ACCA).

Executive Director

Length of Directorship:
15 years

Board of **Directors**

PROFESSOR ALVIN G. WINT
CD, D.B.A, M.B.A., B.SC

Alvin is an Emeritus Professor of International Business at the University of the West Indies. He holds a Doctorate of Business Administration in the field of International Business from Harvard University and has published extensively and advised national governments and multilateral institutions in the area of international investment policy.

In addition to being a member of the NCBFG Board of Directors, he serves on Jamaica's National Partnership Council and Jamaica's National Competitiveness Council and as a Director of Jamaica Producers Group and the Caribbean Policy Research Institute.

Lead Independent Director

Non-Executive Director

Length of Directorship:
19 years

SANDRA GLASGOW
MBA, B.SC.

Sandra is the founder and Managing Director of BizTactics Limited, a co-founder of Jamaica's first Angel Investor Network - First AngelsJamaica and co-founder and Managing Director of RevUP Caribbean Limited, a virtual business incubator. An astute businesswoman, she holds a Bachelor of Science Degree in Marine Biology and a Master's Degree in Business Administration, and was Jamaica's Eisenhower Fellow in 2000. In January 2020 she was appointed a Senator representing Jamaica in the World Business Angels Investment Forum (WBAF).

Sandra also serves as a Director of NCBJ, and chairs the NCBFG Corporate Governance & Nomination Committee. She serves as a director of Medical Disposables and Supplies Limited, Multicare Youth Foundation Limited, DRT Communications Limited, SiFi Studios Jamaica Limited, and Stanley Motta Limited.

Sandra also chairs the Board of Directors of the National Crime Prevention Fund (Crime Stop) and is Deputy Chairman of the Students Loan Council. She is Chairman and Trustee of the SMART Retirement Fund, as well as a Trustee of the NCB 1986 and 1999 Superannuation Funds.

Non-Executive Independent Director

Length of Directorship:
19 years

THALIA LYN
OD, J.P., LL.D. (HON.), B.A. (HONS.)

Thalia is one of Jamaica's top entrepreneurs, sitting at the helm of Island Grill - a leading multibillion-dollar fast food chain with outlets right across Jamaica and Barbados. She is also a philanthropist, and one of Jamaica's most passionate advocates for gender equality and persons with disabilities.

She is Chairman of the N.C.B. Foundation; a Trustee of the NCB Pension Funds; CEO of Island Catering and Island Grill Holdings; Patron of UWI/CB 5K Fundraiser; Director of the Mustard Seed Communities, Port Royal Patties (UK), Oracabessa Foundation and Devon House Development. She is also the Honorary Consul General of Thailand, the second woman inducted into the PSOJ Hall of Fame, and was conferred with an Honorary Doctor of Laws degree (LL. D) by the University of the West Indies. She has also been conferred with national honours by Jamaica and the Kingdom of Thailand.

Non-Executive Independent Director

Length of Directorship:
19 years

ROBERT ALMEIDA
B.COMM., CPA, CA

Robert is a Founding Partner of Portland Private Equity, and Managing Partner of the AIC Caribbean Fund and Portland Caribbean Fund II. He is a Director, Senior Vice President and Portfolio Manager at Portland Investment Counsel Inc. (Canada), and serves on the boards of several Portland group portfolio companies.

Robert has over 30 years of experience as an investor and business executive. In addition to his CPA designation, Robert holds a Bachelor of Commerce Degree with High Distinction from the University of Toronto. He currently serves on the boards of NCBJ, GHL, Clarien Group Limited, Clarien Bank Limited and Clarien Investments Limited.

Non-Executive Non-Independent Director

Length of Directorship:
13 years

SANYA GOFFE,
LL.B (HONS.)

Sanya is a partner of the law firm Hart Muirhead Fatta, and most recently named a 2020 Eisenhower Fellow. She serves as a director of Jamaica Producers Group Limited, Chairperson of Stratus Alternative Funds SCC, Director of the National Insurance Board, RevUp Caribbean Limited and President of the Pension Industry Association of Jamaica. She also serves as a member of the Jamaican Bar Association's Commercial Law, Intellectual Property Law and Publications Committees, is a member of the UK Association of Pension Lawyers, and the International Pension and Employee Benefits Lawyers Association. She is also co-founder of the Adult Learning Centres of Jamaica.

Non-Executive Independent Director

Length of Directorship:
10 years

Corporate Governance Statement

NCBFG is subject to an extensive regulatory framework by virtue of being a licensed financial holding company with subsidiaries in multiple jurisdictions and having its shares listed on stock exchanges in Jamaica and Trinidad and Tobago.

Its internal governance structure incorporates guidelines and standards provided by regulators, the Company's Articles of Incorporation as well as policies and charters adopted by the Board of Directors ("the Board"). These guidelines are updated from time to time in keeping with a commitment to maintain and promote high standards of corporate governance to maintain the trust of NCBFG's stakeholders.

In 2019, we set the aspiration of becoming a world-class Caribbean financial ecosystem by 2024. Effective corporate governance is a critical element in realising this aspiration, while ensuring the long-term sustainability of the NCB Financial Group ("the Group").

During this financial year, the COVID-19 pandemic continued to present challenges worldwide and required the continued focus of the Board on the risks faced as a Group. The implementation of a Group Reporting Framework (available on myncb.com/corporategovernance) was a priority, in keeping with our objective to align governance practices across the Group and have an efficient approach to governing each and all our entities with appropriate flows of information and oversight while recognising the distinct responsibilities of each Board, Committee, Director and Officer throughout the Group. In this regard, Chairs of Corporate Governance Committees for our major subsidiaries had an inaugural meeting in June 2021.

FIGURE 1: Corporate Governance Framework

OWNERSHIP

Shareholders

52.6%
AIC (Barbados) Limited

47.4%
Other

Group President & CEO reports to the board

Board of Directors

Role

The principal role of the Board is to oversee the implementation of the Group's strategic initiatives and its functioning within the agreed framework, under relevant statutory and regulatory structures. The Board ensures the adequacy of financial and operational systems and internal control, as well as the implementation of corporate ethics and the code of conduct. All policies pertaining to the Group's operation and functioning are to be approved by the Board.

- CHAIRMAN
- GROUP PRESIDENT & CEO
- LEAD INDEPENDENT DIRECTOR
- NON-INDEPENDENT DIRECTOR
- EXECUTIVE DIRECTOR
- INDEPENDENT DIRECTOR
- ✱ COMMITTEE CHAIR

Matters reserved for the Board & Committees

The Board reserves a formal schedule of matters for its decision to ensure that the direction, management and control of the Group rest with the Board. This includes:

- Strategic issues and planning
- Performance reviews
- Capital expenditure
- Ensuring regulatory compliance
- Material acquisition and disposal of assets
- Authority levels
- Appointment of auditors and review of the financial statements
- Reviewing the adequacy and integrity of internal controls
- Financing and borrowing activities, including an annual operating plan and budget

Board Committees

Audit
See page 38

Corporate Governance & Nomination
See page 39

Talent Management & Compensation
See page 39

Group Risk
See page 40

Internal Governance Structure

Legal & Regulatory Framework	Policies & Procedures	Transparency Accountability	Monitoring & Internal Control
Regulators | Laws	Policies | Governing Standards	External Auditor | Shareholders	Internal Audit | Board Committees

Corporate Governance Statement

CONTINUED

Board Composition

The Board is composed of suitably qualified and competent directors who, collectively, possess the knowledge, independence, diversity, skills and expertise required to provide oversight of the management and affairs of the Group's operations.

Our Articles require that the number of directors be no fewer than five and no more than sixteen. As at September 30, 2021, the Board complement was eight directors, following the resignation of Mr Adrian Lee-Chin on July 1, 2021. There are six non-executive directors (four of whom are deemed to be independent) and two executive directors: the President and Group Chief Executive Officer ("CEO") and the Group Chief Financial Officer ("CFO") and Deputy CEO.

Profiles of our directors are available on our website at **www.myncb.com/Leadership-1/Overview/Board-Of-Directors** and on pages 25-28.

A: Balance

50%
Independent non-executive directors

25%
Non-independent non-executive directors

25%
Executive directors
- President and Group CEO
- Group CFO and Deputy CEO

B: Gender

37.5%
Female

62.5%
Male

C: Residence

25%
Domiciled Overseas (Canada)

75%
Locally Domiciled (Jamaica)

The Board Charter is available on the NCBFG website under **www.myncb.com/corporategovernance**

The definitions of 'executive directors', 'non-executive directors' and 'independent directors' set out below are as stated in the Board Charter and are generally consistent with those outlined in The Private Sector Organisation of Jamaica's (PSOJ's) Corporate Governance Code:

- **Executive Director**
  Employed to the company and is normally responsible for aspects of the entity's day-to-day operations.
- **Non-Executive Director**
  A director who is not an executive director.
- **Independent Director**[1]
  A director who:

a. is free of any interest, position, association, or relationship that might influence or reasonably be perceived to influence, in a material respect, his or her capacity to bring an independent judgment to bear on issues before the board and to act in the best interest of the entity and its shareholders generally;

b. does not represent a substantial shareholding of NCBFG;

c. is not a close relative of a significant shareholder of NCBFG; and

d. does not have an employment relationship with NCBFG or its parent companies.

1. The Articles of Incorporation require the number of independent directors be no less than one-third of the Board membership

FIGURE 2: **Board skills and expertise matrix**

	Strategy	Financial Expertise	Global Perspective	Financial Literacy	Legal skills & Expertise	Listed Company Experience	Human Resources & Compensation	Information Technology/ Cybersecurity	Stakeholder Engagement	Corporate Governance	Leadership	Risk Management	Financial Services Industry
Robert Almeida	●	●	●	●	○	●	●	○	●	●	●	●	●
Dennis Cohen	●	●	●	●	○	●	●	●	●	●	●	●	●
Sandra Glasgow	●	○	○	●	○	●	●	○	●	●	●	●	●
Patrick Hylton	●	●	●	●	○	●	●	●	●	●	●	●	●
Michael Lee-Chin	●	●	●	●	○	●	●	○	●	●	●	○	●
Sanya Goffe	●	○	○	●	●	●	●	○	●	●	●	●	●
Thalia Lyn	●	○	○	●	○	●	●	○	●	●	●	●	●
Alvin Wint	●	●	●	●	○	●	●	○	●	●	●	●	●
Total	8	5	5	8	1	8	8	2	8	8	8	7	8
%GE	100%	63%	63%	100%	13%	100%	100%	25%	100%	100%	100%	88%	100%

// **Strategy:** Demonstrated experience in developing, implementing and delivering strategic objectives. // **Financial Expertise:** Experience in financial accounting and reporting, capital management and/or actuarial expertise. // **Global Perspective:** Having a global perspective through exposure or responsibility for international operations. // **Financial literacy:** Ability to analyse and interpret financial statements. // **Legal Skills & Expertise:** Proven ability and understanding in the application of legal principles. // **Listed Company Experience:** Minimum of 1 year's experience as a non-executive director with a listed company. // **Human Resources & Compensation:** Knowledge and understanding of human resource management, talent development and compensation issues and models. // **Information Technology/Cybersecurity:** Experience in IT Governance/technology strategies and innovation and/or cybersecurity. // **Stakeholder Engagement:** Demonstrated ability to build and maintain key relationships with industry, government and regulators. // **Corporate Governance:** Knowledge and understanding of governance structures and the application of the principles of corporate governance. // **Leadership:** C-level experience (with large organisation). // **Risk Management:** Proven ability in identifying, assessing and managing macro, strategic, operational and financial risks. // **Financial Services Industry:** Exposure to and understanding of the banking, insurance and/or securities industries.

Board Leadership

The roles of the Chairman, as well as the President & Group CEO, are clearly defined and the Board supports the separation of the two roles.

Role of the Chairman

As Chairman, Hon. Michael Lee-Chin, OJ, facilitates good board leadership and governance. He has the requisite skills and experience in a broad range of industries and organisations, including financial services, hospitality, real estate, and health care to lead this expanding Group. The Chairman also represents NCBFG to shareholders and the wider community and although, as the controlling shareholder of NCBFG, he is not an independent director, the Board believes that neither his significant interest in NCBFG nor his positions held outside NCBFG impair his ability to fulfil his duties to the Board and the Group.

Role of the President and Group Chief Executive Officer

The President and Group CEO, Hon. Patrick Hylton, OJ, CD, is responsible for the overall management of the Group and leads the Executive Team. Mr Hylton also chairs the Boards of National Commercial Bank Jamaica Limited, NCB Capital Markets Limited, Guardian Holdings Limited and Clarien Bank Limited.

Role of the Lead Independent Director

The PSOJ's Corporate Governance Code and the Trinidad and Tobago Corporate Governance Code recommend that where a chairman is not an independent non-executive director, the Board should appoint a lead independent director.

The responsibilities of Professor Alvin Wint, CD, as Lead Independent Director include chairing meetings of the Board where the board chairman is absent; chairing meetings of

Corporate Governance Statement

CONTINUED

the independent directors, guided by the framework set out in the Board Charter and being available, as needed, for consultation with shareholders and other stakeholders.

Role of the Corporate Secretary

The appointment and removal of a corporate secretary are subject to the approval of the Board. The Board has appointed Mr Dave Garcia as the Corporate Secretary, who is suitably qualified and capable of performing the duties of the position. The Corporate Secretary ensures that appropriate and timely information is provided to the Board and its Committees and is responsible for advising and supporting the Chairman and the Board on all governance matters. All directors have access to the Corporate Secretary.

Independence

Our Articles of Incorporation require the number of independent directors to be no less than one-third of the Board membership. One of the responsibilities of the Board is to identify which directors meet the criteria for independence on an annual basis.

The activities concerning the annual review of independence have been delegated to the Corporate Governance and Nomination Committee. Independent directors are expected to not serve on the boards of competing companies.

Directors are required to notify the Board of any changes in status that will affect their independence, and once so notified, the Board will consider how this may affect its functioning.

As at September 30, 2021, 50% of the directors were deemed by the Board to be independent. These independent directors are:

- Professor Alvin Wint, CD (Lead Independent Director)
- Sandra A. C. Glasgow
- Thalia Lyn, OD, JP
- Sanya Goffe

Meetings of Independent Directors

To facilitate free and open communication amongst independent directors, meetings are held at which only independent directors are present, except as may otherwise be determined by the independent directors themselves.

These meetings are chaired by the Lead Independent Director or, in his absence, another independent director elected by the others present.

The objectives of these meetings are:

- To assess the extent to which directors can provide an independent perspective on Board deliberations;
- To assess the extent of their independence from the controlling shareholder and management;
- To assess the quality, quantity, and timeliness of the flow of information between the Company's management and the Board that is necessary for the Board to effectively and reasonably perform its duties; and
- To carry out such other purposes as may, from time to time, be agreed.

The Corporate Secretary (as a member of management) does not attend the meeting, nor does any other employee of the Company. The Lead Independent Director reports on the outcome of each meeting at the next regular Board meeting, as necessary, orally or in writing. If an oral report is given, any material feedback is captured in the minutes. Action items are identified and handled accordingly.

Meetings of the independent directors should occur at least twice per year. Three meetings were held during the financial year.

Access to Independent Professional Assistance

Directors are entitled to obtain independent professional advice relating to the affairs of the Group or their responsibilities as directors, subject to approval of the fee by the Board, if NCBFG is to pay it.

Access to Information and Management

The Board has unrestricted access to all company-related information. At Board meetings, managers and representatives who can provide additional insight into the items being discussed are invited.

Board Appointment and Renewal Process

The Board recognises that it derives strength from the diversity, independence, skills and expertise of its members. It has delegated the screening and selection of candidates to the Corporate Governance & Nomination Committee, which consists exclusively of independent directors.

The development of a candidate profile precedes the screening process, which includes confirming the interest and suitability of potential candidates, arranging interviews and conducting background checks. The Corporate Governance & Nomination Committee reviews the outcome of the screening process and prepares a report for consideration by the Board. The report takes into account the candidate's resume, background check findings, and results of the interview process, as well as any other relevant factors. The Board will then consider and, if thought fit, approve the appointment subject to regulatory approval or non-objection.

Pursuant to the Articles of Incorporation of NCBFG, any director appointed to either fill a casual vacancy or as an addition to the existing board will hold office only until the next annual general meeting, where he/she will be eligible for re-election. The Articles also require that all non-executive directors retire at least once every three years, but are eligible for re-election, if recommended by the Board, for a further three-year period.

During the financial year, the potential candidacy of one person was tracked.

Director Induction and Continuing Development

Induction

There were no board appointments during this financial year; however, our process is that newly-appointed directors are required to participate in a comprehensive induction programme. This involves meetings with other members of the Board, committee chairs, executive management, heads of various divisions and subsidiaries as well as the Group's internal auditors. During the induction, Directors are encouraged to identify areas for which they would like additional information, further meetings, or training, which would then be arranged by the Corporate Secretary.

On completion of the induction programme, all new directors

Corporate Governance Statement

CONTINUED

are expected to have sufficient knowledge and understanding of the business to enable them to effectively contribute to strategic discussions and oversight of the Group.

Continuing Development

The Board is required to be up to date with current business, industry, regulatory and legislative developments and trends that will affect the Group's business operations. Consequently, the Group has a continuing development programme in place for its directors, which takes many different forms, such as distribution of publications, payment for professional memberships, workshops, presentations at Board meetings, and attendance at conferences encompassing topics on, inter alia, directorship, corporate governance, business, industry or regulatory developments. Additionally, the Corporate Governance and Nomination Committee is charged with ensuring that Board members are developed through training or mentorship, where considered necessary.

The annual continuing development calendar includes training in at least three specific areas for directors of NCBFG, as well as other directors serving on boards within the Group.

For the 2021 financial year, the following interactive training sessions were held:

Training Session	Topic	Presenter(s)
Anti-Money Laundering/ Counter Financing of Terrorism/Proliferation Financing	Considerations for leadership in developing measures to effectively mitigate, minimise and manage Money Laundering/Terrorist Financing/Proliferation Financing risks associated with countries	Calvin Wilson, Calvin Wilson & Associates
Information Technology/ Cyber Security	Cloud security training	Representatives from Mandiant
Corporate Governance	The evolving role of the Board in Environmental, Social and Governance (ESG) during COVID-19 and beyond	Matt Rogers, Senior Partner from McKinsey & Company

In addition to the above training sessions, the directors of NCBFG received an insurance business presentation and were provided with a variety of thought leadership articles during the financial year.

The Focus Of The Board

During the year, the Board of NCBFG focused on strengthening the subsidiary governance framework. Key activities undertaken to enhance our corporate governance and leadership practices included:

Area of Focus	Matters considered/Activities undertaken
Subsidiary Governance	Approval and implementation of a Group Reporting Framework for boards and committees. (The framework was also adopted by Guardian Holdings Limited and Clarien Bank Limited). Activities include: ▶ Meetings of all Committee Chairs, which will be an annual event. ▶ Escalation of approved and signed minutes of board and committee meetings. ▶ Review of plans for the incorporation of subsidiaries. ▶ Approval of policies applicable to Group entities – e.g. Board Succession Planning Policy, Remuneration Policy for Directors
Strategic issues and planning	▶ Review of a proposal for, and subsequent approval of, a fintech startup, TFOB (2021) Limited. ▶ Refreshing the corporate pillars. ▶ Receiving management updates on the Accelerate programme of strategic transformation and other business transformation initiatives.
Financial performance	▶ Review of the impact of COVID-19 on financial performance across the Group. ▶ Review and approval of financial statements and stock exchange releases, draft audited financial statements, annual budget, and borrowing activities of NCBFG. ▶ Consideration of dividend payment and review of the Dividend Policy.
Performance reviews	Participation in and reviewing results of externally facilitated board effectiveness surveys and peer evaluations, as well as a review of action plans to improve results or address areas of opportunity, where applicable.
Risk	▶ Review of risk appetite and principal risks. The effects of COVID-19 influenced the discussions at each Board meeting, as the risk and impact on the Group were considered. ▶ Approval of risk-related policies (new or revised) including Group Liquidity Management, Intragroup Exposure, Enterprise Risk Management, Capital Management, Group Regulatory and Financial Crimes Compliance Policy, Information Security Policy, and Business Continuity Policy.
Organisational Health/Culture	▶ Review of plans for Organisational Health and the results of related surveys. ▶ Review of talent management and succession planning framework for executives. ▶ Approval of policies (new or revised): Remote Work Policy, Wellness Policy, Occupational Health and Safety Policy, Staff Loan Policy, Whistleblower Policy, Paternity Leave Policy. ▶ Discussing plans surrounding NCB Mindset.

Corporate Governance Statement

CONTINUED

Board Remuneration

The remuneration of NCBFG's Board members is based on the premise that it should be sufficient to attract, retain and motivate suitably qualified and experienced persons required to drive the business in achieving its strategic objectives without detracting from their ability to exercise independent judgment.

Executive directors and non-independent directors do not receive remuneration for directorships held in NCBFG or its wholly owned subsidiaries whilst aggregate remuneration for its non-executive directors is approved by shareholders at annual general meetings.

There is a Non-Executive Directors' Remuneration Committee comprising those directors who do not receive fees as non-executive directors and chaired by the Board chairman. Factors that are considered when determining remuneration for non-executive directors include:

- Setting appropriate amounts that do not interfere with judgment and independence
- Size, risks, and complexity of operations of the Group
- Time commitment required
- External market factors

There is no direct link between non-executive directors' remuneration and the annual financial results of the Group and/or its subsidiaries, and there is no requirement for share qualification.

Remuneration includes a retainer for the year and a fee for each Board and committee meeting attended. The fee structure, payable during the financial year, remained the same as the prior year, consisting of the following:

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

Fees paid for the 2021 Financial Year (after deducting withholding tax) are set out below:

Director	Q/E December 2020	Q/E March 2021	Q/E June 2021	Q/E September 2021	Total
Sandra Glasgow	969,141.52	781,642.27	906,641.77	831,641.26	3,489,066.82
Sanya Goffe	823,437.27	573,438.27	698,437.26	673,437.26	2,768,750.06
Thalia Lyn, OD, JP	573,437.25	423,438.26	548,437.76	573,437.25	2,118,750.52
Prof. Alvin Wint, CD	1,037,498.76	787,499.72	912,499.27	837,498.75	3,574,996.50

Board Committees

To assist in exercising its responsibilities, the Board has established four standing committees, three of which are chaired by independent directors:

- Audit Committee (chaired by Professor A. Wint, CD, Lead Independent Director)
- Corporate Governance & Nomination Committee (chaired by Mrs Sandra Glasgow)
- Group Risk Committee (chaired by Professor A. Wint, CD, Lead Independent Director)
- Talent Management & Compensation Committee (chaired by Hon. Michael Lee-Chin, OJ, Board Chairman)

Each Committee has a board-approved charter, which sets out the purpose, authority and responsibilities of the committee.

Each charter is available on the NCBFG website under **www.myncb.com/corporategovernance**

Audit Committee

The Audit Committee is solely composed of independent directors.

Professor Alvin Wint, CD CHAIR
Sandra Glasgow
Sanya Goffe

Its purpose is to assist the Board of Directors in fulfilling oversight responsibilities for the financial and operational reporting processes, the system of internal control, the audit process and the organisation's process for monitoring compliance with laws and regulations and the code of conduct.

Under the Audit Committee Charter, meetings are required to be held at least four times a year, with the possibility of more as circumstances may require. Representatives of the external auditors, PricewaterhouseCoopers, are invitees for all Audit Committee meetings within the Group.

During this financial year, the meeting of Audit Committee Chairs resumed, with the objective of sharing best practices to ensure consistency in the application of charter responsibilities across the Group. The meeting continues to meet its objective in this regard. It was chaired by Professor Wint and involved the Group Chief Audit Executive along with the Audit Committee Chairs of Guardian Holdings Limited and Clarien Bank Limited and the respective Heads of Internal Audit and Corporate Secretaries.

The Audit Committee executed its responsibilities under its charter during the year; some of the activities included:

- The review of quarterly unaudited financial statements and stock exchange releases with the external auditor and recommended approval of their release by the Board, giving due consideration to whether they were complete and consistent with the information known to committee members.
- The review of the external auditor's proposed audit strategy, scope and fees for the audit of the year-end financial statements.
- The review of relevant related party transactions to ensure compliance with the policy on related party transactions.
- The submission of a quarterly report to the Board, in writing, from the Audit Committee Chairman on matters reviewed and discussed by the committee.
- The holding of separate private sessions with the external auditor and the Group Chief Audit Executive.
- The review of statements of confirmation of execution of charter responsibilities to be issued to subsidiary audit committees.
- The review of the Audit Committee Charter and Internal Audit Charter.

Corporate Governance Statement

CONTINUED

Corporate Governance & Nomination Committee

The Corporate Governance & Nomination Committee is solely composed of independent directors:

Sandra Glasgow	CHAIR
Sanya Goffe	
Thalia Lyn, OD, JP	
Professor Alvin Wint, CD	

The purpose of the Corporate Governance & Nomination Committee is to assist the Board of NCBFG in ensuring that the Board's composition, structure, policies, and processes meet all relevant legal and regulatory requirements, to strive to achieve global corporate governance best practice standards and to facilitate the Board's and management's objective of increasing the long-term value of the Group. The committee is required to meet at least twice a year, or more frequently as circumstances dictate.

The 2021 financial year was a very active one for this committee with eight meetings being held in addition to the inaugural meeting of Corporate Governance Chairs. The meeting of the Corporate Governance Chairs was hosted by Mrs Sandra Glasgow, Committee Chair, and included the Corporate Governance Chairs and Corporate Secretaries of Guardian Holdings Limited and Clarien Bank Limited.

The main activities undertaken by the Committee during this financial year were:

- Reviewing the policy and procedure framework of NCBFG and its major subsidiaries to ensure that policies remain up-to-date.
- Reviewing and recommending key corporate governance policies and charters for board approval (new or revised) - Corporate Governance & Nomination Committee Charter, Board Charter, Corporate Disclosure Policy, Code of Conduct for Directors, Board Succession Planning Policy, and Remuneration Policy for Directors.
- Reviewing the results of the externally facilitated Board Effectiveness Survey and determining possible actions to be taken to address areas of opportunity.
- Reviewing the independence status of existing directors.
- Reviewed the JSE Corporate Governance Index Gap Analysis and proposed action plan to address gaps.
- Reviewing proposed changes to the Peer Evaluation Instrument for NCBFG.
- Reviewing and updating the Fit & Proper/Due Diligence procedure for directors in keeping with the requirements of the Banking Services Act (Jamaica).
- Discussing appropriate actions to support and ensure adherence to the Securities Trading Policy.

The Talent Management and Compensation Committee

The purpose of the Talent Management and Compensation Committee, formerly known as the Compensation and Human Resources Committee, is to support the Board's oversight of:

- The Group's compensation principles and practices.
- The review of the relationship between risk, risk management, and compensation in light of the Group's objectives, including its safety and soundness, and the avoidance of practices that would encourage excessive or unnecessary risk-taking.
- Succession management for the senior officers in the Group and general human resource issues.
- Recruitment and retention of talent.

The members of the committee are as follows:

Hon. Michael Lee-Chin, OJ	CHAIR
Hon. Patrick Hylton, OJ, CD	
Professor Alvin Wint, CD	
Sandra Glasgow	

During the financial year, Committee Members reviewed the Committee's charter and recommended changes, including a renaming of the Committee, for Board approval. Other activities undertaken included:

- Reviewing the succession management framework.
- Reviewing and approving compensation changes for executives, senior managers and executive secretaries.
- Reviewing Human Resources policies (new or revised) namely: Staff Loan Policy, Paternity Leave Policy, and Remote Work Policy.

The Chair hosted the inaugural meeting of the Talent Management Chairs, which also included the Heads of Human Resources of NCBJ, GHL, and Clarien along with the Corporate Secretaries of each entity.

Group Risk Committee

The Group Risk Committee comprises:

Professor Alvin Wint, CD CHAIR
Robert Almeida
Dennis Cohen
Hon. Patrick Hylton, OJ, CD
Sandra Glasgow
Sanya Goffe

The purpose of the Group Risk Committee is to assist the Board in fulfilling its responsibility for oversight of the Group's risk management framework, including risk appetite, and the policies and major procedures related to managing credit, market, liquidity, capital, operational and certain other risks as determined from time to time. The committee also plays a role in the decision-making process around significant risks that are to be undertaken by the Group.

During the financial year, the format of presentations to the Group Risk Committee was revised to reflect three major sub-groups – NCBFG and its wholly-owned subsidiaries, Clarien Bank Limited ("Clarien") and Guardian Holdings Limited ("GHL"). It included participation from the Heads of Risk for each entity. Focus was placed on the various categories of risk such as Compliance, Credit, Operational, Liquidity, Market, Litigation, Cross-border and Emerging Risks. For the majority of meetings, managers with responsibility for areas such as compliance, fraud prevention, information technology were invited to join the meetings to provide committee members with additional insight.

In addition, the committee examined the risk governance framework and reviewed updates to several risk-related policies, such as the Enterprise Risk Management Policy and the Information Security Policy, recommending them for Board approval.

In keeping with the requirements under the Group Reporting Framework, the Group Risk Committee Chair hosted the inaugural meeting of Risk Committee Chairs. This meeting was attended by the Risk Committee Chairs of GHL and Clarien as well as the Heads of Risk and Corporate Secretaries for all three entities.

NCB is committed to conducting business in an environmentally and socially responsible manner. This is consistent with the NCB Group's good corporate governance and good citizenship principles aimed at assisting in the achievement of prosperous economies in the countries in which the Group operates. Accordingly, when financing development projects, an assessment is conducted around environmental, social and governance risk issues. In addition, emerging risks are considered at Group Risk Committee meetings.

Meetings and Attendance at Board and Committee Meetings

Since the onset of COVID-19 in March 2020, meetings and training sessions have been held virtually.

Before COVID-19, directors were receiving their meeting packs through our online board portal, which facilitates the secure and convenient sharing and utilisation of Board and Board Committee documentation.

The frequency of meetings held and activities undertaken were in accordance with the respective charters. Despite the restrictions posed by COVID-19, particularly as it relates to overseas travel, meeting attendance was not hampered, as virtual meetings allowed for participation by overseas-based NCBFG Directors as well as Directors and Executives of Subsidiaries.

Corporate Governance Statement

CONTINUED

The attendance record of our NCBFG directors was almost perfect and is reflected below:

Director	Board	Audit Commitee	Corporate Governance & Nomination Committee	Talent Management & Compensation Committee	Group Risk Committee
Robert Almeida	15/15	N/A	N/A	N/A	5/5
Dennis Cohen	15/15	N/A	N/A	N/A	5/5
Sandra Glasgow	14/15	7/7	8/8	3/3	5/5
Hon. Patrick Hylton, OJ, CD	15/15	N/A	N/A	3/3	5/5
Hon. Michael Lee-Chin, OJ	15/15	N/A	N/A	3/3	N/A
Sanya Goffe	15/15	7/7	8/8	N/A	5/5
Thalia Lyn, OD, JP	15/15	N/A	8/8	N/A	N/A
Prof. Alvin Wint, CD	15/15	7/7	8/8	3/3	5/5
*Adrian Lee-Chin	8/9	N/A	N/A	N/A	N/A

* Resigned on July 1, 2021

Board Performance

One of the principal responsibilities of the Board is to review its performance.

Board and Committee Evaluation

The Board evaluation process comprises two major activities:

- Director self/peer evaluation, in which directors evaluate themselves and each other.
- Board effectiveness surveys administered by an external party.

For director self/peer evaluations, each director is provided with a report on the feedback received on him/her, all directors receive comments on overall observations, and the Chairman receives details of each director's evaluation, so he may determine whether any further steps - in particular, conversations with specific directors - would be warranted or helpful.

The Board Effectiveness Survey was again facilitated by a leading global consulting firm. This year, the survey included a few questions related to COVID-19 and was complemented by interviews with six of the nine Directors at the time (three independent non-executive directors, one non-independent non-executive director and two executive directors).

The results of the Board Effectiveness Survey were presented by representatives from the consulting firm at a Board of Directors meeting held in February 2021 and generally reflected that Board members remained very satisfied with the Board's effectiveness.

Corporate Social Responsibility and Stakeholder Engagement

Disclosure and Transparency

The Group is committed to promoting investor confidence in the markets in which it operates by complying with its disclosure obligations in a way that provides investors with equal access to timely, balanced, and effective disclosures. All market-sensitive information is released to the JSE and the Trinidad and Tobago Stock Exchange (TTSE) in compliance with our disclosure obligations under the exchanges' listing rules. Additionally, the Group facilitates quarterly investor briefings, using digital platforms that allow shareholders, journalists, and other stakeholders to participate.

The Group posts all information released to the JSE and TTSE on its website.

We believe that stakeholder engagement is vital to building a sustainable business and we engage many stakeholders in a variety of ways:

Shareholders	The President & Group CEO and the Group CFO & Deputy CEO, supported by the Corporate Secretary, Executives within the Group and the Head of Investor Relations, interact regularly with shareholders, investment analysts, and the media, most notably after the release of our unaudited financial results, at a quarterly Investor Briefing. Investor briefings continue to be held virtually, in light of the COVID-19 pandemic. In February 2021, NCBFG held its Annual General Meeting in a hybrid format and, for the first time, all registered shareholders, regardless of geographic location, had an opportunity to attend and participate via live streaming. Questions, comments and concerns were entertained via live chat and a special e-mail box was established. These were in turn addressed by the Chairman, Board members, the Corporate Secretary and/or a representative of our External Auditors.
Employees	The safety and well-being of our employees remained a priority. Our employees were kept up to date on the rapidly changing environment and the impact of COVID-19 on our business. They were also given the opportunity to interact with leaders via frequently held webinars. The Board also carefully considered the results of the organisational health index surveys presented in addition to action plans put forward by management.
Communities[2]	Although COVID-19 significantly impacted community outreach activities during the financial year, the Board continued to be fully supportive of the important work being carried out by the three foundations and companies within the Group towards improving the lives of the people living in the communities in which we operate.
Customers	The Board regularly received operational updates regarding the impact of COVID-19 on our customers and the overall customer experience, as well as on organisational health. In the context of COVID-19, there has been an increased focus on engaging customers through digital channels.
Regulators and the Government	The Board, senior management and other key personnel continue to engage regulators and/or governments on issues critical to good governance as well as any other issues that they may deem important.
Suppliers and Partners	The Board recognises that our suppliers and partners are critical to the success of our digital transformation journey and is supportive of collaboration to continue to improve operational performance through technology and various other means as well as for business continuity.

2. Additional information on activities relating to corporate social responsibility can be found on pages 123-128.

Corporate Governance Statement

CONTINUED

Contact with the Investor Relations Team and Company Registrar

The Investor Relations team is accessible and responds to enquiries received via various channels. Contact information is available for the Head, Group Investor Relations and Financial Advisory Unit of NCB and JCSD (Registrar) under the Investor Relations tab of the NCBFG website. Shareholders' queries are generally handled there or by the Corporate Secretary's Office of NCBFG. Questions and comments may also be submitted via e-mail to **ncbfginvestorqueries@jncb.com**

Articles of Incorporation

The Articles of Incorporation of NCB Financial Group Limited have not been amended since its incorporation in April 2016.

Other Key Governance Policies

In addition to the Board Charter, there are key policies, which further illustrate our guiding philosophy as a business:

1. The Code of Conduct applicable to all directors within the NCB Group as well as the Code of Business Conduct applicable to employees.
2. The Enterprise Risk Management Policy
3. The Corporate Disclosure Policy
4. The Anti-Bribery and Corruption Policy
5. The Securities Trading Policy
6. The Whistleblower Policy
7. The Group Regulatory and Financial Crimes Compliance Policy

The abovementioned policies are all available in digital form to employees, while The Board Charter, the Code of Conduct for Directors, Corporate Disclosure Policy, Securities Trading Policy and Whistleblower Policy are publicly available on myncb.com. Additional details may be found under Policies and Practices on pages 45-48.

Awards and Recognition

We are especially proud that our corporate governance and other practices have been recognised and have resulted in NCBFG receiving several awards over the years from the JSE. The details of the most recent awards are on page 44.

In addition, the JSE has assigned NCBFG the maximum rating of "AA" on its Corporate Governance Index (CGI). The CGI provides a numerical basis for measuring the strength of a company's adherence to corporate governance standards and best practices. These standards and best practices are based on governance codes developed by The PSOJ but also cover legal and regulatory requirements as embodied in the Rules of the JSE, the Jamaican Companies and Securities Acts. A rating of "AA" means that "The Company's performance was excellent in terms of the various principles of corporate governance as documented in the JSE's Corporate Governance Index.

Sandra Glasgow

Sandra A. C. Glasgow
Chair
Corporate Governance & Nomination Committee

Awards
& Honours

NCB Financial Group continues to maintain aspirational standards of excellence and innovation, with keen focus on customer satisfaction and regional development.

The Group's work, resilience, and strong performance continues to garner recognition from customers, employees and other industry players both locally and internationally – earning a number of distinguished honours and accolades throughout the financial year.

JAMAICA STOCK EXCHANGE BEST PRACTICES AWARDS 2020

- PSOJ/JSE Corporate Governance Award (co-winner)
- Corporate Disclosure and Investor Relations Award
- 2nd runner up – Best Annual Report

GLOBAL BUSINESS REVIEW MAGAZINE AWARDS 2021

- Best Financial Services Group Caribbean 2021

WORLD BUSINESS OUTLOOK AWARDS 2021

- Leading Financial Group Jamaica 2021
- Best CSR Financial Firm Jamaica 2021

INTERNATIONAL BUSINESS MAGAZINE AWARDS 2021

- Best Financial Services Group Jamaica 2021

Our Policies and Practices

The Group is governed by a robust set of policies approved by its Board of Directors. Our policies and procedures, guided by applicable laws, regulations, codes of ethics and best practices, provide a framework for effective decision making. They help maintain the accountability of the organisation to its people, customers, suppliers, shareholders, and society at large.

Our policies indicate the scope of their application to entities in the Group, balancing the need for over-arching policies applicable throughout and more nuanced approaches on a sub-group or entity level. Some of these, and their application, are captured below.

Our Policies are available on **www.myncb.com/corporategovernance**

Corporate Disclosure Policy (Groupwide)

As a publicly-traded entity with an ethos for transparency, NCBFG maintains a Corporate Disclosure Policy which regulates the disclosure of information by and about the organisation and its business activities.

This policy governs the disclosure of information by and about the organisation and its business activities, whether through regulatory filings, electronic or online channels, interviews or conversations with media, media releases, speeches, presentations and so on.

This policy aims to ensure that a consistent approach is taken throughout the Group, ensuring communications to the public regarding the Company's and the Group's financial information, results of operations and other information that may be of interest to investors are timely, factually, accurately, completely, and broadly disseminated and, where necessary, filed with regulators and stock exchanges in accordance with applicable laws.

Dividend Policy (NCBFG)

NCBFG maintains a dividend policy to ensure the organisation meets the capital needs of its shareholders, investors and the business.

To support this, the Board has determined a dividend pay-out rate. This policy also helps ensure that the organisation maintains adequate capital to meet its strategic objectives, while complying with all other regulatory requirements.

Dividend Pay-Out Rate

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

The Dividend Policy is consistent with the Capital Management Plan, and is reviewed annually, or as deemed necessary by the Board of Directors.

Securities Trading Policy (Groupwide)

NCBFG maintains a Securities Trading Policy to ensure that it is compliant with the legislation, regulations and principles relating to insider trading.

This policy outlines explicitly and specifically persons within or associated with NCBFG and its subsidiaries or associated companies who must not buy, sell, or otherwise deal in stock units or other securities in the NCB Public Companies ("NCB Listed Securities") if they are in possession of price-sensitive information in relation to any NCB Public Company.

Whistleblower Policy (NCBJ and its Jamaican subsidiaries)

The Group maintains a Whistleblower Policy, in order to safeguard its high standards of business and personal ethics expected from its officers and employees.

This enables the maintenance of a work environment within which employees are encouraged and enabled to make - in good faith - protected disclosures of improper conduct within the organisation without being subjected to any form of retaliation or other occupational detriment.

Our Policies and Practices

CONTINUED

The policy outlines that disclosures of improper or suspected improper conduct can be made in confidence by an employee, or submitted anonymously. The policy also makes provisions for disclosures to be kept in confidence to all extents possible.

Corporate Social Responsibility Policy (Groupwide)

As the organisation grows towards its aspiration of becoming the Caribbean's leading financial services ecosystem, it recognises that its impact on the people, environment and society will also expand.

This policy ensures the organisation continues to engage in actions which balance its right to operate freely with its responsibilities as a corporate citizen.

The current scope of the policy includes:

- **Inspired people** – Ensuring the organisation continues to be an employer of choice, based on the fundamental principles of equality and equal opportunity, fair labour practices, competitive compensation and benefits and a safe, harassment-free work environment.
- **Doing good business** — Conducting business with the highest levels of integrity, honesty and good faith.
- **Creating delighted, lifelong customers** — Winning and retaining customers with world-class products, services and customer experience.
- **Data security** – Protecting the privacy of data for customers, employees, suppliers and businesses.
- **Community development** – Ensuring the organisation gives back through nation building, community development and other acts of service.
- **Environmental sustainability** — Continuously seeking environmental solutions with a minimal footprint, while putting processes in place to prevent, reduce and mitigate any negative impact on the environment.

Anti-Bribery and Corruption Policy (Groupwide)

NCBFG takes a zero-tolerance approach to bribery and corruption, and is committed to operating professionally, fairly and with integrity in all its business dealings and relationships wherever it operates.

To this end, the Group's Anti-Bribery and Corruption Policy outlines all the requirements and conditions for its employees to conduct business in a fair and ethical manner.

The organisation is committed to enforcing effective systems to counter all forms of illegal or unethical behaviours, including bribery and corruption, and vows to uphold and abide by all anti-bribery and corruption laws in the jurisdictions within which it operates.

Key Practices

Learning and Development (Groupwide)

NCBFG is committed to continuously enhancing its talent management strategies which enable capacity and capability building for operational excellence to enhance the sustainability and profitability of the Group. This includes onboarding of qualified candidates, employee development, succession management, performance management, retention strategies and workforce planning. The practices and procedures which guide talent management are: fairness and consistency, non-discrimination on the grounds of sex, race, age, religion or disability and conforming to statutory regulations and agreed best practices.

Business Continuity (Groupwide)

The Group's business continuity policies and plans have been crafted to ensure that the business is able to minimise financial losses and safeguard employees and customers in the event of a disaster or non-financial disruption.

The Business Continuity Plan for the NCB sub-group outlines the response to be undertaken in specified scenarios, and indicates the minimum resources required to ensure the continuity of key business functions in the event of disruptions. The plan is drafted in a modular format such that an individual sub-plan is maintained for the different subsidiaries, divisions, branches and critical business units. Key components of this plan have been updated, to include new scenarios which have emerged recently, as well as outlining the appropriate responses to each.

Remote Work (Groupwide)

NCBFG maintains Remote Work Policies, which were updated to include remote working under pandemic conditions, and establishes standard work arrangements which facilitate efficient and effective environments for non-customer facing job functions to be executed. For the NCB sub-group, the Remote Work Policies are also included in the organisation's updated onboarding efforts, to ensure that the organisation is understood to be flexible, and capable of utilising various modes of work to ensure continuity, sustainability and growth while accessing global talent pools.

Management Discussion & Analysis

President's Message

Dear shareholders, colleagues, customers and partners

As I write, countries across the globe are contending with spikes in COVID-19 cases and are working to implement strategies for mass vaccinations. We are collectively coping with the challenge of a lifetime, with no clear timeline for the end of the COVID-19 pandemic. The phrase "each day is a gift" has taken on new meaning when we consider the physical, emotional, mental and financial toll of the pandemic on each of our lives. We owe a debt of gratitude to our essential workers, especially our medical personnel, for their tremendous sacrifices since the very start of the pandemic. We have been confronted with the reality that decisions taken at the individual, corporate and national levels have implications for the lives and livelihoods of others, so ending this pandemic is inextricably linked with a high degree of consideration for the humanity of others as well as collaboration across companies and geographical borders. In addition to the pandemic, our region contended with the devastating impact of the volcanic eruption in St. Vincent and the Grenadines, an earthquake in Haiti, and flooding and destruction wrought by tropical storm systems.

In this context, our corporate purpose – Empowering People. Unlocking Dreams. Building Communities – has taken on special importance and fuelled our work for the 2020/2021 financial year. Across the group, we pledged over J$50million to support the acquisition of vaccines as well as natural disaster recovery efforts across the region. I take this opportunity to thank our team for their hard work, dedication and resilience. I am proud of how we have rallied to support each other, even while dealing with our own personal losses, supported our customers and their ongoing financial needs and supported our company as we pivoted and worked hard to overcome performance challenges. I am also grateful for our customers, partners and shareholders and their continued loyalty during this period of unprecedented challenges.

COVID-19 has altered our lives and, while we have accepted that there is no returning to life as we knew it before, the future remains very unclear. Notwithstanding, we feel well positioned to navigate this volatile, complex and uncertain period and we remain undeterred in pursuit of creating a world-class Caribbean financial ecosystem anchored by our four strategic pillars:

1. Strong Financial Performance
2. Inspired People and Culture
3. Delighted Customers
4. Digital to the Core

Like Jeff Bezos has said, we remain stubborn on the vision, but flexible on the details.

What makes us so confident?

It is in our DNA. With roots dating back to 1837, the NCB Financial Group will celebrate its 185th anniversary in 2022. Throughout that history, the organisation has adapted and evolved, navigating challenges such as the Jamaican financial crisis of the 1990s, the 2008 global financial crisis, and the Jamaican Debt Exchanges of 2010 and 2013. We journeyed from a Jamaican bank to a leading Caribbean financial services conglomerate in over 20 territories. Along the way, we have created significant shareholder value, helped millions of customers to achieve their goals, procured services from thousands of small and medium businesses, paid billions of dollars in taxes as a corporate citizen to support the fiscal resiliency of the nations in which we operate and supported over 300,000 beneficiaries through charitable donations and volunteerism.

President's Message

CONTINUED

We are not daunted by challenges. Instead, we view them as opportunities in disguise. Albert Einstein said it best when he said **"In the middle of difficulty lies opportunity"**, and Newton's Third Law says, **"For every action, there is an equal and opposite reaction."** My view is that this challenge of a lifetime is also an opportunity of a lifetime for a response with transformations in science, business, education and humanity. To capitalise on this opportunity of a lifetime, we will continue to adapt and evolve.

How do we plan to navigate this unprecedented period?

We established our NCB Accelerate execution framework to support our ambitious transformation agenda. 'Accelerate' means to undergo a change in velocity and, essentially, we recognised that we needed to transform quickly, and we had to do so at an increasing rate of change. Jack Welch said, "If the rate of change on the outside is greater than the rate of change on the inside, the end is near." That imperative has been magnified in the wake of the pandemic. While our original set of initiatives has evolved, the discipline of seizing opportunities, executing quickly, identifying risks and pivoting to find alternatives and solutions has been firmly entrenched across the organisation. We continue to invest heavily in technical and leadership capabilities to further enhance our organisation and sustain acceleration over the long term. We also continue to be guided by our '4 Ps' framework – Pivot, Pursue New Opportunities, P.U.S.H. (Persist Until Something Happens) and Pay it Forward.

What can shareholders and customers expect?

Our four strategic pillars define what investors and customers can expect.

1. Strong Financial Performance – We will continue to deliver strong financial results for our shareholders and to reinvest in the transformation of our business model and the development of our people.

2. Inspired People and Culture – We will recruit, develop and retain world-class talent. Organisational Health remains a priority and this investment will help us deliver on all our strategic pillars.

3. Delighted Customers – We will continue to make enhancements to our service delivery. The experience we aim to provide is convenient, fast, easy, safe, reliable and delightful.

4. Digital to the Core – We will provide all our offerings digitally to facilitate anytime-anywhere access to the financial solutions our customers need to unlock their dreams.

Among our exciting initiatives are:

GUARDIAN C360

The C360 portal is geared towards achieving the goal of operating as one integrated, customer-centric insurance experience. Delivering on the Group's brand promise, this platform provides a cohesive digital portal for customers to interact with all lines of business within Guardian Group.

CENTRAL BANK DIGITAL CURRENCY (CBDC)

The Bank of Jamaica launched its pilot in September 2021 and National Commercial Bank Jamaica Limited became the first financial institution in Jamaica to be onboarded by the Bank of Jamaica to test this new system. Central bank digital currency creates a foundation for greater financial inclusion and digital commerce, eliminating some of the friction that has existed regarding payments that are not real-time across financial institutions. As the leader in digital innovation in financial services, we welcome this change that will disrupt the financial services landscape for the good of our customers.

NCB MERCHANT BANK (TRINIDAD AND TOBAGO) LIMITED

In FY2021, NCB Capital Markets Limited strengthened its commitment to deepening the financial markets across the region. NCB Merchant Bank (Trinidad and Tobago) Limited, formerly NCB Global Finance Limited, became a member of the Trinidad & Tobago Stock Exchange (TTSE), one of seven stockbrokers in Trinidad and Tobago to do so. The Government of Trinidad and Tobago recently introduced legislation to reduce corporate taxes to zero for five years for companies who list shares on their junior stock exchange. This is modelled after the Jamaican initiative that has been successful in increasing the number of initial public offers (IPOs) for private companies. NCB Merchant Bank (Trinidad and Tobago) Limited will focus on helping second generation owners of family businesses list on the TTSE, thereby unlocking new sources of wealth for business owners and retail investors.

LYNK

Lynk is a digital payment solution similar to Venmo and CashApp that customers will be able to use to send and receive money and make payments. Leveraging eKYC and biometrics, customers can sign up for their mobile wallet in minutes. The idea is that if you have a phone, you can Lynk. We have invested significantly in developing this world class solution. Our friends-and-family testing began in FY2021 with our full launch and roll-out to follow in FY2022.

CLARIEN FOUNDERS FUND

Clarien Bank launched the North American Founders Fund, which holds a concentrated portfolio of high-quality businesses that are leaders within strong, long-term industries. The aim of the Fund is to protect our clients' capital and deliver solid returns by selecting companies intentionally and strategically. We selected companies that are owner-led, where the interests of the leadership and the investors were aligned. We also included companies that we viewed as innovative and diversified, with a clear vision and a commitment to environmental, social and governance (ESG) best practices.

DIGITAL EDUCATION

N.C.B. Foundation recently pivoted to prioritise and focus resources and investments on digital education with $100 million committed in this financial year alone and a record $300 million in total commitments. The funds will go to scholarships and grants for students and educators pursuing subjects such as software engineering and data science.

In closing, I re-iterate my gratitude for each customer, team member, partner and shareholder. I feel extremely privileged to lead the NCB Financial Group during this unprecedented time. At the end of the day, I am an optimist and I firmly believe in the quote by Abigail Adams: **"These are the times in which a genius would wish to live. It is not in the still calm of life, or the repose of a pacific station, that great characters are formed. The habits of a vigorous mind are formed in contending with difficulties. Great necessities call out great virtues."**

Rest assured, fellow shareholders, our unwavering commitment is to realise our 2024 aspiration of becoming a world-class Caribbean financial ecosystem while staying true to our purpose of Empowering People. Unlocking Dreams. Building Communities.

Thank you.

Hon. Patrick A. Hylton, OJ, CD, LL. D (Hon.)
President and Group Chief Executive Officer
NCB Financial Group Limited

Management Team

The leaders of the NCBFG work together towards a common goal of creating stakeholder value, committing to building superior customer experiences and raising the bar for the financial services industry.

ALLISON WYNTER
Group Chief Risk Officer

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

DAVE GARCIA
Group General Counsel and Corporate Secretary

Dave provides the Group with general advice, leadership and direction on legal, governance and corporate secretarial matters and maintaining effective relationships with relevant stakeholders. He is charged with guiding the Group's legal strategy and the ongoing development and monitoring of its governance framework as the Group continues to pursue growth of its businesses in Jamaica and the wider Caribbean, while ensuring the appropriate oversight and management of legal risk.

DENNIS COHEN
Group Chief Financial Officer and Deputy Chief Executive Officer

Dennis provides leadership and oversight for the Group's financial planning and reporting. He is also responsible for monitoring the Group's performance against strategy and budget, in addition to overseeing the Group's Transformation Office, Investor Relations function and several other key business segments.

MISHECA SEYMOUR SENIOR
Group Chief Compliance Officer

Misheca leads the Group Compliance Unit and oversees the management of the Fraud Prevention Unit. She is responsible for the development, implementation and effectiveness of compliance and fraud prevention programmes. This includes ensuring that appropriate measures are maintained to combat money laundering and financing of terrorism and to prevent, detect, investigate, manage, and report fraud, while monitoring and ensuring overall compliance with regulations relevant to the Group.

MUKISA RICKETTS
Group Chief Audit Executive

Mukisa provides strategic direction and oversight of the internal audit activities for the Group. In this role, she facilitates transparency of the Group's operations through independent and objective assurance on the effectiveness of the risk management and governance processes and the internal control environment.

HON. PATRICK HYLTON, OJ, CD
President and Group Chief Executive Officer

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

Executive **Summary**

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

The financial data presented in this MD&A is constructed upon the informed judgment of management with proper consideration given to materiality. Management maintains an accounting and reporting framework, which includes the internal controls required to ensure that transactions are properly maintained and recorded, that assets are secured from unauthorised use and that disposal of assets and liabilities are fully recognised. Importantly, the efficacy of this control mechanism is regularly monitored and supported by written policies and instructions, qualified personnel, strong internal audit and risk assessment procedures.

The MD&A is written to allow the reader to have a guided approach towards assessing the financial performance of the Group for the year ended September 30, 2021 and to be able to compare current results with prior performance. The MD&A is to be read in conjunction with the audited consolidated financial statements and related notes. The financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The MD&A may contain forward-looking statements. These statements may include the words "believe", "expect", "intend", "plan", "estimate", "may", and similar expressions as well as statements other than statements of historical facts including, without limitation, those regarding the business strategy, plans, targets, 2022 outlook, 2024 strategic plan, expectations related to general economic conditions, market trends, anticipated impact on business segments and objectives of the management of NCBFG for future operations. Forward-looking statements are subject to uncertainty and uncertainties that may substantially differentiate actual results from forward-looking statements. These statements are not guarantees of future performance and undue reliance should not be placed on them. Although forward-looking statements contained in this MD&A are based upon what the management of NCBFG believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. NCBFG undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. All sums are represented in Jamaican dollars, unless otherwise stated.

Corporate Overview

NCBFG is the licensed financial holding company of four direct subsidiaries, namely: National Commercial Bank Jamaica Limited ("NCBJ"), NCB Global Holdings Limited ("NCBGH"), Clarien Group Limited ("CGL") and TFOB (2021) Limited ("TFOB"). The NCB Financial Group operates in the financial services industry, providing products and services in banking, insurance and investment management through 21 territories across the Caribbean. The NCB Financial Group is also one of the largest financial conglomerates in Jamaica and the Caribbean, measured by profitability and total assets.

The Group offers a wide gamut of products & services distributed through seven business segments. The products & services offered to customers include: loans, deposits, electronic banking, payment services, structured finance, trade finance, foreign exchange, wealth management, pension fund management, annuities, trust and general, health and life insurance services. Our products and services are made easily accessible to customers via multiple channels, including online platforms, mobile app and self-service banking options and through our financial kiosks and intelligent ABMs at our Bank on the Go locations. NCBFG remains committed to delivering superior value for customers through various digital channels to ensure a delightful customer experience.

NCBFG securities are listed on both the Jamaica and Trinidad & Tobago Stock Exchanges. More details on the Company may be found on our website at www.myncb.com.

Direct Subsidiaries of NCB Financial Group Limited

SUBSIDIARY	PRINCIPAL ACTIVITIES	PERCENTAGE OWNERSHIP
CLARIEN	Banking, investment and trust services	50.10
NATIONAL COMMERCIAL BANK JAMAICA LIMITED	Commercial banking	100
GLOBAL HOLDINGS LIMITED	Holding company	100
TFOB (2021) Limited	Digital/electronic payment services	100

The full list of subsidiaries can be found in note #1 of the financial statements, **pages 153 - 156.**

CLARIEN GROUP LIMITED

Clarien, one of Bermuda's largest independent integrated financial services organisation, boasts more than eight decades of banking experience in the financial services industry in Bermuda. In December 2017, NCBFG acquired a 50.1% majority stake in Clarien Group Limited. With this partnership in place, Clarien Group is well positioned to become a regional leader in financial services and wealth management.

Clarien Bank Limited ("CBL"), a major subsidiary of Clarien Group Limited, is licensed by the Bermuda Monetary Authority to conduct banking, investments and trust business for Bermudian and international clients. Clarien Bank

NCBFG Business Segments

<table>
<tr><th>OPERATING ACTIVITIES</th><th>SEGMENTS</th><th>SUBSIDIARY</th></tr>
<tr><td rowspan="5">Banking and Investment Activities</td><td>Consumer & SME Banking</td><td rowspan="4">NCBJ and its wholly owned commercial banking subsidiary
Commercial banking subsidiary of CGL
TFOB</td></tr>
<tr><td>Payment Services</td></tr>
<tr><td>Corporate & Commercial Banking</td></tr>
<tr><td>Treasury & Correspondent Banking</td></tr>
<tr><td>Wealth, Asset Management & Investment Banking</td><td>Wealth, securities dealing, brokerage, investment & asset management subsidiaries of NCBJ
Investment management subsidiary of CGL
Asset management subsidiaries of GHL</td></tr>
<tr><td rowspan="2">Insurance Activities</td><td>Life & Health Insurance and Pension Fund Management</td><td>Life and health insurance subsidiaries of GHL
Insurance and pension fund management subsidiary of NCBJ</td></tr>
<tr><td>General Insurance</td><td>Property and casualty insurance subsidiaries of GHL</td></tr>
<tr><td>Other</td><td>Other</td><td>All other subsidiaries not named above</td></tr>
</table>

Executive **Summary**

CONTINUED

is involved in community banking and provides retail and private banking services to individuals, and commercial banking services to small and medium-sized businesses. CBL offers services such as demand and term deposits, consumer, commercial and mortgage lending, credit and debit cards, and letters of credit. Additionally, through its subsidiaries, CBL engages in investment management, brokerage and advisory services and trust administration. The Clarien Group serves its customers through four primary channels: 1) Personal Banking, 2) Commercial Banking, 3) Private Banking and 4) Asset Management.

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

NCBJ is a registered deposit-taking institution ("DTI") licensed under the Jamaican Banking Services Act and is regulated by the Bank of Jamaica ("BOJ").

NCBJ and its subsidiaries continue to be the largest and most profitable banking and financial services group in Jamaica based on net profit and total assets. NCBJ and its subsidiaries operate primarily in Jamaica; however, banking, wealth management and other financial services are also offered in the Cayman Islands, Trinidad & Tobago, and Barbados.

NCB GLOBAL HOLDINGS LIMITED

NCBGH, a wholly owned subsidiary of NCBFG, incorporated in Trinidad and Tobago is a holding company owning a 61.77% majority stake in Guardian Holdings Limited ("GHL"), parent of the Guardian Group.

Guardian Group is a leading insurance provider with its operations spanning 21 territories across the English and Dutch speaking Caribbean, including Jamaica, Trinidad and Tobago, Barbados, Curacao, Aruba, St. Maarten and Bonaire. The Guardian Group offers world-class products and services in life and health insurance, asset management, trust services and general insurance through several entities across the Caribbean.

TFOB (2021) LIMITED

TFOB, incorporated in April 2021, is a fintech company currently focussed on developing and launching the Group's newest digital solution - Lynk. Lynk is a mobile wallet solution enabling customers to send and receive money and will also enable them to make payments to merchants. This new payment platform will aid in promoting greater financial inclusion and enable a fast, secure, reliable and safe payment alternative.

Credit Ratings

NCBFG and its subsidiaries are rated by independent international & regional rating agencies each year. These ratings provide an unbiased assessment of the Group's financial strength and credit quality using distinctive methodologies that guide their assessment and evaluation of our companies.

Rating agencies develop their own unique methodologies for assessing our creditworthiness and that of our obligations and securities (including long-term debt, short-term borrowings and asset securitisations). Both qualitative and quantitative factors are considered when reviewing our credit ratings, including financial strength, performance, prospects, operations, asset quality, capitalisation and liquidity position as well as factors not under our control. Additionally, from time to time, rating agencies will adjust their methodologies and based on their adjustment, our credit rating may be affected.

The opinions expressed by rating agencies on our creditworthiness are based on independent analyses and financial modelling. Other factors that influence our credit ratings include changes to the rating agency's methodologies; the rating agency's assessment of the general operating environment for financial services companies; our relative position in the industry; the sovereign credit rating of the relevant governments; current or future regulatory and legislative initiatives; the agency's views on whether the relevant governments would provide meaningful support to our

TABLES 1 & 2 provide the most recent public ratings for NCBFG and its main subsidiaries.

Table 1 NCBFG Ratings

RATING AGENCY	TYPE OF RATING	RATINGS ASSIGNED		OUTLOOK
CariCRIS[1]	Issuer/Corporate Credit Rating	Regional Scale	*Cari***A+** (local currency)	**Stable**
			*Cari***A** (foreign currency)	
		National Scale	*jm***AAA** (local currency)	
			*jm***AA+** (foreign currency)	

[1] Source: Caribbean Information & Credit Rating Services Limited ("CariCRIS") Rating Release – NCB Financial Group Limited, October 8, 2021.

Table 2 Subsidiary Ratings

SUBSIDIARY	RATING AGENCY / RATING TYPE OR INSTRUMENT RATED	RATINGS ASSIGNED		OUTLOOK
NCBJ	CariCRIS – USD 75 million Debt issue (notional)	Regional Scale	*Cari***A** (local currency)	**Stable**
			*Cari***A-** (foreign currency)	
		National Scale	*jm***AA+** (local currency)	
			*jm***AA** (foreign currency)	
	Fitch Ratings	Long-term Issuer Default Ratings (IDRs)	***'B+'*** (foreign and local currency)	**Negative**
		Short-term IDRs	***'B'*** (foreign and local currency)	
		Viability Rating	***'b+'***	
		Support Rating	***'4'***	
		Support Rating Floor	***'B+'***	
	S&P Global Ratings	Issuer Credit Rating	B+/Stable/B	**Stable**
NCB Capital Markets Limited (NCBCM)	CariCRIS - Issuer/ Corporate Credit Rating	Regional Scale	*Cari***A-** *(local currency)*	
			*Cari***BBB+** *(local currency)*	
		National Scale	*jm***AA-** *(local currency)*	
NCB (Cayman) Limited		Regional Scale	*Cari***A** (foreign and local currency)	
NCB Capital Markets (Barbados) Limited		Regional Scale	*Cari***BBB** (foreign and local currency)	
		National Scale	*bb***AAA** (local currency)	
GHL (Insurance composite) (T&T)	AM Best	Long-term Issuer Credit Rating	bbb- (Good)	**Negative**
Guardian General Insurance Limited (T&T)		Financial Strength Rating	A- (Excellent)	
		Long-term Issuer Credit Rating	a- (Excellent)	
Guardian Life of the Caribbean (T&T)		Financial Strength Rating	A- (Excellent)	
		Long-term Issuer Credit Rating	a- (Excellent)	

Executive **Summary**

CONTINUED

organisation in a crisis; our various risk exposures and risk management policies; our reputation; diversity of funding sources and funding costs; the current and expected level and volatility of our earnings; our capital position and capital management practices; and our corporate governance. The rating agency can adjust the rating at any time and they provide no assertions about the maintenance of the rating at current levels. Our organisation maintains active discourse with these major rating agencies and it is our objective to preserve high-quality credit ratings through outstanding financial performance.

Performance Measurement

Strategic plans are established with defined performance metrics for the Group, which are then detailed down to the business units, responsible executive and individual employee levels. The Group is measured against internal targets along with country specific, regional and international benchmarks.
As we strive for excellence, we constantly challenge ourselves to exceed prior performance. Various aspects of our performance are monitored on either a daily, weekly, monthly, quarterly or annual basis. Strategic progress is asessed using financial and non-financial measures to cover all areas of our performance to ensure we deliver or exceed the expected results for the benefit of all our stakeholders, including customers, employees and shareholders. Our financial measures include quantitative targets for net profit, revenue, cost optimisation, digitisation, core balance sheet portfolios, return on assets, return on equity, market share, capital management and strength, liquidity, risk management and operating efficiency. Our non-financial targets include objectives in the areas of customer service, customer satisfaction, customer loyalty, sales effectiveness, innovation, product penetration, efficiency improvements, branch optimisation, employee satisfaction, employee engagement, organisational health, regional expansion, corporate governance, corporate social responsibility and community involvement.

Our senior and executive management team monitors key performance metrics and forecast performance on a weekly basis to proactively manage the business and our overall performance is assessed as frequently as required to respond to changes in our environment.

The performance reports include forward looking projections to ensure prudent and timely decision-making. Additionally, forecasting and planning is done each year to assist the leadership team to effectively manage the business. We actively pursue our strategic imperatives and review outcomes using defined strategic measures to ensure alignment with the overall mission of the organisation.

As the impact of the pandemic settled over the regional and global economies throughout the 2021 financial year, we maintained our intense monitoring mechanisms via frequent stress testing and scenario planning. We conducted analyses and assessed the impact on the Group, our operating environment, our customers and our employees. Though the economy has shown signs of improvement and market volatility has decreased, the pace of recovery has remained slow. We made adjustments, where required, to our operations to adjust to the changes in the environment and implemented additional measures, where appropriate, to enhance performance management within the Group.

Financial **Snapshot**

TABLE 3: Five-Year Summary of Selected Financial Data

(in millions, except per stock unit amounts)	For the year ended September 30 2017	2018	2019	2020	2021	% Change Financial Year 2021 vs. Financial Year 2020	Five-year compounded annual growth rate (CAGR)
Consolidated Income Statement Extract							
Banking & Investment Activities							
Net interest income	29,760	35,144	44,595	52,490	**48,627**	(7%)	12%
Credit impairment losses	(729)	(1,961)	(4,825)	(10,285)	**(3,385)**	(67%)	41%
Net interest income, net of impairments	29,030	33,184	39,770	42,205	**45,242**	7%	10%
Net fee & commission	13,816	15,864	19,180	21,369	**22,489**	5%	16%
Gain on foreign currency and investment activities	7,726	15,611	15,412	8,793	**22,830**	160%	37%
Net result from banking & investment activities	**51,097**	**65,818**	**76,749**	**76,371**	**98,154**	**29%**	**18%**
Insurance Activities							
Net underwriting income	7,648	8,759	48,155	101,669	**110,234**	8%	71%
Policyholders' & annuitants' benefits & reserves and other insurance related expenses	(4,408)	(4,962)	(33,723)	(69,213)	**(87,282)**	26%	87%
Net result from insurance operations	**3,240**	**3,797**	**14,432**	**32,456**	**22,952**	**(29%)**	**46%**
Operating income	54,337	69,615	91,181	108,827	**121,105**	11%	21%
Staff costs	16,461	23,776	32,121	40,527	**44,501**	10%	26%
Other operating expenses, including depreciation & amortisation and finance cost	16,717	19,652	32,616	41,039	**50,350**	23%	27%
Net profit	19,108	28,581	31,165	26,883	**20,076**	(25%)	7%
Net profit attributable to stockholders of the parent	19,108	27,959	29,869	19,090	**14,227**	(25%)	(0%)
Earnings per stock unit ($)	7.76	11.39	12.30	8.01	**6.25**	(22%)	1%
Dividends paid per stock unit ($)	2.70	2.70	3.40	1.90	**0.50**	(74%)	(27%)
Consolidated Statement of Financial Position Extract (at year end)							
Investment securities	299,177	389,490	759,496	853,086	**900,512**	6%	27%
Net loans	218,615	372,635	423,103	452,955	**523,489**	16%	23%
Total assets	693,724	978,585	1,616,300	1,800,260	**1,921,368**	7%	26%
Customer deposits	288,464	484,848	504,679	573,969	**647,085**	13%	19%
Repurchase agreements	115,587	152,885	174,620	211,436	**224,805**	6%	16%
Liabilities under annuity and insurance contracts	36,185	38,093	394,615	405,015	**433,057**	7%	65%
Other borrowed funds	38,650	65,559	124,953	125,066	**136,972**	10%	63%
Equity	115,994	139,584	183,871	200,205	**206,665**	3%	15%
Equity attributable to stocholders of the parent	115,994	130,041	147,590	156,115	**161,456**	3%	9%

Financial **Snapshot**

CONTINUED

TABLE 4: KEY RATIOS AND PER STOCK UNIT DATA

	Year ended September 30				
	2017	2018	2019	2020	**2021**
Profitability ratios					
Return on average total assets	2.94%	3.42%	2.40%	1.57%	**1.08%**
Return on average equity	17.44%	22.73%	21.52%	12.57%	**8.96%**
Net results from banking activities to operating income	94.04%	94.55%	84.17%	70.18%	**81.05%**
Net insurance results to operating income	5.96%	5.45%	15.83%	29.82%	**18.95%**
Cost to income ratio	60.25%	60.68%	67.43%	68.48%	**76.19%**
Insurance loss ratio	55.19%	54.63%	61.28%	60.31%	**71.53%**
Per stock unit data					
Dividend payout ratio (based on payment date)	34.79%	23.71%	27.64%	23.72%	**8.00%**
Dividend yield	3.10%	2.17%	1.63%	1.45%	**0.39%**
Book value (J$)	47.12	53.00	61.60	65.82	**70.36**
Market Price - Jamaica Stock Exchange (JSE)					
High	J$94.99	J$130.00	J$249.00	J$215.00	**J$150.00**
Low	J$58.50	J$84.01	J$110.11	J$130.00	**J$121.03**
Year end - close	J$87.02	J$124.52	J$208.79	J$130.90	**J$127.52**
Market Price - Trinidad and Tobago (TTSE)					
High	TT$5.25	TT$6.75	TT$10.71	TT$11.50	**TT$9.00**
Low	TT$2.58	TT$5.05	TT$5.73	TT$7.15	**TT$7.80**
Year end - close	TT$5.10	TT$5.73	TT$10.44	TT$7.75	**TT$8.25**

2021 Overview

Our strategic transformation remained our primary area of focus throughout the year. We fast-tracked a number of our strategic initiatives and continued to execute our growth plans as we navigated the evolving economic and operating landscape. The successful implementation of our initiatives demonstrates the Group's commitment to achieving its goal to create a regional financial ecosystem to provide world-class products and services through our fully integrated subsidiaries.

Our aspiration is anchored by four pillars:

1. **Strong financial performance –** delivering world-class growth, efficiency, return of assets and return on equity.
2. **Inspired people and culture –** becoming the employer of choice, with strong organisational health, and a place where each employee is proud to be a part of the team and committed to our success as an Group.
3. **Delighted customers –** being the preferred and most trusted financial partner for customers across segments.
4. **Digital to the core –** operating a world-class technology and analytics platform that enables fast, simple, intuitive, secure, stable and delightful digital first experiences for customers and employees.

Despite the headwinds created by the second and third waves of the COVID-19 pandemic, the economic recovery appeared to be slowly underway. As such, the challenges posed by the epidemiological crisis reinforced the importance of successfully executing our bold aspirations to continuously transform the Group. This has positioned us to capitalise on the opportunities presented by the gradual improvement in the operating landscape. This resulted in a solid financial performance whilst remaining fully dedicated to improving the customer experience and supporting employees' growth and development. The steady advancement of our technological capabilities hs been creating a seamless multichannel experience yielding favourable results through improved efficiency and customer service. We are resolute in achieving our aspirations, thereby unlocking potential growth opportunities and strengthening our regional position.

Worsening pandemic dynamics due to the rapid spread of variants of COVID-19 resulted in an uneven recovery and negatively impacted the Group's performance during the financial year. The Group reported consolidated net profit of $20.1 billion and net profit attributable to stockholders of the parent of $14.2 billion, a 25% or $4.9 billion decrease when compared to the prior year. Our asset base increased to $1.9 trillion, up 7% or $121.1 billion primarily due to increases in investment securities and net loans. However, the growth in the asset base along with lower net profits resulted in return on average assets of 1.08% compared to 1.57% in the prior financial year. Equity attributable to stockholders of the company increased by 3% or $5.3 billion to $161.5 billion with return on average equity of 8.96% in comparison to 12.57% in the prior financial year.

JAMAICA

We continued the integration of digital technologies across the Group, which has fundamentally improved how we operate and deliver value to our customers. Our previous investments to upgrade core systems and infrastructure across our Jamaican entities aligned with our digital business transformation. The ongoing conditions brought on by the COVID-19 pandemic highlighted the importance of digital platforms and accelerated the usage of digital channels. Movement restrictions and physical distancing protocols resulted in the replacement of many face-to-face branch interactions with digital transactions through online and mobile channels. Our pillar of being "Digital to the Core" extended beyond the successful migration of traditional banking transactions to digital methods of executing business processes and serving our customers. We remained equally committed to providing a holistic financial services experience for our customers. Buoyed by these advancements, we were able to successfully launch a number of online services aimed at enhancing access to digital channels, products and services thereby improving customer experience.

BERMUDA

The lingering effects of the pandemic on the tourism and hospitality industry – one of Bermuda's largest GDP contributors – threatened the country's recovery in 2021. However, the falloff in tourism output has been partially offset by positive results from the country's international business sector, which has registered some growth in spite of the pandemic and is currently Bermuda's largest source of employment[1]. As clients grappled with mobility restrictions, Clarien introduced a digital account opening platform for individual checking and saving accounts – a first for the Bermuda market. The platform is attracting new clients with a bank account. The onboarding application that takes just 15 minutes and is completed 100% online. It is a technological innovation aligned with Clarien's vision of enabling clients to bank at their convenience through enhanced platforms that make banking easier, faster and worry-free.

Standard & Poor's (S&P) Rating Agency has reaffirmed Bermuda's A+ long-term sovereign credit with a stable outlook and outlined that Bermuda benefits from institutional stability and its track record of implementing reforms to ensure sustainable public finances and economic growth over the long-term[2]. Looking ahead, the successful COVID-19 vaccine rollout (approximately 79% of the population is estimated to have received at least one dose[3]) and a reduction in mobility restrictions are expected to drive an increase in consumption and improve business sentiments in the upcoming year. Additionally, though overseas travel is expected to lag pre-pandemic levels in the short-term, the gradual recovery of the tourism sector is promising. The government's medium-term economic recovery plan is geared towards diversifying Bermuda's economy through the growth of new industries such as medical tourism, vertical farming, small and medium-sized enterprises marketplace, casino industry, residential scheme and sub-sea communications), with the focus being on those with the largest expected impact relative to the government's commitment. The medium-term economic recovery plan also includes improving the legal and regulatory frameworks for businesses. Clarien is poised to capitalise on the opportunities to be presented in the operating landscape by offering specialised service and solutions to the market as the country seeks to diversify and grow its economic output.

[1] https://www.royalgazette.com/labour/news/article/20211028/international-business-the-largest-employer-report/

[2] Standard & Poor's Ratings Report Bermuda – April 2021

[3] According to the World Health Organization as at November 12, 2021, a total of 101,341 vaccine doses have been administered.

Financial **Snapshot**

CONTINUED

TRINIDAD & TOBAGO AND THE WIDER CARIBBEAN

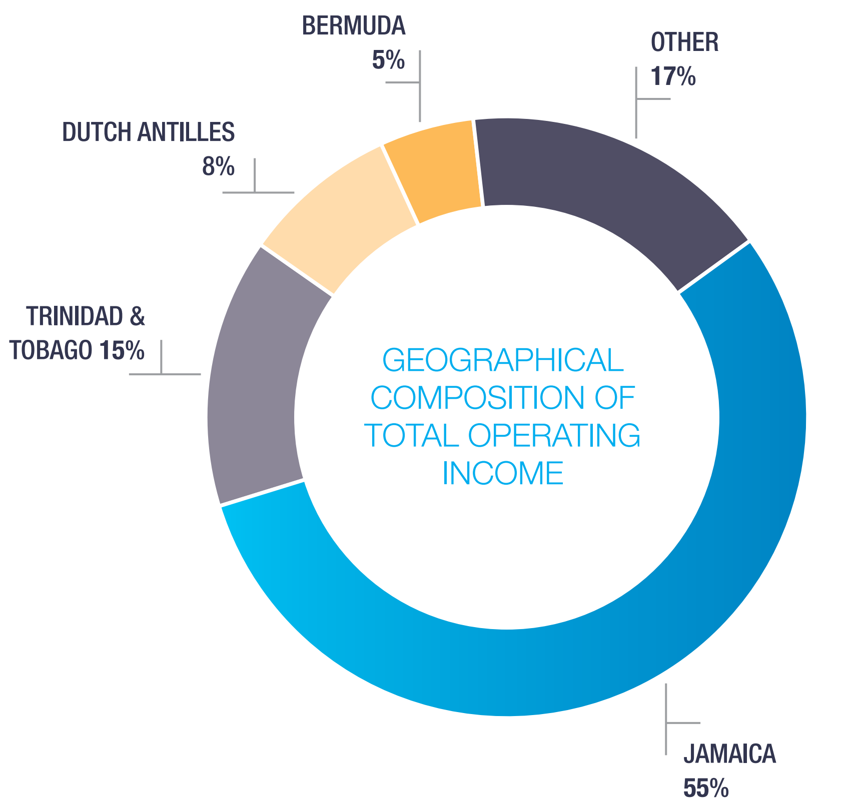
The Group focussed on streamlining and deepening our connections across Trinidad & Tobago, Barbados and the wider Caribbean. The second and third wave of the COVID-19 pandemic resulted in general economic stagnation and had a debilitating impact on activities throughout the region. This caused an increase in unemployment, which had a negative impact on the pace of growth in insurance premium collections from both group and individual clients within these markets. There were also adverse effects on investments in the local and international capital markets due to general market volatility and its impact on asset prices and investor confidence.

The various technological updates that were implemented in the previous financial year laid the foundation for several initiatives which galvanised operational efficiency, revenue generation and improved customer service during the challenging 2021 financial year. We launched significant upgrades to our insurance related digital interfaces for service and sales and implemented the deployment of solutions such as online payment portals, wider rollout of mobile payment options and the acceptance of digital forms and signatures. We will continue to leverage our extensive network so that we may increase product density, enable more cross-selling opportunities and establish further collaboration across the Group to encourage growth, innovation and more robust financial performance.

OUTLOOK

The steady increase in vaccination rates, coupled with the easing of mobility restrictions, augurs well for recovery in the Caribbean in the short to medium term. We have invested heavily in data analytics, artificial intelligence and machine learning and are focussed on product and service innovation and delivery to meet the respective needs of the markets within which we operate. Consequently, we are poised to emerge even more resilient and efficient.

The execution of our 2024 Strategic Programme is underway and is integral to our navigation of the global disruption. The achievement of our four-pronged aspirations of **strong financial performance, inspired people and culture, delighted customers** and being **digital to the core** are all strategic imperatives to attain our goal to become a world-class financial ecosystem and establish our position as a regional leader. We are aware that the evolving shifts in the economic landscape provides challenges and opportunities across our respective markets and we are focussed on continuously creating value for our customers and stakeholders. Our commitment to growth, innovation and high performance is the driving force behind our optimism and excellence. We will continue to execute on our strategy, capitalising on opportunities for growth, digital advancement and unlocking potential across our markets to emerge from the pandemic stronger.



"To accomplish great things, we must not only act, but also dream; not only plan, but also believe."

- Anatole France

Fuelled by the ambitions of our customers to be their best selves, achieve the utmost for their families and live the life they truly deserve, we at the NCB Financial Group have a deep and abiding respect for the dreams held by those we serve.

Standing on 185 years of legacy and commitment, we offer value to the communities we serve; we have renewed our energies around transforming the Group and have charted the course towards becoming a Caribbean financial ecosystem.

We act on the promise to go further… to unlock more, to develop our stakeholders whether employees, customers, shareholders or industry colleagues. We dare greatly by innovating and providing fulsome opportunities for those on the cutting-edge wanting to embrace the new era with convenience and confidence.

We serve, we build, we empower to make tomorrow better than today.

Our Operating **Environment**

MD&A
Continued

The persistence of the COVID-19 pandemic continued to adversely impact the operating environments and the financial performance of the businesses across NCB Financial Group's operating territories during the financial year (FY).

TABLE 1: Regional Economic Growth & Inflation

Period	Barbados	Bermuda	Cayman	Jamaica	T&T
GDP Growth					
2019	-1.3%	2.9%	3.8%	0.9%	-1.2%
2020	-18.0%[1]	-8.5%	-6.7%	-9.9%	-7.9%
YTD2021	-3.2%[2]	-4.3%[3]	1.4%	14.2%[4]	-7.4%[5]
2021F	1.6%	3.4%	1.2%	4.6%	-1.0%
2022F	10.1%	2.2%	4.0%	2.7%	5.4%
Inflation					
2021	1.8%	1.2%[6]	-0.4%[7]	8.2%[8]	1.5%[9]

Sources: Bermuda Government, S&P, Moody's, Statin, Fitch Solutions, IMF, BOJ, ESO (2020), Cayman Islands Semi-annual Economic Report

Economic Performance

The contraction in economic output witnessed in the prior year (see table 1) continued into the first half of the 2020-21FY. However, rising COVID-19 inoculation rates, particularly in developed markets; signs of improving travel demand; strong external demand; and private consumption fostered a gradual recovery in the second half of the financial year for most territories.

This was the case for all operating territories excluding Trinidad and Tobago (T&T), whose prolonged COVID-19 restrictions are expected to sustain the economic contraction for another year, though at a significantly slower pace. Considering this is one of the major

1. Source: Barbados IMF Country Report (December 2021).
2. This represents output for the nine months ended September 2021.
3. Three months to March 2021.
4. Represents growth for the second quarter of the 2021 calendar year.
5. YTD March 2021.
6. 12 months point-to-point June 2021.
7. 12 months point-to-point June 2021.
8. 12 months inflation to September 2021.
9. Central Bank of Trinidad and Tobago - January to September 2021.

operating environments for NCBFG's subsidiary, Guardian Holdings Limited, the lockdowns affected insurance activities through policy lapses and a decrease in premium collections. While T&T's tight measures prolonged its economic recession, other countries including Barbados and the Cayman Islands also maintained highly restrictive measures. These measures, such as prolonged border closures (Cayman) and extended lockdowns and tight curfews (Barbados), are expected to slow the pace of economic recovery in these countries, given the adverse impact on business activity and private consumption.

In the first half of the year (H1), all major operating territories contracted as sluggish recovery in tourism and local containment measures constrained domestic activity. Tourism dependent countries, including Jamaica, Barbados, the Cayman Islands and Bermuda, reported consecutive declines in real output in Q1[10] and Q2[11] as the effects of the pandemic on traveller sentiment and mobility, as well as social distancing requirements weighed on their service industries, particularly the hotels, accommodations and restaurant sectors. Although countries such as Jamaica and Bermuda reopened their borders to tourists in June 2020, and Barbados in July 2020, the hotels and restaurant sector still contracted in the December 2020 and the March 2021 quarters.

Some source markets, such as Canada, kept their borders closed to non-essential travel while surging cases in others, such as the UK, resulted in bans on visitors from those countries. Additionally, the cruise industry remain shuttered, fears around travelling remained high, and economic activity and employment remained low, which all adversely impacted tourist arrivals. These countries were also impacted by depressed domestic private consumption. In Bermuda there was also an adverse influence from lower government consumption, reflecting a reduction in spending on goods and services, and lower gross capital formation. This was due to reduced spending on construction and decreased investment in machinery and equipment. On the other hand, Jamaica's overall economic contraction was partly tempered by a generally positive performance in its goods producing industries[12]. This was led by the sustained robust performance in its construction sector, as a result of increased capital expenditure on civil engineering activities and construction. Strong remittance inflows, owing to high unprecedented fiscal stimuli in source markets, also helped sustain a level of consumer demand to offset the impact from a contraction in disposable income in the face of a rise in unemployment.

Similarly, energy-dependent T&T also saw its economy contract in H1[13] as pandemic-related restrictions, including a prolonged period of border closure, depressed domestic activities, and a collapse in global oil and gas prices in the face of the sharp downturn in the global economy weighed on the island's energy sector. Energy prices recovered on the back of strong demand in 2021[14], following the re-opening of several major economies and crude oil production cuts by OPEC. However, developments in the energy sector, new waves of infections and the re-implementation of lockdown measures adversely affected T&T's economic performance during the financial year. The decline was concentrated in the energy sector, as domestic energy production was adversely affected by natural gas supply issues, coupled with continued maintenance activity and temporary plant closures due to weak global energy markets in H1.[15]

A fall-off in the non-energy sector also contributed to economic contraction as the closure of T&T's borders for a protracted period (March 22, 2020 to July 17, 2021) and lockdowns continued to affect the transportation industry and private consumption, especially on discretionary and luxury goods as well as the wholesale and retail trades. However, similar to Jamaica, the overall contraction in economic activity in T&T was tempered by growth in the construction segment stemming from ongoing work on several infrastructural projects. There was also an increase in the finance and insurance sectors, propelled by commercial banking activities and expansion in the manufacturing sector, as the production of food and beverages was not subject to COVID-19-related restrictions. This increase influenced growth in the sector in Q2, and helped temper the contraction.

10. During the December quarter, Jamaica contracted by 8.3 percent, Bermuda 4.0 percent.
11. During the March 2021 quarter, Jamaica contracted by 6.6 percent, Bermuda 4.3 percent.
12. Jamaica's goods-producing industry grew marginally (0.2 percent) in Q1 and improved further in Q2 (2.6 percent) (STATIN, 2021)..
13. T&T economy contracted by 9.0 percent in Q1 and 7.4 percent in Q2 (CBTT, GOTT).
14. West Texas Intermediate (WTI) oil prices rose from US$37.69 per barrel in October 2020 to US$75.03 in September 2021 (+99.1 percent). Similarly, natural gas prices rose from US$3.19 in October 2020 to US$5.58 in September 2021 (+74.9 percent).
15. Central Bank of Trinidad & Tobago (2021).

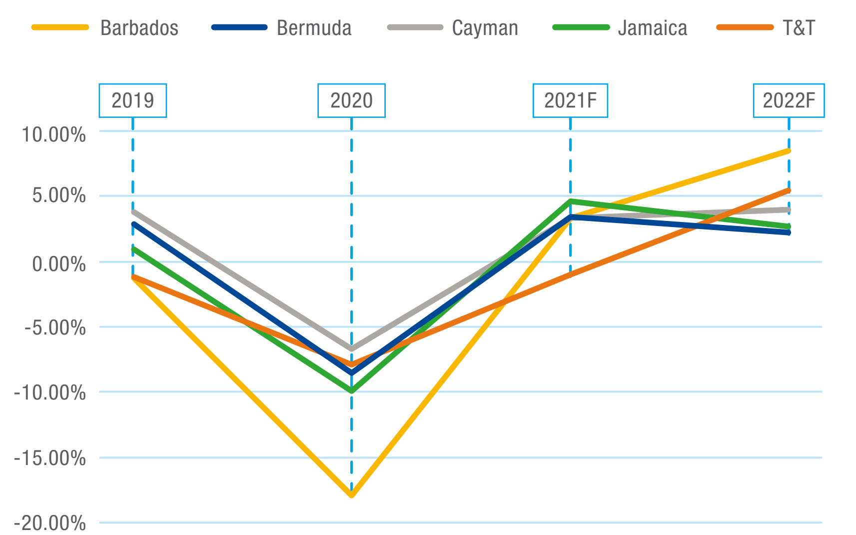
Our Operating **Environment**

CONTINUED

The adverse economic performance across major operating territories contributed to a decline in NCBFG's H1 year-over-year net profit outturn. Low economic activity, elevated unemployment rates and reduced corporate profitability limited loan growth, while the general low interest rate environment, that was maintained to support economic recovery, depressed interest income. Further, reduced retail and corporate activity significantly impacted fee income, specifically the issuing and acquiring of cards, which is heavily dependent on travel, entertainment and restaurant activities. Increased use of lower cost self-service and digital options, implemented across countries in keeping with physical distancing measures, also weighed on fee income, but resulted in efficiency gains for the organisation that are expected to persist over the long term. The insurance sector was also negatively affected as prolonged lockdowns in countries, such as T&T, affected the mobility of advisors and customers. The economic downturn and adverse health effects of the pandemic contributed to an increase in claims and gross insurance benefits. These effects were partially offset by improved gains from foreign currency and investment activities due to improving fixed income and equity market conditions driven by the blossoming vaccine-led global recovery.

The story began to change in the second half of the year (H2) as higher vaccination rates and accelerated economic recovery in major developed markets fueled an increase in external demand for goods, services and energy.

FIGURE 1: GDP Growth Across NCBFG's Major Operating Territories



The relaxation of restrictions on movement also encouraged an increase in commercial activity in some operating territories. Despite the general contraction in the economy in the first 2 quarters, there was a deceleration in the pace of decline, which eventually turned positive in Q3 for countries such as Jamaica and Barbados. In Q3 the Jamaican economy grew by 14.2 percent[16] and the Barbadian economy by 5.5 percent[17], supported by the relaxation of some of the COVID-19 measures including reduced curfew hours and the easing of travel restrictions, which positively impacted commerce and tourism-related activities. Bermuda is anticipated to benefit from the same factors, as it eased lockdowns and restrictions at the start of H2 in April 2021.

In Jamaica, growth was also bolstered by expansion in all service industries and some goods-producing industries, such as construction, agriculture, forestry and fishing and manufacturing. During Q3 the agriculture, forestry and fishing industry was positively impacted by favourable weather conditions and a flood relief programme for farmers, aimed at increasing agricultural production. Furthermore, greater economic activity led to the return of some jobs, contributing to a reduction in unemployment[18], a rise in purchasing power and an increase in household consumption. However, while the embryonic domestic growth is estimated to have continued into Q4 for Jamaica and Barbados, it was tempered by sporadic spikes in COVID-19 cases, which

16. STATIN (2021).
17. IMF (2021).
18. The unemployment rate in Jamaica fell to 8.5 percent at the end of July 2021, relative to 12.6 percent for July 2020 (STATIN, 2021).

prompted renewed tightening of some restrictions on the movement of individuals dampening economic activity. Additionally, adverse weather events during the 2021 hurricane season, such as Hurricane Elsa, caused damage to agricultural produce in Jamaica and Barbados' housing, which also constrained economic recovery. Further, a fire at the Jamalco plant in Jamaica resulted in a stoppage of alumina production that is expected to cause a contraction in mining and quarrying during the quarter, and will likely temper economic growth in the final quarter of our financial year.

Whilst data on the Cayman Islands is limited, it is estimated that the country achieved improved economic results in H2 despite sustained border closures. Border closures were still in place until September 9, 2021, when phased reopening, and entry to select categories of travellers arriving by air, began. Activity within the tourism and transport sectors are estimated to have remained depressed during H2. However, it is still estimated that overall economic activity picked up in H2, leading to growth. This was influenced by the islands' high vaccination rate (84 percent), an increase in commercial activity and sustained government stimuli to support the local economy. Additionally, growth in construction activities, through the commencement of several large-scale private and public projects, was also likely a major driver. It is further anticipated that there was an improvement in the financial services sector through a gradual recovery in domestic lending supported by the slow economic recovery, reduced unemployment[19] and low interest rates.

In contrast, economic activity remained depressed in T&T at the start of H2 as the energy sector production continued to be adversely affected by low natural gas production. Supply challenges persisted and renewed restrictions spurred by a surge in COVID cases, which weighed on domestic activity. While oil output increased, natural gas output contracted (-20.6 percent)[20] as gas supply challenges continued to set back the industry because of a natural decline in gas wells, coupled with disappointing results from a few upstream drilling programmes. Despite the decline, there was relative resilience in crude oil production (+0.6 percent)[21], supported by the global energy demand stemming from economic re-openings, which tempered the overall reduction in the energy sector. Stricter COVID-19 restrictions implemented in April 2021 also had an immediate impact on the domestic non-energy market as non-essential businesses were forced to close and businesses deemed to be providing essential services were opened for reduced hours. However, economic activity began to pick up in Q4 as the government eased restrictions in mid-July, rekindling the domestic market.

In light of the better H2 performance in most territories, the Group reported better performance in most areas, but insurance activities slowed, primarily due to lockdowns in T&T during the third quarter. The gradual improvement in economic activity caused a measured increase in investor confidence, which continued to enhance market conditions and security prices. This improved gains from investment activities. The rise in economic output and employment bolstered private consumption and a modest recovery in debt servicing capabilities of households and businesses, which resulted in a decline in expected credit losses and needed provisions. However, business and consumer activity were still depressed and, coupled with tight interest rate spreads, continued to negatively impact net interest as well as fee and commission income. Additionally, containment measures re-imposed by the Government of T&T impacted businesses and consumers, causing an increase in policy lapses and decreased premium collections and creating a general slowdown in the segment's activity.

Coming off all-round contractions in 2020, each operating territory, with the exception of T&T, is expected to expand in 2021, and all are expected to grow in 2022 (see figure 1). The IMF projects that the region will grow by 6.3 percent for 2021, due to favourable external conditions, high commodity prices and pent-up external demand. Jamaica, Barbados, Bermuda and the Cayman Islands will benefit from the rebounding demand for travel and economic conditions in source markets. Recovery in the tourism industry is expected to deepen as global inoculation rates increase and employment rises, fostering

19. Unemployment is expected to fall to 4.8 percent in 2021 from 5.2 percent in 2020 in Cayman (2021 Pre-Election Economic and Financial Update).

20. CBTT (2021).

21. CBTT (2021). Crude production increased by 0.6 percent for January to April 2021 period.

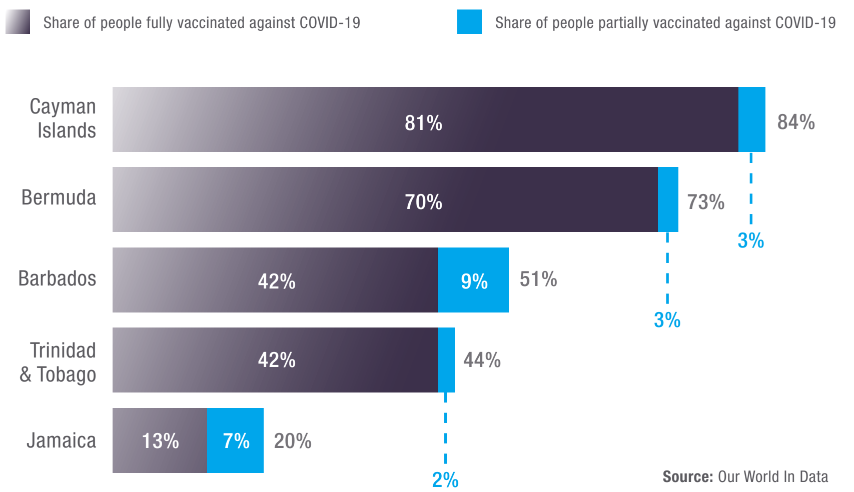
Our Operating **Environment**

CONTINUED

greater demand for discretionary activities. Key markets such as the UK and Canada have now opened their borders for non-essential travel and the cruise industry has recommenced trips, which all augur well for a gradual return of tourist arrivals to the region. However, tourism is not expected to reach pre-pandemic levels until at least 2023 for these countries according to the IMF.

In Barbados, Bermuda, and Cayman, growth will also be influenced by rebounding activity in the financial services industry. That being said, as the Group of Seven (G7) leaders push the implementation of a global minimum tax of at least 15 percent, the tax burden on companies in these three countries is likely to increase in the coming years, which will reduce the appeal of their offshore sectors and weigh on their growth prospects. While T&T will continue to benefit from increased demand for oil and high oil prices, the gas supply challenges and COVID-19 outbreak, which delayed significant recovery in private consumption will influence a one percent contraction in 2021, according to the IMF. However, the economy is expected to grow by 5.4 percent in 2022, as private consumption rebounds and the impact of the pandemic wanes. T&T will also continue to benefit from global economic growth, which will power demand for its energy exports and drive oil and gas prices up. West Texas Intermediate is expected to average US$68.48 per barrel (/b) in 2021 (up from US$39.17/b in 2020) and US$68.24/b in 2022. Natural gas spot price at Henry Hub

FIGURE 2: Regional Inoculation Rates



Source: Our World In Data

is expected to average US$4.44/ MMBtu in 2021, (up from US$2.11/ MMBtu in 2020), and US$4.16/ MMBtu in 2022. The rise in prices may motivate local producers to ramp up production; however, issues surrounding the availability of affordable natural gas have the potential to stymie any recovery in activity[22]. Nonetheless, according to the Central Bank of T&T (CBTT), the local energy industry is poised for growth in the medium term as BHP Billiton's Ruby project, which had an early start-up in May 2021, Shell's Barracuda and Colibri projects and BPTT's Cassia Compression and Matapal projects come on stream, alleviating the gas supply issues.

All territories are also expected to benefit from rising domestic vaccination rates, which should foster the relaxation of restrictions, increased mobility, more normalised operating hours, higher labour demand and stronger consumer demand. This will likely be a speedier process for those countries with higher vaccination rates, such as Cayman and Bermuda (see figure 2).

However, downside risks still exist as the continued spread of COVID-19, prolonged restrictive measures, the emergence of new variants, premature aggressive monetary tightening and increased foreign scrutiny of tax regulations remain significant risks to regional recovery. There are general risks that will challenge the region, some of which will constrain activity in specific countries. A sustained spread of the virus will warrant

22. CBTT (2021).

maintenance or re-implementation of more restrictive measures that could depress economic activity across all operating territories.

Further, tourism activity for the Cayman Islands, T&T, Barbados and other Caribbean markets may recover at a slower pace than expected, due to ongoing travel restrictions. Additionally, hawkish monetary policies could pose challenges to recovery, with tighter financial conditions and constrained credit demand. In Jamaica, the recent switch to monetary tightening by the BOJ[23] to contain inflation could also derail economic activity if tightening proves too aggressive. In Cayman, there is a possibility that the UK government, which oversees the Cayman Islands as a British Overseas Territory (BOT), may tighten regulations following the 2018 amendment to the Sanctions and Anti-Money Laundering Bill[24]. Any increased foreign scrutiny of Caymanian regulation of the financial services sector may prompt corporate entities to shift operations from the territory, weakening real GDP growth and employment.[25] In T&T, delays in the completion of natural gas upstream projects could prolong the supply challenges currently plaguing the energy sector and limit a near- to medium-term economic rebound.

Inflation

The inflation experience varied across territories during the financial year, with the economic recession being faced by most countries keeping inflation muted at the start.

However, with the onset of global recovery in 2021, rising demand fueled supply chain challenges, higher freight costs, shortages and an increase in the prices of inputs and final goods that caused inflation to rise in some countries. Of note, inflation rose sharply in Jamaica, but was more muted in Bermuda, Cayman, Barbados and T&T.

In Jamaica, which has an inflation targeting regime, consumer prices rose by 8.2 percent for the 12 months ended September 2021, putting it firmly outside of the 4-6 percent target range. Increases in food and beverage prices, an increase in public transportation costs and higher electricity rates were some of the factors influencing the rise in prices.

Similarly, these factors, along with higher international oil prices, labour shortages, the ongoing logistics challenges and the continued pile-up in some main shipping corridors influenced a 1.8 percent increase in domestic prices in Barbados for the 12 months ending August 2021. Bermuda's inflation also rose to 1.2 percent at the end of June 2021, up from 0.4 percent in 2020. A rise in almost all divisions, but moreso higher transportation and foreign travel costs, as demand for travel increased, were the contributors.

However, over the period for which data is available, inflation remained low in T&T and declined in Cayman[26]. The decline in Cayman's inflation rate for the period ended June 2021 from 0.1 percent to -0.4 percent was primarily due to a decrease in the costs of utilities, transportation, and recreational activities. In T&T, although inflation rose to 1.8 percent at the end of June 2021, up from 0.6 percent in the prior year due to a surge in commodity prices, higher shipping costs, transportation delays and adverse weather conditions, CBTT considered inflation pressures to be low due to restrictions and limited economic activity in the non-energy-producing sectors.

Supply chain challenges are expected to persist into 2022 and, as such, it is forecast that most of the region will continue to contend with inflation pressures in the near term. According to the BOJ, inflation in Jamaica is projected to average between 5.5 percent and 6.5 percent over the next two years, above the previous projection of 4.8 percent. The inflation projection is driven primarily by a gradual rise in core inflation, supported by the lagged impact of higher international commodity and shipping prices, a recovery in domestic demand and a temporary jump in inflation

23. The BOJ raised its policy rate by 100 basis points to 1.5 percent per annum, effective October 1, 2021.

24. This legislation required that all BOTs disclose the registers of beneficial ownerships in their jurisdiction by 2020 in an effort to crack down on tax evasion (Fitch Solutions, 2021).

25. Fitch Solutions (2021).

26. This is referring to inflation at end of June and March 2021 for T&T and Cayman, respectively.

Our Operating **Environment**

CONTINUED

expectations. Since this would put inflation above the target range, the BOJ has tightened its monetary policy to contain heightening inflation.

Barbados is expected to see a marginal increase in inflation for the full year 2021, from 2.7 percent in 2020 to 2.9 percent[27] in 2021, which is significantly below the pre-COVID-induced peak of 7.7 percent recorded in January 2020. This outlook on inflation is supported by expectations that data will show or confirm stronger consumer demand during the 2021 Christmas season, as well as the recovery in energy prices, as global demand for travel accelerates and puts upward pressure on domestic electricity and fuel prices. This, along with the fact that global food prices are rising at the fastest rates in a decade, will contribute to a modest rise in inflation, as the weak economic activity helps contain price increases.

In contrast, inflation is expected to be subdued in T&T as weak economic activity limits price pressures. This should support the investment environment, as low inflation will bolster the real rate of return on assets and ease pressure on the CBTT to raise interest rates to meet its mandate of stable prices. Of note, Barbados, Cayman Islands, and Bermuda have fixed exchange rate regimes, and T&T has a quasi-fixed regime, which helps to ensure broad currency stability and will limit import price volatility.[28]

Monetary Policy

Regionally, outside of Jamaica, the monetary policy stance of central banks has not changed since the onset of the pandemic.

This is expected to continue in the very near term until 2022 when persistent inflation and potentially hawkish US Federal Reserve actions could influence wider regional tightening. Globally, to manage heightened inflationary pressures, central banks have tightened their monetary policy actions to stem inflation. This shift has been more important for countries in the region that have recorded significant price increases. In Jamaica where inflation is above target and projected to breach said target in coming quarters, the BOJ raised its policy interest rate by 100 basis points to 1.5 percent on October 1, 2021. The decision was made following the breach in August[29] and in light of the risk of continued breaches due to significant increases in international commodity prices and shipping costs. These developments have had a higher-than-expected pass through to Jamaican consumer prices, and have contributed to further increases in inflation expectations. In a prior survey, Jamaican business inflation expectations rose to 7.4 percent from 7.0 percent for the 12 months ending July 2022, causing uncertainty that higher future prices could impede effective planning. Additionally, consumers will also be faced with higher prices for agricultural commodities because of the passage of tropical storms. This was the first rate hike in Jamaica since August 2019 and was intended to raise borrowing costs to lower private consumption, thereby containing the impact of demand on prices. Consistent with meeting its inflation target sustainably in the medium term, the BOJ also signaled its intent, subject to inflation and other macroeconomic data evolving as projected, to continue reducing the level of monetary accommodation at subsequent policy meetings by increasing its policy rate. While a higher interest rate environment will bolster greater interest income for NCBFG, if the tightening is too aggressive it could derail Jamaica's economic recovery and further undermine the demand for credit.

Conversely, while T&T and Barbados have witnessed an increase in inflation, the rate is still generally low and, as such, monetary policy has remained accommodative in these countries. Although expectations are for prices and economic output to rise as we head into the year's end, continued weakness in these economies is likely to limit the pace of price increases and provide central banks with room to keep rates low. Within this context, it is anticipated that the Central Bank of Barbados (CBB) and CBTT will maintain an accommodative

27. Fitch Solutions (2021).
28. Fitch Solutions (2021).
29. At the end of August 2021, the point to point inflation was 6.1 percent (STATIN).

stance to buttress a sluggish economic recovery. Additionally, the current positive interest rate differential between T&T and US interest rates will sustain the relative attractiveness of its financial assets, delaying the need to raise rates. However, the CBTT could begin to increase its policy rate to sustain the attractiveness of TTD assets and prevent capital flight when the US Federal Reserve begins to raise its fund rate (expected towards the end of 2022). Furthermore, while most regional central banks will likely maintain a loose monetary stance in the near term as economic activity remains low, a faster pace of increase - particularly in the cost of imported goods, poses downside risks that could lead to early tightening across other operating territories. It is important to note that interest rate actions are less likely in Bermuda and the Cayman Islands as their policies put emphasis on maintaining the exchange rate peg with the US dollar.

Foreign Exchange

Except for Jamaica, NCBFG's Caribbean operating territories have a fixed or quasi-fixed foreign exchange rate regime, which allowed them to sustain stable currencies during the financial year.

Despite still depressed levels of USD inflows caused by sub-normal levels of tourism activity across Cayman, Bermuda and Barbados, all three countries maintained their currency pegs to the USD, with the support of their respective central banks and management of their currency reserves in 2021. This was supported by a narrowing of the current account deficit in Cayman and Barbados, as well as the maintenance of a strong external position in Bermuda. The slight recovery in goods and service exports over the past year boosted service exports. In Bermuda, even with the low levels of tourism and financial services activities, these two industries contributed to large service and income account surpluses, which bolstered reserves.

In addition to more inflows from exports of goods and services, Barbados bolstered its international reserves and currency with loans from multilateral lending agencies (US$249M) and an injection of US$261.6M from the IMF through its allocation of Special Drawing Rights (SDR), which brought their gross international reserves to US$2.87B (approximately 42 weeks of imports) as at the end of September 2021. For its part, despite the challenges of the energy sector, particularly natural gas supply challenges, and the impact on USD revenues, T&T also maintained a stabilised arrangement by tapping into its reserves to shore up hard currency supplies for the market. The sovereign's Net Official Reserves, at the end of September 2021 amounted to US$7,073M, US$119.2M higher than the level recorded at the end of 2020. The improvement in the stock of reserves reflected the IMF's SDR allocation of 450.3M (approximately US$644.0M) to T&T on August 23, 2021, as part of its efforts to improve global liquidity during the pandemic. The Government of T&T (GOTT) also possessed US$5.6B in its Heritage Stabilisation Fund[30] (HSF) during September 2021, which could also be used to support market intervention to bolster the stability of the TT dollar against the USD. In total, the CBTT sold US$712.1M to authorised dealers between January and July 2021 in an effort to meet the demand for USD in the market, thereby stabilising the exchange rate, which appreciated marginally (+0.4 percent). In contrast, the Jamaican dollar, which operates under a floating foreign exchange (FX) regime, depreciated by 3.4 percent during FY 2020-21 against the background of weak hard currency inflows from the hard-hit tourism sector. This decline was tempered by BOJ's intervention in the FX market through foreign currency sales and strong remittance inflows driven by falling unemployment and robust fiscal stimulus in the US and other source markets.

We expect these foreign exchange rate trends to continue in the near to medium term. The Cayman Islands Monetary Authority (CIMA) will maintain its currency peg to the US dollar due to a rise in currency reserves, which has outpaced nominal GDP growth over the past six years, a trend Fitch expects to continue: "Furthermore, the narrowing of the sovereign's current account deficit will enable CIMA to accumulate reserves as its current account deficit narrows in the years ahead and as tourism and financial services activities rebound from COVID-19 economic shock, supporting services exports. The theme will be the same in Bermuda as the services and income accounts will continue to outweigh the island's goods trade deficit, despite its heavy reliance on imports to meet domestic demand. These positive current account dynamics will ensure that the Bermuda Monetary Authority is able to maintain its 1-to-1 exchange rate peg to the US dollar for the foreseeable future."[31] With the help of strong net international reserve levels, the CBB will maintain the currency peg in Barbados despite the weakness in the tourism sector. This, along with the IMF's assistance under the current agreement, will limit risks to the external account and FX stability. The CBTT and GOTT are also expected to remain

30. The purpose of the Fund is to save and invest surplus petroleum revenues derived from production business in order to: i) cushion the impact on, or sustain, public expenditure capacity during periods of revenue downturn, whether caused by a fall in the prices of crude oil or natural gas; ii) generate an alternative stream of income to support public expenditure capacity as a result of revenue downturn caused by the depletion of non-renewable petroleum resources; and iii) provide a heritage for future generations of citizens of Trinidad and Tobago from savings and investment income derived from the excess petroleum revenues.

31. Fitch Solutions (2021).

Our Operating **Environment**

CONTINUED

committed to maintaining a stable exchange rate because a currency devaluation would be extremely politically unpopular and, as a result, the current administration is committed to the current exchange rate regime as it is of the view that devaluation would not benefit the economy. Furthermore, the recovery in global oil and gas prices augur well for improved hard currency inflows as well as the supply available to the market. This, together with high reserve levels, augurs well for the maintenance of the regime.

The JMD, on the other hand, will remain the weaker currency relative to the US dollar as the country's domestic tourism activity gradually recovers and hard currency supplies remain below pre-pandemic levels. However, the depreciation will be limited, as the country is expected to run a current account surplus in the quarters ahead and as remittance inflows and rebounding tourism activity widen the secondary income surplus and services trade surplus, respectively[32]. This expected current account surplus and rising international reserves (estimated to grow 8.2 percent in 2021) will help mitigate the risks to the country's external accounts.

Fiscal & Debt Dynamics

Prior to the pandemic, NCBFG's operating territories recorded favourable fiscal performances.

However, this deteriorated in 2020 (see table 2) as the ensuing recession resulted in a significant reduction in revenue flows, higher expenditure, and a subsequent weakening in their fiscal and debt metrics. All countries, except for Jamaica, recorded primary deficits in 2020 from surpluses in 2019. T&T reported the largest primary and fiscal deficits, as the significant fall-off in energy demand and prices, as well as a decline in tax revenue from domestic consumption, weighed heavily on domestic economic activity and severely impaired government revenues. While Jamaica was the only country to report a primary surplus, it was lower than the previous year, owing to the fall-off in tax receipts and private consumption, as well as higher COVID-related spending. Governments across the region also diverted resources to bolster their public health systems, support the most vulnerable and temper the adverse economic effects of the virus on households and businesses. Within the context of markedly weaker economic outputs and revenues, there was increased borrowing from domestic markets and multilateral agencies to buttress spending, which increased debt levels. Barbados retained its spot as the country with the highest debt-to-GDP ratio, see table 2. As a result of the pandemic, for the first time since 2015/16, its primary balance flipped to a deficit, which impeded its ability to pay down its debt and increased borrowing from multilateral agencies to mitigate the adverse effects. This, along with lower gross domestic output, caused a rise in debt to 150.6 percent of GDP at the end of 2020. In spite of the decline in economic activities and revenues, the Cayman Islands was able to make loan repayments during the year, which resulted in a reduction of the central government's outstanding debt[33].

The gradual recovery in regional economic output supported a rise in revenues, which together with lower pandemic-related expenditure, influenced better fiscal performance in 2021 relative to the prior year. All countries are expected to witness a narrowing of their primary deficit or improvement in primary surplus. Jamaica is expected to report the highest primary and fiscal surplus, and although T&T will record lower primary and fiscal deficits, they will be the highest among our operating territories. The Government's sustained pursuance of fiscal discipline and strong fiscal performance is expected to be the main driver of a return to fiscal consolidation in Jamaica. Revenue and expenditure data collected between April and July 2021 pointed to the GOJ outperforming its budget, with higher revenues and lower expenditure. It has also

32. Fitch Solutions (2021).

33. Economics and Statistics Office (2021).

TABLE 2: Regional Economic Growth & Inflation

Variables	2020			2021F			2022F		
	Primary Balance (% of GDP)	Fiscal Balance (% of GDP)	Debt -to-GDP (%)	Primary Balance (% of GDP)	Fiscal Balance (% of GDP)	Debt -to-GDP (%)	Primary Balance (% of GDP)	Fiscal Balance (% of GDP)	Debt -to-GDP (%)
Barbados	-1.9	-4.8	150.6	0.6	-2.2	140.3	2.1	-1.3	129.5
Bermuda	-2.4	-4.3	49.8	-0.6	-2.4	46.9	0.6	-1.2	46.0
The Cayman Islands	-2.2	-3.6	5.3	N/A	-2.4	13.2	N/A	-1.9	14.4
Jamaica	3.6	-2.8	93.1	6.2	0.4	87.6	5.9	0.6	80.4
Trinidad and Tobago	-7.9	-11.4	82.8	-7.9	-11.2	86.5	-1.8	-5.1	87.4

Sources: Economics Statistical Office, Fitch Solutions, S&P Global Ratings

since increased its original budgeted expenditure by J$33B to address some critical needs of the country that have emerged. Despite the increase, the GOJ's fiscal prudence and the outturn from the nascent recovery should support the forecast surpluses. Considering that T&T recorded the most significant deterioration in 2020, and economic outturn has not been as strong as other territories this year, its fiscal balance is expected to improve but remain in deficit (-11.2 percent[34]) at the end of December 2021 (See table 2). Additionally, while debt, supported by the expansion in GDP, is expected to return to its downward path for Jamaica, Barbados, and Bermuda, it is projected to rise for T&T and the Cayman Islands. The debt to GDP ratio in T&T is expected to rise to 86.5 percent and 87.4 percent in 2021 and 2022 respectively, due to sustained fiscal deficits and increased domestic borrowings to support the economy. In Cayman, it is anticipated that "the primary deficit will reverse a bit of the debt consolidation achieved over the last 10 years, which lowered the government debt from 18.6 percent of GDP in 2011 to 6.5 percent in 2019. However, the Public Management and Finance Law (PMFL) finalised in 2011, which caps public debt at 80.0 percent of government revenues and debt servicing at 10.0 percent of revenues, will keep Caymanian debt well below the levels seen in other Caribbean markets over the coming years despite persistent budget deficits."[35]

The forecast fiscal performance has been reflected in the largely positive rating actions across territories, with the exception of T&T. In its most recent rating action on Jamaica, S&P Global Ratings maintained the country's 'B+' rating and revised its outlook on the sovereign from negative to stable, as it sees the risks of the pandemic for Jamaica's economy and public finances receding. The credit rating agency also expects the economic recovery will continue into 2022 and the Government will cautiously manage public finances and make repayments to lower its debt and interest burdens. Barbados similarly had its 'B-' & 'Caa1' rating and stable outlook affirmed by S&P and Moody's during the year. This stable outlook reflects the view that the COVID-19 pandemic will have a significant impact on Barbados' economy, fiscal balances, and external accounts in 2020, but the progress and credibility the Government has built over the past year and a half under the IMF's Extended Fund Facility (EFF) program will facilitate access to sufficient multilateral financing. Moody's Investor Service also affirmed the Government of Cayman Islands' rating (Aa3) and

34. S&P Global Ratings (2021).

35. Fitch Solutions (2021).

Our Operating **Environment**

CONTINUED

maintained its stable outlook, which balances the high level of economic development and low debt metrics against the credit challenges resulting from a small and narrow economic base. However, T&T was the outlier, and while S&P Global Ratings affirmed its 'BBB-' rating, it concurrently revised the outlook to negative from stable. The negative outlook incorporates the risks that poor economic performance and modest GDP growth prospects will prevent T&T from recovering the economic resilience lost in recent years, as measured by GDP per capita.

There are various actions that could lead to an upgrade or downgrade of these territories' ratings and outlooks. If these countries can achieve their forecasted economic performances, diversify their economies and return to a path of greater fiscal consolidation with lower debt and primary surpluses, there could be positive rating actions in the coming year. Furthermore, successful implementation of structural reforms that lead to higher medium-term economic growth and improved competitiveness would also improve the sovereigns' credit profile. However, the emergence of new waves of the virus, sustained low vaccination levels, re-implementation of tight containment measures, as well as poor growth and fiscal performance, could result in negative rating actions. Adverse weather conditions, which can cause significant damage to these Caribbean nations' infrastructure, could also lead to unfavourable rating actions. There are also some unique activities that could impact specific country ratings. For Barbados, a reversal of the recent recovery in its foreign exchange reserves and renewed pressure on its currency peg would also introduce downward pressure on its rating. Additionally, a change in the institutional arrangements that eases current restrictions on excessive debt in the Cayman Islands would lead to a negative rating action. Lastly, for those countries with greater dependence on financial services such as Cayman Islands, Barbados and Bermuda, sanctions to the offshore financial sector severe enough to structurally weaken the countries' growth prospects, could result in a downward rating or outlook revision.

Stock Market Performance

In Trinidad and Tobago and Jamaica, the stock market saw some recovery in investor sentiment and prices for FY 2020-2021; however, the market in Barbados continued to contract[36].

Despite the gains, uncertainties remain as trade volumes and retail investor participation are still below pre-pandemic levels in Jamaica and Barbados. The cross-listing of shares in GHL on the Jamaica Stock Exchange (JSE) in May drummed up activity on the T&T Stock Exchange (TTSE), pushing trading volumes above pre-pandemic levels in Q3 and Q4.

Following the drastic fall-off in 2020, the current global and regional economic recovery and improving prospects have supported a modest rebound and firm performances across several industries, resulting in the return of a measure of investor confidence in Jamaica and T&T. In Jamaica, this was evident in the successful execution of three initial public offerings[37] (IPOs), five additional public offerings[38] (APOs) and the cross-listing of shares in GHL[39] during FY 2020-21. However, the level of equity capital raised remained well below pre-pandemic levels. Nonetheless, these new offerings and greater output from both goods producing and service sectors, which translated into improved corporate earnings for the junior and main stock markets, led to a 10.5 percent gain in the JSE Combined Index (see table 3) during our financial year. Among the factors driving improved earnings for some corporates were:

- The implementation of cost containment measures
- Efficiency gains from investments in technology
- Actions to capitalise on new trends

36. This is proxied by year over change in the JSE combined index, the TTSE composite index and BSE composite index.

37. Future Energy Source Company Limited (FESCO) was listed on April 23rd 2021, Sygnus Real Estate Finance Ltd raises $3.90Bn and listed on October 6, 2021, and Tropical Battery Company Limited raised $325Mn and listed on October 21st 2020.

38. Barita raised $13.5Bn in September 2020, Derrimon raised $3.50Bn, PROVEN US$30.3Mn and Sygnus $3.9Bn in January 2021. Barita raised another $10.78Bn in September 2021.

39. Guardian Holdings Limited cross-listed on the JSE on May 5, 2021. Its market cap stood at J$135Bn upon listing.

- Adjustments to operating within the new normal
- Embracing of eCommerce
- Greater external demand driven by the inoculation-led global recovery
- A pickup in local employment and consumer demand.

However, businesses dependent on face-to-face interactions, including tourism and entertainment, continued to be buffeted by challenges, though they did see a measure of recovery from the lows of 2020. Investors selectively responded to this through increased demand for the stocks of companies that performed well despite the pandemic and those recovering, through a willingness to purchase at higher valuations. This resulted in the prices of these stocks appreciating and corresponding growth in the JSE Combined Index.

The TTSE Composite Index saw modest gains during the financial year (+8.6 percent) supported by similar factors, such as improved performance and valuations of some companies in the financial, manufacturing and distribution sectors. The cross-listing of the GHL shares also sparked increased activity in shares trading on the TTSE, which helped improve the market's performance. During the financial year, the price of the GHL shares trading on the TTSE increased by 172.7 percent to TT$32.85. The average number of GHL shares traded daily increased by 50.7 percent to 20,457 year-over-year. Trading activity and the stock market performance were also buttressed by continued usage of the TTSE online trading platform, which was launched during the 2019-20 financial year. The platform made trading more convenient and accessible for investors during the extended lockdown periods in T&T. In contrast, the BSE declined by 10.9 percent, partially due to the delisting of the shares of Cable & Wireless Barbados Limited and still-weak investor confidence in the market.

While market activity has picked up in Jamaica and T&T, investor sentiment and market performance in Jamaica are still significantly below their pre-COVID levels. Equity market activity is not reminiscent of the typical levels of activity, which the JSE experienced in the years leading up to the pandemic. Furthermore, corporate earnings in some sectors, such as financial services, tourism and entertainment have yet to recover. At the end of September 2021, the total volume traded on the JSE Combined Index was still 33.4 percent below its pre-pandemic level. The pandemic continues to evolve with the emergence of new strains and new spikes in cases, resulting in re-tightened containment measures. These developments have negatively affected corporate earnings and investor sentiment. While volumes remain depressed, the JSE has reported an increase in accounts opened, suggesting that investors, though not currently buying large volumes of stock, are likely to do so in the future. On the other hand, trading on the TTSE has exceeded its pre-pandemic levels following the GHL cross-listing. Owing to the rise in trading activity in Q3 (+67.6 percent) and Q4 (+10.7 percent), the total volume of the TTSE Composite Index traded for the year was just 0.6 percent below its pre-COVID level.

TABLE 3: **Regional Stock Market Performance**

Regional Stock Markets	2019-20	2020-21
Jamaica Stock Exchange	-26.40%	10.50%
Trinidad & Tobago Stock Exchange	-6.0%	8.6%
Barbados Stock Exchange	-16.1%	10.9%

We anticipate FY 2021-22 will see stronger performances across all three markets as restrictive measures are being relaxed in Jamaica[40], Barbados[41] and T&T[42]. The economy and corporates will benefit from seasonal factors and higher vaccination rates across the Caribbean, which should strengthen investor sentiment, as well as corporate and stock performances. As the gradual rebound in key markets continues and the winter season begins, we anticipate a further increase in regional tourism and in the financial performance of companies with direct and indirect exposure to the sector. Additionally, there was an expected rise in consumer demand for the 2021 Christmas season, which is expected to drive demand in the e-commerce, manufacturing, and distribution spaces. Although supply chain issues will adversely impact input costs, we anticipate a net positive effect on these companies' earnings, which should drive investor interest and send stock prices higher. Equity capital gains for various NCBFG subsidiaries should also be positively impacted. Furthermore, as governments continue their vaccination campaigns into 2022, we expect vaccination rates to rise, which will facilitate further easing of restrictive measures. Commercial activities should improve as a result, as should consumer, business and investor confidence as well as market conditions. This augurs well for an increase in companies tapping the local markets to raise

40. The Government of Jamaica removed its no-movement days and extended the weekend curfew to 8pm from 6pm, while keeping the weekday curfew fixed at 8pm.

41. Barbados extended its domestic COVID-19-related measures until at least Nov. 7, but eased international travel restrictions for some countries.

42. As of Nov. 1, authorities in Trinidad and Tobago have eased COVID-19-related restrictions on businesses, while maintaining, unchanged, a nightly curfew, and travel requirements.

Our Operating **Environment**

CONTINUED

equity financing, especially in Jamaica and T&T. There is also room for more cross-listings in coming quarters, given the improving economic outlook and the fact that the Jamaican stock market is the most active within the region, which offers companies that choose to cross-list better liquidity and price discovery. Altogether, these factors should fuel greater market activity, drive better stock market performances across the region and improve both fee and commission income for NCBFG entities that operate within the capital markets space. The past years have also been characterised by capital market deepening in Jamaica and we expect the rebounding market, increased investor appetite for risk, and improved returns will continue to create opportunities for the development and listing of more diverse investment products.

However, the still-evolving pandemic, potential spikes in COVID-19 cases, possible re-tightening of containment measures and slow pace of vaccination pose downside risks to economic and corporate performance as well as investor confidence. This would, in turn, adversely affect stock market recovery across all three markets. Additionally, an aggressive hike in Jamaican interest rates, through tighter monetary policy by the BOJ, which results in a higher cost of capital for companies, could also slow recovery in the Jamaican stock market. The higher cost of capital would weigh on corporate earnings and cash flows. Lower earnings and cash inflows, and a higher required rate of return for investors would all translate into lower valuations for equities, especially for growth stocks that have cash flows further into the future, which could result in a fall-off in prices and indices.

Global Fixed Income Performance

Emerging Market (EM) bond prices have fluctuated throughout the financial year in response to changes in the vaccine-led recovery, inflationary pressures, expectations around potential US Federal Reserve tightening, and developments from the still-evolving pandemic that continue to impact sentiment.

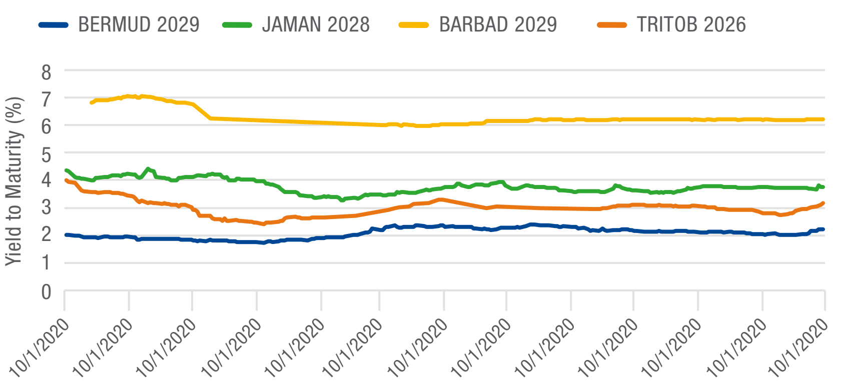
This volatility was reflected in the performance of the JP Morgan Emerging Market Bond Index Plus (EMBI+)[43] which grew by 6 percent, -7 percent, 4 percent and -1 percent in Q1, Q2, Q3 and Q4, respectively. Although there were fluctuations over the quarters, there was an overall increase in the demand for EM bonds on a year-over-year basis, which resulted in a 1.2 percent increase in the JP Morgan EMBI+. This was also largely the case for a sample of the most liquid bonds issued by sovereigns in NCBFG's operating territories, which recorded year-over-year rises in prices except for the BERMUD 2029 (see table 4). The highest increase was witnessed during the first quarter when the EMBI+ rose by 6 percent. As demand increased, prices gradually rose, and yields declined (see figure 3). During that quarter, yields fell as low as 1.7 percent for the BERMUD 2029, 4.0 percent for the JAMAN 2028s, 6.2 percent for the BARBAD 2029 and 2.4 percent for TRITOB 2026. This first quarter performance in the EM space reflects the continued rebound from the risk-off sentiments observed in the first half of 2020. This was supported by the positive news around vaccine development, the potential economic recovery, the muted inflation pressures that prevailed at the time and the sustained dovish stance of the US Federal Reserve, which made EM bonds more attractive.

In Q2, a sharp rise in US Treasury bond yield, fueled by heightened inflation concerns, ignited a broad-based sell-off in fixed income markets, resulting in a general fall-off in global EM bond prices as evidenced by the 7 percent decline in the EMBI+. There was a sharper decline for investment grade sovereign bonds due to their longer duration profile and tight spreads, which offered little cushion against the rise in treasury yields. However, the Caribbean experience was somewhat different as demand

43. This is an emerging market bond index used as a benchmark for bond performance in emerging markets. The JP Morgan EMBI+ Index measures Brady bonds, which are dollar-denominated bonds issued primarily by Latin American countries.

was sustained for some of the most liquid bonds for a portion of the quarter before falling off. This was likely influenced by the more attractive yields of some of these non-investment grade sovereigns as well as the improvement in commodity prices, brisk recovery in major markets such as the US and China and the anticipated spillover effects to the region. The sharp rise in oil prices during Q2 cast a positive outlook on the T&T oil sector recovery and Government coffers, which supported demand for the TRITOBs. Notably, demand for Jamaica's sovereign bonds during the March quarter was also bolstered by the B+ rating and stable outlook affirmation by Fitch. In Q3 and Q4, there were less significant changes in the price and yields of the most liquid JAMAN, BARBAD, BERMUD and TRITOB bonds (see figure 3). Barbados' rating and stable outlook were affirmed by Moody's in July, and Jamaica released economic results pointing to a strong Q2 performance in August. Jamaica, Barbados and Bermuda also began to see stronger recoveries in their respective tourism industries during this period, and the T&T government eased COVID-19 restrictions in mid-July, which likely buoyed investor sentiment. Globally, the EM bond market closed the year down 1 percent in Q4. While the market got off to a strong start, continued concerns about persistent inflation, supply-chain disruptions and potential monetary

FIGURE 3: Regional Bond Performance 2020-21 FY



policy changes (especially early Fed tightening) caused a turbulent September that wiped out gains made in July and August.

Although there are risks to the EM bond market outlook stemming from potential US Federal Fund Rate hikes and COVID-19 developments, the general outlook for EM remains positive. The near-term path is fraught with uncertainties around the risk of premature Fed tightening and the emergence of new variants of the virus. However, the overall outlook on EM remains generally positive, as historically, EM economies have thrived in a strong global economy. Two additional factors augur well for EM, namely, the recovery in oil and commodity prices, and a resumption of international trade and tourism. Furthermore, from a bottom-up perspective, fundamentals are improving for EM corporates, influenced by the better growth outlook and supportive external demand. This augurs well for the improvement in economic output, private consumption, and corporate earnings across EM sovereigns.

Against this background, we anticipate improved fiscal performances driven by higher revenue collections and a gradual reduction in pandemic-related spending. Furthermore, Caribbean governments' efforts at fiscal consolidation and debt reduction should yield benefits, which could result in positive credit rating revisions. So far this calendar year, all three agencies have shown a strong tendency to improve outlooks, which may be an indication that, as far as they are concerned, the worst may be behind the region in terms of net downgrades. After peaking at 7.3 percent in March, global speculative-grade default is expected to fall to 4.7 percent at year-end[44]. With roughly a quarter of global bonds trading at zero or negative yields, EM continues to be one of the few spots globally where investors can find return potential relative to developed markets (DM). This should buttress demand for the region's global bonds.

TABLE 4: Regional Bond Performance

Regional Issuers	Credit Rating	Price (October 1, 2020)	Price (September 30, 2020)	Change
JAMAN 2028	B+/Stable	114.758	116.721	1.7%
TRITOB 2026	BBB-/Negative	102.03	105.515	3.4%
BERMUD 2029	A+/Stable	120.426	116.501	-3.3%
BARBAD 2029	B-/Stable	97.027	101.195	4.3%

44. Moody's Investor Service (2021)

Financial **Performance**

Our performance is managed and reported through two main types of business activities – banking & investment management and insurance services, which comprise a total of seven operating segments. Notwithstanding the continued curtailment in consumer, business and trading activities due to the impact of the pandemic, four of the seven segments recorded improved performances over the prior year, while three reflected declines.

Segment Operations & Performance

Our commercial banking segment, which includes consumer & SME banking, payment services, corporate & commercial banking and treasury & correspondent banking, contributed operating profits of $20.3 billion, up $9.3 billion over the prior year, while wealth, asset management & investment banking and our insurance services segments contributed $11.2 billion and $24.4 billion, respectively, compared to $6.1 billion and $29.9 billion, respectively in the previous financial year.

While the segments faced a range of challenges, which negatively impacted performance, we remain focussed on our goals, while also being sufficiently agile to navigate the changing environment. Our outlook remains positive, given the roll out of the vaccination programmes across the region, the easing of lockdown measures and the gradual reopening of some sectors of the economy. We continue to pursue initiatives that will serve to improve our operational efficiency, enhance our digital capabilities and further delight our customers, as we expect to emerge a stronger organisation after the pandemic.

Commercial Banking

This segment serves mass and small and medium business customers in Jamaica, Bermuda, the Cayman Islands and the United Kingdom through our NCBJ and CBL subsidiaries and also offers banking services, including loans and other credit products, to commercial and large corporate clients. The banking industry, particularly, in both Jamaica and Bermuda have been notably impacted by the government-led implementation of COVID-19 disaster risk management activities. These have included curfews, lockdowns, border closures, no-movement and shelter-in-place orders, which all resulted in decreased economic activity, reduced business operating hours and employee layoffs for businesses in several industries. This also severely impacted customer cash flows and delayed capital expenditure projects due to market uncertainty.

COVID-19 relief efforts

The banking segment had to re-focus efforts in the areas of increased loan delinquency management and portfolio rebalancing to combat margin compression due to the operating environments. COVID-19 relief efforts were also an area of focus, as both CBL and NCBJ sought to offer customers much-needed support to help with the economic downturn resulting from the pandemic. This included the automatic deferral of commercial loan payments, as well as moratoria for qualifying commercial loans.

Challenges aside, both NCBJ and CBL have maintained their aspirations of becoming the consumer, corporate and commercial banking institutions of choice in their respective territories, delivering superior products, service and a world-class client experience.

Improving service through digitisation

Accelerated digital transformation has been a key driver for our aspirations, as we focused on the migration of transactions to digital channels to improve efficiency and service delivery. This is complemented by a renewed effort to increase customer satisfaction and deepen relationships with our clients.

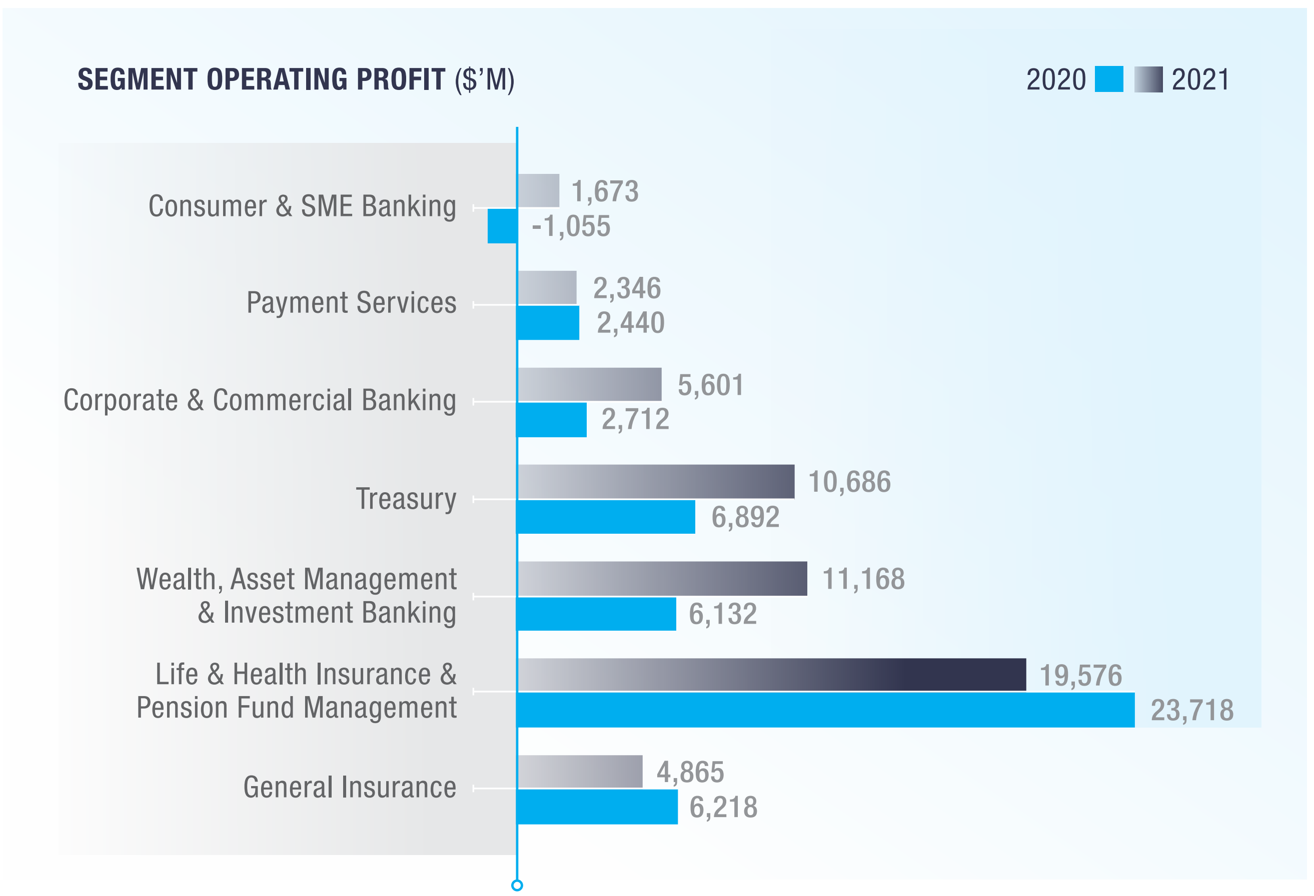
With regards to digitisation, both our commercial banks made significant progress with the transformation of customer interactions and processes. These have included increased transaction migration, acceptance of digitised documents, increased automation of the credit process and re-definition of the credit adjudication process to improve turnaround time.

The road to recovery

As signs of economic recovery emerge with the re-opening of several sectors and industries, our commercial banking business segment is prepared to take advantage of several strategic growth opportunities. As clients focus more on maximising working capital, we aim to support them by providing education around cash conversion cycles to ensure that they are able to make the most of what they have.

We have also identified several areas for viable investment in Jamaica, namely infrastructure, commercial agriculture, agro-processing, tourism, logistics, global services, industrial real estate and manufacturing – all of which are expected to help re-energise the economy through employment opportunities, increased trade and catalysed economic growth. NCBJ has been uniquely positioned as an institution capable of providing financing at scale for projects of all sizes and scopes.

Meanwhile in Bermuda, Clarien Bank secured a contract with the Government of Bermuda, helping them to meet several financial obligations, at a time when multiple programmes were required to support local communities.



Financial **Performance**

CONTINUED

MD&A
Continued

TABLE 5: SEGMENT SELECTED FINANCIAL DATA [1]

	Commercial & SME Banking			Payment Services			Corporate & Commercial Banking		
Year ended September 30	2019	2020	**2021**	2019	2020	**2021**	2019	2020	**2021**
Segment's Contribution of Performance (%)									
{Segment Result as a percentage of Consolidated Statement Result}									
Total revenue	18.9%	12.4%	**11.4%**	9.8%	6.8%	**6.5%**	6.4%	4.7%	**4.5%**
Net interest income	51.8%	44.1%	**50.1%**	12.2%	12.0%	**11.8%**	12.5%	13.8%	**15.5%**
Total operating income	26.6%	20.9%	**22.3%**	11.2%	8.6%	**10.1%**	7.4%	6.2%	**8.6%**
Total operating expenses	24.2%	21.9%	**17.3%**	6.9%	5.8%	**6.8%**	1.3%	1.7%	**1.3%**
Operating profit	-1.6%	-3.9%	**6.4%**	13.8%	9.0%	**8.9%**	19.7%	9.9%	**21.3%**
Total assets	26.0%	24.4%	**25.0%**	1.8%	1.5%	**1.6%**	7.8%	8.7%	**10.0%**
Selected Segment Performance Indicators (%)									
Cost to income ratio	86.8%	85.5%	**84.8%**	58.7%	59.3%	**80.1%**	22.1%	46.5%	**50.8%**
Operating profit as a percentage of average assets	-0.1%	-0.2%	**0.4%**	12.7%	8.7%	**8.2%**	4.4%	1.9%	**3.2%**
Selected Segment Financial Data (in millions)									
Total revenue	32,306	31,816	**33,742**	16,732	17,345	**19,162**	10,893	12,155	**13,369**
Total operating income	24,268	22,700	**27,047**	10,198	9,343	**12,181**	6,708	6,722	**10,403**
Net interest income, net of credit impairment losses	18,929	18,090	**21,471**	4,442	4,016	**5,640**	5,537	5,364	**8,472**
Net insurance activities	-	-	**-**	-	-	**-**	-	-	**-**
Other income	5,340	4,610	**5,576**	5,756	5,327	**6,541**	1,172	1,358	**1,930**
Total direct operating expense	15,664	17,852	**16,376**	4,447	4,710	**6,466**	853	1,367	**1,232**
Staff costs	9,777	9,584	**8,835**	1,043	923	**1,067**	349	244	**443**
Operating profit	(414)	(1,055)	**1,673**	3,637	2,440	**2,346**	5,210	2,712	**5,601**
Segment assets	420,800	439,335	**480,660**	28,996	27,252	**30,121**	126,195	156,881	**192,517**
Segment liabilities	369,548	382,909	**422,702**	17,463	8,274	**4,600**	92,742	126,646	**152,284**

[1] Segment data do not give effect to the elimination of intersegment transactions.

Consumer and SME Banking Segment Results

The prevailing economic challenges associated with the pandemic continued to weigh on this segment's performance. Notwithstanding the effects of the pandemic, the segment recorded a net operating profit of $1.7 billion, an improvement of $2.7 billion over the prior year. External revenues increased by 6% or $1.9 billion to $31.2 billion. The increase was primarily driven by a 5.0% increase in net interest income resulting from growth in the performing loan portfolio and a $796.4 million increase in other income. The segment's performance was further boosted by a $2.2 billion or 44% reduction in credit impairment losses

Treasury & Correspondent Banking			Wealth, Asset Management & Investment Banking			Life & Health Insurance & Pension Fund Management			General Insurance		
2019	2020	**2021**	2019	2020	**2021**	2019	2020	**2021**	2019	2020	**2021**
12.3%	6.9%	**7.6%**	15.8%	7.1%	**8.9%**	30.6%	40.6%	**39.1%**	16.2%	25.7%	**27.1%**
9.4%	6.1%	**7.1%**	10.7%	10.8%	**13.3%**	18.6%	27.7%	**21.0%**	1.8%	1.7%	**1.7%**
13.0%	8.2%	**10.8%**	15.4%	10.3%	**14.1%**	28.4%	36.0%	**30.4%**	8.6%	13.7%	**13.1%**
2.1%	1.9%	**1.5%**	6.5%	6.2%	**6.3%**	11.0%	19.0%	**18.2%**	8.4%	10.7%	**11.6%**
37.4%	25.3%	**40.7%**	37.4%	22.5%	**42.5%**	70.9%	87.0%	**74.6%**	8.8%	22.8%	**18.5%**
20.4%	20.3%	**20.1%**	16.6%	19.3%	**20.1%**	27.9%	31.3%	**24.8%**	6.4%	5.5%	**5.7%**
17.0%	22.5%	**18.3%**	30.4%	46.4%	**34.2%**	27.2%	38.2%	**45.1%**	69.3%	58.0%	**70.5%**
3.1%	2.0%	**2.8%**	4.1%	2.0%	**3.1%**	7.4%	4.7%	**3.8%**	3.9%	6.1%	**4.7%**
21,038	17,599	**22,406**	27,022	18,353	**26,136**	52,235	104,208	**115,367**	27,652	65,962	**80,031**
11,809	8,968	**13,037**	14,079	11,179	**17,103**	25,878	39,219	**36,867**	7,798	14,939	**15,855**
2,624	2,926	**3,641**	5,115	5,980	**6,254**	7,945	13,190	**8,722**	731	800	**1,113**
-	-	**-**	-	-	**-**	9,598	17,607	**10,914**	5,239	12,795	**12,091**
9,186	6,042	**9,396**	8,965	5,199	**10,848**	8,335	8,422	**17,231**	1,828	1,343	**2,652**
1,388	1,543	**1,385**	4,186	5,047	**5,935**	7,138	15,501	**17,291**	5,465	8,720	**10,990**
269	189	**231**	2,028	2,401	**2,979**	3,309	8,151	**8,129**	2,646	4,939	**6,153**
9,897	6,892	**10,686**	9,893	6,132	**11,168**	18,740	23,718	**19,576**	2,333	6,218	**4,865**
329,569	366,204	**386,144**	269,047	346,603	**385,479**	451,176	563,591	**477,088**	104,248	99,683	**109,491**
327,938	388,005	**418,110**	223,599	299,625	**331,618**	344,879	431,195	**415,185**	75,253	66,228	**72,162**

due to the improved economic outlook relative to the prior year and the expected recovery for a number of sectors within the economy.

Operating expenses declined by $1.5 billion or 8% to $16.4 billion. This was primarily driven by a $749.5 million reduction in staff costs coupled with an $831.8 million decrease in depreciation and amortisation costs.

We recognise the importance that vibrant and productive small & medium sized enterprises (SMEs) have to the overall health of any economy, but equally understand the extent of the impact of the economic decline on the viability of these companies. To this end, we have continued to support these entities by providing working capital and business support through

Financial **Performance**

CONTINUED

specialised financial solutions, including loan payment deferrals, concessions and waivers, in order to reinforce the survival and growth prospects of these businesses in these uncertain times.

Improving efficiency and reducing costs were main areas of focus for the year and will continue to be for the upcoming financial years. In Jamaica, we continued to assess our operating model to drive efficiencies in our branch network. While in Bermuda we have been investing significantly in improving the core banking system to improve efficiency. The initiatives undertaken were also supported by transaction migration strategies, aiming to channel many routine activities and transactions to electronic channels.

Corporate & Commercial Banking Segment Results

Our corporate & commercial banking segment earned $5.6 billion in operating profit, an increase of 107% or $2.9 billion over the prior year. The improved performance was primarily due to credit impairment reversals of $953.0 million for the financial year compared to the $1.9 billion credit impairment losses in the prior financial year.

Operating expenses declined by 10% or $135.5 million as the segment began to reap the benefits of improved operating efficiencies. Overall performance was, however, tempered as costs allocated from support units were $926.7 million above the prior year due to the continued realignment of the commercial customers' portfolio to this segment from the Consumer & SME space.

This segment has been involved in the financing of several multi-billion-dollar commercial development projects in Jamaica. Several entrepreneurs in commercial property construction have also tapped into financing from NCBJ for construction of commercial property to house Business Process Outsourcing (BPO) facilities. Our corporate and commercial banking segment will continue to support various sectors by providing specialised financial solutions.

Payment Services

This segment consists of our card issuing and acquiring businesses, and TFOB, the newest direct subsidiary of NCBFG, developer of the newly launched mobile wallet - Lynk. The impact of the pandemic on this segment has resulted in a reduction of economic activity for both our consumer and business customers. At the same time, it has created an opportunity for more businesses to enhance their online presence with e-commerce – a key growth area for digital and payment services.

Card Acquiring and Digital Channels

NCBJ merchants have conducted over $100 billion (29% growth over the previous year) in e-commerce sales with the implementation of varied e-commerce solutions, including NCB payments buttons and NCB website templates, and the continued migration of customised websites to First Atlantic Commerce's payment gateway with value-added features such as recurring payments and Kount, an anti-fraud tool. The advent of COVID-19 restrictions has accelerated the growth rate of digital adoption for consumers and businesses. There was increased adoption of the contactless feature on our cards and terminals, resulting in a twelvefold increase in contactless transactions year over year, by both count and value.

This year, NCBJ was recognised by Global Finance Magazine for Innovation in Payments for its 'e-Commerce in a Box' solution, which provides business customers with a simple, intuitive and integrated digital payment solution to quickly create an online presence for their business, with or without a website developer.

Card Issuing

Strategic focus has been placed on enhancing the customer journey, which was achieved through the execution of several programmes providing a faster, more seamless payment experience. During the year, we implemented multiple activation channels for NCB cards. To give customers even more support and spending power when they needed it most, the team implemented a number of initiatives including card upgrades, limit increases and an enhanced automated rewards redemption platform that customers can use to book flights, hotel stays, rental cars, or make purchases with a wide network of participating merchants. There was also the roll-out of the NCB Visa Debit card delivering greater flexibility for cross-border spending and contactless transactions.

Improvements to online payments card management and application platforms

A major improvement for this period for NCBJ was the introduction of an enhanced “Manage My Card” online platform to include additional alert messages, card activation tools, limit increase requests, upgrades and fraud reply features.

Similarly, the creditcard.jncb.com portal was enhanced to facilitate seamless acceptance of pre-approved business credit card offers, as well as general business credit card applications. The online portal also facilitates applications for the prepaid MasterCard product.

During the period, we launched the pilot phase of a new digital wallet, Lynk, that is designed to provide customers and merchants with an alternative method of processing payments.

Payment Services Segment Results

As the imposition of the government mandated restrictions and lockdowns continued throughout the financial year, this segment was particularly adversely impacted by the curtailment in transaction volumes and value due to the decline in consumer and business activities. The segment’s operating profit decreased by $93.9 million or 4% to $2.3 billion. The reduction in transaction activities coupled with rate reductions implemented as part of our COVID-19 relief package caused net interest income to decline by 9% or $571.0 million to $5.7 billion. To support businesses struggling with the impact of COVID-19, the Payment Services business also implemented fee waivers for its Digital Payment Acceptance Solutions.

Total operating income was $12.2 billion compared to $9.3 billion reported in the prior year. The increase was mainly due to the impact of credit impairment losses being $2.2 billion lower than prior year due to the partial write-back of credit loss provisions previously booked.

Total operating expenses totalled $6.5 billion, which represents a $1.8 billion or 37% increase when compared to the previous year’s performance. Our credit card systems are being continuously upgraded to offer enhancements and ensure system reliability. We continue to introduce additional payment platforms to offer merchants alternatives to process payments.

Treasury and Correspondent Banking

Our Treasury and Correspondent Banking segment incorporates liquidity and investment management functions for our banking activities in Jamaica and Bermuda, foreign currency dealing activities and management of correspondent banking relationships as well as relationships with other financial institutions.

Managing the Impact of the Pandemic

To combat the impact of the pandemic and help mitigate against the high levels of uncertainty, and market volatility, a number of strategic initiatives were executed to help re-align the Group’s investment portfolio as well as the natural correction and improvement of both market and liquidity conditions.

Key learnings from the year guided improvements to our liquidity management procedures, and new scenarios incorporated into the organisation’s Business Continuity Plan. A key success factor was ensuring that adequate credit facilities and legal frameworks were in place even before the pandemic started, which allowed financial institutions to operate seamlessly and without any undue delays.

The global foreign exchange market was not exempt from the far-reaching implications of the COVID-19 pandemic, as it forced players to deal with the ever-increasing volatility and unpredictability in the environment. As some countries struggled with containment of the spread of the virus, they also saw the inevitable weakening of their currencies against currencies such as the US dollar.

The repercussions of other variables such as the spread of newer, more severe variants of COVID-19, lockdowns, travel restrictions, business closures and job losses as well as the immense strain on the public health system also contributed to the increased volatility in the foreign exchange market. However, this segment remained committed to taking strategic advantage of each challenge.

Financial **Performance**

CONTINUED

MD&A
Continued

Foresight, opportunity and digital tools were the key drivers of this success strategy, as it relied on the introduction of new digital features and activation of various contingency plans to improve efficiency, customer experience and mitigate risks caused by low USD liquidity in the Jamaican marketplace.

Improvements for Customers

A key initiative undertaken during the period was the re-introduction of the FX Forward product in the Jamaican market, a hedging tool for customers, designed to provide assurance of the availability of foreign currency at a known future price, even with fluctuations in the supply in the foreign exchange market.

Efforts to improve customer experience were also channelled through digitisation of processes. The completion of the first phase of improvements to NCB's online banking platforms marked a significant milestone. Enhancements to the 'FX Negotiated Rate' feature allow customers to have FX transactions initiated online to be automatically processed once the rate requested falls within a predetermined acceptance range.

Looking forward

This segment continues to be motivated by its aspiration to become a world-class Treasury that acts as a strategic partner for all its customers, providing top-notch products, platforms and expertise to help meet their needs and drive growth. Digital tools continue to be a primary driver for this goal.

Digital transformation and migration of customers to digital platforms will continue to underscore the Group's overall success strategy going forward, along with the overall efforts to improve speed, efficiency and customer experience.

Treasury and Correspondent Banking Segment Results

The segment reported operating profit of $10.7 billion, an increase of $3.8 billion or 55% when compared to the prior year. External revenues totalled $18.1 billion, representing a 35% or $4.7 billion increase over the previous year. The segment recorded gains on foreign currency and investment activities of $8.9 billion, which was $3.3 billion or 60% higher than the prior year due to improvements in securities' prices and investment activities. The favourable price movements resulted in increased gains from the sale of debt securities.

The segment's performance was also supported by credit impairment reversals of $165.2 million compared to the credit impairment losses of $275.0 million, which were booked in the previous year. Total operating expenses also declined by 10% to $1.4 billion while costs allocated from support units increased by $433.4 million or 81% to $966.7 million primarily due to the support required for implementing the segment's digital initiatives.

Wealth, Asset Management And Investment Banking

Our wealth, asset management and investment banking segment primarily operates in Jamaica, the Cayman Islands, Trinidad & Tobago, Barbados and Bermuda, providing stock brokerage services, securities trading, investment management and other financial services. Agility and the ability to transform have become the greatest assets to this segment since the onset of the COVID-19 pandemic in 2020. Due to the tight liquidity in the markets, repurchase agreement margins tightened as asset yields declined and investors' demand for higher returns on their investments increased.

There was also a general increase in risk aversion of investors as they shied away from riskier assets such as stocks and emerging market bonds after these asset prices fell sharply at the start of the pandemic when the global economic shock began. This resulted in an increase in sovereign and corporate defaults and downgrades of some bonds. Consequently, capital market activities slowed down, which saw suppressed trading activity on the equities and bond markets, as retail investor participation also experienced a downturn.

Impact of COVID-19

Market conditions, coupled with the prevailing market sentiments, also gave rise to many corporates and SMEs delaying plans with significant capital expenditures which impacted the execution and volume of earnings for the investment banking business.

On the positive side, signs of economic improvement and recovery started to emerge in 2021, as corporate earnings and economies began to explore alternative investment and wealth management opportunities and higher levels of economic activity restarted. The appetite for investment products also changed from traditional channels, and consumer demand for fast, simple, digital and contactless solutions grew, requiring the business to innovate and transform its service channels to meet customers' needs.

Finding opportunities amidst the challenges

Growth and performance were not to be deterred by the challenges caused by the pandemic, as the teams shifted their approach to manage its impact on the business. Cost management strategies were implemented during the period to curtail costs given the shift in the asset yields. The volatility in bond prices also presented an opportunity to take positions and earn additional trading income.

Our subsidiary, NCB Capital Markets Limited (NCBCM), manages Stratus Alternative Funds SCC ("Stratus"), an alternative investments fund focused on meeting clients' need for higher-yielding assets, pivoting from the traditional investments that were affected by the pandemic. Stratus is an alternative investment segregated cell company incorporated in Barbados. Fees earned through NCBCM's management of Stratus are based on a fixed fee above set hurdle rates as well as the performance of the assets under management. The various managed funds provide clients with an opportunity to diversify their portfolios and gain higher returns via the inclusion of non-traditional investment assets. The funds also provide flexible, creative financing solutions which assist in supporting the long-term viability of companies and sustainable social development in the respective markets.

Changes in financial regulations and monetary policy likewise created opportunities to expand activity in the capital markets via NCBMBTT's launch of repurchase agreements (repos) in Trinidad, as well as membership with the Trinidad & Tobago Stock Exchange. These initiatives have laid the foundation for growth in the new financial year.

The conditions brought on by the pandemic also created opportunities for investment banking and structured products, as companies searched for opportunities to optimise their funding costs, expand their market share, diversify revenue streams or transform their businesses to improve resilience. We continue to design innovative products to provide financial support to various sectors in the region, increase available product offerings to our clients and at the same time, bolster financial performance within the Group.

Major wins

In spite of all the challenges, NCBFG's wealth and investment arm still delivered a number of key wins during the period, including:

- Arrangement of the first listing (Guardian Holdings Limited 7% and 6.5% bonds maturing 2027 and 2025, respectively) on the Jamaica Stock Exchange's (JSE's) newly-established Private Market in February 2021. The JSE Private Market allows the seamless transfers of privately placed securities and aims to increase the liquidity of these securities by providing transparency of market information on these securities and increasing the ease with which they can be traded.
- NCBCM arranged J$15 billion debt transaction for NCBFG and over J$176 billion in financial solutions regionally in aggregate.
- NCB Global Finance Limited was rebranded NCB Merchant Bank (Trinidad and Tobago) Limited ("NCBMBTT") to support its aspiration of becoming a boutique lender.
- Guardian Asset Management Limited rolled out a repo product offering in Trinidad and Tobago to attract and satisfy the corporate market segment as well as other clients seeking higher returns, while investing for longer periods. This stimulated considerable client interest, which resulted in the repo book quickly growing to over TT$260 million.
- The Merchant Banking Unit of GHL also demonstrated strong financial performance in the period, through a number of strategic deals including the successful refinancing of a TT$850 million debt obligation of GHL via the issuance of approximately TT$1 billion in five-year secured GHL bonds.

Financial **Performance**

CONTINUED

Transforming the digital experience

Clarien continues to leverage a wide range of online/mobile solutions including its iPortfolio - the online personal financial client portfolio dashboard, iInvest - a digital platform making investing accessible and simple and iTrade - a self-directed online brokerage service allowing clients to build the right portfolio for their investment goals. These platforms are offered in the Bermudian market to provide superior service and convenience to its clientele.

Several improvements were made to the GoIPO platform - an online portal that facilitates the electronic submission of Initial Public Offering (IPO) applications in Jamaica to the Jamaica Central Securities Depository - to improve user security and customer experience. These include the addition of biometric features as part of the onboarding process, the expansion of the joint account opening feature and auto-refund to allow for refunding clients within two days of IPO closures. NCBCM Online was upgraded to improve the speed at which clients can navigate the platform, while offering a modern, user-friendly interface. Stock performance indicators on clients' portfolios with a quick view of stock analytics were also added to help clients in the decision-making process. Clients were also able to quickly transition from viewing analytics on a stock, to taking an action to buy or sell based on their objectives.

NCBCM Online and GoIPO applications were both used to enable a convenient and secure method of interaction with clients. From allowing straight-through onboarding and fully-digital transaction processing, these solutions offer key integrations with clients' bank accounts and the Jamaica Stock Exchange, making account opening and investing easy and accessible.

The way forward

With its eye set on regional expansion and strong financial performance, this segment will look keenly at re-imagining its regional distribution infrastructure in order to transform wealth management in the region. This aspiration will be driven by key levers including the establishment of digital-first wealth advisory services to become the number one choice for customers in the region, customer-centric innovation and increased presence in the Northern, Southern and Dutch Caribbean. These efforts will be supported by a re-engineered IT model to improve digital solutions and accelerate innovation for clients. Additionally, an expanded alternative investments strategy will focus on growing the assets under management, diversifying the portfolio exposure and introducing new themes that resonate with the region.

Wealth, Asset Management and Investment Banking Segment Result

The segment registered an 18% increase in external revenues from $14.4 billion in the prior financial year to $17.0 billion. The segment reported operating income of $17.1 billion, representing a $5.9 billion or 53% increase when compared to the prior year's results. As market confidence re-emerged, albeit at a tepid pace, increased equity and securities trading activity resulted in a $5.3 billion increase in gain on foreign exchange and investment activities to $6.0 billion.

Notwithstanding the reported growth in revenues, further growth in all income lines was hindered by lingering economic uncertainty. Net fee and commission income reflected a modest increase of 3% over the prior year. While there was an observed improvement in operating income, the segment's performance was also tempered by an $887.8 million or 18% increase in operating costs relative to the prior year. While the segment continues to aggressively pursue opportunities for business development in various regional territories, we are also equally investing time, effort and focus on the deployment of technologies and operational improvements that will aid in improving efficiency and service delivery.

Life and Health Insurance and Pension Fund Management

This segment incorporates the results of the life, health insurance and pension fund management services of the Group across 21 countries within the region. The largest territorial contributors to this segment are Trinidad & Tobago, Jamaica and the English and Dutch-speaking Caribbean.

In the face of continued disruptions, our recent efforts to streamline the insurance business have been a welcome source of ease, convenience and stability to our customers. The consolidation of product offerings, sales approach and back-office operations strengthened our capacity to reach new customers and better serve existing customers. The highly personalised touch required to deliver life insurance services brought into focus the importance of training, expertise and deep relationships as both agents and support staff had to make adjustments due to the requirements of health and safety protocols.

The impact of the economic fallout was felt across the region with increased loss of employment, which contributed to the hesitation in committing to increased expenses as well as the inability of many customers to facilitate premium payments. This was evidenced by the decline in new business and also the steady increase in lapses. In an effort to counter this, several initiatives were implemented including premium payment moratoria, employee and customer referral campaigns and grace periods. Positive outcomes were realised through the launch of the Salesforce Effectiveness Model, new partnerships with credit unions, and the launch of two new life insurance products in Jamaica – the New Ultimate Provider and the Guardian Achiever.

On the Group Health side, an increase in price sensitivity was seen, with businesses being apprehensive about changing or expanding their plans given the economic environment. This segment has been experiencing intense pressures given the higher demand for health services as well as ramped up competitive activity in the market. In spite of the challenging environment, the business remains committed to finding ways to support its customers. In light of this, we have invested in a wellness programme, made available to both customers and employees, who now have the benefit of lifestyle coaching, fitness training and a wealth of wellness resources.

Regarding the pension fund management aspect of the business, the portfolio was impacted by generally weaker equity performances as some businesses experienced precipitous falls in income as a result of the government-imposed restrictions that were in place throughout the year. In order to manage this impact, the business pivoted by reducing holdings in companies that were anticipated to have challenges well beyond the COVID-19 pandemic and looked to increase holdings in entities with a stronger outlook.

Digital Transformation

Prioritising digital transformation remains in focus and the business is committed to the implementation of projects which enhanced human resources management, sales administration and customer relationship management. In Trinidad and Tobago, the C360 digital portal was launched in March 2021. This is a user-friendly platform which allows our sales force, existing and prospective customers to access quotes and securely view life, health and pension portfolios. We also continue to take our customers and employees along our digital evolution through training in the use and promotion of digital platforms and processes.

Enhancements and implementation of several digital solutions continue. These solutions support sales and back-office processing to provide predictive analytics models, needs analyses and client segmentation data.

Customer Experience Improvement

In many ways the journey of the customer is evolving and with the increased solutions across the Group, efforts are being made to introduce these solutions at every touch point and through continued direct engagement of the customer. There will be continued focus on training, sales leadership as well as process and resource improvements, which will be enabled by the digitisation of the customer journey, making the need fulfillment easier.

Outlook

Continued focus will be placed on the transformation of this segment, with particular emphasis on retention and client acquisition as well as continuing to leverage our data. We intend to work toward achieving better results with initiatives such as:

- Procurement of new software and tools to contribute to greater integration across businesses and countries
- The roll-out of our health E-Card and online portal which allows clients to check their pension status
- Development of online micro-insurance products options and access
- Greater access to the E-Pharmacy and Provider Health App for clients.

MD&A
Continued

Financial **Performance**

CONTINUED

Life & Health Insurance and Pension Fund Management Segment Results

This segment generated operating profit of $19.6 billion, representing a reduction of 17% or $4.1 billion when compared to the prior year. For Guardian and other regional insurance companies, one effect of the pandemic has manifested in the form of increased policy lapses and claims, which resulted in a reduction in net result from insurance activities of $6.7 billion to $10.9 billion. During the financial year, this segment was impacted by reduced activities due to COVID-19 restrictions and lockdowns in Trinidad and Tobago.

Operating expenses amounted to $17.3 billion compared to $15.5 billion in the prior year. Streamlining the insurance business continues as we seek to extract value from scaling and consolidating back office operations. The expanded distribution network and full partnership of the insurance business positions the Group as one of the prominent financial and insurance services providers in the region.

General Insurance

This segment reports the results of the general insurance business, which incorporates property and casualty insurance from the Guardian Group. For this year, we pursued bold and assertive engagements resulting in wins such as the following:

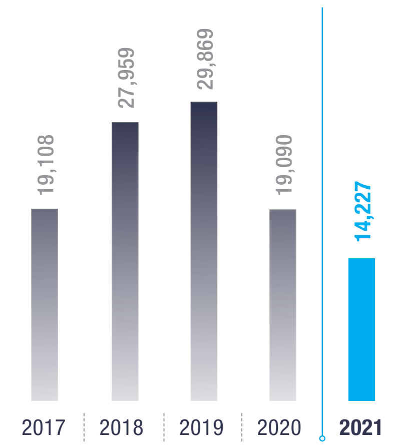
- Establishment of a relationship with the American Association of Retired Professionals ("AARP") to provide benefits to its members across the United States Virgin Islands. AARP is a non-profit organisation based in the United States with more than 38 million members worldwide.
- Retention of the 'Travelopia' Marine Fleet portfolio of more than 600 vessels across the Caribbean as the Guardian Group Property and Casualty segment continues to be the largest Marine Hull insurer in the region with the ability and capacity to successfully underwrite and manage claims for large marine fleets. Since this acquisition, there has been an uptick in the number of requests received to insure multiple marine fleet accounts.
- Launch of digital car insurance, digital car certificate and the Guardian General App (GG App), which are welcomed additional, convenient channels for customers.

We are buoyed by the challenges we have overcome and face the new financial year with optimism, tackling goals such as:

- Continuing focus on customer centricity
- Deepening internal expertise in use of big data analytics and Artificial Intelligence driven machine learning models to enhance decision making
- Developing new products and exploring new lines of business, geographies and emerging customer segments

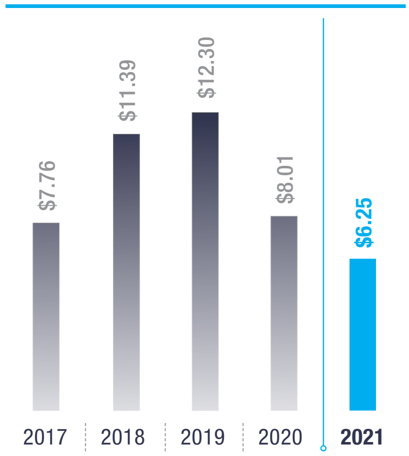
NET PROFIT Attributable to Stockholders of the Parent ($'M)

4 YR CAGR*: -7.11%



***CAGR** – Compound Annual Growth Rate

EARNINGS PER STOCK UNIT



- Expanding access and convenience to our customers through digital distribution channels

General Insurance Segment Results

External revenues were $79.8 billion, compared to $65.5 billion in the prior year, due to growth in the property and casualty business. Despite being largely spared from major catastrophic events during the year, this segment nonetheless reported a 6% or $703.8 million decline in income from net results from insurance activities. Additionally, operating expenses also reflected a 26% or $2.3 billion increase to $11.0 billion. This was primarily due to a 25% or $1.2 billion increase in staff costs. This resulted in the segment reporting a $1.4 billion reduction in operating profits from $6.2 billion in the prior year to $4.9 billion.

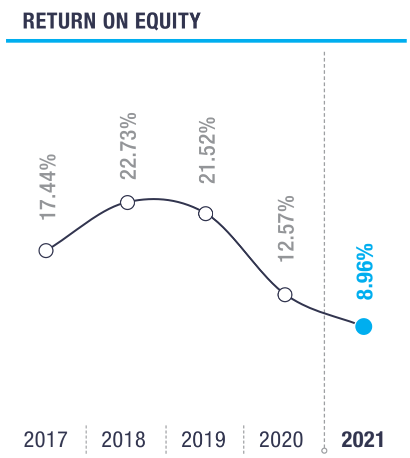
Financial Performance

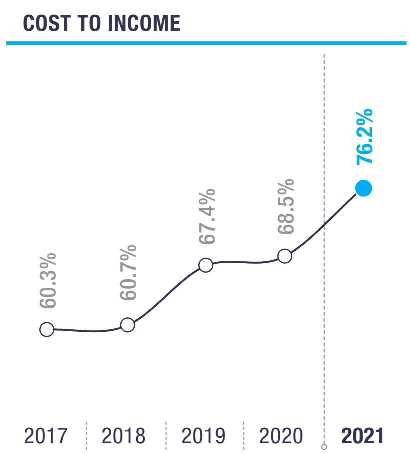
There has been an uneven recovery of the global economy following the effects of the pandemic on market conditions and consumer and business activities. The deterioration in the regional economy for most of the financial year weighed on overall performance and profitability.

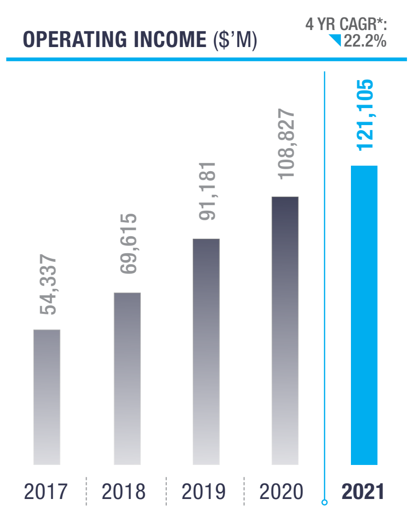
- Results from insurance activities declined year over year by $9.5 billion or 29% to $23.0 billion. The performance of the segment was negatively impacted by suppressed business and economic activities due to COVID-19 restrictions in Trinidad and Tobago during the financial year coupled with higher underwriting expenses due to actuarial adjustments and particularly higher claims from the Jamaican market apparently related to higher mortality claims related to the low vaccination rate.
- Year over year, operating expenses increased by $13.3 billion or 16% to $94.9 billion. The higher costs were primarily related to staff costs and significant investments in our technological infrastructure.

Gross income was $294.9 billion compared to $256.8 billion in the prior year. NCBFG continued to register record levels of net operating income, totalling $121.1 billion for the year, an increase of $12.3 billion or 11% over the previous year. This was primarily due to a $14.0 billion or 160% increase in gains on foreign currency and investment activities as a result of improvement in the market prices relative to the previous financial year. Credit impairment losses were $6.9 billion or 67% lower due to improvements in our outlook for the economy and portfolio quality, which are no longer weighted to the worst case scenario.

We continued our commitment to support our digital transformation and made strategic investments in our information technology infrastructure. Increased technical, consultancy and professional fees of 178% or $6.4 billion were associated with these transformation initiatives. Additionally, investments in human resources continue to be a significant contributor to the rise in operating expenses. The increase in operating expenses outpaced revenue growth and led to cost-to-income ratio of 76.19% versus a ratio of 68.48% in the prior financial year. Despite the decline in profitability relative to previous years, the investments being made and strategies being implemented are critical to the long-term viability and growth of the organisation, which positions us for improved operating efficiency and stronger performance.

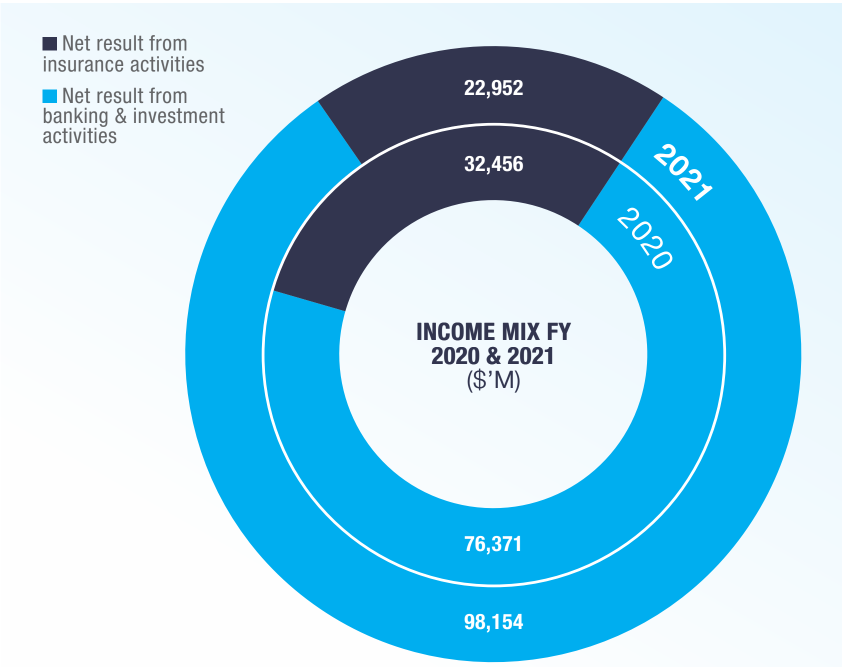






Financial **Performance**

CONTINUED



Income Statement Analysis

NET INTEREST INCOME

The Group earned net interest income, net of credit impairment losses, of $45.2 billion, an increase of $3.0 billion, or 7% year over year.

- Interest income from loans remained relatively flat at $43.5 billion on account of robust market competition, which resulted in rate compression despite strong growth in the Group's loan and card portfolios.

- Interest income from investment securities, reverse repurchase agreements and deposits totalled $31.1 billion, which was $203.1 million higher than the prior year's total of $30.9 billion.

- Interest expense increased by $4.0 billion, or 18%, to $25.9 billion for the year. The main contributors to the increase in costs were higher interest expenses on policyholders' benefits, securitisation arrangements and other borrowed funds & amounts due to banks.

*[More details on net interest income item can be found in note 6 of the financial statements – **see page 201**].*

- Credit impairment losses totalled $3.4 billion, down by $6.9 billion or 67% from $10.3 billion in the prior year. The reduction in credit impairment provisions was due primarily to a more positive economic outlook relative to the previous financial year coupled with improving scenarios no longer significantly weighted to the worse case. The Group's delinquency management processes remain robust and proactive to effectively respond to the risk environment in all of our operating jurisdictions.

*[A summary of this expense item can be found in note 13 of the financial statements – **see page 206**].*

OTHER REVENUE ITEMS

Non-interest income grew to $75.9 billion, up $9.2 billion or 14%, over the prior year.

- Gains on foreign currency and investment activities increased by $14.0 billion or 160% over the prior year's result to $22.8 billion. The significant improvement was driven by improved securities' prices, increased investment and net foreign exchange activities compared to the prior financial year when prices had declined due mainly to the onset of the pandemic in the Caribbean. The favourable price movements resulted in improved gains from the sale of debt securities and mark to market valuations.

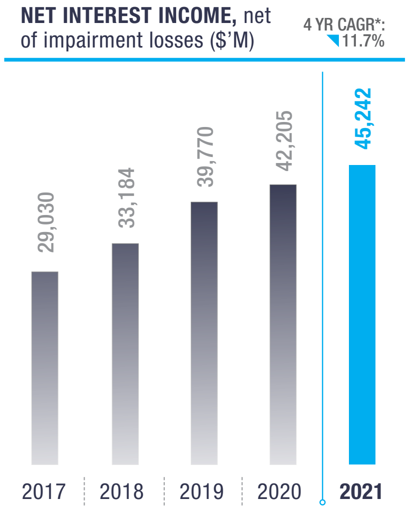
*[Further details on this income item can be found in note 8 of the financial statements – **see page 202**].*

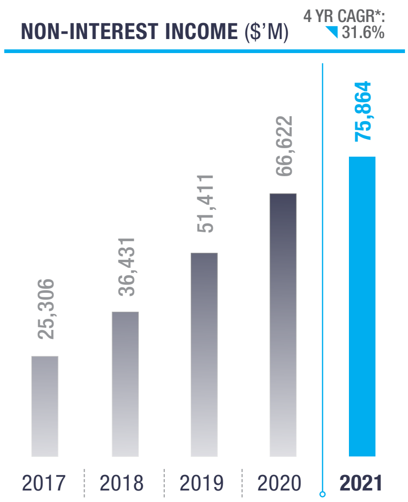
- Net fee and commission income totalled $22.5 billion, an increase of $1.1 billion or 5%. The banking segment was the main contributor to the increase in net fee income. Fee income for the segment in the prior year was adversely impacted by the pandemic's initial impact on business and consumer activities and our efforts to promote the use of our digital channels by the waiving or reducing of certain user fees. *[A summary by segment can be found in note 7 of the financial statements – **see page 202**].*

- Net result from insurance activities totalled $23.0 billion, down $9.5 billion or 29%, from the prior year's performance of $32.5 billion. The decline was driven primarily by reduced activities due to COVID-19 restrictions and lockdowns in Trinidad and Tobago during the financial year and the delayed impact of the pandemic on policy lapses and claims.

    - Net Underwriting Income increased to $110.2 billion, up $8.6 billion or 8%, over the prior year's performance, while underwriting expenses increased by $18.1 billion over the prior year. The increased underwriting expenses were due to actuarial adjustments, increased claims and annuity payments and higher commission expenses incurred in the current financial year. Our life insurance operations in Jamaica experienced an increase in mortality claims seemingly associated with the low COVID-19 vaccination rate of the population, while operations in Trinidad and Tobago experienced persistency challenges arising from the reduced economic and business activity as a result of COVID-19 related lockdowns.

    *[Further details can be found in notes 9 and 10 of the financial statements – **see page 203**].*





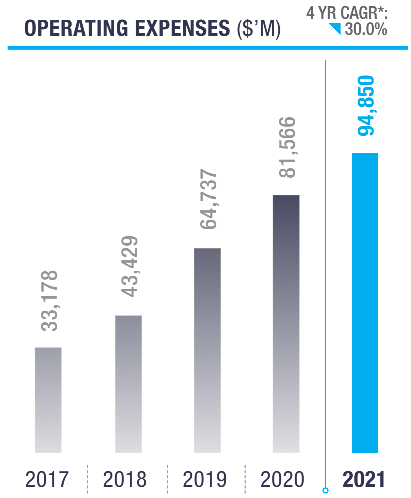
OPERATING EXPENSES

Operating expenses totalled $94.9 billion, up $13.3 billion or 16% over the prior year. The increase in operating expenses was driven primarily by the significant investments made during the year to accelerate the strategic transformation of our business to a more customer centric, digitally enabled business.

- Staff costs of $44.5 billion, increased by $4.0 billion, or 10%, primarily due to annual increases in salaries, wages and allowances coupled with incentive payments within the current period related to the prior financial year. We continue to prioritise the health and well-being of our employees through the expansion and formalisation of our remote work framework and policy. Additionally, we have made significant investments in human capital with increased training and competency building across the Group, which is crucial to the successful execution of our strategic initiatives.

*[Further details on staff costs can be found in note 14 of the financial statements – **see page 206**].*

- Depreciation, amortisation and finance charges totalled $11.1 billion, up $1.2 billion over the prior year. The main driver of the increase was amortisation



Financial **Performance**

CONTINUED

of computer software and depreciation of computer hardware due to the significant capital investments made in technology and digital channel enhancements to transform our business operations.

*[Additional details on these expenses can be found in notes 28, 29 and 56 of the financial statements – **see pages 218, 221 and 331].***

- Other operating expenses totalled $39.2 billion, an increase of $8.1 billion or 26%.
    - o Technical, consultancy and professional fees increased by 178% or $6.4 billion driven by the implementation of various strategic initiatives geared towards the digital transformation of our business and improving financial performance and efficiency.
    - o Property, vehicle and ABM maintenance and utilities grew by $1.9 billion or 27%. The increase was driven primarily by maintenance costs related to our technological infrastructure due to the expansion of our digital capabilities.
    - o Irrecoverable general consumption tax and asset tax grew by $762 million or 16%. The Group's asset tax charge for the year totalled $2.2 billion.

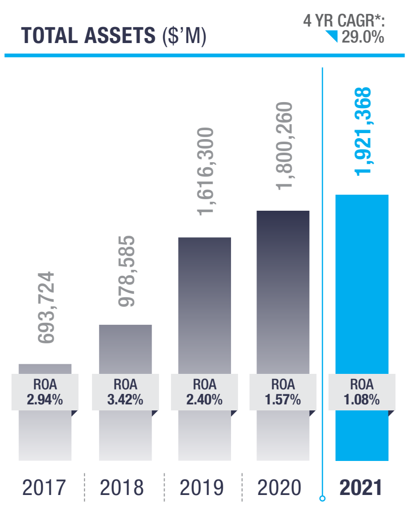
[A list of other operating expenses can be found in note 14 of the financial statements – ***s***

The Group demonstrated resilience and delivered a commendable performance in the face of COVID-19 through the proactive management of our capital, liquidity, risk, margin, currency and financial positions. Our continued focus on the strategic transformation of our business operations allowed us to lay the foundation for a clear path to improved efficiency and accelerated performance as uncertainty stemming from the COVID-19 crisis abates and regional economies recover.

Statement of Financial Position Performance

ASSET PERFORMANCE OVERVIEW

For the financial year our asset base grew by 7% or $121.1 billion to a record of $1.92 trillion. The growth in our asset base was primarily driven by increases in the investment securities and loan portfolios. Our return on assets declined to 1.08% compared to 1.57% from the prior year. This decline came as a consequence of the growth in asset base coupled with lower net profit as the pandemic continued to weigh on the performance of the Group.



Cash in Hand and Balances at Central Banks

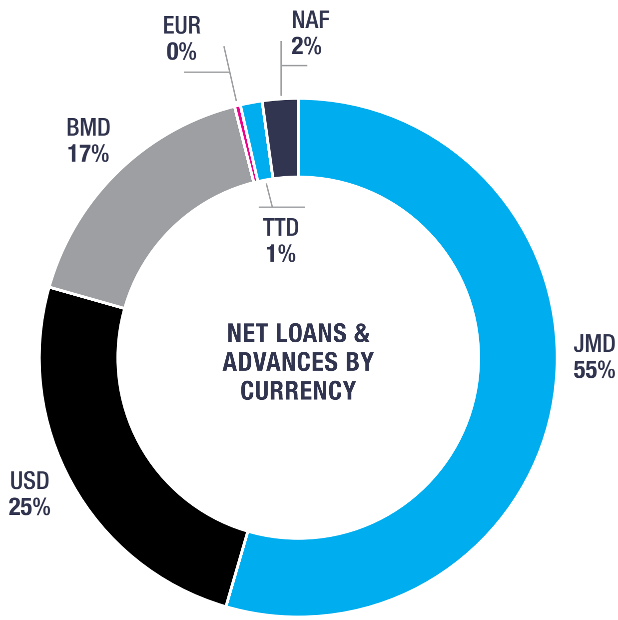
Cash in hand and balances held at central banks declined by 7% or $4.9 billion to $69.1 billion compared to the prior year. This comprises cash held by our commercial banks, statutory reserves, operational balances and short-term investments with central banks. Statutory reserves with the central banks represent the required ratio of prescribed functional and foreign currency liabilities, which is not available for investment, lending or other use by the Group.

Due from Banks

Balances due from banks declined by 2% or $3.4 billion when compared to the prior year. These balances comprise placements with banks, short-term deposits and other balances held with correspondent banks. These amounts are held to facilitate the payment of wire transfers, bank drafts, treasury related activities and to satisfy liquidity requirements.

Investment Securities & Reverse Repurchase Agreements

Investment securities and reverse repurchase agreements totalled $910.2 billion, reflecting a 6% or $47.6 billion increase when compared to the prior year. Our investments portfolio continues to be the Group's largest interest-bearing asset, representing 47% of total assets (September 2020: 47%). This portfolio comprises debt securities (government securities and corporate bonds), equity securities (quoted and unquoted)



and collective investment schemes. These instruments are classified as fair value through profit or loss or fair value through other comprehensive income or are carried at amortised cost.

Net Loans

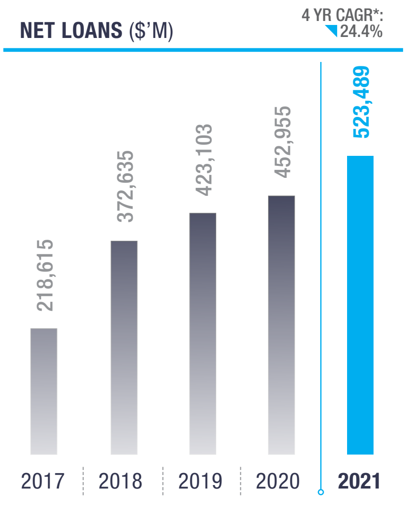
Loans and advances, net of credit impairment losses, totalled $523.5 billion up from $453.0 billion, representing a 16% or $70.5 billion increase compared to the prior year. This asset category represents the second largest asset on our consolidated statement of financial position which amounts to 27% of total assets (September 2020 – 25%). Non-performing loans amounted to $32.5 billion, an increase of 31% or $7.8 billion when compared to the prior year. With the increasing digitisation of our loan processes, we have made it much easier for selected pre-approved customers to access funding from the comfort of their homes with funds credited to their accounts within minutes. As at September 30, 2021, 55% of our loan portfolio was denominated in Jamaican currency (September 30, 2020 – 54%), 25% denominated in United States currency (September 30, 2020 – 24%) and 17% in Bermudian currency (September 30, 2020 - 18%).

Non-performing loans totalled $32.5 billion, an increase of 31% or $7.8 billion when compared to the prior year.

LIABILITIES OVERVIEW

Funding

Our funding portfolio is made up of short and long-term borrowing arrangements under the following funding lines: customer deposits, obligations under repurchase agreements, obligations under securitisation arrangements, amounts due to banks, other borrowed funds, mutual funds, segregated fund liabilities, investment contract liabilities and liabilities under annuity and insurance contracts.



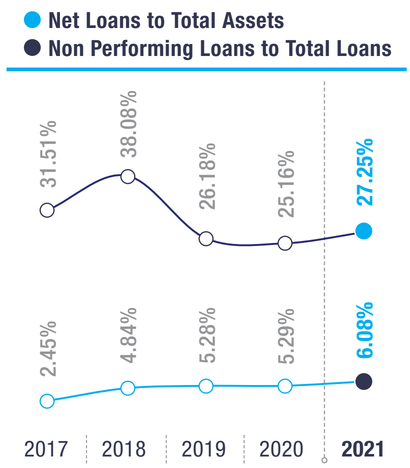
LIABILITIES UNDER ANNUITY, INSURANCE AND INVESTMENT CONTRACTS	2020 $'M	% of Total %	2021 $'M	% of Total %
Liabilities under life and health insurance and annuity contracts	359,257	89%	384,443	89%
Liabilities under general insurance contracts	45,758	11%	48,614	11%
Total	**405,015**	**100%**	**433,057**	**100%**

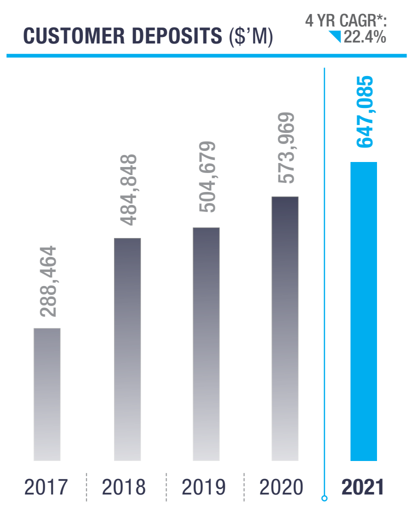
Financial **Performance**

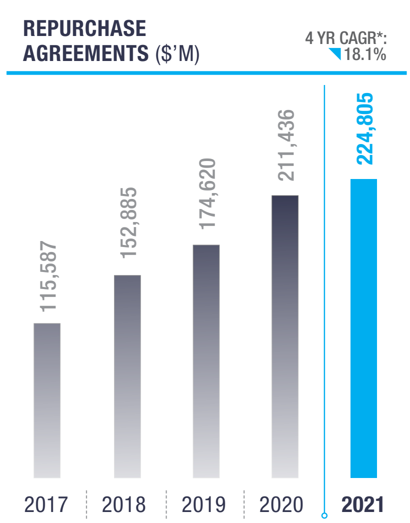
CONTINUED

Customers Deposits

Customer deposits continue to be our largest source of funding, representing 38% of total liabilities (September 30, 2020 – 36%). Customer deposits amounted to $647.1 billion, reflecting a 13% or $73.1 billion increase when compared to the prior year. Of our total customer deposits, 42% is denominated in Jamaica dollars (September 30, 2020 - 44%), 36% in United States dollars (September 30, 2020 - 37%) and 16% in Bermudian dollars (September 3, 2020 - 15%). Our customers continue to express their confidence in our deposit taking institutions as demonstrated by the sizeable growth in deposits.







Liabilities under Annuity & Insurance Contracts and Investment Contract Liabilities

Liabilities under annuity & insurance contracts increased to $433.1 billion from $405.0 billion, representing an increase of 7% or $28.0 billion over the prior year. Our life insurance subsidiaries issue life and health insurance and annuity contracts that insure human life against death, survival or critical illness over the life of the contract. Our general insurance subsidiaries issue property and casualty insurance contracts that protects our customers against the risk of causing harm to third parties while undergoing legitimate activities. As per our property insurance contracts, customers are compensated for the value of damage suffered or for the value of the property lost. Liabilities under life and health insurance and annuity contracts accounted for 89% of the balance at the end of the year (September 2020 – 89%).

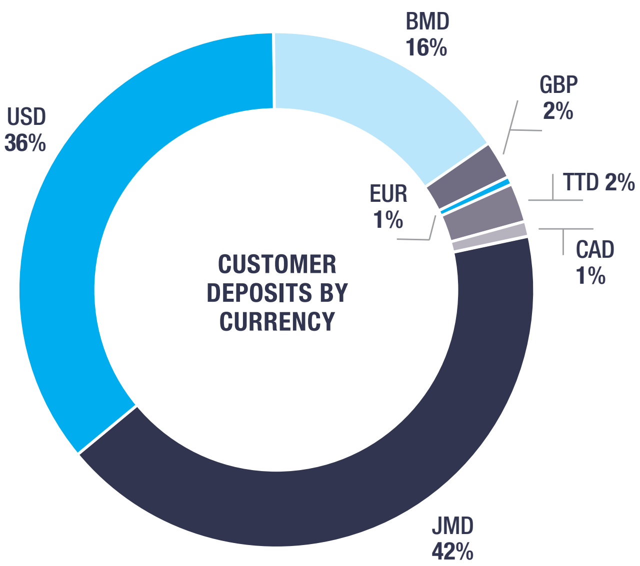
Investment contracts are those contracts that transfer financial risk with no significant insurance risk. The Group issues investment contracts including deposit administration contracts. Premiums under these contracts are recognised directly as liabilities. At the end of the financial year, investment contract liabilities totalled $43.8 billion up from $41.7 billion in the prior year. Investment contract liabilities carry floating rates of interest and therefore the carrying amounts approximate their fair values.

Repurchase Agreements

Repurchase agreements are securities sold with the agreement to repurchase. These are treated as collateralised financing transactions and are used by the Group as short-term funding and as a product for corporate and individual wealth clients. Repurchase agreements increased by 6% or $13.4 billion to $224.8 billion. This category represents a major source of funding, totalling 13% of total liabilities (September 30, 2020 – 13%).

Obligations Under Securitisation Arrangements

Obligations under securitisation arrangements declined by 11% or $8.0 billion to $63.1 billion when compared to the prior year. NCBFG, through its wholly owned subsidiary NCBJ, has entered into a structured financing transaction involving securitisation of its Diversified Payment Rights (DPRs). Under this structured financial arrangement, NCBJ assigned its rights to all present and future DPRs to an offshore special purpose vehicle, which then issued notes secured by the DPR flows. In the previous financial year, US$250 million was raised, which was then deployed to bolster US dollar liquidity. The principal outstanding under the DPR arrangement was US$250 million (September 2020: US$250 million).



NCBJ also entered into a structured financing transaction involving the securitisation of its Merchant Voucher Receivables (MVR). This arrangement involves the sale of future flows due from Visa International Service Association and MasterCard International Incorporated related to international merchant vouchers acquired by NCBJ in Jamaica. The principal outstanding under the MVR arrangement was US$182.3 million (September 2020: US$254.2 million).

Other Borrowed Funds

Other borrowed funds, which comprise various funding sources, totalled $137.0 billion, reflecting a 10% or $11.9 billion increase over the prior year. Each source of funding has different terms, tenures and interest rates which were accessed for the benefit of our customers. The most significant balance in this portfolio was corporate notes totalling $124.4 billion, representing a 13% or $14.7 billion increase over the prior year.

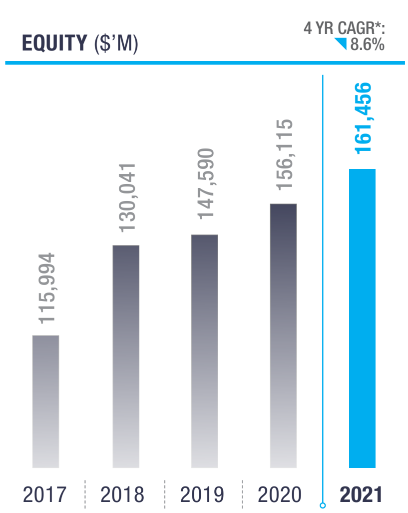
Stockholders' Equity

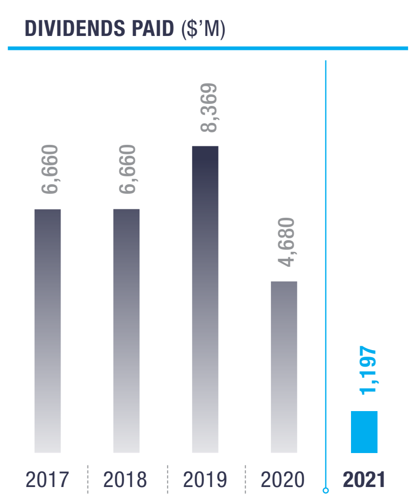
Total stockholders' equity was $206.7 billion, reflecting an increase of 3% or $6.5 billion when compared to the prior year. Equity attributable to stockholders of the Group grew to $161.5 billion, representing an increase of $5.3 billion, or 3% over the prior year. Our return on average equity declined to 8.96% from 12.57% in the previous financial year.

Capital Management

The Group's objectives when managing capital are broader than the equity presented in the Statement of Financial Position. Our capital management processes are in place to ensure compliance with capital requirements set by the relevant regulators; safeguard the Group's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders; maintain a strong capital base to support development of our business and optimise capital allocation within the Group to maximise value.

Our management team recognises that the maintenance of adequate capital and the management thereof are critical to ensuring that regulatory requirements, strategic objectives and shareholder expectations are met each financial year. Each regulated entity within the Group is required to hold a minimum amount of capital as



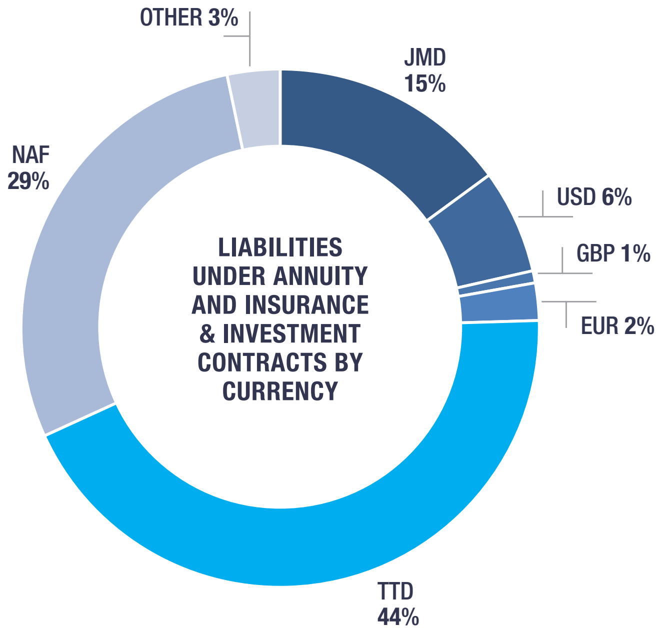


Financial **Performance**

CONTINUED

required by the relevant regulator in the specific jurisdiction. To meet these requirements, a capital management plan is completed which is guided by the Group Capital Management Policy. The Group's capital management plans are focused on maintaining adequate levels of capital, optimising the Group's portfolio, balancing shareholder risk-return objectives and flexibility in responding to changing market conditions. The aim of capital adequacy is to ensure sufficient capital is held in excess of the risk-based internal assessments and regulatory requirements with an overall objective of maintaining financial strength. During the year, the regulated entities met or exceeded the minimum regulatory requirements.

*[A summary on capital management can be found in note 49 (f) to the financial statements – **page 259 - 320].***



Dividend and Shareholders' Return

The closing share price on the Jamaica Stock Exchange as at September 30, 2021, was J$127.52 per share (September 30, 2020: J$130.90), which resulted in a price earnings ratio (current share price as a percentage of per share earnings) of 20.40x (September 2020: 16.34x). The share price on the Trinidad & Tobago Stock Exchange as at September 30, 2021 was TT$8.25 per share (September 30, 2020 – TT$7.75).

0.39%

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

$0.50

Dividends per share paid during year

8.00%

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

Related and Connected Transactions

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

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

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

NCBFG TOTAL SHAREHOLDER RETURN

For The Year Ended September 30	2017	2018	2019	2020	2021	Three Year CAGR (%)	Five Year CAGR (%)
Closing Price of Common Shares ($ per share)	87.02	124.52	208.79	130.90	127.52	1%	25%
Dividend Paid ($ per share)	2.70	2.70	3.40	1.90	0.50	(43%)	(27%)
						Three Year Shareholder Return	**Five Year Shareholder Return**
NCBFG Shareholder Return (%)	**116%**	**46%**	**70%**	**(36%)**	**(2%)**	**7%**	**234%**
JSE Index Annual Movement (%)	**60%**	**36%**	**44%**	**(26%)**	**9%**		

to be related or connected if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

In the normal course of business, we may engage in financial and commercial transactions with related parties. These transactions are executed on an arm's length basis, on substantially the same terms including interest rates and collateral where applicable, as those prevailing at the time for comparable transactions with unrelated parties (with the exception of loans included under the staff loan policy). Related party transactions with terms outside of normal business conditions require approval by the relevant Board of Directors. Additionally, certain subsidiaries have corporate governance and/or conduct review committees, which monitor overall related party exposures and approve transactions with related parties outside of the normal course of business. Periodic reports are also submitted to the Audit Committees.

Staff loans and other concessionary facilities

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

Other major related party transactions

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

In the normal course of business, we also enter into agreements with related parties, which typically involve the provision of advisory, insurance and other services. These services are provided on terms which are consistent with those offered to other unrelated persons.

Changes in Arrangements regarding shareholdings of Executive Directors

NCBFG's Executive Directors held NCBFG shares as part of a previously agreed compensation arrangement, with the Company carrying associated financing costs. Given the continued impact of COVID-19 on the regional economies and the Group, the Executive Directors agreed to surrender these shares, in connection with a revised compensation agreement. The surrender, effected on July 12, 2021, relieves the Company of the attendant costs. The surrendered shares are now being held by a custodian under an existing custodial arrangement and the impact of this transaction has been included in the current financial statements. The shares are eligible for future share distributions to executives (including the NCBFG Executive Directors). The Executive Directors' revised compensation arrangement continues to be aligned to the Group's financial performance.

*[A summary of related party transactions and balances can be found in note 48 of the financial statements - **see pages 256 - 259].***

CEO's Message

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

A digital-first agenda, which aligns with our 2024 aspiration of being digital-to-the-core. Using world-class technology and analytics, we aim to deliver a fast, simple, intuitive, secure, stable and delightful experience for customers and employees.

As our milestone 185th anniversary approaches, we took some time to reflect on our purpose.

Although our organisation has been around for almost two centuries, the world as we know it has changed remarkably in the last two years alone. One could credit our mettle to the muscle we honed as we continuously transformed ourselves, growing from strength to strength, and learning from the tumultuous times and turmoils we have overcome over the years.

So, when faced with the reality of operating in the second year of the COVID-19 pandemic, we did what we have always done – examine each obstacle we face with the goal of unearthing a strategic growth opportunity.

Driven by purpose

By being responsive, and willing to adapt to change, our organisation's resilience was bolstered remarkably, putting us in the position to take on just about any challenge. But all of this is grounded in the Group's purpose:

Empowering people.

Unlocking dreams.

Building communities.

While this has been our approach for many years, refining our purpose has helped give the Bank a North Star – something to keep us going, no matter what. As a business going through a pandemic with no immediate end in sight, being purpose-driven is what has helped, and will continue to help, us to stay on the path to achieving our goals.

The competitive picture has been reset across all sectors – for individuals, firms and groups. Ideas and processes that used to set us apart have become standard must-haves for all businesses operating today, and so we are required to innovate at an even faster pace. Digitisation, innovation, efficiency and customer-obsession have become the primary drivers in everything we do.

This isn't about throwing around industry parlance either. After all, the NCB story is not just about a bank – it is the journey of an organisation whose focus is on enabling the people and communities we serve, internally and externally, to achieve their aspirations. In the NCB story, our customers play the leading role, with us as their supporting cast.

Fulfilling our purpose

By understanding and acting on our purpose, we know that we can help unlock and unleash our customers' potential, while delivering long-term sustainable value to their businesses and their lives.

The key levers to our purpose include:

- **A digital-first agenda**, which aligns with our 2024 aspiration of being digital-to-the-core. Using world-class technology and analytics, we aim to deliver a fast, simple, intuitive, secure, stable and delightful experience for customers and employees.
- **Streamlining our cost infrastructure** to improve performance and meaningfully re-invest in delivery methods that meet our customers' needs at every interaction.
- **Reimagining the role of physical branches** to make them more purposeful, while optimising the wide range of digital tools available for customers to manage their finances anywhere and anytime, in ways that work best for them.
- **Re-engineering our operating model for scale**, thereby future-proofing our organisation in a way that optimises our growth potential.
- **Elasticising our workforce** to ensure that we have access to the right talent, unconstrained by physical or geographical limitations. With 62 percent of our employees now operating remotely, we are well on our way to having a workforce that is aligned, empowered and in possession of skills that are fit-for-purpose and fit-for-future.
- **Modernising and evolving our risk capabilities** to further strengthen our organisation's resilience and competitive edge, especially in the areas of cybersecurity and customer experience.

Award-winning performance

We anticipate that these levers will help us make it through the pandemic, and prepare us and our customers for whatever comes next. We have already seen the impact of these levers on our operations, and have also received recognition from global pundits for our achievements. These include receiving the Global Finance Innovators' Award for our e-Commerce-in-a-Box solution, and recognition as the Best Digital Consumer Bank for Jamaica. Our data also shows us that over 70 percent of transactions were conducted digitally this year, while mobile adoption has skyrocketed.

We continue to play our part in helping to give customers relief and re-energising the economy. To date, we have offered $43 billion in moratoria to over 18,000 customers across all segments, while still lending and providing liquidity to fuel economic activity. We have also made considerable headway in closing the access-to-financing gap for the MSME market, while making banking more accessible to more of the population.

Life as we know it has changed, and a lot of what we were accustomed to is now unrecognisable. However, as we have always done, we will embrace change for the opportunity it brings and forge a new future imbued with purpose and fuelled by the passion that is the core of our vision.

Septimus "Bob" Blake
CEO – National Commercial Bank Jamaica Limited

CEO's Message

CLARIEN

I can confidently say our success, now and in the future, comes down to our people. I am extremely grateful for our dedicated team members who continue to serve our clients and community in a time of accelerated growth, opportunity and risk.

Focused on our digital transformation and growth, the 2020/2021 financial year has proved to be another groundbreaking one for Clarien Bank. In an effort to strengthen our business while still in the throes of the COVID-19 pandemic, our team continued to hone its core values - integrity, teamwork and being client-driven. In the past 12 months, we have taken even greater strides to build a bespoke business centred around our customers in wealth and commercial banking. I am pleased to share that Clarien is now the bank of choice for more than 90 percent of the grocery market share in Bermuda, having secured four major grocers as clients in 2021.

Another major milestone for Clarien Bank was the development of the North American Founders Fund, holding a concentrated portfolio of high-quality businesses that are leaders within strong, long-term industries. Following a successful launch, the Fund has served to protect our clients' capital and deliver solid returns by selecting companies intentionally and strategically.

This financial year we proudly launched iInvest, a new robo-advisory platform allowing us to use industry-leading technology, along with the expertise of our dedicated advisory team, to create investment portfolios customised to meet our clients' present and future needs. Each portfolio is tailored, depending on that client's time horizon, investment objectives and appetite for risk, to ensure every dollar is put to optimal use.

Our newly established corporate service provider, Clarien Corporate Services Limited, has also developed a market position in the last financial year. By building on a foundation of trust and understanding with ultra-high-net-worth and high-net-worth clients, our family office continues to be an integral resource, supporting families in increasing their wealth and meeting their long-term financial goals.

Additionally, in line with the bank's mission to be digital bank of choice, Clarien has successfully delivered on its aim to enhance its ATM footprint. Our new generation of intelligent Automated Teller Machines (iATMs) will soon be unveiled, allowing customers to enjoy greater convenience, as well as the latest advances in digital ATM technology, at nine prime locations around Bermuda.

While it was a busy year, we still made investing in our local community in Bermuda a priority. Continuing our support of various youth and education-based charities, we decided to launch the Clarien Education Fund in May 2021, demonstrating our commitment to investing in educational endeavors for students in underrepresented communities in Bermuda. We have pledged to make an annual investment of US$30,000 to assist local private school students, with disbursements of US$5,000 to be made to six schools each year for the next four years.

I can confidently say our success, now and in the future, comes down to our people. I am extremely grateful for our dedicated team members who continue to serve our clients and community in a time of accelerated growth, opportunity and risk. It is this commitment to moving forward together that sets us apart from our competitors and positions us well to reach our strategic aspiration of becoming the best bank in Bermuda.

Ian Truran
CEO, Clarien Bank Limited

CEO's Message

Guardian Group

As the leading insurer in the Caribbean region, we know we cannot be complacent as the financial services landscape is rapidly changing due to digital connectivity and shifts in customer behaviour. While the past two years shook up global socioeconomic structures, it also became a catalyst for positive development, reshaping science, technology and innovation.

The year was eventful amidst the challenges faced in our region and around the world due to the effects of the COVID-19 pandemic. Guardian Group, like many organisations, went above and beyond to discover new ways to assist our customers to quickly adapt to the changing nature of doing business.

While the challenges seemed daunting, the Group continued to develop and leverage its cloud-based technology, deploy several transformational initiatives and invest heavily in data analytics, artificial intelligence and machine learning. Additionally, we met the new demands for online transactions, developed new ways to reach, and communicate with customers and reviewed our existing product portfolios to better serve in a rapidly transforming environment.

Notwithstanding the disruption faced, we remained focused on developing our cross selling, loss mitigation and business conservation capabilities and, as a result, launched significant upgrades to our digital interfaces for sales and service. We also invested resources in creating a scalable infrastructure that will facilitate the integration of new companies and portfolios when we choose to do new acquisitions.

More importantly, the Guardian family evolved, establishing a new corporate culture centred on creating an atmosphere that will groom, empower and engage our employees in a way that is properly aligned with strengthening our organisational health within the Group. Our outlook for human capital is to harness the knowledge and innovation of our staff through a bottom-up approach, where their experience and expertise become drivers of change and management.

While the Group focused on strengthening our internal muscle to support our customers and employees, we remained cognisant that many communities in the Caribbean were seized by anxiety, fear and uncertainty as a result of the pandemic. As such, we immediately responded with several initiatives targetted at assisting the most vulnerable sectors of society.

In partnership with the University for Peace established by the United Nations, through its Centre for Executive Education, we offered 12 Global Leadership Diploma Scholarships across the region. These scholarships gave a unique opportunity to potential leaders in the Caribbean who fostered positive change in their communities and the environments in which they live. The programme attracted an overwhelming 400 applicants from across the region.

In Trinidad and Tobago, we were pleased to offer free one-year COVID-19 financial packages to the members of the Trinidad and Tobago Police Service. In the event of a positive diagnosis, service members were provided with a fixed lump-sum benefit and admittance to an Intensive Care Unit (ICU) and High Dependency Unit. We were also happy to partner with the Ministry of Health in its national efforts by donating two ventilators and several other pieces of critical medical equipment, needed to safeguard against the threat of the virus.

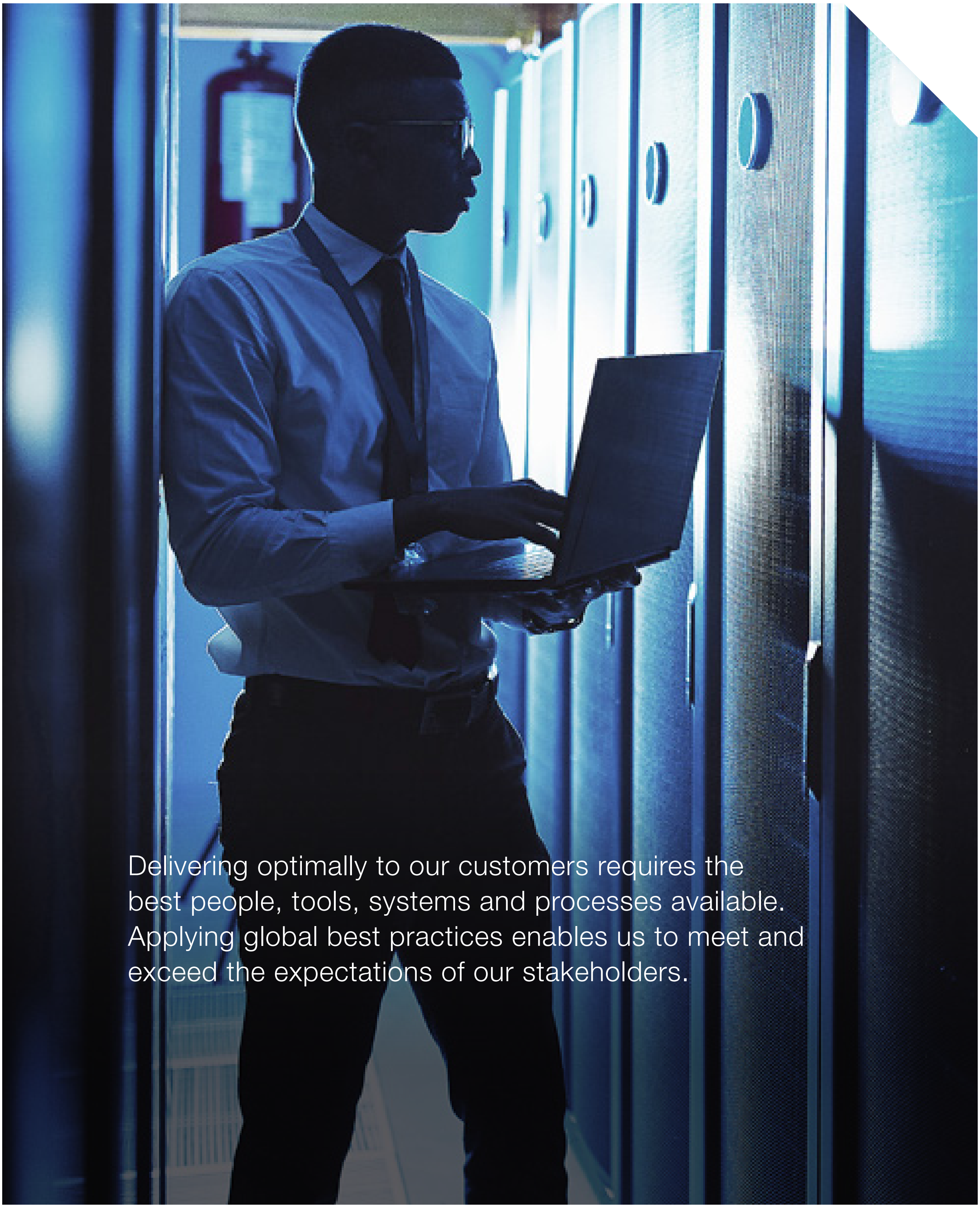
In Jamaica, a donation of a Toyota Coaster Bus, was made to the South East Regional Health Authority (SERHA), to assist with the transportation of healthcare workers at the Kingston Public and Victoria Jubilee hospitals. Also, a much-needed contribution was made by the donation of a ventilator to the Victoria Jubilee Neonatal Ward.

In the Dutch Caribbean, one of the challenges brought about by the pandemic was access to education for children in a virtual space, and Saint Maarten's schools were no exception. Guardian Group Fatum partnered with other businesses to provide over 30 desktop computers and laptops equipped with Microsoft 2019, Zoom, and other useful programmes to the Milton Peters College for students. In Barbados, the company also provided critical support, through a partnership, to provide care packages to clients.

As the leading insurer in the Caribbean region, we know we cannot be complacent as the financial services landscape is rapidly changing due to digital connectivity and shifts in customer behaviour. While the past two years shook up global socioeconomic structures, it also became a catalyst for positive development, reshaping science, technology and innovation. It is against this backdrop that Guardian Group will continue to be agile, to survive and thrive in this fast-moving world.

Ravi Tewari
CEO – Guardian Group

Our Business **Enablers**



Digital Transformation

The continuously expanding role of Information Technology (IT) in just about every area of the business required the organisation to re-imagine and re-engineer its operations to meet the needs of the business, foster integration, and eliminate the silos between teams to foster greater speed, collaboration and agility.

Accelerated by changing customer habits, increased need for speed and efficiency, and the comparison of the business' products and services to those provided by its international counterparts, digital transformation continued in earnest this year, as the organisation pursued its goal of becoming a best-in-class IT organisation. Achievement of this goal is expected to further cement the foundation for creating a topflight digital experience for both internal and external customers, through the curation of an unrivalled talent hub, and a modern, scalable technology platform.

Close to a hundred digital transformation initiatives were undertaken across the organisation this year, primarily geared at improving efficiency, cost-effectiveness, and customer experience at various touchpoints across all areas of the business. In addition, further streamlining was done to achieve cost efficiency and improve inter-business collaboration.

Key Achievements

Improving Business Continuity

A key win for the organisation was the successful completion of the Clarien Bank Disaster Recovery migration. The work undertaken involved the relocation of Clarien's Disaster Recovery site to data centers located outside of the country, as well as testing to ensure business continuity in a variety of scenarios.

This initiative formed part of the larger programme for the integration of Clarien Bank into the NCB Financial Group, leveraging existing infrastructure to drive efficiencies, resiliency and cost optimisation.

Introduction of additional customer service channels

To further support service delivery to customers and business partners, the business has introduced a variety of additional customer service channels – utilising tools such as WhatsApp and webchat, as well as a variety of self-serve tools and options. In some instances, the Customer Care Centre for Clarien Bank received twice the usual number of calls from customers seeking assistance, while NCB Jamaica Limited's Customer Care Centre in Jamaica also saw increased calls in its Customer Care Centre in Jamaica.

Self-care solutions like NCBAssist became critical service tools since its launch, as it enables customers to manage their requests, and submit complaints online – while tracking the progress of resolution at each stage.

Implementation of other self-service solutions has provided customers with greater autonomy and control over their experience and interactions with the business. Increasingly, customers are being encouraged to utilise alternate channels, and now have even more electronic options to do business and get assistance as needed.

Similarly, Guardian Life of the Caribbean (GLOC) clients now have access to the C360 portal, which offers a range of self-service options. This allows clients to interact with the business through the contact centre and webchat, as well as give feedback on the quality of service delivery received from GLOC. Most importantly, C360 gives all Guardian Group customers from across all business units one seamless interface through which they can access quotes and renew insurance policies, as well as view their Guardian Life portfolios which include products such as Life, Health and Pension.

Digitising the contact centre

To improve the quality of service delivered to customers with a preference for the traditional customer service channels like the Customer Care Centre, the organisation has continued to make incremental updates to this channel to boost digital self-serve, and ensure 24/7 availability and support. Improvements that are being implemented in the contact centres include:

Our Business **Enablers**

CONTINUED

- New IVR (Telebanking) –with self-serve options including self-authentication using Visa Debit or credit cards, bill payments, self-transfers, last ten transaction reviews, credit cards and bank account balance enquiries, statement requests, credit and debit card activation and pinning;
- Online Live Chat capabilities allow customers to connect with agents directly from the website;
- Call back assist features to reduce wait time for customers;
- Survey Assist, following phone calls to obtain customer feedback;
- Quality monitoring tools to improve customer interactions and experience;
- Interaction analytics to inform customer-need assessments, analyse trends, and proactively identify issues;

Transaction migration

Transaction migration continues to be one of the foremost enablers for all areas of the business, not just reducing the foot-traffic in physical channels but also improving the capabilities for customers to self-serve at any time. This also gives customers access to a more agile way of managing their financial needs, whether banking, insurance, or investments.

In Jamaica, digitisation efforts have contributed considerably to increased efficiency, decreased cost-to-serve, and improved customer experience and satisfaction. Digitisation initiatives were a major catalyst for the business' transaction migration efforts – resulting in a reduction in in-branch transactions by over 70 per cent, a 45 percent increase in transactions at digital transactions, and almost 100 per cent increase in online banking and mobile app users.

Meanwhile in Bermuda, more customers started taking advantage of the newly-redesigned online banking platform, and mobile app, iBank, during the country's shelter-in-place periods. This enabled them 24-hour access to their accounts, and allowed them to pay bills, make transfers, open checking or deposit (CD) accounts and more.

In order to support the continued migration of customers to digital channels, on the ground customer support, education and awareness initiatives were undertaken including specific sensitization and training sessions for senior citizens.

For Clarien, robo-advisory and discretionary asset management tools such as iInvest and iPortfolio helped to facilitate transaction migration efforts for investors in Bermuda, while NCB Capital Markets benefited from similar improvements to its online investment banking platform and GoIPO portal.

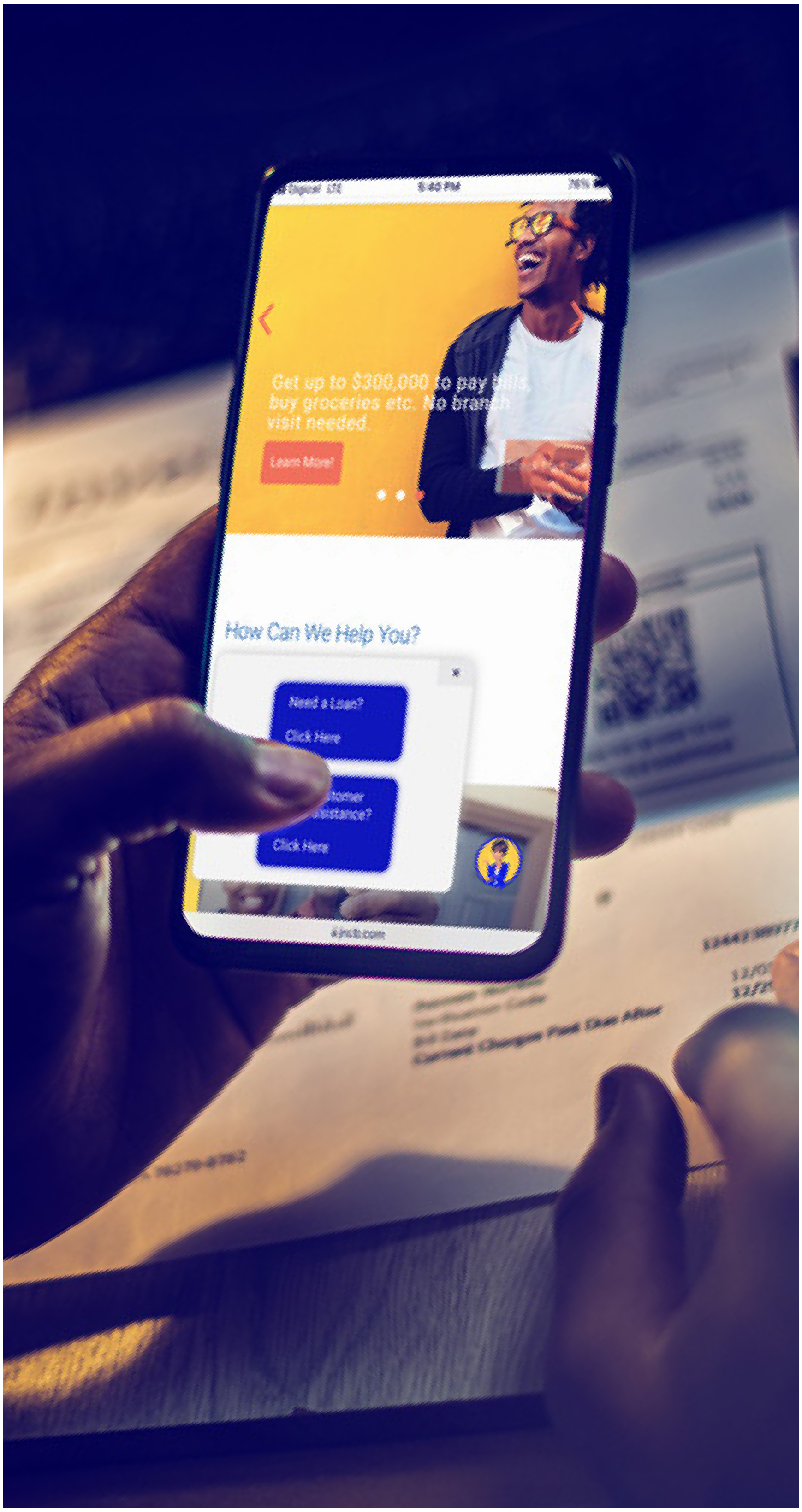
Key Learnings

To take advantage of the opportunities provided by transaction migration and an expanded network of digital channels, the organisation has begun to use cognitive technology to automate and digitise routine tasks to significantly improve the turnaround time to fulfil customers' requests. This was complemented by the creation of a scalable team focused on the following:

1. Exception management;
2. Complex problem-resolution;
3. Utilisation of insights from data to identify business opportunities;
4. Solving major customer issues;
5. Leveraging new legislations and technological solutions.

The way forward

As customers continue to demonstrate an ever-growing appetite for alternative banking avenues, the business continued to work towards its 2024 goal of making digital channels the preferred and primary medium for accessing financial tools and services. These efforts were accelerated by the physical restrictions resulting from government-implemented mandates such as curfews and shelter-in-place orders, physical distancing measures for businesses, driving customers to opt for self-serve, online-based and mobile banking solutions to meet their needs.



Our Business **Enablers**

CONTINUED

Managing Our Resources

The need for the business to provide always-on, optimal service to both internal and external stakeholders impelled the organisation to also re-imagine the management of its resources. In a bid to achieve cost-efficiencies and benefit from economies of scale, the organisation has redirected its focus to five integral areas. These included talent, efficiency, digital conversion, organisational health and employee engagement, all of which were considered the primary areas required for transformation in order for the business to achieve its strategic objectives, and remain sustainable.

Talent

Aside from customer-facing employees and others whose work requires them to report to a physical location to execute their duties, the vast majority of the organisation has adapted to remote working. While this required some adjustment and stakeholder education during the transition, it opened up a world of benefits in the areas of talent acquisition and digital onboarding.

In addition to launching a freelance portal to allow individuals and SMEs to participate in the emerging 'gig' economy, talent acquisition is no longer constrained by geographical borders, owing to the rise of remote work. Therefore, virtual interviews, digital hiring, and remote employee onboarding have all contributed to the organisation's goal of curating a hub of the best talent to support its strategic objectives right across the region. This has given the organisation access to a wider talent pool, and new and emerging competencies that are important to future-proofing the organisation.

Efficiency

Operational efficiency was another area of key focus for the organisation, and is being continually realised through the consolidation, repurposing and monetisation of underutilised real estate, reconfiguration of physical locations, and modernisation of physical infrastructure. These have led to increased cost-efficiency, streamlining of processes, and optimisation of resources organisation-wide.

Digital conversion

Digitisation has been an ongoing theme for the organisation, having been identified as a key enabler for improving customer experience. While significant success has been recorded from the organisation's external customer-facing digitisation efforts, internal digitisation has also made a tremendously positive impact on employee satisfaction and organisational health.
From digitalisation of employee records, to automation of back-office or manual/labour intensive processed, the organisation has taken advantage of technology in all ways possible to increase collaboration and efficient execution of duties by employees. In Jamaica, for example, automation of salary deduction has significantly reduced the need for manual processing, while automation of the sales process for immediate annuities has helped to increase sales opportunities while reducing manual back-end processing for the Guardian teams in Trinidad and Tobago, Barbados and the Dutch Caribbean.

Virtual learning and development opportunities were also expanded, enabling participants to participate in more capacity-building and upskilling initiatives anytime, and anywhere. Telecommuting benefits were also introduced to support remote work, and policies revised and updated as necessary to be more pertinent to the changing operating context.

Organisational health and employee engagement

Inspired people and culture continues to be one of the organisation's main strategic priorities, as NCBFG works towards becoming the employer of choice in the region. To this end, the organisation has made very deliberate efforts to improve organisational health by enabling better collaboration, and implementation of some priority practices which contribute to the overall improvement of employee engagement and well-being.

Other initiatives implemented in support of this effort included targeted counselling support to help employees cope with the effects of the ongoing pandemic, and implementation of strategies to support employee mental health, well-being and resilience.

The way forward

Transformation remains at the core of the organisation's strategic efforts to manage its resources. In order to achieve this, the organisation continues to double down on enhancing its workforce analytics capabilities in order to support enterprise-wide decision-making, implement best-in-class tools and methodologies. This is considered fundamental to the continuous re-engineering of the supply chain to enhance enterprise value, and strategic talent acquisition to future-proof the organisation.

Risk Management and Governance

Risk Management and Governance

Financial organisations such as NCBFG are in the business of assuming and managing risks. Institutions such as ours have continued to focus on minimising the negative impact of regulations, new sources of competition such as fintechs and emerging risks to our financial performance. This is done through the use of a robust framework of policies, processes and people to execute risk and compliance functions.

While the COVID-19 pandemic challenged the established infrastructure, processes and protocols of the organisation's risk management norms, our Enterprise Risk Management framework supported the identification and assessment of all material and emerging risks with a view to implementing strategies designed to ensure the Group's operational resilience.

The Risk Governance Framework

The Group's risk governance framework is intended to provide a comprehensive set of controls and ongoing management of the major risks assumed in the Group's business activities. This function covers the Corporate Governance and Nomination Committee of the Board, as well as risk management and compliance. The NCBFG Board of Directors assumes ultimate responsibility for oversight of the Group's risk-taking activities, and delegates aspects of that responsibility to the Group Risk Committee and the Group's Audit Committee. These committees are supported, where necessary, by the Risk and Audit Committees of the subsidiaries. There are also a number of management committees across the Group, which support risk management oversight with respect to strategic risk, operational risk, IT security and fraud risks, capital adequacy, market and liquidity risk and regulatory risk.

TYPE OF RISK SUPPORT PROVIDED BY THE MANAGEMENT COMMITTEES

Type of Risk	Support Provided by the Management Committees
Capital Adequacy	The relevant committees are responsible for setting and monitoring overall capital management principles in line with the Group's enterprise-wide risk framework and appetite.
Legal and Regulatory Risks	The relevant committees are responsible for monitoring the status of legal and regulatory compliance within the Group.
Operational Risks	The relevant committees are accountable for the provision of oversight to the strategies, policies and procedures in place to manage such risks as information technology and information security risk exposure, fraud risks and others. Their responsibilities also include managing an effective risk organisation structure, and implementing effective governance processes.
Strategic Risk	The committees with oversight for strategic risk are responsible for the execution of the Group's 2024 strategy, and are held accountable for the effective and timely execution of activities, delivery of the expected benefits and performance monitoring. These committees oversee the assessment of feasibility, achievement of business objectives, and mitigation of risks.
Market and Liquidity Risk	The relevant committees monitor and ensure the effective and efficient management of market risks relating to the mix of assets and liabilities, as well as the holding and trading of foreign currencies and designated investment securities.

Risk Management and Governance

CONTINUED

MD&A Continued

Risk Management Principles

Looking ahead, transformation remains at the core of the Risk Team's strategic efforts. This includes enhancing workforce analytics capabilities to support enterprise-wide decision making, implementing best-in-class tools and methodologies to support organisational optimisation, the continuous re-engineering of the supply chain to enhance enterprise value and ongoing improvement of bench strength through strategic talent acquisition in order to future-proof the organisation.

Significant Risks

Credit Risk

Credit risk for the organisation includes the possibility of a customer/borrower defaulting on promised payments (e.g. principal, interest, margin, etc.), or that a trading partner may fail to fulfil its obligations on a transaction or portfolio of transactions, thereby forcing our credit-extending subsidiaries to terminate the trade, or replace the counter-party at a loss. Due to the resultant economic impact of the pandemic on a number of the sectors to which the organisation lends, credit risk is in significant focus. As a regional group, oversight for risk must extend to the economic environment of all the territories in which we operate. The economic impact of the pandemic continued to weigh on the countries in which the Group operates and also on our borrowing customers. The forbearance programmes implemented for both our personal and business borrowing customers achieved the objective of reducing the financial burden on our customers and stymieing deterioration in the quality of the organisation's credit portfolios. This initiative was supported by ongoing assessment of the macroeconomic environment, adjustments to underwriting standards and strengthening of the collections infrastructure.

Liquidity Risk

Defined as the potential for loss in the event that the Group is unable to meet its payment obligations when they fall due, the organisation has taken steps to safeguard itself against liquidity risk, and ensure its ability to honour its obligations and liabilities to depositors and suppliers, while taking advantage of any profitable opportunities that may arise. The Group's Enterprise Risk Management Policy requires that liquidity is managed within established policy guidelines, limits and/or benchmarks. One of the principal liquidity strategies pursued by the Group is the maintenance of diverse and stable sources of funding. Accordingly, the Group's liquidity funding providers include NCBJ's diversified retail customers and corporate customers, as well as repurchase agreements and long term secured funding sources, which include Diversified Payment Rights securitisation. The credit rating

of the Group is also continuously monitored to ensure that the organisation is positioned favourably to access credit at a good price. The Group Risk Committee also closely monitors the Group's liquidity risk positions, and reviews all the relevant information including:

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

Market Risk

The Group addresses its exposure to market risk, which is the possibility that movements in certain market variables such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads may adversely affect its income and/or the value of its portfolios. The infrastructure designed to manage market risk by the Group incorporates the definition, approval and monitoring of limits, as well as the performance of stress testing, and qualitative risk assessments.

Operational Risk

This is defined as risk of loss, direct and indirect, which arises from disruptions to an institution's operations due to inadequate or failed processes, people, systems or from external events. The Group embarked on a medium to long term strategy to digitise its business to the core, the implications of which include increased velocity of decision making, use of new and emerging technologies and the employment of an elastic workforce.

Our emerging risk framework resulted in the identification of a number of emerging operational risks (i.e. familiar existing risks that become apparent in new/ unfamiliar conditions or risks that are increasing). In particular, information technology risks to include cyber risk, cybersecurity risk, third party risk, business continuity risk, disaster recovery risk and data risks were all the subject of close oversight by management and the Board Risk Committees.

In order to manage our information technology risks, our risk management framework incorporates constant examination of how information is processed, accessed, transmitted, stored and retrieved during a disaster, in the wide array of our business processes and activities. The actions taken to reduce these risks are being continually updated to ensure world-class defence mechanisms are in place to proactively respond to any potential exposures.
In addition to having a robust cybersecurity policy, we also have protocols in place to assess, prevent and effectively respond to certain cyber events. Given the importance of cybersecurity, the Group also maintains cybersecurity insurance coverage.

Risk Management and Governance

CONTINUED

Insurance Risk

The Group's exposure to insurance risk is primarily through our subsidiary, Guardian Holdings Limited (GHL).

Insurance risk is defined as risk that future claims and expenses will exceed the expected allowances for claims and expenses in the measurement of policyholder's liabilities and product pricing. This category includes underwriting, reserving and catastrophe risks.

For both long and short term business operations, insurance risk arises from the uncertainty regarding the timing and quantity of future cash flows from insurance contracts. It emerges from inadequate/ inappropriate pricing, underwriting and monitoring of actual claims and reserving experience, inappropriate policy terms and conditions, less than consistent application/ unsuitability of delegated authorities and limits for underwriting and inappropriate/inadequate reinsurance arrangements.

This is mitigated by defined delegated authorities in underwriting and claims, robust actuarial controls and reviews in product development, pricing, asset-liability management, reserving, the maintenance of AM Best rated reinsurance partners and strict adherence to regulatory guidelines including scenario and stress testing for mortality and morbidity, pricing adequacy and overall capital adequacy.

Catastrophe reinsurance cover is part of the overall reinsurance protections for Guardian. With an increased focus on climate change and the continued intensification of climate related events, in particular floods and with the acknowledged exposures to windstorm and earthquake in the Caribbean region in particular, this area is robustly monitored. Exposures beyond approved risk appetite limits may emerge primarily from claims which exceed purchased catastrophe reinsurance cover. In collaboration with the reinsurance brokers, the property and casualty actuaries perform detailed modelling and on the basis of these results, the reinsurance programme is determined, approved by GHL's Board of Directors with an understanding of the resulting Net Probable Maximum Loss (PML) and impact on capital. This is also subject to regulatory review in all domiciles of operation.

Legal Risk

The Group is subject to legal risk, which has the potential to adversely impact its business. Legal risk is associated with failure to comply with legal obligations, including ineffectiveness in the management of litigation proceedings. The Group is expected to meet and maintain high standards in all business dealings and transactions. Failure to adequately meet these standards and address the relevant obligations can lead to financial loss and/or reputational risk. Business units are the first lines of defence and are responsible for managing day-to-day regulatory legal risk, while the Group's Legal functions act as the second line of defence. The risk is managed through a combination of activities, including the ongoing compliance with, review and updating of the various procedures and transaction documents throughout the Group, incorporation of legal guidance into processes and conduct, review and updating of standard transaction documentation and the use of transaction-specific advice and documentation for transactions involving higher levels of risk or financial exposure. Management of the risk by the second line is done internally, supported as necessary by the use of external counsel under engagements managed by internal legal personnel. Reporting, particularly in relation to disputes, is done to the Boards and/or Risk Committees of the entities in the Group, with consolidated reporting to the Group Risk Committee and Board of NCBFG.

Regulatory Risk

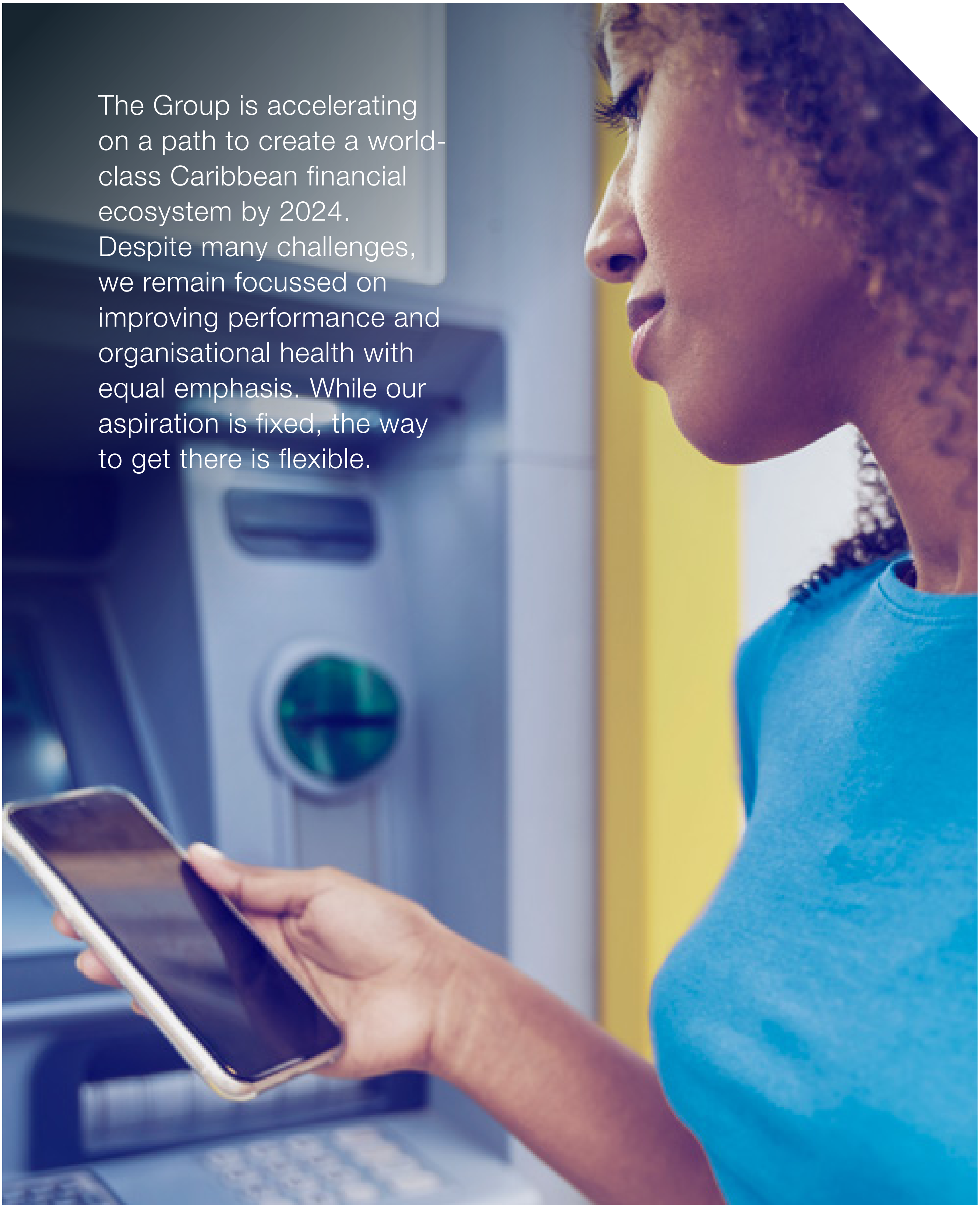
The Group is also subject to regulatory risk, which could have an adverse impact on its businesses. Regulatory risk arises from a failure to comply with regulatory requirements, or changes in regulations and law that might affect aspects of the Group's operations, including risks related to financial crimes compliance. The Group must therefore continuously assess and monitor such risks and be prepared to react if they materialize. Adopting the 'three lines of defence' model, the business units are the first lines of defence and are responsible for managing day-to-day regulatory risk, while the Group's compliance function acts as the second line of defence, providing advice, monitoring and oversight, reporting to management committees, the Group Risk Committee and ultimately the Board of NCBFG. Finally, at the third level is the Group Internal Audit function, which provides independent assessment and assurance in respect of the effectiveness of the regulatory compliance programme. Measures to mitigate the risk include the maintenance of the governance framework for the compliance function, a comprehensive training programme, maintenance of relevant policies and procedures, automated and manual transaction monitoring and sanction screening and procedures for identifying, reporting and remediating regulatory risk events.

Reputational Risk

Reputational risk is the potential that negative publicity, whether true or not, regarding an institution's business practices, actions or inactions, may cause a decline in the institution's value, liquidity, or customer base. All risks may have an impact on reputation, which in turn may negatively affect the brand, earnings and capital. Our organisational culture and the Enterprise Risk Management Framework support the management of this risk. In effect, our Enterprise Risk Management Framework enunciates the approach to be taken to the management of our significant risks - credit, market, operational, insurance, regulatory and legal risks - which is a safeguard to the reputation of the organisation.

Our Strategic **Outlook**

The Group is accelerating on a path to create a world-class Caribbean financial ecosystem by 2024. Despite many challenges, we remain focussed on improving performance and organisational health with equal emphasis. While our aspiration is fixed, the way to get there is flexible.

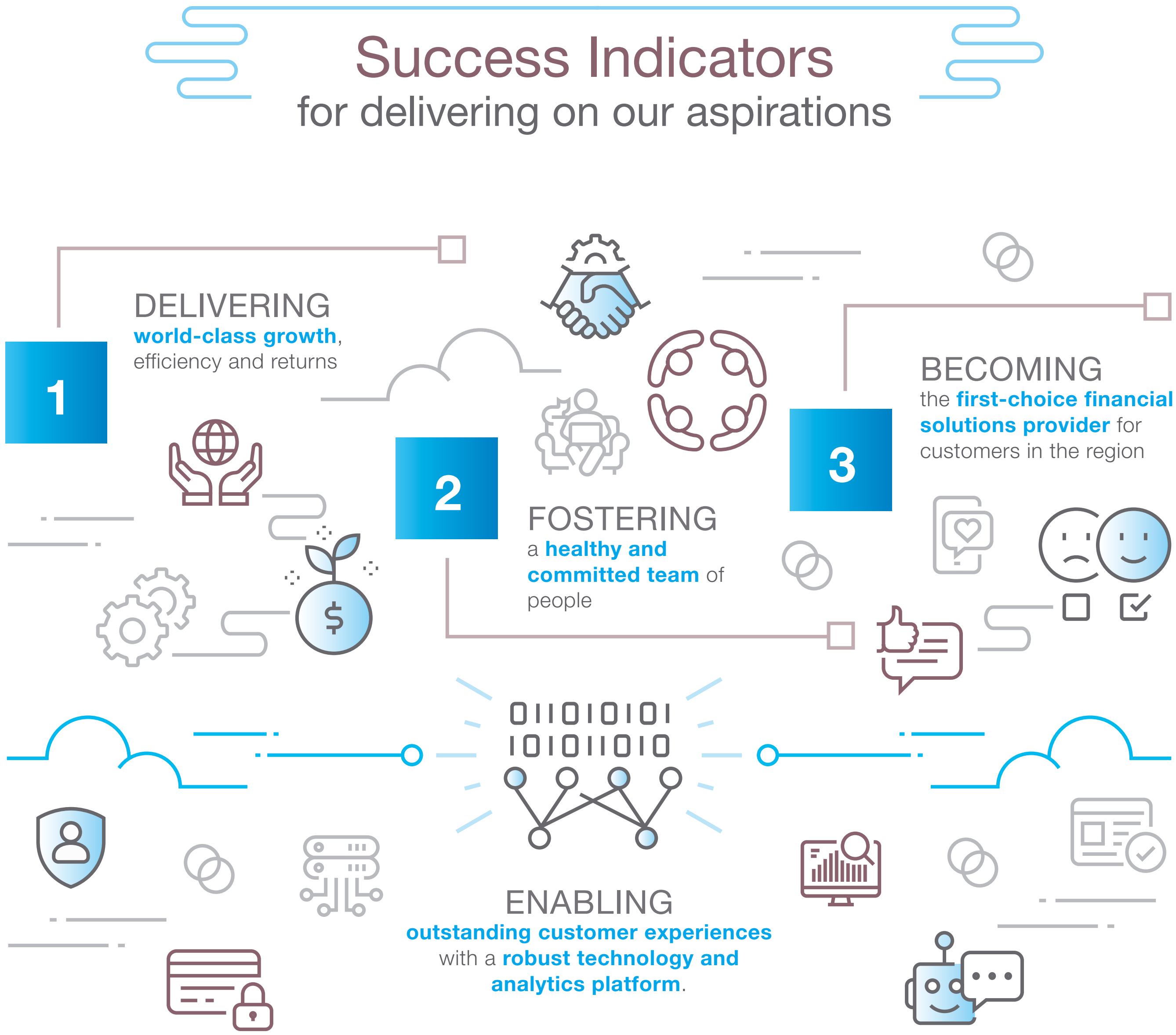


As we implement ideas, we are simultaneously identifying and launching additional projects within our strategic transformation journey.

Our digital aspirations are essential for future-proofing our business. A centralised governance model was established to further refine objectives, shape policy, optimise our digital assets and ensure sustainability. The digital agenda will be tracked according to product, service and workflow enablement; customer enablement; and digital adoption and usage. The strategic initiatives are designed to accelerate growth within each business segment, ultimately strengthening the overall Group.

Our success will not be the result of luck or the absence of challenges. Rather, our success will be as a result of our commitment to seeking opportunities in every challenge and striving for the highest standards. Our transformation journey is equipping us to navigate any environment and is charting a path for a renewed organisation dedicated to our purpose:

- **Empowering People**
- **Unlocking Dreams**
- **Building Communities**



Our Strategic **Outlook**

CONTINUED

Key Initiatives
for the 2021 financial year

01

Partnerships play a vital role within the business ecosystem as well as the overall digital transformation journey in sales, enablement and operations.

- Pursued strategic partnerships with key players and institutions.
- Expanding customer self-service options on a phased basis.

02

Sales force effectiveness (SFE) deepens customer relationships and personalisation of products and services, providing the best value to our customers.

- Create a permanent capability for ongoing product development and management of solutions. Expansion of distribution systems and sales force automation technology.
- Wealth Management investment strategy to facilitate deepening customer insights and expansion of digitally enabled transactions across channels.

03

Implementation of a number of initiatives geared at the continuous improvement of the experience of our customers at all touchpoints.

- Deepening customer relationships by improving experience around transaction management.
- Personalisation of products and services through leveraging the consumer insights generated via partnership with customer analytics platforms.

04

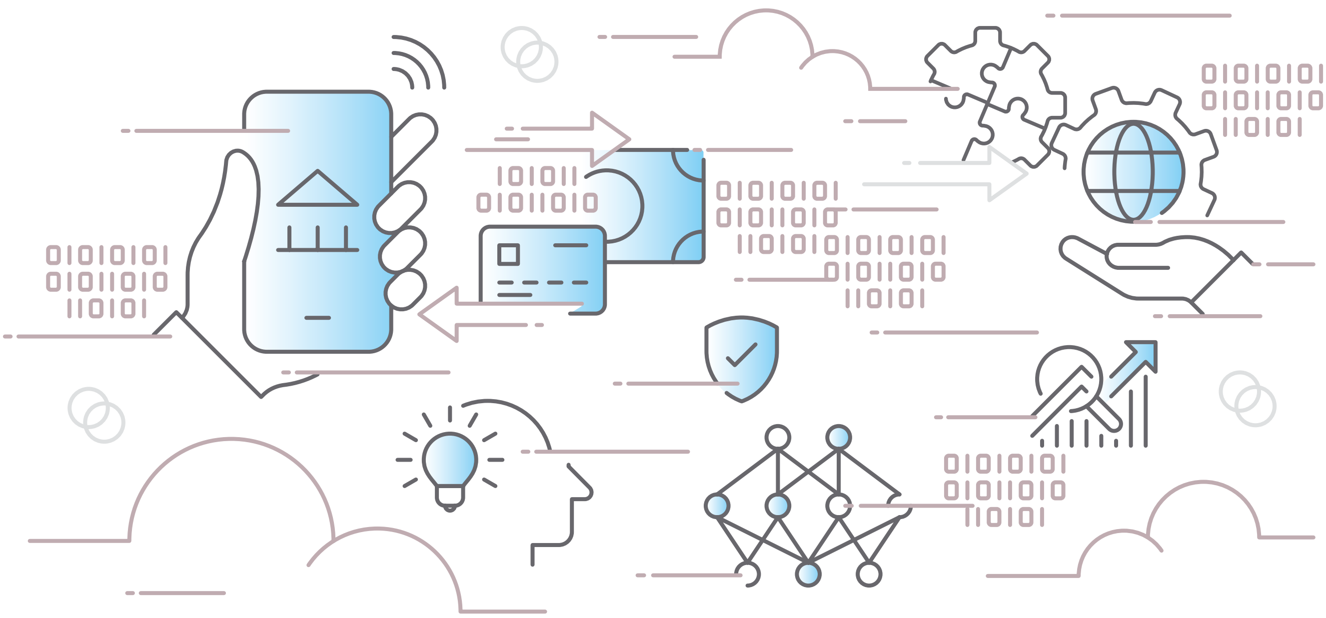
Pursuing strategic opportunities through expansion in new target geographies and accelerating growth.

- Expansion of lending capabilities to regional jurisdictions.
- Distribution of structured financial solutions to regional clients that will deliver diversified benefits.

05

Retooling of key contributors to the execution of strategy through extensive leadership capability programmes and initiatives geared at keeping our most valuable asset - employees.

Outlook
for the 2022 financial year



Digital Transformation

In accelerating our digital aspirations, we continue to work on providing anytime, anywhere access to the financial solutions our customers need to unlock their dreams. In this regard, we have not only ramped up the digitalisation of our processes, but also introduced solutions for our customers that are fulfilled digitally. Our aim is to consistently deliver state-of-the-art digital experiences for our customers.

Regional Growth

On our way to becoming a Caribbean financial ecosystem, we will continue to employ organic and inorganic growth strategies to increase our customer base and achieve market leadership. Current regional expansion initiatives will see the Group scaling across the region, mainly in the areas of corporate and investment banking, with more opportunities in the making.

Cross Collaboration across the Group

Capitalising on the opportunities presented through Group-wide collaboration among subsidiairies will lead to accelerated processes with faster implementation for initiatives, in areas such as data sharing and analytics, sales, credit, and customer acquisition. By combining effort and expertise, we can better innovate, grow and increase our competitiveness, ensuring full value realisation for the Group and its customers.

Our transformation journey has shifted standards and instilled a higher level of operational discipline. Significant progress has been made in the areas of employee engagement and digital penetration. With courage, creativity, continuous improvement and a commitment to execute, we will continue the push to fulfill our aspirations.

Corporate Social **Responsibility**

At NCBFG, fulfilling corporate social responsibility (CSR) is parallel to the realisation of its purpose – empowering people, unlocking dreams, and building communities. We recognise that the well-being of individuals in society is one of the benefits of sustainable economic growth, our commitment to delivering on CSR is considered essential to the long-term viability of the business.

Delighted citizens who received seedlings to start their own backyard gardens as part of the N.C.B. Foundation's Level Up Yuh Space initiative held on Labour Day 2021. Approximately 1200 families benefitted from the distribution of over 6,400 seedlings of various fruits and vegetables.

With an aspiration of becoming a world-class Caribbean financial ecosystem, the Group CSR policy (available on www.myncb.com) ultimately provides guiding principles to all its subsidiaries operating in various territories across the region, although the GHL and Clarien subsidiaries have localised CSR policies aligned to the Group's policy.

The Group CSR Policy is grounded in the following objectives:

- To ensure that the Group can enjoy long-term success providing appropriate benefits for stakeholders, including employees, customers, suppliers, shareholders and communities;
- To comply with, and exceed where practicable, all applicable legislations, rules and regulations for operating our business in the respective territories;
- To drive competitive performance and profitability through responsible and ethical business practices;
- To review, report annually and strive to continually improve our CSR performance, while evolving our approach based on the lessons learnt along the way.

Our CSR activities are focused on six primary areas:

- Inspired People
- Doing Good Business
- Creating Delighted, Lifelong Customers
- Data Security
- Community Development
- Environmental Sustainability

Representatives from corporate Jamaica get in the frame with the Hon. Fayval Williams (3rd right – front row), Minister of Education, Youth and Information at the launch of the 'One Device per Child' initiative to donate tablets to needy students islandwide.

During the financial year, the N.C.B. Foundation, Guardian Group Foundation and Clarien Foundation impacted hundreds of thousands of lives through a variety of CSR activities, including the following:

EMPOWERING PEOPLE

N.C.B. Foundation Annual Scholarships and Grants Programme

Starting this year, the N.C.B. Foundation's flagship Scholarships and Grants programme was geared towards helping to accelerate the digital transformation of Jamaica by expanding the country's pool of digital producers by 2026. This is expected to help Jamaican students to create digital solutions to address local and global issues; become financially independent and digitally literate; be resilient in today's volatile, uncertain, complex and ambiguous world; and most importantly, be empowered to contribute meaningfully to community and nation-building. J$100 million was allocated to support 3,800 students through these initiatives. The N.C.B. Foundation will also support this process end-to-end with the creation of a strong pipeline for digital producers by investing in strategic initiatives at the early childhood, primary and secondary levels, which is expected to bear fruit in the next decade.

N.C.B. Foundation's support of the Jamaican Government's One Device Per Child Initiative

In partnership with The Ministry of Education, Youth and Information (MOEYI), along with Junior Achievement Jamaica (JAJ) and National Education Trust (NET), the Group committed J$50 million to the 'A Device for each Child: Bridging the Digital Divide' project. This project aims to provide 100,000 students (including children with special needs, and wards of the state) with devices to enable full participation in online teaching and learning.

The project was coordinated by The Private Sector Organisation of Jamaica (PSOJ). To date, over 2,000 tablets, laptops and other mobile devices have been distributed to students of N.C.B. Foundation's adopted primary schools, as well as other organisations in need.

Corporate Social **Responsibility**

CSR
Continued

Students from Waltham Abbey, an N.C.B. Foundation adopted school, celebrate after receiving brand new tablets donated by N.C.B. Foundation as a part of the 'A Device for Each Child Bridging the Digital Divide' initiative.

Establishment of the Clarien Education Fund

Clarien Bank established the Clarien Education Fund, which is committed to investing in the educational endeavors of students in under-represented communities in Bermuda. This programme will see Clarien making an annual investment of BD/US$30,000 to local private schools, with disbursements of BD/US$5,000 made to each participating school over the next four years. The participating schools include Warwick Academy, Bermuda Institute, Bermuda High School for Girls, Mount Saint Agnes Academy, Saltus Grammar School and Somersfield Academy.

Youth Can Do I.T. – International Girls in ICT Day

The N.C.B. Foundation donated a total of J$500,000 to support the staging of a two-day virtual conference on International Girls in ICT Day dubbed, 'I am a Woman in Tech'. Participants in the conference hailed from Jamaica, Trinidad and Tobago, Haiti, St. Lucia and Barbados, the United States, Tanzania, Japan and Russia.

Global Leadership Diploma Scholarships

Guardian Group partnered with the United Nations-established University for Peace through its Centre for Executive Education, offering 12 Global Leadership Diploma Scholarships across the region. These scholarships offered a unique opportunity to over 400 potential and emerging leaders in the Caribbean, which would help them to fulfill their individual visions and goals of fostering positive change in their communities.

Support for Education

The Guardian Group Foundation Jamaica and Guardian Life Limited awarded J$10 million in scholarships, grants, bursaries, book vouchers and book supplies to students attending secondary and tertiary institutions for 2020/21 academic year. Among the scholarship award recipients were the 2020 National top-performing boy and girl in the Primary Exit Profile (PEP) examinations, Chad Wright and Abbi-Gail McKenzie, who received J$1 million each, in disbursements of J$200,000 per annum over five years for the life of the scholarship.

Sharon Williams, Head of Group Client Experience at NCBJ presents laptops and tablets to students of the Denham Town High School.

UNLOCKING DREAMS

Grant a Wish 2020

Over 85 organisations and individuals received a share of J$19 million in the 2020 staging of N.C.B. Foundation's annual Grant a Wish initiative. Beneficiaries included Children's Homes, Nursing Homes and special needs organisations.

MVP Athletics Club Partnership

With the goal of supporting Jamaica's talented athletes at the crucial development stages, N.C.B. Foundation has maintained its partnership with the MVP Athletics Club since 2013, through the MVP Athletes Development Programme, and the MVP Grassroots Athletics Programme. This year, J$6.5 million was committed to supporting the programmes, which benefit over 350 young athletes islandwide.

Relay for Life

On behalf of the Bermuda Cancer and Health Centre, a team from Clarien participated in the annual Relay for Life fundraiser, geared towards raising money to support cancer prevention, early detection, treatment and other initiatives enabled by the charity. The event saw participants walking in socially-distanced 'bubbles' for the cause.

AXA End-to-End

A team from Clarien also participated in the AXA End to End fundraiser, which is organised by the Bermuda End-to-End Charitable Trust. This year, the event was held to support Age Concern Bermuda – a charity for senior citizens, in addition to purchasing laptops for Bermuda's public school students.

The Shoebox Project

Over 1,000 children in need benefitted from the 2020 staging of The Shoebox Project, which continues to be a cherished tradition for Guardian's employees. This year, Guardian Group Foundation partnered with NCBJ to deliver gifts to one thousand children across the region under the programme.

Meals on Wheels – Annual Holiday Giveback campaign

This year, the Clarien Foundation raised BD/US$11,500 for local charity, Meals on Wheels, through its 14th Annual Holiday Giveback campaign. From November 26 to December 31, 2020, the organisation encouraged clients, employees and the public to celebrate the season of giving by making donations in honour of Meals on Wheels. Clarien Foundation then matched the donations received for the charity, which provides much needed cooked meals for those unable to cook for themselves, such as the sick, elderly and disabled in Bermuda. This donation was especially important this year, as the effects of the COVID-19 pandemic increased the demand for Meals on Wheels' services to support those in need.

BUILDING COMMUNITIES

NCB ICON Lab

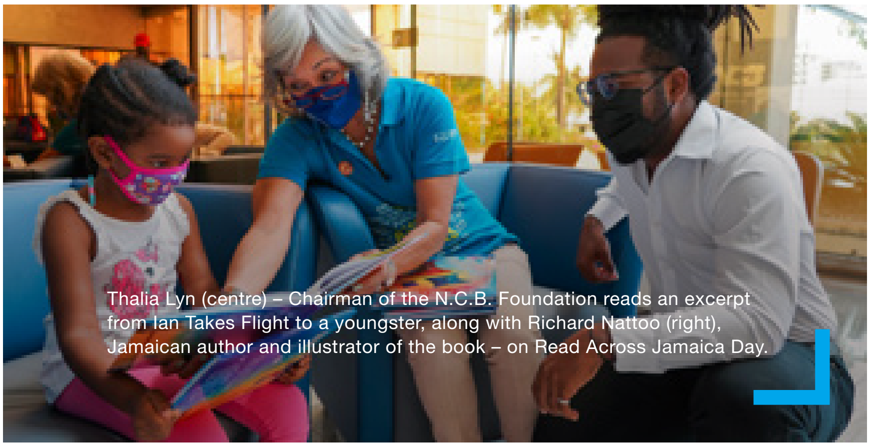
The N.C.B. Foundation committed approximately US$150,000 to the development of the NCB ICON Lab, a programme developed in partnership with The Trust for the Americas, the Organization of American States (OAS) and the Mico University College. Since the launch, 50 at-risk youth aged 16-30 years from communities all across Jamaica were admitted to the fully-digital technology labs, aimed at delivering state-of-the-art innovation and technology training, as well as access to collaboration spaces, specialised curricula, mentorship and financial resources for entrepreneurial ventures.

Labour Day 2021 - Jamaica

N.C.B. Foundation partnered with Jamaica 4-H Clubs to host the second staging of the 'Level Up Yuh Space' Labour Day initiative. This saw approximately 650 households being invited to collect fruit trees and vegetable seedlings to create their own backyard gardens and become self-sustaining food producers. Over 6,000 vegetable seedlings were distributed in addition to 400 fruit trees.

Corporate Social **Responsibility**

CSR
Continued



Thalia Lyn (centre) – Chairman of the N.C.B. Foundation reads an excerpt from Ian Takes Flight to a youngster, along with Richard Nattoo (right), Jamaican author and illustrator of the book – on Read Across Jamaica Day.

Thalia Lyn (left), Chairman of N.C.B. Foundation shares a photo-op with British High Commissioner – Asif Ahmad (centre), and WW2 Veteran, Peter Williams, on the steps of the specialised bus being donated to the Curphey Home. The bus is equipped to lift and transport two wheelchairs/stretcher.

Members of the N.C.B. Foundation team poses with representatives from the Freedom Skate Park & Youth Centre after a tour of the facility in Bull Bay, St. Andrew. The Foundation donated US$12,000 to retrofit the space with containers house a computer lab and homework centre for the youths of the community.

Disaster Recovery Donation to St. Vincent & The Grenadines

Following the devastating eruption of the La Soufriere Volcano in St. Vincent & The Grenadines, N.C.B. Foundation pledged J$4 million to the Office of Disaster Preparedness and Emergency Management (ODPEM) and US$12,500 to the Stronger Together Campaign initiated by the Organization of Eastern Caribbean States Commission (OECS) to provide humanitarian assistance through its relief fund.

Shine 2020

Although physical distancing restrictions associated with the COVID-19 pandemic prevented the usual 5K and 10K Walk and Run fundraiser event, Guardian Group donated over TT$225,000 to support various children's charities throughout Trinidad and Tobago.

Support for FEEL

Guardian Group Foundation donated a total of TT$50,000 to the Foundation for the Enhancement and Enrichment of Life (FEEL) to support the purchase of masks for public use in the fight against COVID-19. FEEL was assigned by the Government of Trinidad and Tobago to procure and distribute face masks to the public, as part of efforts to curb the spread of the deadly virus.

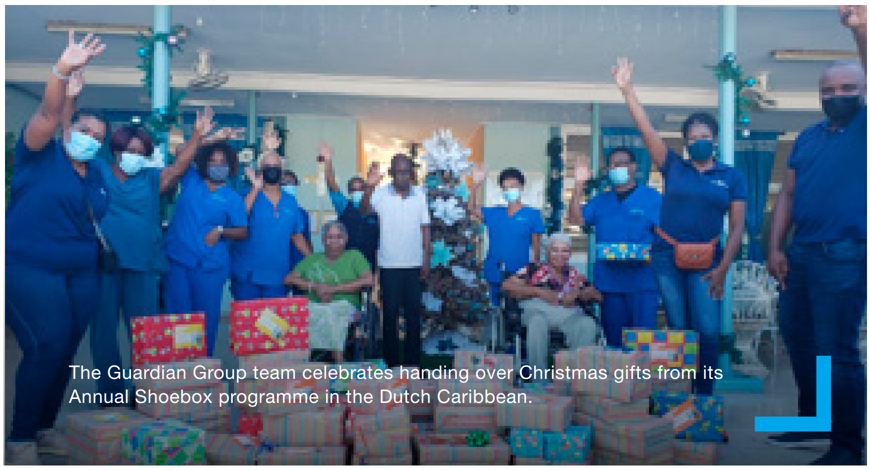
COVID-19 Relief for Healthcare Workers and Special Groups

Partnering with the Supermarket Association of Trinidad and Tobago, Guardian Life of the Caribbean provided TT$50,000 worth of meals for healthcare workers at the Couva and Caura Health Facilities in Trinidad and Tobago. Similarly, Guardian Asset Management donated 50 food hampers to assist The Diego Martin Regional Corporation with their relief efforts to persons within the constituency who faced challenges due to the economic effects of the pandemic. Guardian Life of the Caribbean also partnered with career cricketer, Brian Lara and the Trinidad and Tobago Police Service to provide relief to 200 elderly persons in East Port of Spain and its environs, who were severely affected by the pandemic.

To help in the fight against COVID-19, Guardian Group donated ventilators to the Ministry of Health in Trinidad and Tobago, to better equip the hospitals to treat COVID-19 patients.

Support for Barbados, Grenada and the Dutch Caribbean

Guardian Group donated 50 laptops to the Ministry of Education, Technological and Vocational Training in Barbados to facilitate needy students gaining access to remote learning programmes. Similarly, the Foundation donated 30 desktop and laptop computers to schools in St. Maarten to support the access to remote learning for students.



The Guardian Group team celebrates handing over Christmas gifts from its Annual Shoebox programme in the Dutch Caribbean.

Promoting Sports Tourism Through Golf

For the second year, Guardian General Insurance (OECS) Limited partnered with the Grenada Golf and Country Club to host another successful golf tournament.

Donations to the Healthcare Sector – Jamaica

The Guardian Group Foundation supported Jamaica's Ministry of Health in its fight against COVID-19 with the donation of critical medical equipment valued at TT$1.1 million. The Foundation also donated a Toyota Coaster bus to the South East Regional Health Authority to assist with the transportation of healthcare workers at the Kingston Public and Victoria Jubilee Hospitals, as well as a much-needed ventilator to the neo-natal ward of the Victoria Jubilee Hospital.

Financial Statements

NCB FINANCIAL GROUP LIMITED

SEPTEMBER 30, 2021

Index

Index

NOTES TO THE FINANCIAL STATEMENTS

Directors' **Report**

The directors submit herewith the Consolidated Income Statement of NCB Financial Group Limited and its subsidiaries for the year ended September 30, 2021, together with the Consolidated Statement of Financial Position as at that date:

Operating Results

	$'000
Gross operating revenue	294,890,376
Profit before taxation	26,595,533
Taxation	(6,519,927)
Net profit	20,075,606

Dividends

Dividend was paid during the year as follows:

- $0.50 per ordinary stock unit was paid in May 2021

The directors recommend that the Company's final dividend be $0.50 representing the interim dividend declared in 2021.

Directors

During the financial year, the Board of Directors comprised:

- Hon. Michael A. Lee-Chin, OJ – Chairman
- Hon. Patrick A.A. Hylton, OJ, CD – President & Group Chief Executive Officer
- Mr Dennis G. Cohen – Group Chief Financial Officer & Deputy Chief Executive Officer
- Mr Robert W. Almeida
- Mrs Sandra A.C. Glasgow
- Mrs Sanya M. Goffe
- Mrs Thalia G. Lyn, OD
- Professor Alvin G. Wint, CD - Lead Independent Director
- Mr Adrian C. Lee-Chin (Resigned July 1, 2021)

Corporate Secretary

The Corporate Secretary is Mr Dave L. Garcia.

Pursuant to Article 94-96 of the Company's Articles of Incorporation, one third of the Directors (or the number nearest to one third) other than the Managing Director (that is, our President and Group Chief Executive Officer) and Deputy Managing Director (that is, our Group Chief Financial Officer and Deputy Chief Executive Officer) will retire at the Annual General Meeting and shall then be eligible for reelection. The Directors retiring are Mrs Sandra Glasgow and Mrs Sanya Goffe.

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

On behalf of the Board

Dave L. Garcia
Corporate Secretary

BACK TO INDEX

Independent auditor's report

To the Members of NCB Financial Group Limited

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

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of NCB Financial Group Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at September 30, 2021, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

The Group's consolidated and stand-alone financial statements comprise:

- the consolidated statement of financial position as at September 30, 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the statement of financial position as at September 30, 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: 876) 922 7581, www.pwc.com/jm

L.A. McKnight B.L. Scott B.J. Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K. Moore T.N. Smith DaSilva K.D. Powell.

Independence

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

Our audit approach

Audit scope

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

How we tailored our group audit scope

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

We determined the scope of our audit by first considering the internal organisation of the Group and then identifying the components of the audit that have the most significant impact on the consolidated financial statements. The Group comprised 51 reporting components of which we selected 23, which mainly represent the principal business units within the Group and are located in Jamaica, Bermuda, Trinidad and Tobago and the Dutch Antilles. Full scope audits were performed for 12 components, while audits of one or more financial statement line items were performed for 11 components. The audit work performed covered 96% of the Group's total assets and 98% of total revenue. For business units located in the Dutch Antilles, we used component auditors from a non-PwC firm who are familiar with the local laws and regulations to perform this audit work.

Key audit matters

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

pwc

Key audit matter	How our audit addressed the key audit matter
IFRS 9 'Financial Instruments" – ***Probabilities of Default, Forward Looking Information and Significant Increase in Credit Risk (Group)*** *See notes 2(i), 21 and 22 to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.* As at September 30, 2021, the Group's loans and advances totalled $539 billion. The Group's investment securities measured at amortised cost and fair valued through other comprehensive income (FVOCI) totalled $691 billion. In aggregate, the above exposures represent 64% of total assets at the reporting date. The resultant impairment recorded under the expected credit loss (ECL) impairment model amounted to $15 billion for loans and advances and $938 million for debt securities. In assessing impairment, IFRS 9 prescribes a forward looking ECL impairment model which takes into account reasonable and supportable forward looking information as well as probabilities of default (PD). Probabilities of default represent the likelihood of a borrower defaulting on its obligation over the next twelve months or over the remaining lifetime of the obligation. The twelve month and lifetime PDs are determined differently for loans and investments. For investment securities, which include debt securities comprising sovereign and corporate securities, PDs are developed by reference to external data collated by Standard & Poor's (S&P) with adjustments for industry and country specific risks, where appropriate. For loans and advances, management developed PDs based on the Group's specific historical default rates for each industry classification. In performing historical analyses, management identified economic variables impacting credit risk and ECLs for each portfolio.	Our approach to addressing the matter, with the assistance of our valuation specialist, involved the following procedures, amongst others: • Updated our understanding of management's ECL model including any changes to source data and assumptions. • Tested the completeness of all loans and advances and debt securities to determine whether all items were included in the ECL models by agreeing the models to detailed loans and securities listings. • Evaluated the reasonableness of management's judgements pertaining to PD, SICR and forward looking information, including macro-economic factors, impacting the weighting of the scenarios due to the negative impact of COVID-19 as follows: **Debt securities** PD: • Tested the critical data fields used in the ECL model, such as the maturity date, amortised cost, accrued interest, credit rating and interest rate by tracing data back to relevant source documents. • Agreed the credit ratings and historic default rates used to calculate the PDs on a sample basis, to external sources such as external rating agencies.

pwc

Key audit matter	How our audit addressed the key audit matter
The ongoing economic impact of COVID-19 continued to result in a significant increase in credit risk (SICR) for a number of borrowers for debt securities and loans and advances, which migrated from Stage 1 to Stage 2 classification. This was based on an assessment of the industry in which the borrower operates and other relevant factors. In the event of a SICR, an allowance or provision is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). The estimation and application of forward-looking information requires significant judgement. Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) which most closely correlate with credit losses in the relevant portfolio. Each macroeconomic scenario used in the ECL calculation incorporates forecasts of the relevant macroeconomic variables. The estimation of ECL in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. The base case scenario is based on macroeconomic forecasts which are publicly available. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions. Additional adjustments to the base, best case and worst case scenario weightings were required as a result of the ongoing COVID-19 pandemic. We focused on this area due to the impact of COVID-19 on credit risk, the complexity of the techniques used to determine PDs, identify SICR, and the number of significant judgements made by management regarding possible future economic scenarios as it pertains to debt securities and loans and advances.	SICR: • Tested, on a sample basis, the accuracy of the initial credit risk and the credit risk at the reporting date using rating agency definitions of 'investment grade' and evaluated the appropriateness of the group classification of debt securities as Stage 2. • Performed an independent qualitative assessment for a sample of borrowers to determine if there was any adverse public information affecting the criteria used to perform the staging. • Inspected the financial statements of a sample of borrowers to determine if there was any significant downturn in financial performance before and during the pandemic. This aided in assessing the staging for borrowers, particularly for those who requested forbearance as a result of COVID-19. **Loans and advances** PD • Tested the critical data fields used in the ECL model for the PD determination, such as default date, effective interest rate, write-off data, and loan type by tracing data back to source documents. • Reperformed the calculation of days past due, a key data input into the PD parameter, in the Group's banking system on a sample basis. SICR • Evaluated staging of loans and advances by identifying the industries severely impacted by the pandemic. These were identified based on restrictions imposed by Governments across the Group's operations. Compared our results to those identified and classified by management. • Tested whether the loans of borrowers from these industries migrated to Stage 2.

BACK TO INDEX

Key audit matter	How our audit addressed the key audit matter
	Forward Looking Information (Debt Securities & Loans and advances): • Assessed the reasonableness of the Group's methodology for determining economic scenarios considering industry and component specific facts and circumstances within each of the jurisdictions that the Group operates. • Evaluated the reasonableness of the increase in the weighting used for the worst case scenario by agreeing the forward looking economic information to external sources published or pronounced by reputable third parties. • Sensitized the probability weightings used in the ECL calculation. The results of our procedures indicated that the assumptions used by management for determining the probability of default, significant increase in credit risk and forward looking information were not unreasonable.

pwc

Key audit matter	How our audit addressed the key audit matter
Methodologies and assumptions used for determining insurance contract liabilities for life insurance and annuity contracts (Group) *See notes 2(w) and 39 to the financial statements for disclosures of related accounting policies, judgements and estimates.* As at September 30, 2021, reserves for life insurance and annuity contracts account for $384 billion or 22% of the total liabilities of the Group. Economic assumptions such as investment return, associated discount rates and borrowing rates, policy expenses and assumptions such as mortality and persistency are key inputs used to estimate these long term liabilities. Management used internal and external actuarial experts to assist in determining these assumptions and in valuing these actuarial liabilities. Based on management's assessment COVID-19 did not have a significant impact on the liabilities for life insurance and annuity insurance contracts. We focused on this area because the valuation of the provisions for the settlement of future claims involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions may result in significant impacts to the valuation of these liabilities.	Our approach to addressing the matter, with the assistance of our actuarial specialists, involved the following procedures, amongst others: • Tested the completeness, accuracy and reliability of the underlying data utilised by management to support the actuarial valuation. We tested a sample of contracts to assess whether contract features and demographic data corresponded to the data file given by management to its actuary. • Evaluated the methodologies and assumptions utilized by management's actuarial experts considering industry and component specific facts and circumstances. Specific areas of focus were mortality assumptions, contract lapses, investment return and associated discount rate, and policy expenses, all of which are based on entity experience or publicly available information. The results of our procedures indicated that the assumptions used by management for determining insurance contract liabilities for life insurance and annuity insurance contracts were not unreasonable and that the methodologies used were actuarially established and accepted and appropriate in the circumstance.

BACK TO INDEX

Key audit matter	How our audit addressed the key audit matter
Goodwill *impairment (Group)* *See notes 2(o)(i) and 28 to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.*	
The total carrying value of goodwill is $20 billion or 1% of total assets as at September 30, 2021. In accordance with IAS 36, 'Impairment of Assets', management performed an annual goodwill impairment assessment to determine whether the carrying value exceeded the recoverable amount of the cash generating unit (CGU) to which the goodwill is allocated and is therefore impaired at the reporting date. Goodwill relating to the recoverable amount of a CGU is calculated as the higher of the value-in-use and fair value less costs of disposal. Management determined the recoverable amount by reference to value-in-use which is based on discounted cash flow projections over which management makes significant judgements on key inputs. As a result of the assessment, management determined there was no impairment as at September 30, 2021. We focused on this area as the goodwill impairment assessment requires significant management judgement and estimation, is sensitive to changes in key assumptions and due to the challenges involved in determining the impact of COVID-19 on those key assumptions. The key assumptions were assessed by management as being: • revenue growth rate; • projected reinsurance; • claims ratio; • projected expenses; • terminal growth rate projections; and, • discount rate.	Our approach to addressing the matter, with the assistance of our specialist, involved the following procedures, amongst others: • Updated our understanding of management's approach to performing their annual impairment assessment. This included updating our understanding of the process by which management's key assumptions and methodologies were developed and assessing their appropriateness. • Compared previous forecasts to actual results in order to assess the performance of the business and the extent to which reliance could be placed on management's ability to forecast. • Assessed whether the three-year forecast used in the valuation model was consistent with the Board approved business plan, and that the key assumptions were subject to oversight from the Board of Directors. • Tested the key assumptions, including the impact of COVID-19 on those key assumptions as follows: • Evaluated the revenue growth rate and the discount rate against valuations of similar companies with the assistance of our valuation specialist. • Compared the key assumptions to externally derived data where available, including market expectations of investment return, projected economic growth, terminal growth rate and interest rates. • Agreed the projected claims and expense ratios and reinsurance to audited financial information and assessed for reasonableness in light of the current economic climate and market outlook. • Tested the calculations for mathematical accuracy and assessed the sensitivity of the calculations by varying the key assumptions and adjustments within management's cash flow forecast. The results of our procedures indicated management's determination that goodwill was not impaired at the reporting date was not unreasonable.

BACK TO INDEX

Key audit matter	How our audit addressed the key audit matter
	• Tested the calculations for mathematical accuracy and assessed the sensitivity of the calculations by varying the key assumptions and adjustments within management's cash flow forecast. The results of our procedures indicated management's determination that goodwill was not impaired at the reporting date was not unreasonable.
Valuation of unquoted corporate debt and government securities classified as fair value through profit or loss, fair value through other comprehensive income and pledged assets (Group). *See notes 3(a), 23 and 50 to the financial statements for disclosures of related accounting policies, judgements and estimates.* As at September 30, 2021, unquoted corporate debt and government securities classified as investment securities at fair value through profit or loss, fair value through other comprehensive income, and pledged assets together account for $50 billion or 3% of total assets of the Group. These securities are classified and disclosed as Level 3 within the fair value hierarchy as one or more of the significant inputs is not based on observable market data. For unquoted corporate debt and government securities, management uses valuation techniques which utilise the application of a market yield curve adjusted by a risk premium to discount the contractual cash flows of the instruments. We focused on this area as the yield curve is an unobservable input requiring management's judgement and estimation, which is subject to high estimation uncertainty.	Our approach to addressing the matter, with the assistance of our valuation expert involved the following procedures, amongst others: • Updated our understanding of management's approach to performing the fair value assessment. This included updating our understanding of the process by which management's key assumptions and methodologies were developed and assessing their appropriateness. • Tested the source data inputs used in the valuation model by performing confirmation procedures on a sample basis, and agreed the issuance date, maturity date, coupon rate and risk premium at issuance to source documentation. • Developed independent territory specific yield curves using industry data and experience and compared to management's yield curves. • Tested, on sample basis, the contractual cash flows of the underlying securities by comparing to source documentation and evaluated the impact of any variations. The results of our procedures indicated that the assumptions used by management for determining the fair value of unquoted corporate debt and government securities were not unreasonable.

BACK TO INDEX

pwc

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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

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

pwc

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

PricewaterhouseCoopers

Chartered Accountants
November 30, 2021
Kingston, Jamaica

BACK TO INDEX

NCB Financial Group Limited

Consolidated **Income Statement**

Year ended September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 $'000	2020 $'000
Operating Income			
Banking and investment activities			
Interest income		74,574,816	74,421,878
Interest expense		(25,947,849)	(21,932,169)
Net interest income	6	48,626,967	52,489,709
Fee and commission income		28,280,912	25,925,325
Fee and commission expense		(5,791,918)	(4,555,918)
Net fee and commission income	7	22,488,994	21,369,407
Gain on foreign currency and investment activities	8	22,830,152	8,793,286
Credit impairment losses	13	(3,385,126)	(10,284,994)
Dividend income	11	2,315,752	1,901,300
Other operating income		5,276,924	2,102,190
		27,037,702	2,511,782
Net result from banking and investment activities		98,153,663	76,370,898
Insurance activities			
Premium income	9	150,037,225	135,202,001
Insurance premium ceded to reinsurers	9	(51,378,200)	(42,003,606)
Reinsurance commission income		11,574,595	8,470,579
Net underwriting income		110,233,620	101,668,974
Gross policyholders' and annuitants' benefits and reserves	10	(77,276,066)	(63,223,937)
Reinsurance on policyholders' and annuitants' benefits and reserves	10	6,707,259	7,016,737
Commission and other selling expenses		(16,713,121)	(13,005,783)
Net result from insurance activities		22,951,692	32,455,991
Net operating income		121,105,355	108,826,889
Operating Expenses			
Staff costs	12	44,500,542	40,526,668
Depreciation and amortisation		9,309,964	8,529,471
Finance cost		1,836,346	1,411,727
Other operating expenses	14	39,203,259	31,097,938
		94,850,111	81,565,804
Operating Profit		26,255,244	27,261,085
Share of profit of associates	24	340,289	312,391
Profit before Taxation		26,595,533	27,573,476
Taxation	15	(6,519,927)	(690,064)
NET PROFIT		20,075,606	26,883,412
Attributable to:			
Stockholders of the parent		14,226,671	19,090,378
Non-controlling interest	55	5,848,935	7,793,034
		20,075,606	26,883,412
Earnings per stock unit			
Basic and diluted (expressed in $)	16	6.25	8.01

BACK TO INDEX

NCB Financial Group Limited

Consolidated Statement of **Comprehensive Income**

Year ended September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 $'000	2020 $'000
Net Profit		20,075,606	26,883,412
Other Comprehensive Income, net of tax -			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		975,959	418,946
		975,959	418,946
Items that may be reclassified subsequently to profit or loss			
Currency translation gains		1,406,148	5,409,780
Expected credit reversals/(losses) on debt instruments at fair value through other comprehensive income (FVOCI)		79,417	(38,349)
Unrealised gains/(losses) on securities designated as FVOCI		4,524,416	(4,510,060)
Realised fair value gains on sale and maturity of securities designated as FVOCI		(6,714,168)	(1,803,657)
		(704,187)	(942,286)
Total other comprehensive income/(loss)		271,772	(523,340)
TOTAL COMPREHENSIVE INCOME		20,347,378	26,360,072
Total comprehensive income attributable to:			
Stockholders of parent		18,866,223	18,550,266
Non-controlling interest	54	1,481,155	7,809,806
		20,347,378	26,360,072

BACK TO INDEX

NCB Financial Group Limited

Consolidated Statement of **Financial Position**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 $'000	2020 $'000
ASSETS			
Cash in hand and balances at Central Banks	17	69,134,649	74,039,589
Due from banks	18	175,494,037	178,898,210
Derivative financial instruments	19	767,441	653,735
Reverse repurchase agreements	20	9,667,060	9,518,854
Loans and advances, net of provision for credit losses	21	523,488,890	452,954,936
Investment securities	22	683,855,078	456,802,747
Pledged assets	23	223,301,253	401,757,217
Investment in associates	24	5,950,188	6,955,109
Investment properties	25	38,218,322	33,751,227
Intangible assets	28	52,546,872	53,018,480
Property, plant and equipment	29	28,221,326	27,530,567
Right-of-use assets	56	5,234,938	4,543,678
Properties for development and sale	26	2,794,053	2,759,044
Reinsurance assets	27	26,635,997	26,532,008
Deferred income tax assets	30	14,421,483	14,634,857
Income tax recoverable		8,007,601	2,323,139
Letters of credit and undertaking		4,801,671	3,618,540
Other assets	31	48,827,313	49,968,338
Total Assets		1,921,368,172	1,800,260,275

NCB Financial Group Limited

Consolidated Statement of Financial Position (Continued)

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 $'000	2020 $'000
LIABILITIES			
Due to banks	32	24,104,359	30,134,601
Customer deposits		647,085,400	573,968,886
Repurchase agreements		224,805,387	211,436,379
Obligations under securitisation arrangements	33	63,087,217	71,083,957
Derivative financial instruments	19	45,228	-
Other borrowed funds	34	136,972,443	125,066,336
Deferred income tax liabilities	30	13,494,322	11,244,924
Third party interest in mutual funds	36	33,699,975	27,572,914
Segregated fund liabilities	38	15,419,433	14,255,178
Investment contract liabilities	37	43,772,829	41,682,306
Liabilities under annuity and insurance contracts	39	433,056,798	405,014,541
Post-employment benefit obligations	40	9,484,565	9,731,059
Letters of credit and undertaking		4,801,671	3,618,540
Lease Liabilities	56	5,377,512	4,597,994
Other liabilities	41	59,496,007	70,647,737
Total Liabilities		1,714,703,146	1,600,055,352
STOCKHOLDERS' EQUITY			
Share capital	42	153,827,330	153,827,330
Treasury shares	42	(27,198,690)	(15,150,201)
Reserves from scheme of arrangement	43	(147,034,858)	(147,034,858)
Fair value and capital reserves	43	17,361,407	12,216,660
Loan loss reserve	44	2,269,374	-
Banking reserve fund	45	6,795,733	6,735,063
Retained earnings reserve	46	65,320,000	58,580,000
Retained earnings		90,115,895	86,940,684
Equity attributable to stockholders of the parent		161,456,191	156,114,678
Non-controlling interest	54	45,208,835	44,090,245
Total stockholders' equity		206,665,026	200,204,923
Total stockholders' equity and liabilities		1,921,368,172	1,800,260,275

Approved for issue by the Board of Directors on November 26, 2021 and signed on its behalf by:

Patrick Hylton, OJ, CD — President and Group Chief Executive Officer

Dennis Cohen — Group Chief Financial Officer and Deputy Chief Executive Officer

Professor Alvin Wint, CD — Lead Independent Director

Dave Garcia — Corporate Secretary

BACK TO INDEX

NCB Financial Group Limited

Consolidated Statement of **Changes in Equity**

Year ended September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

BACK TO INDEX

	Note	Share Capital	Treasury Shares	Reserves from the Scheme of Arrangement	Fair Value and Capital Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Non-controlling interest	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 October 2019		153,827,330	(10,756,253)	(147,034,858)	13,158,946	2,947,624	6,625,209	43,820,000	85,002,181	36,280,439	183,870,618
Total comprehensive income :											
Net profit		-	-	-	-	-	-	-	19,090,378	7,793,034	26,883,412
Other comprehensive income		-	-	-	(942,286)	-	-	-	402,174	16,772	(523,340)
Transfer from Loan Loss Reserve		-	-	-	-	(2,947,624)	-	-	2,947,624	-	-
Transfer to Banking Reserve Fund		-	-	-	-	-	109,854	-	(109,854)	-	-
Transfer to Retained Earnings Reserve		-	-	-	-	-	-	14,760,000	(14,760,000)	-	-
Purchase of treasury shares	42	-	(4,443,775)	-	-	-	-	-	-	-	(4,443,775)
Disposal of treasury shares	42	-	49,827	-	-	-	-	-	(49,827)	-	-
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	(166,953)	-	(166,953)
Transaction with owners of the Company :											-
Dividends paid	52	-	-	-	-	-	-	-	(5,415,039)	-	(5,415,039)
Balance at September 30, 2020		153,827,330	(15,150,201)	(147,034,858)	12,216,660	-	6,735,063	58,580,000	86,940,684	44,090,245	200,204,923
Total comprehensive income:											
Net profit		-	-	-	-	-	-	-	14,226,671	5,848,935	20,075,606
Other comprehensive income		-	-	-	5,144,747	-	-	-	(505,195)	(4,367,780)	271,772
Transfer to Loan Loss Reserve		-	-	-	-	2,269,374	-	-	(2,269,374)	-	-
Transfer to Banking Reserve Fund		-	-	-	-	-	60,670	-	(60,670)	-	-
Transfer to Retained Earnings Reserve		-	-	-	-	-	-	6,740,000	(6,740,000)	-	-
Purchase of treasury shares	42	-	(14,889,477)	-	-	-	-	-	-	-	(14,889,477)
Disposal of treasury shares	42	-	2,840,988	-	-	-	-	-	(312,492)	-	2,528,496
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	-	(362,565)	(362,565)
Transaction with owners of the Company :											
Dividends paid		-	-	-	-	-	-	-	(1,163,729)	-	(1,163,729)
Balance at September 30, 2021		153,827,330	(27,198,690)	(147,034,858)	17,361,407	2,269,374	6,795,733	65,320,000	90,115,895	45,208,835	206,665,026

NCB Financial Group Limited

Consolidated Statement of **Cash Flows**

Year ended September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 $'000	2020 $'000
Cash Flows from Operating Activities			
Net profit		20,075,606	26,883,412
Adjustments to reconcile net profit to net cash provided by operating activities		18,379,727	143,508,764
Net cash provided by operating activities	47	38,455,333	170,392,176
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	29	(3,440,521)	(4,531,453)
Acquisition of intangible assets – computer software	28	(4,956,374)	(9,640,375)
Proceeds from disposal of property, plant and equipment		79,338	82,671
Purchase of investment property	25	(2,464,615)	(4,150,516)
Proceeds from disposal of investment property		19,393	1,118,391
Purchases of investment securities		(676,729,612)	(705,712,209)
Sales/maturities of investment securities		647,446,405	581,889,676
Net cash used in investing activities		(40,045,986)	(140,943,815)
Cash Flows from Financing Activities			
Proceeds from securitisation arrangements		-	35,392,925
Repayment of securitisation arrangements		(7,894,566)	(12,077,688)
Proceeds from other borrowed funds		55,166,682	24,192,548
Repayments of other borrowed funds		(45,264,920)	(27,547,524)
Due to banks		(2,978,153)	4,055,319
Purchase of treasury shares	42	(831,815)	(4,443,775)
Proceeds from disposal of treasury shares	42	2,528,496	49,827
Lease liabilities		(2,564,669)	-
Dividends paid		(1,526,294)	(5,415,039)
Net cash (used in)/provided by financing activities		(3,365,239)	14,206,593
Net (decrease) / increase of exchange rate changes on cash and cash equivalents		(466,371)	651,908
Net (decrease)/increase in cash and cash equivalents		(5,422,263)	44,306,862
Cash and cash equivalents at beginning of period		201,165,403	156,858,541
Cash and Cash Equivalents at End of Period		195,743,140	201,165,403
Comprising:			
Cash in hand and balances at Central Banks	17	27,886,988	38,487,461
Due from banks	18	171,369,963	175,089,394
Reverse repurchase agreements	20	4,677,979	5,814,046
Investment securities	22	7,190,324	230,004
Due to banks	32	(15,382,114)	(18,455,502)
		195,743,140	201,165,403

BACK TO INDEX

NCB Financial Group Limited

Statement of Comprehensive Income

Year ended September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 $'000	2020 $'000
Income			
Management fees	7	3,500,000	3,193,467
Dividend income	11	14,973,250	14,652,184
Credit impairment losses	13	(441)	(263)
Losses on foreign currency activities	8	(6,394,631)	(4,919,960)
		12,078,178	12,925,428
Expenses			
Staff costs	12	3,972,871	4,337,964
Finance cost		159,465	33,611
Other operating expenses	14	1,787,205	624,312
		5,919,541	4,995,887
Operating profit		6,158,637	7,929,541
Interest income	6	523,379	507,458
Interest expense	6	(6,314,782)	(5,805,066)
Profit before Taxation		367,234	2,631,933
Taxation	15	3,198,298	2,726,972
NET PROFIT		3,565,532	5,358,905
Other comprehensive income			
Changes in unrealised gains on securities designated as FVOCI		(231)	304
TOTAL COMPREHENSIVE INCOME		3,565,301	5,359,209

BACK TO INDEX

NCB Financial Group Limited

Statement of
Financial Position

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021	2020
		$'000	**$'000**
ASSETS			
Due from banks	18	15,797,132	2,760,873
Loan to related party	21	-	251,893
Investment securities	22	7,126,178	7,114,685
Investment in subsidiaries		216,086,443	214,033,422
Right-of-use assets		74,599	97,098
Deferred income tax assets	30	8,563,874	5,366,278
Income tax recoverable		494,079	407,135
Other assets	31	936,044	13,707,011
Total Assets		249,078,349	243,738,395
LIABILITIES			
Due to banks	32	16,369,976	13,359,063
Other borrowed funds	34	84,933,195	75,562,050
Lease liabilities		76,438	98,361
Other liabilities	41	2,763,875	623,151
Total Liabilities		104,143,484	89,642,625
EQUITY			
Share capital	42	153,827,330	153,827,330
Treasury shares		(11,778,309)	(561,635)
Fair value reserves		1,404	1,635
Retained earnings		2,884,440	828,440
Total Equity		144,934,865	154,095,770
Total Equity and Liabilities		249,078,349	243,738,395

Approved for issue by the Board of Directors on November 26, 2021 and signed on its behalf by:

Patrick Hylton OJ, CD — President and Group Chief Executive Officer

Dennis Cohen — Group Chief Financial Officer and Deputy Chief Executive Officer

Professor Alvin Wint, CD — Lead Independent Director

Dave Garcia — Corporate Secretary

BACK TO INDEX

NCB Financial Group Limited

Statement of **Changes in Equity**

Year ended September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

BACK TO INDEX

	Note	Share Capital	Treasury Shares	Fair Value Reserves	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000
Balance at September 30, 2019		153,827,330	(561,635)	1,331	150,000	153,417,026
Total comprehensive income						
Net profit		-	-	-	5,358,905	5,358,905
Other comprehensive income		-	-	304	-	304
Transaction with owners of the Company -						
Dividends paid	52	-	-	-	(4,680,465)	(4,680,465)
Balance at September 30, 2020		153,827,330	(561,635)	1,635	828,440	154,095,770
Total comprehensive income						
Net profit		-	-	-	3,565,532	3,565,532
Other comprehensive income		-	-	(231)	-	(231)
Purchase of treasury shares		-	(14,057,662)	-	-	(14,057,662)
Disposal of treasury shares		-	2,840,988	-	(312,492)	2,528,496
Transaction with owners of the Company -						
Dividends paid	52	-	-	-	(1,197,040)	(1,197,040)
Balance at September 30, 2021		153,827,330	(11,778,309)	1,404	2,884,440	144,934,865

NCB Financial Group Limited

Statement of
Cash Flows

Year ended September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 $'000	2020 $'000
Cash Flows from Operating Activities			
Net profit		3,565,532	5,358,905
Adjustments to reconcile net profit to net cash provided by operating activities:			
Finance cost		159,465	33,611
Interest income	6	(523,379)	(507,458)
Interest expense	6	6,314,782	5,805,066
Income tax expense	15	(3,198,298)	(2,726,972)
Foreign exchange losses	8	6,394,631	4,919,960
Amortisation of upfront borrowing fees		121,332	108,237
Provision for credit losses		441	-
Changes in operating assets and liabilities:			
Loans and advances		249,963	-
Other		528,592	483,124
		10,047,529	8,115,568
Interest received		513,802	392,773
Interest paid		(6,154,703)	(5,778,104)
Income tax paid		(86,242)	(211,142)
		4,320,386	2,519,095
Net cash provided by operating activities		7,885,918	7,878,000
Cash Flows from Investing Activities			
Outflow of cash to inject capital in subsidiary		(2,053,021)	-
Net cash used in investing activities		(2,053,021)	-
Cash Flows from Financing Activities			
Proceeds from disposal of treasury shares		2,528,496	-
Proceeds from other borrowed funds		31,963,928	1,905,587
Repayment of other borrowed funds		(24,939,638)	(5,529,231)
Repayment of lease liabilities		(150,577)	(29,231)
Due to banks		2,734,451	629,509
Dividends paid		(1,197,040)	(4,680,465)
Net cash provided by/(used in) financing activities		10,939,620	(7,703,831)
Net decrease of exchange rate changes on cash and cash equivalents		(3,736,258)	(1,257,464)
Net increase/(decrease) in cash and cash equivalents		13,036,259	(1,083,295)
Cash and cash equivalents at beginning of period		2,760,873	3,844,168
Cash and Cash Equivalents at End of Period	18	15,797,132	2,760,873

BACK TO INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

NCB Financial Group Limited ("the Company") is a financial holding company, incorporated and domiciled in Jamaica. The Company is 52.63% (2020 – 52.10%) owned by AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael A. Lee-Chin, OJ, Chairman of the Company.

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

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

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

The Company's subsidiaries and other consolidated entities, listed below, which together with the Company are referred to as "the Group", engage in the following principal activities:

	Country of Incorporation	Principal Activities	Percentage Ownership by the Company and its Subsidiaries	
			Company	Subsidiary
National Commercial Bank Jamaica Limited	Jamaica	Commercial Banking	100	
Data-Cap Processing Limited	Jamaica	Security Services		100
MSIB Limited (formerly Mutual Security Insurance Brokers Limited)	Jamaica	Dormant		100
NCB Capital Markets Limited	Jamaica	Securities Dealing and Stock Brokerage Services		100
NCB Capital Markets (Cayman) Limited	Cayman	Securities Dealing		100
NCB Merchant Bank (Trinidad and Tobago) Limited	Trinidad & Tobago	Merchant Banking		100
NCB Capital Markets (Barbados) Limited	Barbados	Brokerage Services		100
NCB Capital Markets SA	Dominican Republic	Inactive		100
NCB Capital Markets (Guyana) Inc	Guyana	Inactive		100
NCB (Cayman) Limited	Cayman	Commercial Banking		100
NCB Trust Company (Cayman) Limited *	Cayman	-		100
NCB Employee Share Scheme	Jamaica	Dormant		100
NCB Insurance Agency & Fund Managers Limited	Jamaica	Insurance Agency and Pension Fund Management Services		100
N.C.B. (Investments) Limited	Jamaica	Dormant		100
N.C.B. Jamaica (Nominees) Limited	Jamaica	Dormant		100
NCB Remittance Services (Jamaica) Limited	Jamaica	Dormant		100
NCB Financial Services UK Limited*	United Kingdom	-		100
West Indies Trust Company Limited	Jamaica	Trust and Estate Management Services		100
NCB Global Holdings Limited	Trinidad & Tobago	Holding Company	100	
Guardian Holdings Limited	Trinidad & Tobago	Holding Company		61.77
Guardian Life of the Caribbean Limited	Trinidad & Tobago	Life and Health Insurance and Pensions Services		100
Guardian Life Limited	Jamaica	Life and Health Insurance and Pensions Services		100
Fatum Life Insurance N.V.	Curacao	Life and Health Insurance and Pensions Services		100
Fatum Life Aruba N.V.	Aruba	Life and Health Insurance and Pensions Services		100
Fatum Health N.V.	Curacao	Life and Health Insurance and Pensions Services		100
Guardian Life (OECS) Limited	Grenada	Life and Health Insurance and Pensions Services		100
Guardian General Insurance	T&T	Property and Casualty Insurance Services		100

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

	Country of Incorporation	Principal Activities	Percentage Ownership by the Company and its Subsidiaries	
			Company	Subsidiary
Guardian Holdings Limited (Continued)				
Guardian General Insurance Jamaica Limited	Jamaica	Property and Casualty Insurance Services		100
Fatum General Insurance N.V.	Curacao	Property and Casualty Insurance Services		100
Fatum General Insurance Aruba N.V.	Aruba	Property and Casualty Insurance Services		100
Fatum Brokers Holding B.V.	Curacao	Property and Casualty Insurance Services		100
Thoma Exploitatie B.V.	Netherlands	Property and Casualty Insurance Services		100
Guardian Re (S.A.C) Limited	Bermuda	Property and Casualty Insurance Services		100
Guardian General (OECS) Limited	Grenada	Property and Casualty Insurance Services		100
Guardian Group Trust Limited	Trinidad & Tobago	Asset Management		100
Guardian Asset Management and Investment Services Limited	Trinidad & Tobago	Asset Management		100
Laevulose Inc. Limited	Trinidad & Tobago	Strategic Alternative Investments		100
Clarien Group Limited	Bermuda	Holding Company	50.10	
Clarien Bank Limited	Bermuda	Commercial Banking		100
First Bermuda Group Limited	Bermuda	Holding Company		100
Onshore Nominees Limited	Bermuda	Nominee Entity of First Bermuda Group Limited		100
Offshore Nominees Limited	Bermuda	Nominee Entity of First Bermuda Group Limited		100
Clarien Investments Limited ("CIL")	Bermuda	Investment Management		100
Clarien Brokerage Limited	Bermuda	Brokerage Services		100
Clarien Nominees Limited	Bermuda	Nominee Entity of CIL		100
Clarien Trust Limited	Bermuda	Trust administration		100
Clarien UK Limited	Bermuda	Inactive		100
Clarien BSX Services Limited	Bermuda	Trading member of Bermuda Stock Exchange		100
TFOB (2021) Limited	Jamaica	Digital/Electronic Payments		100

*No significant activities at this time

BACK TO NOTES INDEX

1. Identification and Principal Activities (Continued)

The shareholdings for all subsidiaries are the same as they were in the prior year.

The Group's associates are as follows:

	Principal Activities	Percentage ownership
RGM Limited	Property investment	33.33
Royal Star Holdings	Insurance	26.32
Dyoll Group Limited	In Liquidation	44.47
Elite Diagnostic Limited	Medical Imaging Services	18.69
Mundo Finance Limited	Micro Financing	50.00

All of the Group's associates are incorporated in Jamaica and Trinidad & Tobago.

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and have been prepared under the historical cost convention as modified by the revaluation of FVOCI securities, derivatives, investment property, certain property, plant and equipment, defined benefit pension plans where plan assets are measured at fair value and financial assets and liabilities at fair value through profit or loss.

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. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of preparation (continued)

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

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations:

Amendments to IFRS 3 – definition of a business. This amendment revises the definition of a business which may impact whether a transaction is accounted for as a business combination or asset acquisition. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Amendments to IAS 1 and IAS 8 on the definition of material. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform – Phase 1. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Give the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient (effective for annual periods beginning on or after 1 April 2021). As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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

Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2, (effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

Amendments to IAS 1, Presentation of financial statements', on classification of liabilities, (effective for annual periods beginning on or after 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

BACK TO NOTES INDEX

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9 and IFRS 16, (effective for annual periods beginning on or after 1 January 2022). Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments' and the Illustrative examples accompanying IFRS 16, 'Leases'.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8, (effective for annual periods beginning on or after 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to IAS 12 – deferred tax relates to assets and liabilities arising from a single transaction. (effective for annual periods beginning on or after 1 January 2023).These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

IFRS 17, 'Insurance contracts', as amended in June 2020 (effective for annual periods beginning on or after 1 January 2023). This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

Subsidiaries

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

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

The excess of the cost of the acquisition, the non-controlling interest recognised and the fair value of any previously held equity interest in the acquiree, over the fair value of the net identifiable assets acquired is recorded as goodwill. If there is no excess and there is a shortfall, the Group reassesses the net identifiable assets acquired. If after reassessment, a shortfall remains, the acquisition is deemed to be a bargain purchase and the shortfall is recognised in income as a gain on acquisition. Any non- controlling interest balances represent the equity in a subsidiary not attributable to NCBFG's stockholders.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group. In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment.

Associates

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

BACK TO NOTES INDEX

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

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

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

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

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

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

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

BACK TO NOTES INDEX

2. Significant Accounting Policies (Continued)

(d) Foreign currency translation

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

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

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

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

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

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

2. Significant Accounting Policies (Continued)

(e) Revenue recognition

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

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

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

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

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

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

Rental Income
Rental income is recognised on an accrual basis.

Realised and unrealised investment gains and losses
Realised and unrealised gains and losses on investments measured at amortised cost or fair value through profit or loss are recognised in the consolidated income statement in the period in which they arise.

Dividend distributions
Dividend distributions to the company's shareholders are recognised as an appropriation in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's Board of Directors.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(f) Assets under management

The Group provides custody and trustee discretionary investment management services to third parties. Such assets under management represent the managed funds administered by the trust company.

Subscriptions, distributions and redemptions on mutual funds portfolio

Subscriptions - Units relating to the various pools of mutual funds consolidated in the Group's financial statements could be subscribed based on the net asset value per unit of the underlying funds determined on each business day.

Distributions - The net income and net realised capital gains of the various pools of mutual funds are calculated and accrued to the investor daily and distributed monthly. Investors have the option either to receive a cash distribution or to reinvest income distributions into units at the prevailing subscription price as at the date of distribution.

Redemptions - Units relating to the various pools of mutual funds consolidated in the Group's financial statements are redeemed at a price per unit based on the net asset value of the underlying funds published on the date that the request is made.

(g) Income taxes

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

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

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

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

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

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

(h) Cash and cash equivalents

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

BACK TO NOTES INDEX

2. Significant Accounting Policies (Continued)

(i) Financial assets

The Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Business model assessment
The business models are determined at the level which best reflects how the Group manages portfolios of assets to achieve business objectives. Judgment is used in determining business models, supported by relevant and objective evidence including:
- How the performance and risks of a portfolio of assets are managed, evaluated and reported to key management and how the managers of the portfolio are compensated;
- How the Group intends to generate profits from holding the portfolio of assets;
- The past experience on how the cash flows of the portfolio of assets were collected; and
- The historical and future expectations of asset sales within a portfolio.

The Group reclassifies debt instruments only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent.

Solely payments of principal and interest ("SPPI")
Where the business model is to collect or, to collect and sell a financial instrument's contractual cash flows, the Group assesses whether those cash flows represent SPPI. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL. The cash flows of financial assets which contain an embedded derivative are not disaggregated when determining whether their cash flows are solely payments of principal and interest but are considered in their entirety. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Equity instruments
The Group has elected to measure equity holdings that fall under IFRS 9 at FVPL, unless they form part of a strategic acquisition that is not held for trading purposes.

Debt instruments
The Group classifies portfolios of debt instruments, including hybrid contracts, based on:
(i) the Group's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(i) Financial assets (continued)

Initial recognition

Financial assets and liabilities are recognised when the Group becomes party to a contractual provision of the instrument. At initial recognition, regular way purchase of financial assets are recorded at fair value. The carrying value of financial assets at initial recognition includes any directly attributable transaction costs. Purchases of financial assets are recognised on the date on which the Group becomes the beneficial owner of the security.

De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income ("OCI") is recognised in profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Classification of financial assets

Financial assets are measured based on the business model and the resulting classification. As required by IFRS 9, the Group applies a principles-based approach to the classification of financial assets on its business model and the nature of the cash flows of the asset. Financial instruments are classified as either:

- FVPL
- FVOCI or
- amortised cost

Financial assets measured at fair value through profit and loss (FVPL)

Financial instruments are classified in this category if they meet one of the criteria set out below and are so designated irrevocably at inception:
- this designation removes or significantly reduces an accounting mismatch; or
- when a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- the financial instrument is held for trading purposes.
- the financial instrument is a derivative that is not designated as a hedge.

BACK TO NOTES INDEX

2. Significant Accounting Policies (Continued)

(i) Financial assets (continued)

Financial assets measured at fair value through other comprehensive income (FVOCI)
Financial assets held for a business model that is achieved by both collecting and selling contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that SPPI are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in net gains / (losses) on investment securities. Foreign exchange gains or losses are presented in gain on foreign currency and investment activities and impairment losses are presented as a separate line item in the income statement, as credit impairment losses.

Financial assets measured at amortised cost
Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are SPPI are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains or losses in gain on foreign currency and investment activities. Impairment losses are presented as a separate line item in the income statement, as credit impairment losses.

Impairment of financial assets
Under IFRS 9 the Group applies an impairment model that recognises expected credit losses (“ECL”) on financial assets measured at amortised cost and FVOCI and off balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

An allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) (‘12-month ECL’).

In the event of a significant increase in credit risk (SICR) an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (‘lifetime ECL’). Financial assets where 12-month ECL is recognised are considered to be ‘stage 1’; financial assets which are considered to have experienced a significant increase in credit risk are in ‘stage 2’; and financial assets for which there is objective evidence of impairment and are therefore considered to be in default or otherwise credit-impaired are in ‘stage 3’.

To determine whether the life-time credit risk has increased significantly since initial recognition, the Group considers reasonable and supportable information that is available, including information from the past as well as forward-looking information. Factors such as whether payments of principal and interest are in delinquency, an adverse change in credit rating of the borrower and adverse changes in the borrower’s industry and economic environment are considered in determining whether there has been a significant increase in the credit risk of the borrower.

Purchased or originated credit-impaired assets (POCI)
Financial assets that are purchased or originated at a deep discount that reflects their incurred credit losses, are considered to be already credit-impaired on initial recognition. The Group calculates the credit adjusted effective interest rate, which is based on the originated fair value instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. The ECL of these financial assets is always measured on a life time basis and changes in the ECL are recorded in the Income Statement.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(i) Financial assets (continued)

Definition of default

The Group determines that a financial instrument is in default, credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the financial asset is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is greater than 90 days past due.

Write-offs

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, write offs generally occur after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Recognition and Measurement of ECL

The general approach to recognising and measuring ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are calculated by multiplying the following three main components:

- The probability of default ("PD")
- The loss given default ("LGD") and
- The exposure at default ("EAD"), discounted at the original effective interest rate.

Management has calculated these inputs based on the estimated forward looking economic and historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the life-time ECL on initial recognition. For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The PD, LGD and EAD models which support these determinations are reviewed periodically. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, and for the incorporation of scenarios which have not generally been subject to experience gained through stress testing. The exercise of judgment in making estimations requires the use of assumptions which are subjective and sensitive to risk factors, in particular to changes in economic and credit conditions across geographical areas. Many of the risk factors have a high degree of interdependency and there is no single factor to which impairment allowances as a whole are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and these results are not extrapolated to the wider population of financial assets.

BACK TO NOTES INDEX

2. Significant Accounting Policies (Continued)

(i) Financial assets (continued)

The measurement of ECL for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

For a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

For credit impaired financial assets, based on management's assessment of the borrower, a specific provision of expected life-time losses which incorporates collateral and recoveries from other credit-enhancements recoveries is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

Forward looking information
The estimation and application of forward-looking information requires significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the ECL calculation has forecasts of the relevant macroeconomic variables. The estimation of ECL in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. The base case scenario is based on macroeconomic forecasts that are publicly available. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenario design, including the identification of additional downside scenarios occurs on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on an annual basis or more frequently as warranted. The base scenario reflects the most likely outcome and is assigned the highest weighting.

The weightings assigned to each economic scenario as at October 1, 2020 and September 30, 2021 vary by jurisdiction and were as follows:

	Base	Best Case	Worst Case
Scenarios	85%	5%	10%

ECL on financial assets measured at amortised cost and FVOCI, are recognised in the income statement. For FVOCI financial assets, there is a corresponding adjustment to OCI, while for financial assets measured at amortised cost, the ECL is adjusted against the carrying amount of the asset. Unrealised gains and losses arising from changes in fair value on FVOCI assets are measured in other comprehensive income. For FVOCI assets, when the asset is sold, the cumulative gain or loss in OCI (including ECL there recognised) is reclassified to investment income in determining the gain or loss on disposal.

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the **Financial Statements**
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(i) Financial assets (continued)

Modification of loans
The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers and debt instruments. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:
- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flow to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency in which the loan is denominated.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset at fair value and recalculates the new effective interest rate for the asset. The date of negotiation is consequently considered to be the date of initial recognition for impairment calculation purposes and the purpose of determining if there has been a significant increase in credit risk. At this point the Group will assess if the asset is POCI.

Acceptance, guarantees, indemnities, letters of credit and undertakings
Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and,
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount net of loss allowance for the portfolio. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the excepted credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the ECL is recognised as a provision.

BACK TO NOTES INDEX

2. Significant Accounting Policies (Continued)

(j) Derivative financial instruments

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

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

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

(k) Repurchase and reverse repurchase transactions

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

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(l) Loans and advances and provisions for credit losses

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

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

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

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

2. Significant Accounting Policies (Continued)

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

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

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

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

(m) Investment securities

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

Investment securities are classified into the following categories: investment securities at FVPL, FVOCI and amortised cost securities and loans and receivables (LAR). Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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

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

BACK TO NOTES INDEX

2. Significant Accounting Policies (Continued)

(m) Investment securities (continued)

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

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

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

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

(n) Investment properties

Investment property is held for long-term rental yields and is, therefore, treated as a long-term investment. Investment property is measured initially at cost, including transaction costs, and is subsequently carried at fair value, representing open market value determined annually by the directors or by independent valuators. Changes in fair values are recorded in the income statement.

If investment properties become owner-occupied, they are reclassified as property, plant and equipment, and their fair value at the date of reclassification becomes its cost for subsequent accounting periods. Alternatively, where properties classified as held for use become investment properties because of a change in use, these properties are accounted for as investment properties and any differences arising between the carrying amount and the fair value of these items at the date of transfer are recognised in the consolidated statement of comprehensive income. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated statement of income.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Upon disposal, any surplus previously recorded in the property revaluation reserve in equity is transferred to retained earnings.

BACK TO NOTES INDEX

2. Significant Accounting Policies (Continued)

(o) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries or associates and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, negative goodwill, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Unit (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Contractual customer and distribution relationships, trade name, mutual fund and renewal rights

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

(iii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected useful life of three years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overheads. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Intangible assets with indefinite useful lives are assessed for impairment annually, or more frequently if events changed in circumstances indicate a potential impairment.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(p) Property, plant and equipment

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

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

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

Freehold Buildings & Leasehold improvements	2% & Period of lease
Motor Vehicles, Furniture & Equipment	5% - 33 1/3%
Leased assets	Shorter of period of lease or useful life of asset

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

(q) Properties for development and re-sale

Properties for sale or under construction that are intended for sale, are classified as properties for development and sale. These balances are carried at the lower of cost and net realisable values. These properties include offices, retail shops and residential units. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated selling expenses. An external valuation specialist was engaged in determining the net realisable value for the office and retail shops, and a discounted cash flow model was used as there is a lack of comparable data because of the nature of the properties. For the residential units, data from binding sales transactions are used to assess the net realisable value. Impairment losses on properties for development and sale are recognised in the consolidated statement of income when the net realisable value is lower than cost. Subsequently, where cost is less than the net realisable value, a reversal of any prior impairment losses is recognised in the consolidated statement of income.

(r) Impairment of long lived assets

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

BACK TO NOTES INDEX

2. Significant Accounting Policies (Continued)

(s) Financial liabilities

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

The recognition and measurement of liabilities under annuity and insurance contracts is detailed in Note 2(s); short term liabilities FVTPL are measured at fair value and other financial liabilities are measured at amortised cost.

Offsetting financial instruments

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

(t) Borrowings

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

(u) Structured products

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

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(v) Leases

The Group has changed its accounting policy for leases where the Group is the lessee.

As lessee

The Group leases various buildings and equipment. Rental contracts are typically made for fixed periods of 1-10 years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2020 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The right-of-use assets is presented within property, plant and equipment. Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- restoration costs.

Subsequently the right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses are adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

The right of use assets is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The amortisation period for the right-of-use assets is 1 to 10 years.

BACK TO NOTES INDEX

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

(v) Leases (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the lessee's incremental borrowing rates, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Short-term leases are leases with a lease term of 12 months or less.

Low-value assets comprise computers, tablets, mobile phones and small items of office furniture.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review; there were no onerous contracts;
- accounting for operating leases with a remaining lease term of less than 12 months is classified as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application; and,
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

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

Classification

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

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

Recognition and measurement

Insurance contracts are classified depending on the duration of risk and whether or not the terms and conditions are fixed.

Short duration insurance contracts

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

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

Motor insurance contracts indemnify the Group's customers for their legal requirement under the road traffic legislation in the countries where the Group has issued these contracts. These contracts may be extended for additional coverage such as physical damage, theft and personal accident.

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

Marine insurance contracts indemnify the Group's customers for loss or damage to their insured cargo, commercial hull and pleasure craft vessels. Third party coverage is also provided.

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

Health insurance contracts provide for both unexpected and preventative medical treatment and drugs. On these contracts, the benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

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

BACK TO NOTES INDEX

2. Significant Accounting Policies (Continued)

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

Recognition and measurement (continued)

Short duration insurance contracts (continued)
Unearned premiums represent the portion of premiums written in the current year which relate to periods of insurance subsequent to the date of the statement of financial position calculated principally using the twenty-fourths method. Unearned premiums relating to marine cargo are calculated using 180 days after the first date of sailing. Unearned premiums relating to group life are calculated based on 25% of net premiums written.

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

Long-term duration insurance contracts
These contracts are traditional participating and non-participating policies that insure events associated with human life (death, longevity, critical illnesses etc.) over a long duration and include annuity contracts. The contracts issued by the Group are organised by broad categories according to the features they contain. There are three main categories:

(1) Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation features (DPF),
(2) Long-term insurance contracts with fixed and guaranteed terms and without DPF and
(3) Long-term insurance contracts without fixed terms.

These categories can be further segregated into “Unit-linked contracts” and “Interest-sensitive contracts”. The premiums paid for long duration insurance contracts either cover only the insured event, or they may comprise a portion that covers the insured event, and another portion to accumulate cash values available for withdrawal at the option of the policyholder. These cash values are increased by credited interest and decreased by policy administration fees, surrender charges and any withdrawals.

Revenue consists of fees deducted for policy administration, mortality and surrenders and interest credited is treated as an expense. Some of these contracts contain guarantees that entitle the holders to a minimum guaranteed crediting rate over the life of the policy. These guarantees are allowed for in the liability calculations. The interest credited to Unit-linked contracts are determined by reference to specific and separately identifiable pools of assets.

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the
Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

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

Recognition and measurement (continued)

Long-term duration insurance contracts (continued)

Long-term insurance contracts with fixed and guaranteed terms and with DPF
Insurance contracts may or may not contain DPF, which entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:
a) That are likely to be a significant portion of the total contractual benefits;
b) Whose amount or timing is contractually at the discretion of the Group; and
c) That are contractually based on:
(i) The performance of a specified pool of contracts or a specified type of contract;
(ii) realised and/or unrealised investment returns on a specified pool of assets held by the Group; or
(iii) the profit or loss of the Group, fund or other entity that issues the contract.

The terms and conditions of these contracts set out the basis for the determination of discretionary benefits and within which the Group may exercise its discretion as to the quantum and timing of their payments to contract holders, which will be subject to actuarial advice.

Long-term insurance contracts with fixed and guaranteed terms and without DPF
These contracts do not contain features that provide additional benefits outside of those guaranteed at inception.

Long-term insurance contracts without fixed terms
These contracts prescribe no fixed terms or contain variable terms that have a material effect on the amount, timing, and uncertainty of the insurer's future cash flows.

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

BACK TO NOTES INDEX

2. Significant Accounting Policies (Continued)

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

Recognition and measurement (continued)

Long-term duration insurance contracts (continued)

Insurance liabilities (continued)
Long duration insurance contract liabilities are calculated by independent actuaries at each statement of financial position date using the varying methods, each prescribed by the regulators in the respective jurisdictions. The change in these liabilities are recognised in the income statement.

For the Trinidad and Tobago life insurance subsidiary, actuarial liabilities are calculated using the Caribbean Policyholder Premium Method (CPPM) outlined in draft regulations issued by the Central Bank of Trinidad and Tobago. The Jamaican life insurance subsidiary use a very similar Policyholder Premium Method (PPM) as required under the Insurance Act 2001 of Jamaica. For the Dutch Caribbean life insurance subsidiaries, reserves are calculated on a Modified Net Premium Method in accordance with the requirements of the Central Bank of Curacao and St. Maarten and the Central Bank of Aruba.

Premiums
Premiums are shown before deduction of commission and are recognised as revenue when they become payable by the policyholder except for the following:

(a) A Jamaican life insurance subsidiary issues policies classified as Unit-linked long-term contracts with fixed and guaranteed terms without DPF, for which the investment component of the premiums is recognised as liabilities. The insurance component of the premiums is recognised as income.

(b) A Jamaican life insurance subsidiary issues policies classified as Interest sensitive long-term contracts without fixed terms, for which the investment component of premiums is recognised as liabilities. The insurance component of the premiums is recognised as income.

Investment contracts
The Group issues investment contracts including deposit administration contracts. Premiums under these contracts are recognised directly as liabilities. These liabilities are increased by credited interest or change in the unit prices and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. Revenue consists of investment income and interest credited is treated as an expense.

Unit Linked Contracts
Unit-Linked funds represent funds maintained to meet specific investment objectives of policyholders who bear investment risk. The returns earned by investment of the funds, inclusive of realised and unrealised gains and losses accrue directly to the policyholders.

For the unit-linked contracts, the portion of the premium covering the insured risk is recorded as premium income. The portion of the premium which accumulates to cash value for the policyholder is unbundled and recorded as a liability and credited to the account of the policyholder in the respective unit-linked fund to which the contract is linked.

The liabilities arising from the unit-linked contracts comprise the liability for the insured risk and the accumulated cash value. The liability for the insurance risk is determined in a manner identical to the liability for contracts with fixed and guaranteed terms and is included in the policyholders' liability balance while the liability for the accumulated cash value is carried at fair value and is determined by reference to the fair value of the assets which fund the liabilities.

BACK TO NOTES INDEX

2. Significant Accounting Policies (Continued)

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

Recognition and measurement (continued

Unit Linked Contracts (Continued)
The assets and liabilities of the segregated funds are carried at fair values. Deposits and withdrawals are charged or are credited to the segregated fund liabilities. Unit values are determined by dividing the value of the assets in the funds on a valuation date by the number of units in the funds on the valuation date. The Group earns fees for the management of the funds' assets, policy administration, as well as for effecting the encashment of units.

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

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

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

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

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

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

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

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

Receivables and payables related to insurance contracts and investment contracts

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

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation). The estimated cost of claims includes a deduction for the expected value of salvage and other recoveries.

(x) Provisions

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

(y) Post-employment benefits

The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

Pension benefits

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

Defined benefit pension plans

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

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

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

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

Past-service costs are recognised immediately in expenses.

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

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the
Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(y) Post-employment benefits (continued)

Pension benefits (continued)

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

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

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

Annual leave
Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the year end date.

Other employee benefits
The Group makes loans to employees, and to employees of certain other related party companies, at interest rates below the comparable market rate. The loans revert to market rate if the employee leaves either the Group or the related party company. Reduced rate employee loans are financial assets and under IFRS 9, they are initially recognized at fair value and thereafter at amortized cost. For the Group's employees, the difference between fair value and the amount of the loan is recorded as a prepaid benefit with a corresponding decrease in the carrying value of loans and advances. The benefit is recognized as an expense over the expected service life of the employee, with a corresponding increase in interest income. For employees of related party companies, the difference between fair value and the amount of the loan is recorded as a related party receivable, when reimbursement of the benefit provided by the Group is agreed to by the related party or shareholder, or as a capital distribution where no reimbursement has been agreed to by the related party or shareholder, with a corresponding decrease in the carrying value of loans and advances. In addition, for employees of related party companies, the difference between fair value and the amount of the loan is recognized as interest income on loans over the expected service life of those employees, with a corresponding decrease in the carrying value of loans and advances.

BACK TO NOTES INDEX

2. Significant Accounting Policies (Continued)

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

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

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

(ii) Obligations to guarantee or stand as surety for the benefit of a third party.

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

Where obligations are considered to be contingent, the amounts are disclosed in Note 57.

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(aa) Share capital

Share issue costs

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

Dividends on ordinary shares

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

Treasury shares

Subject to the applicable laws of the relevant jurisdictions in which the Company, its subsidiaries or consolidated entities operate, where the Company, its subsidiaries or consolidated entities acquire the shares of the Company, the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to the Company's stockholders until the shares are cancelled, reissued or disposed. Where the shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's stockholders.

(ab) Offsetting of financial instruments

Financial assets and liabilities are offset with the net amount presented in the statements of financial position, only if the Group holds a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis or to realise assets and settle the liability simultaneously. The legal right to set off the recognized amounts must be enforceable in both the normal course of business, and in the event of default, insolvency or bankruptcy of both the Group and its counterparty. In all other situations they are presented gross. When financial assets and financial liabilities are offset in the statement of financial position, the associated income and expense items will also be offset in the income statements, unless specifically prohibited by an applicable accounting standard.

(ac) Fiduciary activities

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

BACK TO NOTES INDEX

3. Critical Accounting Estimates and Judgments in Applying Accounting Policies

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

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

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

(a) ***Fair value of investment securities***
Management uses its judgment in selecting appropriate valuation techniques to determine fair value of investment securities. These techniques are described in Note 50

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

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the
Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

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

(c) *Impairment of financial assets*

In determining ECL, management is required to exercise judgment in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgments involved is included in the sections 'Measurement of ECL' and 'Forward-looking information'.

Establishing staging

The Group establishes staging for different categories of financial assets according to the following criteria:

Debt securities and Deposits.

The Group uses its internal credit rating model to determine which of the three stages an asset is to be categorized for the purposes of ECL. The Group's internal credit rating model is a scale which allows for distinctions in risk characteristics and is referenced to the rating scale of international credit rating agencies. The scale is summarised in the following table:

Internal Rating	Classification	External rating – S&P or equivalent
Low Risk	Investment Grade	AAA – BBB
Medium Risk	Non-Investment Grade	BB – B
High Risk	Non-Investment Grade	CCC - C
Default	Default	D

For investment securities, once the asset has experienced a significant increase in credit risk the investment will move from Stage 1 to Stage 2. The Group has assumed that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade is considered low credit risk. Stage 1 instruments are classified as follows:

- investment grade, or
- below investment grade at origination, and have not been downgraded more than 2 notches since origination.

Stage 2 instruments are assets which:

- have been downgraded from investment grade to below investment grade, or
- are rated below investment grade at origination and have been downgraded more than 2 notches since origination.

BACK TO NOTES INDEX

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

(c) Impairment of financial assets (continued)

Debt securities and Deposits. (continued)

Stage 3 instruments are assets in default where estimated future cash flows have been impacted negatively.

Other assets measured at amortised cost include, lease receivables, loan commitments and financial guarantee contracts. The assessment of significant increase in credit risk for these assets requires significant judgment. Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk at the reporting date has increased significantly relative to the date it was initially recognised. For the purposes of this assessment, credit risk is based on an instrument's lifetime PD, not the losses the Bank expects to incur.

All loans receive an initial risk rating at origination. The Group has established a credit quality review process involving analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations based on factors that include days past due ("DPD"), performance and other known material changes. Ratings of individual loans are based on the following criteria:

- Credit structure and cash flow stability;
- Specific loan and collateral characteristics;
- Guarantees and other credit support;
- Macro-economic factors; and
- Financial and management information for commercial loans.

This assessment results in each facility being classified as "low risk", "medium risk" or "high risk". The Group considers loans that have missed a full payment cycle, to have experienced a significant increase in credit risk. The Bank assesses loans as having experienced a significant increase in credit risk if any other qualitative indicator is triggered such as, known financial difficulty, credit issue with another account, expected forbearance or restructuring. If any of these factors indicates that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2.

The thresholds for movement between Stage 1 and Stage 2 are symmetrical. After a financial asset has migrated to Stage 2, if its credit risk is no longer considered to have significantly increased relative to its initial recognition, the financial asset will move back to Stage 1.

Forward looking information
When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type, historical performance and homogenous country exposures. There is often limited timely macro-economic data for Caribbean markets. Management assesses data sources from local governments, International Monetary Fund and other reliable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to forecast up to three years and subsequently the long term average performance is then used for the remaining life of the product. These projections are reassessed on an annual basis.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

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

(d) COVID-19

The coronavirus pandemic (COVID-19) caused a contraction in all the economies in which the Group operates at the beginning of the pandemic, however, the economies have since shown signs of improvement with projected growth in 2022. The spread of the virus initially resulted in stringent exit and entry protocols and this weighed on global travel and limited tourism demand, however, several economies have since re-opened their borders and this has resulted in increased demand for tourism and an increase in travel. Disruption to supply chains have resulted in increased inflation across several economies; this has increased expectation of a tightening in monetary policies. The supply chain disruptions are expected to continue into calendar year 2022.

Our monitoring mechanisms ramped up as we kept a close eye on the health crisis and on the economic impact on our major trading partners and the contagion effect on the industries in sovereigns in which we operate. Arising from this exercise, we recognised that our borrowing customers may experience significant fallout which could result in increased credit losses. We saw positive impact from the extension of moratoriums, payment holidays and other accommodative activities on the delinquency levels of the portfolios

Our investment portfolios continued to be impacted by the widening of credit spreads and foreign exchange changes which resulted in significant fall-off in asset prices at the beginning of the pandemic. During the financial year we observed continued improvements across the financial asset classes, which returned to pre-COVID levels

(e) *Estimates of future benefit payments and premiums arising from long duration insurance contracts*

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

For the Dutch Caribbean life insurance subsidiary, reserves are calculated on a Modified Net Premium Method. The Net Premium Method values liabilities as the present value of future benefits minus the present value of future net premiums.

The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed for longevity risk.

Sensitivity analyses for key estimates used in determining the actuarial liabilities are included in Notes 39 and 49e.

BACK TO NOTES INDEX

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

(f) ***The ultimate liability arising from claims made under short duration insurance contracts***

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

Sensitivity analyses for key estimates used in determining the actuarial liabilities are included in Note 49.

(g) ***Future obligations for post-employment benefits***

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

(h) **Interests in structured entities**

Unit Trust Scheme

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

One of the Group's subsidiaries, as investment manager, earns income from preliminary charges ranging from 0-4% and management fees ranging from 1.5%-1.75% on these Unit Trust portfolios. The Group owns 0.45% (2020 – 0.43%) of the units in the Unit Trust at September 30, 2021.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

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

(h) Interests in structured entities (continued)

Unit Trust Scheme (continued)

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

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

Mutual Funds

The Group manages a series of mutual funds through its trust and asset management subsidiaries, Guardian Group Trust Limited and Guardian Asset Management and Investment Services Limited. These funds invest mainly in equity securities, debt securities and cash and cash equivalents. As at the consolidated statement of financial position date, the Group has determined that it controls specific funds by virtue of an entrenched management contract. Similar to the Group's consolidation of its subsidiaries, the assets and liabilities of these funds have been consolidated in the financial statements on a line-by-line basis. The carrying value of the total investments and cash held by the funds are recorded as investment securities of mutual fund unit holders and cash and cash equivalents of mutual fund unit holders respectively on the consolidated statement of financial position. Interests held by external parties in the funds that are consolidated are recorded as third party interest in mutual funds measured at net assets value on the consolidated statement of financial position.

4. Responsibilities of the Appointed Actuaries and External Auditors

The Boards of Directors of the insurance subsidiaries, pursuant to the legislation in the various jurisdictions where the Group operates, appoint the Actuaries. Their responsibility is to carry out an annual valuation of the Group's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. In performing the valuations for life insurance policies and annuities, the Actuaries make assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Group and the insurance policies in force. In performing valuations for the general insurance company's assumptions are also made in relation to loss ratios, earned income ratios, loss development factors etc.

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

BACK TO NOTES INDEX

5. Segment Reporting

The Group is organised into the following business segments:

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

(b) Payment services – This incorporates the provision of card related and digital/electronic payment services.

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

(d) 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.

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

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

(g) General insurance – This incorporates property and casualty insurance services.

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

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

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

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

Eliminations
Eliminations comprise inter-segment transactions.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

Year ended September 30, 2021	Consumer & SME Banking $'000	Payment Services $'000	Corporate & Commercial Banking $'000	Treasury & Correspondent Banking $'000	Wealth, Asset Management & Investment Banking $'000	Life &Health Insurance & Pension Fund Management $'000	General Insurance $'000	Other & Consolidation Adjustments $'000	Total $'000
External revenue	31,228,434	19,161,695	13,317,771	18,129,035	16,965,696	114,415,203	79,751,970	1,920,572	294,890,376
Revenue from other segments	2,513,635	-	51,407	4,277,065	9,170,327	951,906	278,981	(17,243,321)	-
Total revenue	33,742,069	19,161,695	13,369,178	22,406,100	26,136,023	115,367,109	80,030,951	(15,322,749)	294,890,376
Net interest income	24,338,183	5,742,297	7,519,189	3,475,798	6,479,750	10,188,922	843,652	(9,828,961)	48,758,830
Net fee and commission income	4,468,348	6,592,422	1,480,397	457,157	4,162,877	2,791,181	1,925,869	(760,754)	21,117,497
Gain/(loss) on foreign currency and investment activities	110,639	(54,964)	70,634	8,933,872	6,044,392	12,745,439	642,298	(5,662,158)	22,830,152
Net result from insurance activities	-	-	-	-	-	10,913,613	12,091,158	(53,079)	22,951,692
Credit impairment (losses)/reversals	(2,866,762)	(102,175)	953,048	165,210	(225,351)	(1,466,556)	268,936	(111,476)	(3,385,126)
Other operating income and dividend income	996,642	3,870	379,389	4,959	640,970	1,694,738	83,392	8,539,999	12,343,959
Total operating income/(loss)	27,047,050	12,181,450	10,402,657	13,036,996	17,102,638	36,867,337	15,855,305	(7,876,429)	124,617,004
Staff costs	8,834,682	1,067,073	442,984	230,723	2,978,704	8,129,228	6,153,029	5,624,030	33,460,453
Depreciation and amortisation	1,446,672	527,885	173	618	115,233	986,178	552,825	2,382,200	6,011,784
Finance cost	411,716	8,243	15,393	8,033	49,857	215,251	139,665	493,851	1,342,009
Other operating expenses	5,682,944	4,862,402	772,993	1,145,174	2,790,768	7,960,342	4,144,288	139,292	27,498,203
Total operating expenses	16,376,014	6,465,603	1,231,543	1,384,548	5,934,562	17,290,999	10,989,807	8,639,373	68,312,449
Operating profit before allocated costs	10,671,036	5,715,847	9,171,114	11,652,448	11,168,076	19,576,338	4,865,498	(16,515,802)	56,304,555
Allocated costs	(8,997,538)	(3,369,398)	(3,569,690)	(966,695)	-	-	-	-	(16,903,321)
Operating profit c/fwd	1,673,498	2,346,449	5,601,424	10,685,753	11,168,076	19,576,338	4,865,498	(16,515,802)	39,401,234

BACK TO NOTES INDEX

5. Segment Reporting (Continued)

Year ended September 30, 2021	Consumer & SME Banking $'000	Payment Services $'000	Corporate & Commercial Banking $'000	Treasury & Correspondent Banking $'000	Wealth, Asset Management & Investment Banking $'000	Life & Health Insurance & Pension Fund Management $'000	General Insurance $'000	Other & Consolidation Adjustments $'000	Total $'000
Operating profit b/fwd	1,673,498	2,346,449	5,601,424	10,685,753	11,168,076	19,576,338	4,865,498	(16,515,802)	39,401,234
Unallocated corporate expenses									(13,145,990)
Share of profit of associates									340,289
Profit before Taxation									26,595,533
Taxation									(6,519,927)
Net Profit									20,075,606
Segment assets	480,659,700	30,121,414	192,516,914	386,143,676	385,478,671	477,087,890	109,491,074	(168,510,439)	1,892,988,900
Associates									5,950,188
Unallocated assets									22,429,084
Total assets									1,921,368,172
Segment liabilities	422,701,604	4,600,411	152,283,938	418,110,323	331,617,682	415,184,609	72,161,682	(115,451,425)	1,701,208,824
Unallocated liabilities									13,494,322
Total liabilities									1,714,703,146
Capital expenditure	4,385,084	1,328,397	252,199	92,224	582,679	1,108,494	229,625	418,193	8,396,895

BACK TO NOTES INDEX

BACK TO NOTES INDEX

5. Segment Reporting (Continued)

Year ended September 30, 2021	Total per segment report $'000	Allocated expenses $'000	Unallocated corporate expenses $'000	Total per income statement $'000
Reconciliation to income statement				
Net interest income	48,758,830	(101,743)	(30,120)	48,626,967
Net fee and commission income	21,117,497	107,089	1,264,408	22,488,994
Gain on foreign currency and investment activities	22,830,152	-	-	22,830,152
Net result from insurance activities	22,951,692	-	-	22,951,692
Other operating income and dividend income	12,343,959	376,916	(5,128,199)	7,592,676
Credit impairment losses	(3,385,126)	-	-	(3,385,126)
Staff costs	(33,460,453)	(8,518,533)	(2,521,556)	(44,500,542)
Depreciation and amortisation	(6,011,784)	(2,544,878)	(753,302)	(9,309,964)
Finance cost	(1,342,009)	(381,430)	(112,907)	(1,836,346)
Other operating expenses	(27,498,203)	(5,840,741)	(5,864,315)	(39,203,259)
Operating profit	56,304,555	(16,903,320)	(13,145,991)	26,255,244

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

Year ended September 30, 2020	Consumer & SME Banking $'000	Payment Services $'000	Corporate & Commercial Banking $'000	Treasury & Correspondent Banking $'000	Wealth, Asset Management & Investment Banking $'000	Life &Health Insurance & Pension Fund Management $'000	General Insurance $'000	Other & Consolidation adjustments $'000	Total $'000
External revenue	29,361,427	17,343,238	11,952,596	13,461,902	14,393,206	103,675,982	65,505,763	1,122,445	256,816,559
Revenue from other segments	2,454,279	2,141	201,970	4,136,991	3,959,457	531,614	455,967	(11,742,419)	-
Total revenue	31,815,706	17,345,379	12,154,566	17,598,893	18,352,663	104,207,596	65,961,730	(10,619,974)	256,816,559
Net interest income	23,164,265	6,313,275	7,257,443	3,200,585	5,667,085	14,530,207	894,235	(8,402,180)	52,624,915
Net fee and commission income	4,218,382	5,326,452	1,191,418	436,650	4,022,325	2,482,394	1,424,104	682,072	19,783,797
Gain/(loss) on foreign currency and investment activities	191,362	(1,836)	166,153	5,592,506	714,036	4,665,539	(156,101)	(2,378,373)	8,793,286
Net result from insurance activities	-	-	-	-	-	17,606,502	12,794,953	2,054,536	32,455,991
Credit impairment (losses)/reversals	(5,074,667)	(2,296,979)	(1,893,194)	(275,011)	312,423	(1,339,741)	(93,775)	375,950	(10,284,994)
Other operating income and dividend income	200,217	2,401	646	12,975	463,065	1,274,517	75,134	(1,382,668)	646,287
Total operating income	22,699,559	9,343,313	6,722,466	8,967,705	11,178,934	39,219,418	14,938,550	(9,050,663)	104,019,282
Staff costs	9,584,149	923,085	243,588	188,694	2,401,393	8,150,773	4,939,174	6,238,589	32,669,445
Depreciation and amortisation	2,278,513	526,722	9,818	10,610	159,547	752,516	458,166	2,205,150	6,401,042
Finance cost	679,434	-	-	-	42,623	686,552	-	3,117	1,411,726
Other operating expenses	5,309,676	3,259,728	1,113,647	1,343,291	2,443,195	5,911,356	3,323,105	(2,303,659)	20,400,339
Total operating expenses	17,851,772	4,709,535	1,367,053	1,542,595	5,046,758	15,501,197	8,720,445	6,143,197	60,882,552
Operating profit before allocated costs	4,847,787	4,633,778	5,355,413	7,425,110	6,132,176	23,718,221	6,218,105	(15,193,860)	43,136,730
Allocated costs	(5,902,616)	(2,193,446)	(2,643,040)	(533,262)	-	-	-	-	(11,272,364)
Operating (loss)/profit c/fwd	(1,054,829)	2,440,332	2,712,373	6,891,848	6,132,176	23,718,221	6,218,105	(15,193,860)	31,864,366

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

BACK TO NOTES INDEX

5. Segment Reporting (Continued)

Year ended September 30, 2020	Consumer & SME Banking	Payment Services	Corporate & Commercial Banking	Treasury & Correspondent Banking	Wealth, Asset Management & Investment Banking	Life & Health Insurance & Pension Fund Management	General Insurance	Other & Consolidation adjustments	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating (loss)/profit b/fwd	(1,054,829)	2,440,332	2,712,373	6,891,848	6,132,176	23,718,221	6,218,105	(15,193,860)	31,864,366
Unallocated corporate expenses									(4,603,281)
Share of profit of associates									312,391
Profit before Taxation									27,573,476
Taxation									(690,064)
Net Profit									26,883,412
Segment assets	439,335,132	27,251,600	156,880,584	366,204,287	346,603,496	563,591,085	99,683,481	(223,202,495)	1,776,347,170
Associates									6,955,109
Unallocated assets									16,957,996
Total assets									1,800,260,275
Segment liabilities	382,908,884	8,274,345	126,645,928	388,005,295	299,625,401	431,194,623	66,227,885	(114,071,933)	1,588,810,428
Unallocated liabilities									11,244,924
Total liabilities									1,600,055,352
Capital expenditure	3,860,713	896,208	333,221	123,260	688,512	6,858,058	182,065	1,229,791	14,171,828

5. Segment Reporting (Continued)

Year ended September 30, 2020	**Total per segment report $'000**	**Allocated expenses $'000**	**Unallocated corporate expenses $'000**	**Total per income statement $'000**
Reconciliation to income statement				
Net interest income	52,624,914	(104,326)	(30,879)	52,489,709
Net fee and commission income	19,783,797	177,103	1,408,507	21,369,407
Gain on foreign currency and investment activities	8,793,286	-	-	8,793,286
Net result from insurance activities	32,455,991	-	-	32,455,991
Other operating income and dividend income	646,287	133,177	3,224,026	4,003,490
Credit impairment losses	(10,284,994)	-	-	(10,284,994)
Staff costs	(32,669,445)	(6,062,633)	(1,794,590)	(40,526,668)
Depreciation and amortisation	(6,401,040)	(1,421,700)	(706,731)	(8,529,471)
Finance cost	(1,411,727)	-	-	(1,411,727)
Other operating expenses	(20,400,339)	(3,993,985)	(6,703,614)	(31,097,938)
Operating profit	43,136,730	(11,272,364)	(4,603,281)	27,261,085

Geographical

The Group operates mainly via four geographical segments; Jamaica, Trinidad & Tobago, Dutch Antilles & Bermuda. It operates in life and health insurance & pension fund management and general insurance segments within all four geographical segments and primarily in Jamaica within the commercial & consumer, payment services, corporate banking, treasury & correspondent banking and wealth, asset management & investment banking segments. Jamaica represents 58.17% (2020 – 38.7%), Trinidad & Tobago represents 15.29% (2020 – 26.1%), Bermuda represents 5.34% (2020 – 4.8%) and Dutch Antilles represents 8.86% (2020 – 17.0%) of total operating income.

The Group's geographic information:

	Jamaica	**Trinidad &Tobago**	**Dutch Antilles**	**Bermuda**	**Other**	**Total**
				2021		
	$'000	**$'000**	**$'000**	**$'000**	**$000**	**$'000**
Revenue	115,054,169	77,031,383	49,787,470	11,195,858	41,821,496	294,890,376
Total assets	993,069,768	291,690,840	186,382,827	205,775,441	244,449,296	1,921,368,172
				2020		
Revenue	99,302,517	67,076,013	43,709,211	12,273,816	34,455,001	256,816,558
Total assets	955,745,445	246,646,840	170,406,680	202,747,511	224,713,799	1,800,260,275

Segment assets consist of investments that match insurance and banking liabilities, intangible assets and other operating assets such as receivables and cash. They exclude deferred income taxes, retirement benefit assets, investment in associates and investment in subsidiaries.

Segment liabilities comprise insurance liabilities, financial liabilities arising mainly from investment contracts and borrowing arrangements. They exclude items such as taxation, retirement benefit liabilities and business development loans.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

6. Net Interest Income

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Interest income				
Loans and advances	43,454,360	43,504,530	-	-
Investment securities –				
Fair value through other comprehensive income	19,137,975	20,140,573	512,236	486,455
Amortised cost	10,480,133	9,063,253	-	-
Reverse repurchase agreements	946,205	176,586	-	-
Deposits and other	556,143	1,536,936	11,143	21,003
	74,574,816	74,421,878	523,379	507,458
Interest expense				
Customer deposits	3,499,244	3,841,456	-	-
Repurchase agreements	6,812,569	6,641,151	-	-
Policyholders' benefits	2,495,678	396,343	-	-
Securitisation arrangements	3,896,957	2,799,544	-	-
Other borrowed funds and amounts due to banks	9,243,401	8,253,675	6,314,782	5,805,066
	25,947,849	21,932,169	6,314,782	5,805,066
Net interest income/(expense)	48,626,967	52,489,709	(5,791,403)	(5,297,608)

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

7. Net Fee and Commission Income

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Fee and commission income				
Consumer & SME Banking	4,538,908	4,335,074	-	-
Payment services	12,101,536	9,908,668	-	-
Corporate & commercial banking	1,491,139	1,209,183	-	-
Management fees	-	-	3,500,000	3,193,467
Treasury and correspondent banking	465,748	428,296	-	-
Wealth, asset management & investment banking	3,941,227	4,022,325	-	-
Life and health insurance & pension fund management	2,196,750	2,482,394	-	-
Brokerage fees	1,646,888	1,934,131	-	-
General insurance	1,796,850	1,424,104	-	-
Other	101,866	181,150	-	-
	28,280,912	25,925,325	3,500,000	3,193,467
Fee and commission expense				
Payment services	5,791,918	4,555,918	-	-
	22,488,994	21,369,407	3,500,000	3,193,467

8. Gain on Foreign Currency and Investment Activities

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Net foreign exchange gains/(losses)	536,950	(989,157)	(6,394,631)	(4,919,960)
Gain/(loss) on sale of debt securities held for trading	33,739	(23,713)	-	-
Gain on sale of debt securities at FVOCI	9,654,427	6,147,844	-	-
Unrealised gains/(losses) on FVPL instruments	3,032,235	(1,231,579)	-	-
Interest income on FVPL instruments	8,350,481	5,553,622	-	-
Gain on sale of equity securities	486,536	1,039,970	-	-
(Loss)/gain on sale of investment properties	(13,600)	38,171	-	-
Fair value gain/(losses) on revaluation of investment property (Note 25)	1,154,604	(961,463)	-	-
Other	(405,220)	(780,409)	-	-
	22,830,152	8,793,286	(6,394,631)	(4,919,960)

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

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the **Financial Statements**
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

9. Premium Income

	The Group	
	2021	**2020**
	$'000	**$'000**
Annuity contracts	33,621,255	28,947,389
Life and Health insurance contracts	51,345,637	86,469,448
General insurance contracts	65,070,333	19,785,164
	150,037,225	135,202,001

	The Group	
	2021	**2020**
	$'000	**$'000**
Insurance premium income		
Short term insurance contracts	87,874,337	77,491,817
Long term insurance contracts	62,162,888	57,710,184
	150,037,225	135,202,001
Insurance premium ceded to reinsurers		
Short term insurance contracts	49,163,884	39,962,983
Long term insurance contracts	2,214,316	2,040,623
	51,378,200	42,003,606
Net insurance premium	98,659,025	93,198,395

10. Net Policyholders' and Annuitants' Benefits and Reserves

	The Group	
	2021	**2020**
	$'000	**$'000**
Annuity contracts	34,291,273	30,435,951
Life and Health insurance contracts	26,924,734	19,778,474
General insurance contracts	9,352,800	5,992,775
	70,568,807	56,207,200

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

10. Net Policyholders' and Annuitants' Benefits and Reserves (Continued)

	The Group 2021 $'000	The Group 2020 $'000
Benefits and reserves under Life and Health insurance and Annuity contracts:		
Gross	63,134,539	52,352,864
Recovered from reinsurers	(1,918,510)	(2,138,439)
	61,216,029	50,214,425
Claims and loss adjustment reserves under General insurance contracts:		
Gross	14,079,793	10,871,073
Recovered from reinsurers	(4,727,015)	(4,878,298)
	9,352,778	5,992,775
	70,568,807	56,207,200

	The Group		
	2021		
Benefits and reserves for life and annuity contracts	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
Death, maturity and surrender benefits	19,535,355	(46,959)	19,488,396
Increase in liabilities	5,700,047	4,163	5,704,210
Long-term insurance contracts without fixed terms:			
Death, maturity and surrender benefits	18,003,419	(862,595)	17,140,824
Decrease in liabilities	4,494,577	-	4,494,577
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
Death, maturity and surrender benefits	25,308	-	25,308
Increase in liabilities	42,730	-	42,730
Short-term insurance contracts - life	15,333,103	(1,013,119)	14,319,984
	63,134,539	(1,918,510)	61,216,029
	2020		
Benefits and reserves for life and annuity contracts	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
Death, maturity and surrender benefits	17,734,174	(159,371)	17,574,803
Increase in liabilities	(2,616,898)	22,267	(2,594,631)
Long-term insurance contracts without fixed terms:			
Death, maturity and surrender benefits	18,264,330	(881,012)	17,383,318
Decrease in liabilities	3,560,972	-	3,560,972
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
Death, maturity and surrender benefits	23,573	-	23,573
Increase in liabilities	622	-	622
Short-term insurance contracts - life	15,386,091	(1,120,323)	14,265,768
	52,352,864	(2,138,439)	50,214,425

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

11. Dividend Income

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Subsidiaries	-	-	14,973,250	14,652,184
Other equity securities	2,315,752	1,901,300	-	-
	2,315,752	1,901,300	14,973,250	14,652,184

12. Staff Costs

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Wages, salaries, allowances and benefits	35,964,959	34,464,868	3,389,941	3,907,044
Payroll taxes	2,428,156	3,158,057	554,107	426,839
Pension costs – defined contribution plans	1,156,452	442,846	28,823	4,081
Pension costs – defined benefit plans (Note 40 (a))	567,528	511,179	-	-
Staff profit share	3,173,139	444,186	-	-
Termination benefits	325,169	816,159	-	-
Other post-employment benefits (Note 40 (b))	885,139	689,373	-	-
	44,500,542	40,526,668	3,972,871	4,337,964

Wages, salaries, allowances and benefits

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

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

13. Credit Impairment Losses

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Investment securities	237,294	(738,383)	441	263
Loans and advances (Note 21)	1,806,168	11,023,377	-	-
Premium	1,341,664	-	-	-
	3,385,126	10,284,994	441	263

14. Other Operating Expenses

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Auditors' remuneration - current year	579,797	536,849	9,600	9,200
Auditors' remuneration - prior year	15,000	23,037	-	-
Credit card rebates	1,219,647	1,102,989	-	-
Insurance and premiums	1,142,869	1,320,463	2,756	12,286
Irrecoverable general consumption tax and asset tax	5,421,618	4,659,989	107,683	119,725
License and transaction processing fees	1,745,480	1,758,412	201,378	53,946
Marketing, customer care, advertising and donations	4,108,559	4,200,678	1,014	7,916
Operating lease rentals	114,072	181,015	-	-
Property, vehicle and ABM maintenance and utilities	8,793,768	6,922,194	78,864	96,606
Stationery	640,894	511,919	-	370
Technical, consultancy and professional fees	9,943,747	3,577,974	293,313	(57,465)
Travelling, courier and telecommunication	1,999,721	3,100,591	60,758	67,208
Management and royalty fees	910,723	507,960	579,242	241,364
Operational losses	738,588	990,694	-	-
Other	1,828,776	1,703,174	452,597	73,156
	39,203,259	31,097,938	1,787,205	624,312

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the
Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

15. Taxation

	The Group		The Company	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
Current:				
Income tax	7,210,660	8,571,498	-	-
Prior year over provision	91,604	(440,187)	-	-
Business levy and green funds levy	204,984	134,024	-	-
Deferred income tax (Note 30)	(987,321)	(7,575,271)	(3,198,298)	(2,726,972)
	6,519,927	690,064	(3,198,298)	(2,726,972)

Income tax is calculated at rates of 25% for the Jamaican life insurance subsidiary, 33⅓% for the Company and other Jamaican regulated companies. Taxation for subsidiaries in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction. The theoretical charge for the year can be reconciled as follows:

	The Group		The Company	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
Profit before tax	26,595,533	27,573,476	367,234	2,631,933
Tax calculated at actual tax rates	7,248,432	6,123,519	122,411	877,223
Income not subject to tax	(11,939,151)	(14,826,650)	-	-
Expenses not deductible for tax purposes	9,836,960	11,067,989	960,276	1,367,505
Effect of share of profit of associates included net of tax	1,658	(133,584)	-	-
Effect of change in tax rate applicable to life insurance subsidiary	(39,709)	(19,393)	-	-
Effect of different tax rates applicable to dividend income	(259,358)	(711,475)	(4,889,966)	(4,966,042)
Deferred tax not recognised	15,851	122,895	-	-
Prior year over provision	91,604	(440,187)	-	-
Business Levy	204,984	123,418	-	-
Other	1,358,656	(616,468)	608,981	(5,658)
Taxation expense	6,519,927	690,064	(3,198,298)	(2,726,972)

BACK TO NOTES INDEX

15. Taxation (Continued)

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

	The Group		
	2021		
At the year end	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**
Currency translation gains	1,406,148	-	1,406,148
ECL and fair value gains on FVOCI investments, net of gains recycled to profit or loss	(5,671,284)	3,560,949	(2,110,335)
Remeasurement of post-employment benefit obligation	1,086,814	(110,855)	975,959
Other comprehensive income	(3,178,322)	3,450,094	271,772
Recyclable			3,560,950
Non-recyclable			(110,855)
Deferred income tax (Note 30)		3,450,094	

	The Group		
	2020		
At the year end	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**
Currency translation gains	5,409,780	-	5,409,780
ECL and fair value gains on FVOCI investments, net of gains recycled to profit or loss	(12,515,001)	6,162,935	(6,352,066)
Remeasurement of post-employment benefit obligation	643,175	(224,229)	418,946
Other comprehensive income	(6,462,046)	5,938,706	(523,340)
Recyclable			6,162,935
Non-recyclable			(224,229)
Deferred income tax (Note 30)		5,938,706	

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

16. Earnings per Stock Unit

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

	2021	**2020**
Net profit attributable to stockholders of the parent ($'000)	14,226,671	19,090,378
Weighted average number of ordinary stock units in issue ('000)	2,276,142	2,384,100
Basic and diluted earnings per stock unit ($)	6.25	8.01

17. Cash in Hand and Balances at Central Banks

	The Group	
	2021	**2020**
	$'000	**$'000**
Cash in hand	26,190,732	19,399,647
Balances with central banks other than statutory reserves	1,696,257	19,087,814
Included in cash and cash equivalents	27,886,988	38,487,461
Statutory reserves with central banks – non-interest-bearing	41,247,661	35,552,128
	69,134,649	74,039,589

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

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

18. Due from Banks

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Placements with NCBJ	-	-	15,796,187	2,760,873
Items in course of collection from banks	102,334	-	-	-
Placements with banks	178,144,692	181,707,912	-	-
	178,247,026	181,707,912	15,796,187	2,760,873
Expected credit losses	(478,070)	(705,115)	-	-
Interest receivable	4,369,217	3,369,405	945	-
	182,138,173	184,372,202	15,797,132	2,760,873
Less: Placements pledged as collateral for letters of credit (Note 23)	(6,644,136)	(5,473,992)	-	-
	175,494,037	178,898,210	15,797,132	2,760,873

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

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

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Placements with NCBJ	-	-	15,761,981	2,760,873
Placements with other banks	174,957,382	178,711,538	-	-
Less: amounts restricted to the settlement of obligations under securitisation arrangements	(3,587,419)	(3,622,144)	-	-
	171,369,963	175,089,394	15,761,981	2,760,873

19. Derivative Financial Instruments

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

	The Group	
	2021	**2020**
Assets	**$'000**	**$'000**
Forward contracts	-	287,758
Equity indexed options	767,441	365,977
	767,441	635,735
Liabilities		
Equity indexed options	45,228	-
	45,228	-

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

19. Derivative Financial Instruments (Continued)

Derivatives are carried at fair value and carried in the statement of financial position as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group was to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis.

Equity indexed options

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

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

20. Reverse Repurchase Agreements

The Group entered into collateralised reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Included within reverse repurchase agreements is related accrued interest receivable of $13,688,000 (2020 – $26,258,000) for the Group.

At September 30, 2021, the Group held $12,168,846,000 (2020 – $10,650,395,000) of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements. Of amounts received as collateral for reverse repurchase agreements, the Group has pledged $Nil (2020 – $Nil) as collateral for some of their own repurchase agreements.

Included in reverse repurchase agreements for the Group are securities with an original maturity of less than 90 days amounting to $4,677,979,000 (2020 – $5,814,046,000) which are regarded as cash equivalents for purposes of the statement of cash flows.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

21. Loans and Advances

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Gross loans and advances, includes mortgage loans	534,926,825	467,383,856	-	250,000
Provision for credit losses	(15,493,835)	(18,587,894)	-	(37)
	519,432,990	448,795,962	-	249,963
Interest receivable	4,055,900	4,158,974	-	1,930
	523,488,890	452,954,936	-	251,893

The current portion of loans and advances amounted to $51,014,293,000 (2020 – $40,383,748,000) for the Group.

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

	The Group	
	2021	**2020**
	$'000	**$'000**
Balance at beginning of year	18,587,894	13,157,620
Provided during the year	2,840,284	11,965,418
Recoveries	(1,034,116)	(942,041)
Net charge to the income statement (Note 13)	1,806,168	11,023,377
Write-offs	(4,900,227)	(5,593,103)
Balance at end of year	15,493,835	18,587,894

The provision for credit losses at the end of the year includes $4,959,947,000 (2020 - $5,611,863,000) relating to non-BOJ regulated entities within the Group, which are not considered in calculating the excess reserves required to meet the BOJ's loan loss provision.

The aggregate amount of non-performing loans on which interest was not being accrued (consistent with the requirements of the BOJ) as at September 30, 2021 was $32,524,649,000 (2020 – $24,742,459,000).

The provision for credit losses determined under BOJ regulatory requirements is as follows:

	The Group	
	2021	**2020**
	$'000	**$'000**
Specific provision	9,030,731	8,667,804
General provision	3,727,104	3,188,908
	12,757,835	11,856,712
Excess of regulatory provision over IFRS provision recognised in NCBJ reflected in non-distributable loan loss reserve (Note 44)	2,269,375	2,947,624

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

22. Investment Securities

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Investment Securities Classified as FVPL:				
Government of Jamaica debt securities	17,368,423	17,042,357	-	-
Other Government securities	86,497,949	79,215,400	-	-
Corporate debt securities	18,354,386	24,158,097	-	-
Quoted and unquoted equities	85,429,173	70,880,420	-	-
Collective Investment Schemes	1,803,733	1,582,176	-	-
Interest receivable	1,473,003	1,357,874	-	-
	210,926,667	194,236,324	-	-
Investment securities at FVOCI:				
Government of Jamaica debt securities	276,661,690	274,808,022	-	-
Other Government securities	82,955,842	52,587,986	-	-
Corporate debt securities	142,793,477	113,988,697	7,000,000	7,000,000
Interest receivable	6,233,501	5,389,128	126,191	114,685
	508,644,510	446,773,833	7,126,191	7,114,685
Investment securities at Amortised Cost:				
Government of Jamaica debt securities	41,356,904	31,522,954	-	-
Other Government Securities	119,639,950	152,259,596	-	-
Corporate Debt Securities	17,626,594	26,420,045	-	-
Interest receivable	3,255,895	2,881,982	-	-
	181,879,343	213,084,577	-	-
Expected credit losses	(938,325)	(1,008,762)	(13)	-
	900,512,195	853,085,972	7,126,178	7,114,685
Total investment securities, as above	900,512,195	853,085,972	7,126,178	7,114,685
Less: Pledged securities (Note 23)	(216,657,117)	(396,283,225)	-	-
Amount reported on the statement of financial position	683,855,078	456,802,747	7,126,178	7,114,685

The current portion of total investment securities amounted to $113,604,464,000 (2020 - $151,817,664,000) for the Group.

Included in investment securities are debt securities with an original maturity of less than 90 days amounting to $7,190,324,000 (2020 - $230,004,000) for the Group which are regarded as cash equivalents for purposes of the statement of cash flows.

BACK TO NOTES INDEX

23. Pledged Assets

	The Group	
	2021	2020
	$'000	$'000
Investment securities classified as FVOCI and amortised cost pledged as collateral for:		
Repurchase agreements	206,734,968	210,914,030
Clearing services	3,390,221	743,651
Investment securities held as security in respect of life insurance subsidiary	6,531,928	184,625,544
	216,657,117	396,283,225
Placements with banks pledged as collateral for letters of credit (Note 18)	6,644,136	5,473,992
	223,301,253	401,757,217

The regulators hold investment assets for certain insurance subsidiaries in accordance with the legal requirements of the respective countries or territories.

24. Investment in Associates

	The Group	
	2021	2020
	$'000	$'000
At the beginning of the year	6,955,109	5,545,451
Share of profits	340,289	312,391
Dividends received:		
Other	(180,395)	(78,491)
Movement in other reserves and exchange rate adjustments	(1,164,815)	1,175,758
At end of year	5,950,188	6,955,109

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

24. Investment in Associates (Continued)

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

	RGM Limited $'000	Royal Star Holdings $'000	Other individually immaterial associates $'000	Total $'000
2021				
Current assets	1,878,983	6,247,665	189,981	8,316,629
Non-current assets	17,384,988	6,822,394	900,653	25,108,035
Current liabilities	625,858	1,398,396	120,509	2,144,763
Non-current liabilities	6,681,635	4,492,435	507,648	11,681,718
Revenue	3,101,652	4,516,339	659,047	8,277,038
Profit from continuing operations	307,571	876,487	(15,170)	1,168,888
Other comprehensive income	7,419	-	-	7,419
Total comprehensive income	314,990	876,487	(15,170)	1,176,307
Percentage ownership	33.33%	26.32%		
Net assets of the associate - 100%	11,956,478	7,179,228		
Group share of net assets	3,985,094	1,889,573		

	RGM Limited $'000	Royal Star Holdings $'000	Other individually immaterial associates $'000	Total $'000
2020				
Current assets	1,611,622	8,022,414	185,400	9,819,436
Non-current assets	17,172,675	6,596,168	1,021,238	24,790,081
Current liabilities	636,493	3,796,848	41,263	4,474,604
Non-current liabilities	6,785,688	2,924,319	637,700	10,347,707
Revenue	3,412,051	5,055,075	670,734	9,137,860
Profit from continuing operations	494,557	537,786	14,779	1,047,122
Other comprehensive income	6,155	-	-	6,155
Total comprehensive income	500,712	537,786	14,779	1,053,277
Percentage ownership	33.33%	26.32%		
Net assets of the associate - 100%	11,362,116	6,480,254		
Group share of net assets	3,787,365	1,705,324		

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

25. Investment Properties

	The Group	
	2021	**2020**
	$'000	**$'000**
Balance at beginning of year	33,751,227	31,385,216
Additions	2,464,615	4,150,516
Disposals	(30,393)	(1,080,220)
Fair value gains/(losses) (Note 8)	1,154,604	(961,463)
Foreign exchange adjustments	762,412	1,375,750
Re-classification to property, plant and equipment	2,234	(217,405)
Unit-linked adjustments	113,623	(901,167)
Balance at end of year	38,218,322	33,751,227
Income earned from the properties	1,401,607	944,879
Expenses incurred by the properties	(1,204,860)	(959,386)

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

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

Several valuations have been performed using a comparable sales approach but, as there have been a limited number of similar sales in the respective markets, these valuations incorporate unobservable inputs determined based on the valuators' judgment regarding size, age, condition and state of the local economy. Similarly, the valuations that are performed using the direct capitalisation and income approaches rely on unobservable inputs based on the valuator's judgment given the varying levels of income between properties within a relatively small geographic area as well as the unavailability of risk-adjusted discount rates for properties. A key estimate used by these valuators is one for vacancy. These valuations are sensitive to the aforementioned adjustments for the unobservable inputs, which inputs may result in the values realised, either through use or sale, being different from the amounts recognised in these financial statements.

.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

26. Properties for Development and Sale

	The Group	
	2021	**2020**
	$'000	**$'000**
Properties for development and sale	2,794,053	2,759,044

27. Reinsurance Assets

	The Group	
	2021	**2020**
	$'000	**$'000**
This represents the Group's net contractual rights under reinsurance contracts:		
Long-term insurance contracts:		
With fixed and guaranteed terms	564,599	541,010
Short-term insurance contracts:		
Claims reported and loss adjustment expenses (Note 39)	9,844,480	9,706,489
Group life	43	-
Claims incurred but not reported (Note 39)	1,529,264	3,889,819
Unearned premiums (Note 39)	14,697,611	12,394,690
	26,071,398	25,990,998
Total reinsurers' share of insurance liabilities	26,635,997	26,532,008
Current	21,716,360	22,120,124
Non-current	4,919,637	4,411,884
Total reinsurers' share of insurance liabilities	26,635,997	26,532,008

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

28. Intangible Assets

	The Group					
	Trade name $'000	Core deposit & other customer relationships $'000	Computer software $'000	Goodwill $'000	Other $'000	Total $'000
			2021			
Net book value, at beginning of year	3,481,066	12,457,637	16,484,775	20,350,796	244,206	53,018,480
Additions	-	-	4,946,857	-	9,517	4,956,374
Disposals	-	-	(104,255)	-	-	(104,255)
Translation adjustments	-	8,701	459,274	-	780,691	1,248,666
Amortisation charge	(57,842)	(1,963,356)	(4,134,163)	-	(417,032)	(6,572,393)
Net book value, at end of year	3,423,224	10,502,982	17,652,488	20,350,796	617,382	52,546,872
Cost	3,627,504	18,889,442	37,551,960	20,350,796	1,430,155	81,849,857
Accumulated amortisation	204,280	8,386,460	19,899,472	-	812,773	29,302,985
Closing net book value	3,423,224	10,502,982	17,652,488	20,350,796	617,382	52,546,872

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

28. Intangible Assets (Continued)

	The Group					
	Trade name $'000	Core deposit & other customer relationships $'000	Computer software $'000	Goodwill $'000	Other $'000	Total $'000
			2020			
Net book value, at beginning of year	3,533,314	14,281,380	11,225,161	20,350,796	167,026	49,557,677
Additions	-	-	9,597,948	-	42,427	9,640,375
Translation adjustments	-	(2,408)	(856,892)	-	33	(859,267)
Amortisation charge	(52,248)	(1,764,369)	(3,477,318)	-	(196,085)	(5,490,020)
Reclassifications and adjustments	-	(88,577)	-	-	230,386	141,809
Exchange rate adjustments	-	31,611	(4,124)	-	419	27,906
Net book value, at end of year	3,481,066	12,457,637	16,484,775	20,350,796	244,206	53,018,480
Cost	3,627,504	18,889,442	32,625,102	20,350,796	546,572	76,039,416
Accumulated amortisation	146,438	6,431,805	16,140,326	-	302,367	23,020,936
Closing net book value	3,481,066	12,457,637	18,434,657	20,350,796	244,205	53,018,480

Computer software for the Group at year end include items with a cost of $2,379,219,000 (2020 - $2,477,104,000) on which no amortisation has yet been charged as these software applications are in the process of implementation.

Impairment tests for goodwill The Group determines whether goodwill is impaired at least on an annual basis or when events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the cash generating unit (CGU) to which the goodwill is allocated. The recoverable amount is usually determined by reference to the value in use. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those future cash flows.

BACK TO NOTES INDEX

28. Intangible Assets (Continued)

The allocation of goodwill to the Group's cash generating units (CGUs) allocated fully to Guardian Holding Limited.

	The Group	
	2021	2020
	$'000	$'000
Guardian Holdings Limited:	20,350,796	20,350,796

The Group determines whether goodwill is impaired at least on an annual basis or when events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the cash generating unit (CGU) to which the goodwill is allocated. The recoverable amount is usually determined by reference to the value in use. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those future cash flows. No impairment was identified.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the industry in which the CGU operates. Key assumptions used for value in use calculations:

Expenses ratio	31.7%
Claims ratio	69.9%
Policy acquisition expenses ratio	17.4%
Reinsurance rate	29.6%
Revenue growth rate	5.0%
Discount rate	11.3%

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

29. Property, Plant and Equipment

	The Group				
	Freehold Land and Buildings and Leasehold Improvements $'000	Motor Vehicles, Furniture & Equipment $'000	Assets Capitalised Under Finance Leases $'000	Work-in-Progress $'000	Total $'000
Cost -					
At September 30, 2019	19,926,643	16,582,512	1,153,097	1,032,917	38,695,169
Translation adjustments	(29,748)	478,740	-	-	448,992
Additions	911,521	2,118,285	-	1,501,647	4,531,453
Disposals	(105,338)	(337,831)	-	523	(442,646)
Transfers	137,574	454,592	-	(592,166)	-
Reclassifications and adjustments	(312,154)	624,567	174,295	-	486,708
Exchange rate adjustments	(141,936)	(83,068)	-	(8,897)	(233,901)
Transfer to Right-of-use asset	(597,435)	-	(1,327,392)	-	(1,924,827)
At September 30, 2020	19,789,127	19,837,797	-	1,934,024	41,560,948
Translation adjustments	-	339,050	-	-	339,050
Additions	549,983	1,531,451	-	1,359,087	3,440,521
Disposals	(152,121)	(553,470)	-	(12,126)	(717,717)
Transfers	757,064	66,899	-	(823,963)	-
Exchange rate adjustments	(81,228)	(26,872)	-	(11,768)	(119,868)
At September 20, 2021	20,862,825	21,194,855	-	2,445,254	44,502,934
Accumulated Depreciation -					
At September 30, 2019	2,647,935	9,289,268	590,993	-	12,528,196
Charge for the year	666,732	2,360,716	-	-	3,027,448
Disposals	(45,728)	(232,721)	-	-	278,449
Reclassifications and adjustments	1,002,049	(936,513)	(80,737)	-	(15,201)
Transfer to Right-of-use asset	(669,712)	-	(510,256)	-	(1,179,968)
Exchange rate adjustments	2,324	(53,969)	-	-	(51,645)
At September 30, 2020	3,603,600	10,426,781	-	-	14,030,381
Charge for the year	619,539	2,118,032	-	-	2,737,571
Disposals	(40,745)	(453,722)	-	-	(494,467)
Reclassifications and adjustments	8,604	(481)	-	-	8,123
At September 30, 2021	4,190,998	12,090,610	-	-	16,281,608
Net Book Value -					
September 30, 2021	16,671,827	9,104,245	-	2,445,254	28,221,326
September 30, 2020	16,185,527	9,441,016	-	1,934,024	27,530,567

BACK TO NOTES INDEX

30. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 25% for the Jamaican life insurance subsidiary, 33⅓% for the Company and other Jamaican regulated companies, 21% for the subsidiary incorporated in the United Kingdom, 30% for subsidiaries incorporated in Montserrat, St Lucia and Trinidad (non-life), 22% for subsidiaries incorporated in Curacao, 32.5% for the subsidiary incorporated in St Vincent, 28% for the subsidiary incorporated in Grenada, and 25%, for all other subsidiaries with the exception of the subsidiaries incorporated in Cayman Islands and Bermuda and the NCB Employee Share Scheme which are not subject to income tax.

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

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Deferred tax assets	(14,421,483)	(14,634,857)	(8,563,874)	(5,366,278)
Deferred tax liabilities	13,494,322	11,244,924	-	-
Net asset at end of year	(927,161)	(3,389,933)	(8,563,874)	(5,366,278)

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

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Net (asset)/liability at beginning of year	(3,389,933)	10,124,494	(5,366,278)	(2,639,306)
Deferred tax credited in the income statement (Note 15)	(987,322)	(7,575,721)	(3,198,297)	(2,726,972)
Deferred tax credited to other comprehensive income (Note 15)	3,450,094	(5,938,706)	701	-
Net asset at end of year	(927,161)	(3,389,933)	(8,563,874)	(5,366,278)

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

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Deferred tax assets to be recovered after more than 12 months	(3,438,912)	(5,729,551)	-	-
Deferred tax liabilities to be settled after more than 12 months	8,907,922	7,656,625	-	-

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the
Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

30. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Deferred income tax assets:				
Property, plant and equipment	2,200,405	2,567,264	-	-
Investment securities classified as FVOCI	1,262,168	871,653	-	-
Credit impairment losses	632,234	1,691,833	149	-
Pensions and other post-retirement benefits	2,346,792	2,081,968	-	-
Interest payable	612,599	611,904	384,413	335,986
Unrealised foreign exchange losses	1,551,865	206,636	-	-
Unutilised tax losses	9,167,365	5,800,453	8,105,304	5,027,017
Other temporary differences	794,821	803,146	74,008	3,275
	18,568,249	14,634,857	8,563,874	5,366,278
Deferred income tax liabilities:				
Future distribution	4,608,183	3,802,249	-	-
Property, plant and equipment	6,507,538	899,087	-	-
Intangible assets	224,664	218,452	-	-
Investment securities at FVPL	2,028,468	1,426,617	-	-
Investment securities classified as FVOCI	859,864	992,833	-	-
Interest receivable	201,164	265,065	-	-
Unrealised foreign exchange gains	2,169,450	13,528	-	-
Credit Impairment Losses	9,168	59,248	-	-
Other temporary differences	1,032,589	3,567,845	-	-
	17,641,088	11,244,924	-	-
Net deferred tax asset	(927,161)	(3,389,933)	(8,563,874)	(5,366,278)

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

30. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Property, plant and equipment	(510,147)	(409,374)	-	-
Intangible assets	(63,297)	(52,022)	-	-
Investment securities	545,481	(1,056,185)	-	-
Credit impairment losses	1,014,910	(1,959,483)	-	-
Pensions and other post-retirement benefits	(231,496)	(278,052)	-	-
Future distributions	678,135	(94,205)	-	-
Interest receivable	(13,744)	(264,780)	-	-
Interest payable	(656)	(327,410)	(48,428)	(296,698)
Accrued profit share	(17,047)	43,250	-	-
Accrued vacation leave	(53,476)	(22,504)	-	-
Unrealised foreign exchange gains and losses	813,751	189,492	-	486,952
Unutilised tax losses	(3,293,979)	(2,853,181)	(3,077,789)	(2,915,273)
Other temporary differences	144,244	(491,267)	(72,081)	(1,953)
	(987,321)	(7,575,721)	(3,198,298)	(2,726,972)

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

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Unrealised gains on FVOCI	1,867,943	(7,223,490)	701	-
Realised fair value gains on sale and maturity of investments	1,525,718	1,060,555	-	-
Remeasurement of the post-employment benefit obligation	56,433	224,229	-	-
	3,450,094	(5,938,706)	701	-

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

31. Other Assets

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Due from merchants, financial institutions, clients and payment systems providers	10,597,310	3,206,368	123,338	-
Prepayments	5,883,191	2,339,176	1,260	26
Shares held for incentive	4,236,471	4,393,917	-	-
Receivable from executives	-	12,464,486	-	12,464,486
Due from policyholders	19,575,815	21,336,311	-	-
Management fees & royalties	-	-	-	875,000
Deferred acquisition costs	3,281,956	2,897,942	-	-
Repossessed assets	1,731,717	1,994,658	-	-
Other	8,856,846	5,250,043	811,446	367,499
	54,163,306	53,882,901	936,044	13,707,011
Less ECL on receivables	(5,335,993)	(3,914,563)	-	-
	48,827,313	49,968,338	936,044	13,707,011

The fair values of other assets approximate carrying values. The current portion of other assets for the Group is $5,616,376,000 (2020 - $36,826,805,000).

32. Due to Banks

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Items in course of payment	1,851,752	3,356,657	-	-
Borrowings from other banks	21,205,612	26,511,050	16,237,647	13,117,877
Deposits from banks	635,476	57,017	-	-
Other	1,120	1,469	-	-
	23,693,960	29,926,193	16,237,647	13,117,877
Interest payable	410,399	208,408	132,329	241,186
	24,104,359	30,134,601	16,369,976	13,359,063

The current portion of due to banks is $10,661,285,000 (2020 - $10,741,529,000)

Items in the course of payment primarily represent cheques drawn by the Group which have been accounted for as a deduction from its bank balances but which have not been presented on its bank accounts. These relate to accounts held with banks outside of Jamaica and at central banks. Borrowings from banks are denominated in United States dollars and have various maturity dates. These attract interest at 0.90% – 5.96% per annum.

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

	The Group	
	2021	**2020**
	$'000	**$'000**
Total due to banks	24,104,359	30,134,601
Less: amounts with original maturities of greater than 90 days	(8,722,245)	(11,679,099)
	15,382,114	18,455,502

33. Obligations Under Securitisation Arrangements

	The Group	
	2021	2020
	$'000	$'000
Diversified payment rights		
Principal outstanding – US$250,000,000 (2020 – US$250,000,000)	36,586,600	35,392,925
Merchant voucher receivables		
Principal outstanding – US$182,309,000 (2020 – US$254,212,000)	26,680,223	35,989,286
	63,266,823	71,382,211
Unamortised transaction fees	(606,146)	(775,084)
	62,660,677	70,607,127
Interest payable	426,540	476,830
Net liability	63,087,217	71,083,957

The current portion of obligations under securitisation arrangements amounted to $11,147,536,000 (2020 – $10,656,363,000).

Diversified Payment Rights

NCBJ has entered into a structured financing transaction involving securitisation of its Diversified Payment Rights. A Diversified Payment Right ("DPR") is a right of NCBJ to receive payments from correspondent banks based overseas whenever a payment order is initiated by a person or entity situated overseas in favour of a person or entity situated in Jamaica. Under these securitisation transactions, NCBJ assigns its rights to all present and future DPRs to an offshore special purpose vehicle, Jamaica Diversified Payment Rights Company Limited ("JDPR") (Note 35), which then issues notes which are secured by the DPR flows. The cash flows generated by the DPRs are used by JDPR to make scheduled principal and interest payments to the note holders and any excess cash is transferred to NCBJ, provided no early amortisation event or default has occurred under the terms of the notes.

On September 30, 2020, NCBJ raised US$250 million through the DPR Securitisation (Series 2020-1 Notes). The transaction was structured with an interest-only period of 3.25-year (13 quarters) and thereafter quarterly principal amortisation on a straight line basis, beginning March 15, 2024 to final maturity on September 15, 2030. Interest is due and payable on a quarterly basis calculated at a rate of 5.25% beginning December 15, 2020.

BACK TO NOTES INDEX

33. Obligations Under Securitisation Arrangements (Continued)

Merchant Voucher Receivables

NCBJ has entered into a structured financing transaction involving securitisation of its Merchant Voucher Receivables (MVR). This arrangement involves the sale of future flows due from Visa International Service Association (Visa) and MasterCard International Incorporated (MasterCard) related to international merchant vouchers acquired by NCBJ in Jamaica.

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

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

On May 18, 2015, NCBJ raised US$250 million through the MVR securitisation transaction (Series 2015-1 Notes). The transaction was structured on a mortgage-style amortisation basis with an interest-only period of twenty-eight months and thereafter quarterly principal amortisation, beginning October 6, 2017 to final maturity on July 8, 2022. Interest is due and payable on a quarterly basis calculated at a rate of 5.875% beginning July 7, 2015.

On November 21, 2016, NCBJ raised an additional US$150 million through the MVR securitisation transaction (Series 2016-1 Notes). The transaction was structured on a mortgage-style amortisation basis with an interest-only period of forty-one months and thereafter quarterly principal amortisation, beginning July 7, 2020 to final maturity on January 8, 2027. Interest is due and payable on a quarterly basis calculated at a rate of 5.625% beginning January 9, 2020.

34. Other Borrowed Funds

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
(a) Development Bank of Jamaica	4,322,009	4,479,957	-	-
(b) Corporate notes	124,369,688	109,626,283	78,165,323	68,485,344
(c) National Housing Trust	1,220,563	3,202,888	-	-
(d) Other	6,659,719	6,517,876	6,585,588	6,370,726
	136,571,979	123,827,004	84,750,911	74,856,070
Unamortised transaction fees	(1,060,896)	(183,866)	(709,290)	(178,327)
Interest payable	1,461,360	1,423,198	891,574	884,307
	136,972,443	125,066,336	84,933,195	75,562,050

The current portion of other borrowed funds amounted to $34,044,640,000 (2020 – $32,427,928,000) for the Group and nil for the Company.

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

(b) Corporate notes are both unsecured and secured variable and fixed rate notes issued in a combination of Jamaican dollars and United States dollars. The notes are repayable between 2020 and 2023. The fixed rate notes attract interest between 4.25% and 9.75% and the variable rate notes attract interest based on weighted average treasury bill yield plus 2.25% - 2.5% per annum.

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

(d) On May 17, 2020, NCB Global Holdings Limited extended a loan of US$45 million to NCB Financial Group Limited. The loan is secured by a pledge of Guardian Holdings Limited shares. Interest is due and payable on a quarterly basis calculated at rate of 7.65% per annum beginning August 17, 2020. Principal is due and payable at maturity on May 17, 2022.

BACK TO NOTES INDEX

35. Interests in Structured Entities

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

Consolidated Structured Entities

Securitisation Vehicles
NCBJ uses securitisation as a source of financing and a means of risk transfer. Securitisation of its DPR and MVR (Note 33) is conducted through structured entities, JDPR and JMVR, exempted limited liability companies incorporated under the laws of the Cayman Islands. The relationship between the transferred rights and the associated liabilities is that holders of Notes may only look to cash flows from the securitised assets for payments of principal and interest due to them under the terms of their Notes.

Mutual Funds
The Group manages a series of mutual funds through its trust and asset management subsidiaries, Guardian Group Trust Limited and Guardian Asset Management and Investment Services Limited. The funds comprise four Caribbean investment based funds and six International investment based funds. These funds invest mainly in equity securities, debt securities and cash and cash equivalents. Guardian Asset Management is the Trustee, Income and Paying Agent, Registrar and Fund Administrator of these Mutual Funds. Guardian Life of the Caribbean acts in the capacity of Portfolio Manager.

As at the consolidated statement of financial position date, the Group has determined that it controls these mutual funds, as defined in note 3, specific funds. Management has concluded that the contractual terms provide the Group with power over the Mutual Funds and the Group's aggregate interest in the Mutual Funds is significant.

Unconsolidated Structured Entity

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

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

BACK TO NOTES INDEX

35. Interests in Structured Entities (Continued)

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

	The Group	
	2021 $'000	2020 $'000
Total assets of the Unit Trust	34,751,198	34,667,207
The Group's interest – Carrying value of units held	155,183	142,516
Maximum exposure to loss	155,183	142,516
Liability to the Unit Trust in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)	1,714,849	1,710,794
Total income from the Group's interests	755,369	765,306

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

36. Third Party Interests in Mutual Funds

	The Group	
	2021 $'000	2020 $'000
Opening balance	27,572,914	22,138,490
Share of net income	417,875	473,852
Unrealised losses	(311,280)	(553,341)
Net change in mutual fund holder balances	5,472,263	4,761,426
Distributions	(449,480)	(370,562)
Exchange rate adjustment	997,683	1,123,049
Balance at end of year	33,699,975	27,572,914

37. Investment Contract Liabilities

Investment contract liabilities carry floating rates of interest and therefore the carrying amounts approximate their fair values

	The Group	
	2021 $'000	2020 $'000
The movements in the liabilities arising from investment contracts are summarized below:		
Opening balance	41,682,306	39,257,656
Premiums received	4,123,476	4,330,908
Fees deducted from account balances	(389,762)	(275,310)
Account balances paid on surrender and other terminations in the year	(3,509,787)	(4,212,105)
Interest credited through income	1,211,672	1,232,184
Other movements	(224,794)	(44,821)
Exchange rate adjustments	879,718	1,393,794
Balance at end of year	43,772,829	41,682,306

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the
Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

38. Segregated Fund Liabilities

The assets listed below, included in the financial statements in aggregate, are managed by a subsidiary of the Group on behalf of certain life insurance policyholders under the Blue Chip Fund, the MChip Fund, Eagle Growth Fund, Mutual Growth Fund, Shelter Plus Fund, Guardian Universal Life Fund, Horizon Equity Fund, Guardian Equity Fund, Guardian Money Market Fund, Guardian Long-term Growth Fund, Guardian Stabilisation Fund and Guardian Foreign Currency Indexed Fund. The policyholders share all the rewards and risks of the performance of the funds and the assets have been segregated for determining the policyholders' interest in the funds.

	The Group	
	2021	2020
	$'000	$'000
Instruments:		
Government of Jamaica securities	6,616,234	7,186,290
Equity securities and unit trust	6,433,717	5,504,224
Short term securities	1,169,589	991,018
Investment property	172,278	153,764
	14,391,818	13,835,296
Other assets	1,027,615	419,882
Balance at end of year	15,419,433	14,255,178

39. Liabilities under Annuity and Insurance Contracts

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

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

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

BACK TO NOTES INDEX

39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Annuity and Insurance Contracts comprise the following:

	The Group	
	2021	2020
	$'000	$'000
Liabilities under life and health insurance and annuity contracts	384,443,163	359,256,727
Liabilities under general insurance contracts	48,613,635	45,757,814
	433,056,798	405,014,541

Insurance Contracts

Liabilities under insurance contracts comprise the following:

	The Group	
	2021	2020
	$'000	$'000
Long-term insurance contracts:		
With fixed and guaranteed terms and without DPF	235,016,961	201,753,905
With fixed and guaranteed terms and with DPF	1,587,637	1,702,519
Without fixed terms	130,330,085	140,170,082
	366,934,683	343,626,506
Participating policyholders' share of the surplus from long-term insurance business	10,945,522	10,182,436
	377,880,205	353,808,942
Short-term insurance contracts:		
Property and casualty claims reported and loss adjustment expenses	20,480,110	18,310,360
Property and casualty claims incurred but not reported	4,922,088	6,825,966
Property and casualty unearned premiums	27,547,993	24,921,601
Group life	2,226,402	1,147,672
	55,176,593	51,205,599
Total insurance liabilities	433,056,798	405,014,541

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

39. Liabilities under Annuity and Insurance Contracts (Continued)

	The Group	
	2021	**2020**
	$'000	**$'000**
Current	53,682,935	43,913,039
Non-current	379,373,863	361,101,502
Total gross insurance liabilities	433,056,798	405,014,541

Movements in long term insurance contracts

	The Group	
	2021	**2020**
	$'000	**$'000**
Long-term insurance contracts with fixed and guaranteed terms and without DPF		
At beginning of year	201,753,905	195,114,628
Exchange rate adjustments	13,874,654	7,660,345
Premiums received (net)	11,531,163	9,396,024
Claims and benefits settled in the year	(21,916,988)	(21,824,922)
Accretion of interest	6,471,916	5,164,520
Increase in liabilities	12,729,234	14,774,393
Changes in assumptions	(2,088,527)	(6,138,115)
Normal changes	(1,386,226)	(2,392,968)
Other movement	14,047,830	-
At end of year	235,016,961	201,753,905

BACK TO NOTES INDEX

39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)
Insurance Contracts

	The Group	
	2021	2020
	$'000	$'000
Long-term insurance contracts with fixed and guaranteed terms and with DPF		
At beginning of year	1,764,124	1,957,155
Exchange rate adjustments	(14,447)	87,455
Changes in assumptions	(85,900)	(248,744)
Normal changes	(76,139)	(93,347)
At end of year	1,587,637	1,702,519

	The Group	
	2021	2020
	$'000	$'000
Long-term insurance contracts without fixed terms		
At beginning of year	140,170,082	129,210,475
Exchange rate adjustments	7,584,896	5,545,880
Premiums received (net)	911	3,846,094
Claims and benefits settled in the year	(12,253,854)	(14,487,891)
Increase in liabilities	12,909,169	11,866,656
Changes in assumptions	(4,090,807)	1,494,283
Normal changes	11,594,308	2,694,585
Other changes	(25,584,621)	-
At end of year	130,330,084	140,170,082

	The Group	
	2021	2020
	$'000	$'000
Participating policyholders' share of the surplus from long-term insurance business		
At beginning of year	10,182,436	9,565,636
Exchange rate adjustments	368,444	485,248
Surplus/Deficit arising from operations	523,884	(280,459)
Other movements	(129,241)	412,011
At end of year	10,945,523	10,182,436

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

Policy assumptions

For insurance contracts, the assumptions used to determine the liabilities are updated at each reporting date to reflect the latest best estimates. The assumptions used for valuing the insurance contracts disclosed in this note are as follows:

Mortality and morbidity

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

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

Investment yields

The computation of policyholders' liabilities takes into account projected net investment income on assets supporting policyholders' liabilities and income expected to be earned or foregone on reinvestment or financing of mismatched cash flows. In the absence of robust market information, long-term yields are determined using recent asset returns, current market expectations and relevant regulatory guidelines. Other information, such as macro-economic data and projections, is considered where available.

The following table summarises the rates of return used for the valuation of policyholders' liabilities:

	2021	2020
Trinidad & Tobago	3.48% - 6.65%	4.08% - 6.48%
Jamaica	6.7% -11.4%	6.9% - 12.2%
Dutch Caribbean	3% - 4%	3% - 4%

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

BACK TO NOTES INDEX

39. Liabilities under Annuity and Insurance Contracts (Continued)

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

Policy maintenance expense and inflation
Amounts are included in policyholders' liabilities to provide for the future costs of administering policies in force. The expense base is determined from a review of current, recent and expected Group expense levels and allowance is made for future expense inflation.

The inflation rates assumed are summarised in the following table.

	2021	**2020**
Trinidad & Tobago	3.5%	3.5%
Jamaica	4% - 4.5%	5%
Dutch Caribbean	N/A	N/A

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

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

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

BACK TO NOTES INDEX

39. Liabilities under Annuity and Insurance Contracts (Continued)

Changes in assumptions
Changes have been made to the assumptions used to determine the value of long term insurance liabilities of the life insurance subsidiaries. The following tables present the effect of these changes:

	The Group	
	2021	**2020**
	$'000	**$'000**
For the Trinidadian life insurance subsidiary:		
Changes in expense assumptions	(1,464,600)	1,338,280
Changes in lapse assumptions	-	436,359
Changes in investment returns	(3,665,297)	1,882,723
Other assumptions	(721,389)	(3,323,729)
Decrease in liabilities	(5,851,287)	333,633
For the Jamaican life insurance subsidiary:		
Changes in expense assumptions	118,807	(1,338,112)
Changes in lapse assumptions	(181,519)	(71,554)
Changes in investment returns	1,167,832	(3,337,190)
Other assumptions	(1,519,069)	(2,410,838)
Decrease in liabilities	(413,948)	(7,157,694)

BACK TO NOTES INDEX

39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

Sensitivity analysis

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities. The sensitivities have been performed on the assumption that all assumptions remain constant.

	The Group			
	Change in variable	Change in liability	Change in variable	Change in liability
	2021		2020	
	%	$'000	%	$'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:				
For the Trinidadian life insurance subsidiary:				
Worsening of mortality	+10.0%	734,818	+ 10.0%	655,529
Improvement of annuitant mortality	+0.5%	823,125	+0.5%	908,767
Lowering of investment returns	-1.0%	4,900,461	-1.0%	4,730,653
Worsening of base renewal expense level	+5.0%	237,809	+5.0%	320,675
Worsening of expense inflation rate	+1.0%	642,799	+1.0%	676,122
For the Jamaican life insurance subsidiary:				
Worsening of mortality	+10.0%	1,537,724	+10.0%	1,318,162
Lowering of investment returns	-2.0%	11,409,840	-2.0%	9,647,664
Worsening of base renewal expense level	+5.0%	509,794	+5.0%	552,943
Worsening of expense inflation rate	+1.0%	1,053,168	+1.0%	-
For the Dutch Caribbean life insurance subsidiary:				
Worsening of mortality	+10.0%	310,326	+10.0%	310,647
Improvement of annuitant mortality	+10.0%	470,673	+10.0%	424,824
Lowering of investment returns	-10.0%	14,881	-10.0%	22,881
Worsening of base renewal expense level	+10.0%	49,306	+10.0%	-

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

Sensitivity analysis (continued)

	The Group			
	Change in variable	Change in liability	Change in variable	Change in liability
	2021		2020	
	%	$'000	%	$'000
Long-term insurance contracts with fixed and guaranteed terms and with DPF:				
For the Trinidadian life insurance subsidiary:				
Worsening of mortality	+10.0%	6,963	+ 10.0%	6,197
Lowering of investment returns	-1.0%	140,477	-1.0%	157,679
Worsening of base renewal expense level	+5.0%	2,842	+5.0%	3,056
Worsening of expense inflation rate	+1.0%	6,269	+1.0%	6,280
For the Jamaican life insurance subsidiary:				
Worsening of mortality	+10.0%	5,727	+10.0%	2,680
Lowering of investment returns	-2.0%	52,690	-2.0%	128,370
Worsening of base renewal expense level	+5.0%	3,384	+5.0%	13,000
Worsening of expense inflation rate	+1.0%	5,076	+1.0%	29,936
For the Dutch Caribbean life insurance subsidiary:				
Worsening of mortality	+10.0%	804,274	+10.0%	862,878
Improvement of annuitant mortality	+10.0%	807,073	+10.0%	764,863
Lowering of investment returns	-10.0%	6,864,564	-10.0%	5,883,034
Worsening of base renewal expense level	+10.0%	752,213	+10.0%	-

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

Sensitivity analysis (continued)

	The Group			
	Change in variable	Change in liability	Change in variable	Change in liability
	2021		2020	
	%	$'000	%	$'000
Long-term insurance contracts without fixed terms:				
For the Trinidadian life insurance subsidiary:				
Worsening of mortality	+ 10.0%	1,490,349	+ 10.0%	1,426,896
Improvement of annuitant mortality	+5.0%	853,428	+5.0%	1,362,145
Lowering of investment returns	-1.0%	7,805,476	-1.0%	9,615,027
Worsening of base renewal expense level	+5.0%	1,184,926	+5.0%	739,197
Worsening of expense inflation rate	+1.0%	1,765,208	+1.0%	1,680,035

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Short Term Contracts

	The Group	
	2021	**2020**
	$'000	**$'000**
Gross:		
Claims outstanding	27,628,580	26,283,997
Unearned premiums	27,547,994	24,921,601
	55,176,574	51,205,598
Reinsurance ceded		
Claims outstanding (Note 27)	(11,373,766)	(13,596,308)
Unearned premiums (Note 27)	(14,697,632)	(12,394,690)
	(26,071,398)	(25,990,998)
Net:		
Claims outstanding	16,254,814	12,687,689
Unearned premiums	12,850,362	12,526,911
	29,105,176	25,214,600

BACK TO NOTES INDEX

39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Short term contracts (continued)

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

	The Group			The Group		
	2021			2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Notified claims	18,310,360	(9,706,469)	8,603,891	22,857,818	(19,269,214)	3,588,604
Claims incurred but not reported	6,825,966	(3,889,819)	2,936,147	13,046,204	(3,339,896)	9,706,308
Balance at beginning of year	25,136,326	(13,596,288)	11,540,038	35,904,022	(22,609,110)	13,294,912
Exchange rate adjustment	1,059,563	(574,857)	484,706	1,987,778	(1,439,523)	548,255
Claims incurred	(28,169,188)	8,397,841	(19,771,347)	(38,119,610)	16,470,972	(21,648,638)
Claims paid	27,375,499	(5,600,441)	21,775,058	25,364,136	(6,018,627)	19,345,509
Balance at end of year	25,402,200	(11,373,745)	14,028,455	25,136,326	(13,596,288)	11,540,038
Comprising:						
Notified claims	20,480,112	(9,844,480)	10,635,632	18,310,360	(9,706,469)	8,603,891
Claims incurred but not reported	4,922,088	(1,529,265)	3,392,823	6,825,966	(3,889,819)	2,936,147
	25,402,200	(11,373,745)	14,028,455	25,136,326	(13,596,288)	11,540,038

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

39. Liabilities under Insurance and Annuity Contracts (Continued)

Liabilities under Short Term Contracts (continued)

The policy and claims liabilities were determined in accordance with accepted actuarial principles and as directed by the respective regulator.

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

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

	The Group			The Group		
	2021			2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at beginning of year	24,921,601	(12,394,689)	12,526,912	22,034,089	(10,637,058)	11,397,031
Exchange rate adjustments	875,631	(250,185)	625,446	1,174,630	(396,679)	777,951
Net increase/(release) in the period	1,750,762	(2,052,758)	(301,996)	1,712,882	(1,360,952)	351,930
Balance at end of year	27,547,994	(14,697,632)	12,850,362	24,921,601	(12,394,689)	12,526,912
Comprising, by type of business:						
Liability insurance contracts	1,596,596	(729,632)	866,964	1,549,760	(671,286)	878,474
Motor insurance contracts	4,566,231	(358,525)	4,207,706	4,533,031	(404,434)	4,128,597
Pecuniary loss insurance contracts	89,805	(44,620)	45,185	106,054	(61,129)	44,925
Property insurance contracts	17,271,604	(13,100,406)	4,171,198	15,448,656	(10,625,012)	4,823,644
Health insurance contracts	2,388,723	(132,018)	2,256,705	1,916,933	(164,357)	1,752,576
Marine insurance contracts	1,440,869	(294,078)	1,146,791	1,185,898	(437,657)	748,241
Personal accident insurance contracts	194,166	(38,353)	155,813	181,269	(30,814)	150,455
	27,547,994	(14,697,632)	12,850,362	24,921,601	(12,394,689)	12,526,912

BACK TO NOTES INDEX

39. Liabilities under Insurance and Annuity Contracts (Continued)

Liabilities under Short Term Contracts (continued)

The movement in and composition of Group Life contracts are as follows:

	The Group			The Group		
	2021			2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at beginning of year	1,147,671	-	1,147,671	829,301	-	829,301
On acquisition of subsidiary	1,312,735	-	1,312,735			
Claims settled during the year	(1,786,792)	52,668	(1,734,124)	(836,564)	41,241	(795,323)
Exchange rate adjustment	(38,906)	-	(38,906)	69,417	-	69,417
Increase in liabilities	1,591,694	(52,711)	1,538,983	1,085,517	(41,241)	1,044,276
Balance at end of year	2,226,402	(43)	2,226,359	1,147,671	-	1,147,671

40. Post-employment Benefits

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

	The Group	
	2021	2020
	$'000	$'000
Pension schemes	(242,061)	476,825
Other post-employment benefits	9,726,626	9,254,234
	9,484,565	9,731,059

The amounts recognised in the income statement are as follows:

	The Group	
	2021	2020
	$'000	$'000
Pension schemes (Note 12)	567,528	511,179
Other post-employment benefits (Note 12)	885,139	689,373
	1,452,667	1,200,552

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

	The Group	
	2021	2020
	$'000	$'000
Pension schemes	627,897	679,031
Other post-employment benefits	409,235	(35,856)
	1,037,132	643,175

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

40. Post-employment Benefits (Continued)

(a) Pension schemes

The Group's subsidiaries have established the following pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. The Group's pension schemes are regulated by the respective regulators in the jurisdictions where they operate.

National Commercial Bank Staff Pension Fund 1986

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

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

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

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

National Commercial Bank Staff Pension Fund 1999

This is a defined contribution scheme which is funded by payments from employees and by the employers of the relevant companies. Participating Group companies contribute an amount equivalent to 5% of employees' salary to the scheme each pay cycle and employees must contribute at least 5% and up to a maximum of 15%. Contribution to the scheme for the year was $503,546,000 (2020 – $438,765,000).

GHL

GHL operates a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee-administered funds. The plans are generally funded by payments from employees and by the relevant Group companies after taking account of the recommendations of the external qualified actuaries. The plans are governed by trust and/or fund deeds and rules and are administered in accordance with the laws of the jurisdiction in which the plan resides. Responsibility for the governance of the plans, including investment strategies, lies with the Board of Trustees/Foundation. Contribution to the scheme for the year was $574,124,000 (2020 - $545,574,000)

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

40. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

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

	2021		2020	
	NCBJ	GHL	NCBJ	GHL
	$'000	$'000	$'000	$'000
Present value of funded obligations	31,904,868	21,127,639	31,243,758	20,556,590
Fair value of plan assets	(35,159,398)	(21,369,700)	(33,706,365)	(20,079,765)
(Over)/under – funded obligations	(3,254,530)	(242,061)	(2,462,607)	476,825
Limitation on pension assets	3,254,530	-	2,462,607	-
	-	(242,061)	-	476,825

The schemes are valued by independent actuaries annually using the projected unit credit method; the latest such valuation being carried out as at September 30, 2021 for the Bank and GHL schemes.

The movement in the defined benefit obligation is as follows:

	2021		2020	
	NCBJ	GHL	NCBJ	GHL
	$'000	$'000	$'000	$'000
At beginning of year	31,243,758	20,556,591	32,911,272	19,463,022
Exchange	-	738,576	-	1,002,378
Employee's contributions	-	28,742	-	26,189
Service cost	-	533,059	-	466,797
Interest cost	2,720,995	1,039,307	2,075,679	958,130
Remeasurements:				
Experience (gains)/losses	(114,255)	383,818	128,954	(819,188)
Losses/(gains) from changes in financial assumptions	75,329	(763,341)	(1,916,652)	301,101
Demographic assumptions	-	(515,011)	-	(21)
Benefits paid	(2,020,959)	(874,102)	(1,955,495)	(841,817)
At end of year	31,904,868	21,127,639	31,243,758	20,556,591

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the
Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

40. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

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

	2021		2020	
	NCBJ $'000	GHL $'000	NCBJ $'000	GHL $'000
At beginning of year	33,706,365	20,079,765	41,291,898	18,306,067
Exchange	-	740,260	-	935,648
Interest on plan assets	2,942,630	1,026,595	2,620,420	923,337
Remeasurement – return on plan assets, excluding amounts included in interest on plan assets.	531,362	(266,638)	(8,250,458)	160,924
Contributions	-	698,591	-	606,326
Administration fees	-	(21,757)	-	(9,588)
Benefits paid	(2,020,959)	(887,116)	(1,955,495)	(842,949)
At end of year	35,159,398	21,369,700	33,706,365	20,079,765

The amounts recognised in the income statement are as follows:

	2021		2020	
	NCBJ $'000	GHL $'000	NCBJ $'000	GHL $'000
Current service cost	-	533,059	-	466,797
Administration fees	-	21,757	-	9,588
Net interest expense	-	12,712	-	34,794
Total, included in staff costs	-	567,528	-	511,179

BACK TO NOTES INDEX

40. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in other comprehensive income are as follows:

	2021		2020	
	NCBJ	**GHL**	**NCBJ**	**GHL**
	$'000	**$'000**	**$'000**	**$'000**
(Gain)/loss on present value of funded obligations	(38,926)	894,535	(1,787,698)	518,108
Gain on fair value of plan assets	(531,362)	(266,638)	8,250,458	160,923
Change in effect of asset ceiling	570,288	-	(6,462,760)	-
Net loss	-	627,897	-	679,031

Plan assets for the NCBJ defined benefit pension scheme are comprised as follows:

	2021		2020	
	$'000	**%**	**$'000**	**%**
Debt securities	19,845,203	56.44	19,188,075	56.93
Equity securities	15,135,060	43.05	11,415,498	33.87
Real estate and other	179,136	0.51	3,102,792	9.20
	35,159,399	100.00	33,706,365	100.00

These plan assets included:
- Ordinary stock units of the Company with a fair value of $10,217,302,000 (2020 – $9,851,894,000).
- Repurchase obligations, promissory notes and lease obligations of the Group aggregating $27,446,000 (2020 –$455,000,000)
- Properties occupied by the Group with a fair value of $534,150,000 (2020 - $639,750,000).

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

40. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

Plan assets for the GHL defined benefit pension scheme are comprised as follows:

	2021		2020	
	$'000	**%**	**$'000**	**%**
Debt securities	12,178,540	56.99%	11,006,167	54.81%
Equity securities	3,535,232	16.54%	3,069,312	15.29%
Real estate and other	5,655,929	26.47%	6,004,287	29.90%
	21,369,701	100.00%	20,079,766	100.00%

Expected contributions to NCBJ's and GHL's defined benefit pension schemes for the year ending September 30, 2021 are nil and $608,629,000 respectively.

The principal actuarial assumptions used are as follows:

	2021		2020	
	NCBJ	**GHL**	**NCBJ**	**GHL**
Discount rate	9.00%	-	9.00%	-
Future salary increases	7.00%	-	6.00%	-
Future pension increases	5.00%	-	5.00%	-

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

The average duration of the defined benefit pension obligation at September 30, 2021 is 11.4 years (2020 – 11.1 years) for NCBJ's defined benefit scheme and 15 years for the GHL scheme.

BACK TO NOTES INDEX

40. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

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

NCBJ

	Increase/(decrease) in defined benefit obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(3,045,320)	3,641,666
Future salary increases	1%	78,105	(75,329)
Future pension increases	1%	3,451,832	(2,041,379)
Life expectancy	1 year	1,007,000	(968,000)

GHL

	Increase/(decrease) in defined benefit obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(2,352,129)	2,930,134
Future salary increases	1%	470,131	(413,319)
Life expectancy	1 year	531,996	(890,088)

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

BACK TO NOTES INDEX

40. Post-employment Benefits (Continued)

(b) Other post-employment benefits

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

In addition to the assumptions used for pension schemes, the main actuarial assumption is a long-term increase in health costs of 2.0 percentage points above CPI per year (2020 – 1.5 percentage points above CPI).

The average duration of the other post-employment benefits obligation at September 30, 2021 is 18.6 years for the NCBJ, and between 14.8 & 22.7 years for GHL.

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

	The Group	
	2021	2020
	$'000	$'000
Present value of unfunded obligations	9,726,627	9,254,324

The movement in the defined benefit obligation is as follows:

	The Group	
	2021	2020
	$'000	$'000
At beginning of the year	9,254,324	8,243,783
Curtailment	19,679	84,191
Employer contributions	(106,290)	(89,537)
Service costs	279,440	187,114
Interest cost	684,504	515,957
Remeasurements:		
Experience gains	(518,149)	(4,278)
Demographic assumptions	(1,082,661)	837,546
Losses / (gains) from changes in financial assumptions	1,191,573	(561,221)
Exchange movement	102,690	138,657
Benefits paid	(98,483)	(97,888)
At end of year	9,726,627	9,254,324

The amounts recognised in the income statement are as follows:

	The Group	
	2021	2020
	$'000	$'000
Service cost	685,357	173,416
Net interest expense	199,782	515,957
Total, included in staff costs (Note 12)	885,139	689,373

40. Post-employment Benefits (Continued)

(b) Other post-employment benefits (continued)

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

NCBJ

	Increase/(decrease) in obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(1,184,784)	1,561,526
Medical cost inflation	1%	1,540,944	(1,191,031)
Life expectancy	1 year	233,750	(233,750)

GHL

	Increase/(decrease) in obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(365,293)	466,920
Medical cost inflation	1%	427,007	(340,261)
Life expectancy	1 year	113,558	(113,254

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

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

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

Asset volatility risk

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

Interest rate risk

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

Salary risk

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

Longevity risk

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

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the
Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

41. Other Liabilities

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Accrued staff benefits	4,884,861	4,554,391	628,805	283,070
Due to customers, merchants and clients	15,564,068	17,601,580	-	-
Accrued other operating expenses	12,429,104	33,816,674	1,563,273	340,081
Due to reinsurers	14,651,085	10,989,045	-	-
Due to Governments	1,322,290	288,976	-	-
Other	10,644,599	3,397,071	571,797	-
	59,496,007	70,647,737	2,763,875	623,151

42. Share Capital

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Authorised – unlimited				
Issued and fully paid up – 2,466,762,828 ordinary stock units of no par value	153,827,330	153,827,330	153,827,330	153,827,330
Treasury shares	(27,198,690)	(15,150,201)	(11,778,309)	(561,635)
Issued and outstanding	126,628,640	138,677,129	142,049,021	153,265,695

As at September 30, 2021 the Group and the Company held NCBFG ordinary stock units totalling 172,097,779 (2020: 95,015,105) and 79,001,812 (2020: 3,359,929), respectively. These shares are held by the NCB Employee Share Scheme, a custodian appointed by NCB Financial Group Limited and entities controlled by Guardian Holdings Limited and the Company reports them as Treasury Shares.

The NCB Employee Share Scheme was established in 1986 to acquire certain shares of NCB Group Limited, the then holding company for the Group, for the beneficial interest of eligible employees. As at September 30, 2021, the scheme held 1,266,751 (2020: 1,255,751) stock units of the Company's ordinary stock.

As at September 30, 2021 a total of 26,066,735 (2020: 29,926,644) stock units of the Company's ordinary stock were held by a custodian on behalf of the Company and one of its subsidiaries. The stock units are held for distribution as incentives. During the year the company acquired an additional 5,500,000 and disbursed 6,000,000 units.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

43. Fair Value and Capital Reserves

	The Group	
	2021	**2020**
	$'000	**$'000**
Fair value reserve	4,030,261	1,796,959
Capital reserve (excluding scheme of arrangement)	13,331,146	10,419,701
	17,361,407	12,216,660
Reserves from the scheme of arrangement	(147,034,858)	(147,034,858)
	(129,673,451)	(134,818,198)
Capital reserve comprises:		
Realised –		
Surplus on revaluation of property, plant and equipment	92,991	92,991
Retained earnings capitalised	98,167	98,167
Share redemption reserve	1,095,381	1,077,382
Unrealised –		
Translation reserve	10,668,078	9,261,931
Surplus on revaluation of property, plant and equipment	456,559	153,022
Share of movement in reserves of associate	-	(1,170,274)
Other	919,970	906,482
	13,331,146	10,419,701
Reserve from the scheme of arrangement	(147,034,858)	(147,034,858)
	(133,703,712)	(136,615,157)

44. Loan Loss Reserve

This is a non-distributable reserve for NCBJ representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 21).

45. Banking Reserve Fund

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

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

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

46. Retained Earnings Reserve

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

47. Cash Flows from Operating Activities

	Note	The Group	
		2021 $'000	2020 $'000
Net profit		20,075,606	26,883,412
Adjustments to reconcile net profit to net cash flow provided by operating activities:			
Depreciation	29	2,737,571	3,039,450
Amortisation of intangible assets	28	6,572,393	5,490,021
Credit impairment losses	13	3,385,126	10,284,994
Share of after tax profits of associates	24	(340,289)	(312,391)
Interest income	6/8	(74,574,816)	(74,421,878)
Interest expense	6	25,947,849	21,932,169
Income tax expense	15	6,519,927	690,064
Unrealised exchange gains on securitisation arrangements		(220,823)	(42,883)
Amortisation of upfront fees on securitisation arrangements		168,939	(405,327)
Amortisation of upfront fees on other borrowed funds		126,872	118,340
Unrealised exchange losses on other borrowed funds		1,941,650	2,784,722
Change in post-employment benefit obligations	40	1,037,766	1,240,881
Foreign exchange (gains) / losses	8	(536,950)	989,158
Gain on disposal of property, plant and equipment and intangible assets		(248,168)	(81,526)
Fair value and foreign exchange (gains) / losses on investment property	25	(2,021,873)	923,292
Fair value losses on derivative financial instruments		(68,478)	(653,735)
Changes in operating assets and liabilities:			
Statutory reserves at Central Bank		(5,695,533)	1,764,835
Pledged assets included in due from banks		(1,889,354)	923,105
Restricted cash included in due from banks		34,725	(175,717)
Reverse repurchase agreements		(1,378,370)	1,965,463
Loans and advances		(72,391,848)	(63,781,719)
Customer deposits		74,045,820	67,564,018
Repurchase agreements		13,535,704	36,398,779
Liabilities under annuity and insurance contracts		28,042,257	10,399,234
Other		(16,069,197)	28,616,376
Cash generated from operations		(11,339,100)	55,249,725
Interest received		73,106,382	112,196,486
Interest paid		(27,057,539)	(18,401,243)
Income tax paid		(16,330,016)	(5,536,204)
		18,379,727	143,508,764
Net cash provided by operating activities		38,455,333	170,392,176

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

48. Related Party Transactions and Balances

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

	The Group							
	Parent and companies controlled by major shareholder		Associated companies of the Group		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Loans and advances								
Balance at September 30	12,425	17,624	1,915,147	1,804,931	1,762,618	1,748,241	752,836	3,004,476
Interest income earned	1,112	1,847	29,326	25,965	80,884	105,037	44,136	86,919
Investment securities								
Balance at September 30	-	-	7,391,266	7,341,170	-	-	2,163,124	4,045,592
Interest income earned	-	-	266,120	289,060	-	-	84,052	24,781
Reverse repurchase agreements								
Balance at September 30	-	-	-	-	-	-	-	-
Interest income earned	-	-	-	-	-	-	-	-
Other assets								
Balance at September 30	1,073	-	-	-	-	12,430,707	-	371,720
Fee and commission income	31,940	35,409	43	116	104,710	10,082	596,458	600,636
Other operating income	-	-		-	-	4,001	1,218,487	960,345
Dividend income	-	-	21,729	20,772	-	-	42,434	115,160

BACK TO NOTES INDEX

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

BACK TO NOTES INDEX

48. Related Party Transactions and Balances (Continued)

	The Group (Continued)							
	Parent and companies controlled by major shareholder		Associated companies of the Group		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Customer deposits								
Balance at September 30	610,301	221,614	51,024	136,341	3,280,520	3,516,602	11,117,399	14,191,114
Interest expense	1,026	1,291	354	68	5,894	15,926	20,149	62,903
Repurchase agreements								
Balance at September 30	544,634	705,706	-	-	3,117,157	595,838	3,968,593	471,048
Interest expense	28,669	19,641	-	-	82,490	7,659	65,656	14,603
Borrowed Funds								
Balance at September 30	-	-	-	-	-	414,858	-	3,127
Interest expense	-	-	-	-	-	19,948	-	148
Other liabilities								
Balance at September 30	-	-	-	-	-	102,490	13,680	7,503
Operating expenses	57,091	51,895	-	-	617,907	533,398	773,921	1,757,998

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

48. Related Party Transactions and Balances (Continued)

	The Company					
	Parent, subsidiaries and companies controlled by major shareholder		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Loans and advances						
Balance at September 30	-	251,930	-	-	-	-
Interest income earned	5,317	14,414	-	-	-	-
Investment securities						
Balance at September 30	7,126,192	7,114,685	-	-	-	-
Interest income earned	498,822	456,247	-	-	-	-
Deposits with related party						
Balance at September 30	15,761,982	2,709,773	-	-	-	-
Interest income earned	19,240	172,784	-	-	-	-
Other assets						
Balance at September 30	335,125	2,338,473		12,464,486	-	-
Fee and commission income	3,500,000	4,393,467	-	-	-	-
Dividend income	15,545,046	14,652,184	-	-	-	-
Borrowed funds						
Balance at September 30	36,185,092	34,168,434	611,613	414,858	3,226	3,127
Interest expense	1,960,248	2,303,351	11,426	19,948	82	148
Other liabilities						
Balance at September 30	767,526	1,544,540	-	-	-	-
Operating Expenses	1,305,750	303,597	20,818	17,772	11,866	10,374

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

48. Related Party Transactions and Balances (Continued)

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Key management compensation:				
Salaries and other short-term benefits	8,284,540	7,713,878	3,943,539	4,333,624
Post-employment benefits	515,020	586,190	29,332	4,340
	8,799,560	8,300,068	3,972,871	4,337,964
Directors' emoluments:				
Fees	15,935	24,336	14,305	12,241
Management remuneration:				
Share benefits	1,319,765	1,266,006	1,319,765	1,266,006
Salaries and other benefits	2,328,425	1,858,815	2,328,425	1,858,815
	3,648,190	3,124,821	3,648,190	3,124,821

49. Financial Risk Management

The Group takes an enterprise-wide approach to the identification, measurement, monitoring, reporting and management of all its risks. The principal financial risks faced by the organisation are identified as: credit, market, interest rate and liquidity risks.

The Group's risk management framework guides its risk-taking activity and ensures that it is in conformity with regulatory requirements, applicable laws, the Group's risk appetite, shareholder expectations and standards of best practice. The framework incorporates a comprehensive risk governance structure and appropriate policies and procedures.

Risk Governance Structure

The Group's risk governance structure seeks to manage risk/reward by ensuring that revenue-generation activities are compliant with the Group's standards and risk tolerance, while maximising long term shareholder value. The Group's comprehensive risk governance structure incorporates: (a) oversight effected through the Board, Board committees and relevant management committees, (b) administrative controls effected through the establishment of policies, and (c) organisational controls effected through segregation of duties. These controls are reviewed on an ongoing basis to ensure that they provide effective governance of the Group's risk-taking activities.

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

Risk limits and benchmarks are integral to the risk management process, as they characterise the Group's risk tolerance and conform to regulatory requirements. Limits are established for:

(i) Credit and Counterparty risk - exposures to individuals, groups, counterparty, country;
(ii) Market risk - rate gap exposure, currency exposure, market value exposure; and
(iii) Liquidity risk - liquidity gaps, funding exposures/liability diversification and liquid assets levels.

Limits and benchmarks are monitored on an ongoing basis and reported to the relevant governance committees.

Policies & Procedures

Rigorous policies and operational procedures are established throughout the organisation and are approved by the relevant management personnel and/or governance committees.

These policies and procedures incorporate requirements for compliance monitoring, maintenance of contingency plans and the provision of reports to management and the relevant governance committees and/ or the Board of Directors.

COVID-19

The coronavirus pandemic (COVID-19) has continued to cause a contraction in all the economies in which the Group operates. The spread of the virus and stringent exit and entry protocols weighed on global travel and limited tourism demand. In addition, the downturn in global demand has also resulted in depressed oil and gas prices. The confluence of factors would have impacted to varying degrees, government revenue for the major territories. Our monitoring mechanisms were ramped up maintaining close surveillance of the health crisis, the economic impact on our major trading partners and the contagion effects. Our investment portfolios were impacted by the widening of credit spreads and foreign exchange changes which resulted in significant fall-off in asset prices. Our income would have been negatively impacted by waiver or reduction of fees associated with certain loan facilities and reduction in loan volumes due to contraction in economic activity.

(a) Credit risk

This is defined as potential for loss to the organisation arising from failure of a borrower, guarantor or counterparty to honour their contractual obligations to the Group.

The Group incurs credit and counterparty risk primarily in its loan business, reverse repurchase arrangements, and certain investment activities. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments. Credit risk management is facilitated by a cadre of loans officers and credit risk personnel, who together operate within a control framework which employs a hierarchical level of authorisations for transactions that expose the organisation to credit risk. Operating practices include the establishment of limits, ongoing monitoring of credit risk exposures, a disciplined approach to provisioning and loan loss evaluation in addition to ongoing reporting of portfolio exposures to the relevant governance committees and the regulators.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the **Financial Statements**
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Group to risks similar to loans and these are mitigated by the same control policies and processes.

COVID-19
The general assistance provided to our customers, extensions of moratoriums, payment deferrals and other accommodative activities expired the latter part of this financial year. Regulatory forbearance and other creditor related initiatives during the last financial year limited debtor default during this financial year but underlying vulnerabilities do persist. However, toward the latter part of our financial year, a significant portion of the accommodations expired and were not renewed. We continue to maintain close surveillance of the impacted customers to understand their circumstances and provide the appropriate lending support.

Credit review process
The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

The Group employs the following classifications in assessing its exposures to its borrowing customers. The classifications are in line with the Jamaican Central Bank regulations.

Standard
Special Mention
Sub-Standard
Doubtful
Loss

Exposure to credit risk is mitigated by the taking of financial or physical assets.

Collateral and other credit enhancements
The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

(i) Loans - mortgages over residential properties, charges over business assets such as premises, inventory and accounts receivable and charges over financial instruments such as debt securities.

(ii) Securities lending and reverse repurchase transactions – cash or securities.

The Group may also obtain guarantees from parent companies for loans to their subsidiaries.

Collateral values are monitored with a view to requesting additional collateral where market values are compromised or the terms in the loan agreements dictate.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below.

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

	The Group			
	2021			
	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets	**$000**	**$000**	**$000**	**$000**
Loans and advances	32,963,026	(11,475,004)	21,488,022	78,356,154
Debt securities	4,706,036	(101,171)	4,604,865	-
Total credit-impaired assets	37,669,062	(11,576,175)	26,092,887	78,356,154

	The Group			
	2020			
	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets	**$000**	**$000**	**$000**	**$000**
Loans and advances	25,612,125	(11,696,183)	13,915,942	32,421,744
Debt securities	4,254,058	(123,597)	4,130,461	40,822
Total credit-impaired assets	29,866,183	(11,819,780)	18,046,403	32,462,566

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Impairment loss provision methodology

Provisions for impairment losses are assessed under three categories as described below:

Sub-standard, Doubtful or Loss rated loans

The Group identifies substandard, doubtful or loss rated loans as determined by Bank of Jamaica Regulations. The calculated provision is adjusted by the future cash flow from the realisation of the related collateral.

Individually Significant, Standard and Special Mention loans

Individually significant loans are reviewed to determine whether the loans show objective evidence of impairment and to determine the extent of provision required. Impairment may be determined through assessment of a number of factors, which include:

(i) Any significant financial difficulty being experienced by the borrower.
(ii) Breach of contract, such as default term, delinquency in principal and interest.
(iii) High probability of bankruptcy or other financial reorganisation by the borrower.

Collectively assessed provisions

All loans, excluding those that are impaired, are assessed on a portfolio basis where possible, in order to reflect the homogenous nature of the loans. The provision is determined by a quantitative review of the respective portfolios.

The tables below show the loans and the associated impairment provision for each internal rating class:

	The Group			
	2021		2020	
	Loans $'000	Impairment provision $'000	Loans $'000	Impairment provision $'000
Standard	432,385,147	3,455,092	430,460,508	6,957,494
Special Mention	69,945,681	689,455	13,137,707	325,344
Sub-Standard	5,441,392	505,817	5,564,899	1,118,571
Doubtful	10,726,011	3,151,131	10,869,493	4,633,356
Loss	16,428,594	7,692,340	7,351,249	5,553,129
	534,926,825	15,493,835	467,383,856	18,587,894

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

The credit quality of loans is summarised as follows:

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Unimpaired	503,900,435	442,670,598	-	-
Impaired	31,026,390	24,713,258	-	-
Gross	534,926,825	467,383,856	-	-
Less: provision for credit losses	(15,493,835)	(18,587,894)	-	-
Net	519,432,990	448,795,962	-	-

The ageing analysis of past due but not impaired loans is as follows:

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Less than 30 days	86,486,964	76,348,094	-	-
31 to 60 days	5,841,661	14,280,307	-	-
61 to 90 days	6,527,979	8,798,714	-	-
Greater than 90 days	1,340,202	1,414,630	-	-
	100,196,806	100,841,745	-	-

Of the aggregate amount of gross past due but not impaired loans $88,561,050,000 was secured as at September 30, 2021 (2020 – $19,756,243,000).

Restructured loans
Restructuring activities include extended payment arrangements, approved external management plans, and modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Restructured loans (continued)

The determination of whether a loan would qualify for renegotiation is made only if all factors indicate that the borrower is able to repay in full (including interest). In making this assessment, the Group takes its historic experience with the borrowers, their expected future cash flows, collateral valuations and any guarantees into consideration. Therefore, at the time of modification, all renegotiated loans are interest bearing with interest being calculated using the terms of the modified loan.

All renegotiated loans are individually assessed for impairment as the active renegotiation of a loan as a result of borrower difficulty, is considered a trigger for determining whether the loan should be tested for impairment. In carrying out its assessment, the Group uses the same methodology as with any other loan in the portfolio that exhibits other objective evidence of impairment. These loans are, however, actively monitored for at least 12 months from the time of renegotiation to determine whether circumstances have changed that would result in the loan being impaired or whether there should be an increase in the current level of impairment.

Credit risk exposure

The table below represents a worst case scenario of credit risk exposure of the Group and the Company at the date of the statement of financial position, without taking account of any collateral held or other credit enhancements. For on-statement of financial position assets, the exposures set out below are based on net carrying amounts as reported in the statement of financial position.

	The Group		The Company	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
Credit risk exposures relating to on-statement of financial position assets:				
Balances with Central Banks	69,134,649	74,039,589	-	-
Due from banks	182,138,173	169,992,284	15,797,132	2,760,873
Derivative financial instruments	767,441	653,735		-
Reverse repurchase agreements	9,667,060	9,518,854	-	251,893
Loans and advances, net of credit impairment losses	523,488,890	452,954,936	-	-
Investment securities	813,279,289	780,623,376	7,126,178	7,114,685
Customers' liability – letters of credit and undertaking	4,801,671	3,618,540	-	-
Reinsurance assets	26,635,997	26,532,008	-	-
Other assets	39,029,972	32,271,051	936,044	13,707,012
	1,668,943,142	,550,204,373	23,859,354	23,834,463
Credit risk exposures relating to off-statement of financial position items:				
Credit commitments	75,682,903	65,777,372	-	-
Acceptances, guarantees and indemnities	11,145,801	13,152,574	-	-
	86,828,704	78,929,946	-	-

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposures

(i) Loans

The majority of loans are made to customers in Jamaica and Bermuda. The following table summarises the credit exposure for loans at their carrying amounts, as categorised by the industry sectors:

	The Group		The Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Agriculture	8,270,546	9,205,419	-	-
Public Sector	20,618,152	9,021,595	-	-
Construction and land development	18,590,766	19,621,656	-	-
Other financial institutions	18,950,419	8,079,934	-	250,000
Distribution	53,787,303	44,839,821	-	-
Electricity, water & gas	11,553,497	12,057,964	-	-
Entertainment	961,771	1,117,331	-	-
Manufacturing	9,280,850	8,105,729	-	-
Mining and processing	119,414	173,704	-	-
Personal	262,075,466	250,692,640	-	-
Professional and other services	34,010,989	27,235,685	-	-
Tourism	52,522,889	42,825,463	-	-
Transportation storage and communication	3,285,681	2,490,606	-	-
Overseas residents	40,899,082	31,916,309	-	-
Total	534,926,825	467,383,856	-	250,000
Expected credit losses	(15,493,835)	(18,587,894)	-	(37)
	519,432,990	448,795,962	-	249,963
Interest receivable	4,055,900	4,158,974	-	1,930
Net	523,488,890	452,954,936	-	251,893

(ii) Debt securities

The following table summarises the credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	The Group	
	2021 $'000	2020 $'000
Government of Jamaica and Bank of Jamaica	335,387,017	323,373,333
Other corporate bonds	178,774,457	164,566,839
Foreign governments	289,093,741	284,062,982
	803,255,215	772,003,154
Expected credit losses	(938,325)	(1,008,762)
Interest receivable	10,962,399	9,628,984
	813,279,289	780,623,376

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk

The following tables contain an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised at September 30, 2021.

	The Group				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	$000	$000	$000	$000	$000
Risk rating					
Low	272,595,586	-	-	-	272,595,586
Medium	401,354,061	7,816,708	-	615,792	409,786,561
High	2,101,877	2,103,988	-	-	4,205,865
Default	64,729	12,061	-	3,989,072	4,065,862
Gross carrying amount	676,116,253	9,932,757	-	4,604,864	690,653,874
Loss allowance on amortised cost	(622,858)	(315,467)	-	-	(938,325)
Carrying amount	675,493,395	9,617,290	-	4,604,864	689,715,549

	The Group				
	ECL staging				
	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	$000	$000	$000	$000	$000
Risk rating					
Low	268,016,627	-	-	-	268,016,627
Medium	377,243,878	3,788,577	-	1,388,405	382,420,860
High	4,456,284	637,937	-	-	5,094,221
Default	-	-	73,271	3,534,874	3,608,145
Gross carrying amount	649,716,789	4,426,514	73,271	4,923,279	659,139,853
Loss allowance on amortised cost	(710,722)	(265,701)	(32,339)	-	(1,008,762)
Carrying amount	649,006,067	4,160,813	40,932	4,923,279	658,131,091

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

	The Group				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	269,174,322	81,688,387	217,441	-	351,080,150
Medium	99,112,574	47,276,016	305,485	-	146,694,075
High	825,440	4,004,012	15,873,137	-	20,702,589
Default	-	-	16,450,011	-	16,450,011
Gross carrying amount	369,112,336	132,968,415	32,846,074	-	534,926,825
Loss allowance	(1,186,840)	(2,830,379)	(11,476,616)	-	(15,493,835)
Carrying amount	367,925,496	130,138,036	21,369,458	-	519,432,990

	The Group				
	ECL staging				
	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	211,348,611	91,352,844	212,294	-	302,913,749
Medium	84,844,710	46,354,111	454,014	-	131,652,835
High	1,472,219	4,951,385	14,993,312	-	21,416,916
Default	-	157,009	11,243,347	-	11,400,356
Gross carrying amount	297,665,540	142,815,349	26,902,967	-	467,383,856
Loss allowance	(1,888,748)	(4,968,915)	(11,730,231)	-	(18,587,894)
Carrying amount	295,776,792	137,846,434	15,172,736	-	448,795,962

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the
Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

	The Group				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE and OTHER ASSETS	$000	$000	$000	$000	$000
Risk rating					
Low	153,877,360	7,931,333	-	-	161,809,693
Medium	63,882,051	14,041,145	-	-	77,923,196
High	2,416,706	8,323,936	25,553	-	10,766,195
Default	-	-	459,263	-	459,263
Gross carrying amount	220,176,117	30,296,414	484,816	-	250,957,347
Loss allowance	(427,636)	(4,931,958)	(454,469)	-	(5,814,063)
Carrying amount	219,748,481	25,364,456	30,347	-	245,143,284

	The Group				
	ECL staging				
	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE and OTHER ASSETS	$000	$000	$000	$000	$000
Risk rating					
Low	155,122,170	7,234,816	-	-	162,356,986
Medium	43,347,625	13,188,379	-	-	56,536,004
High	3,096,589	6,316,881	14,549	-	9,428,019
Default	-	-	582,147	-	582,147
Gross carrying amount	201,566,384	26,740,076	596,696	-	228,903,156
Loss allowance	(605,945)	(3,455,051)	(559,558)	-	(4,620,554)
Carrying amount	200,960,439	23,285,025	37,138	-	224,282,602

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

	The Company				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	$000	$000	$000	$000	$000
Risk rating					
Low	7,126,191	-	-	-	7,126,191
Gross carrying amount	7,126,191	-	-	-	7,126,191

	The Company				
	ECL staging				
	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	$000	$000	$000	$000	$000
Risk rating					
Low	7,114,685	-	-	-	7,114,685
Gross carrying amount	7,114,685	-	-	-	7,114,685

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

	The Company				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	$000	$000	$000	$000	$000
Risk rating					
Low	-	-	-	-	-
Gross carrying amount					
Loss allowance	-	-	-	-	-
Carrying amount	-	-	-	-	-

	The Company				
	ECL staging				
	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	$000	$000	$000	$000	$000
Risk rating					
Low	251,930	-	-	-	251,930
Gross carrying amount	251,930	-	-	-	251,930
Loss allowance	(37)	-	-	-	(37)
Carrying amount	251,893	-	-	-	251,893

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

	The Company				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE and OTHER ASSETS	$000	$000	$000	$000	$000
Risk rating					
Low	16,712,402	-	-	-	16,712,402
Gross carrying amount	16,712,402	-	-	-	16,712,402
Loss allowance	-	-	-	-	-
Carrying amount	16,712,402	-	-	-	16,712,402

	The Company				
	ECL staging				
	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE and OTHER ASSETS	$000	$000	$000	$000	$000
Risk rating					
Low	16,467,884	-	-	-	16,467,884
Gross carrying amount	16,467,884	-	-	-	16,467,884
Loss allowance	-	-	-	-	-
Carrying amount	16,467,884	-	-	-	16,467,884

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

The following tables contain an analysis of the expected credit losses. For debt securities, the amounts disclosed include instruments at amortised cost (ECL disclosed in maximum exposure to credit risk) and FVOCI:

	The Group				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	200,806	-	-	-	200,806
Medium	1,967,904	440,329	-	-	2,408,233
High	348,739	502,601	-	-	851,340
Default	-	-	12,061	-	12,061
Loss allowance	2,517,449	942,930	12,061	-	3,472,440

	The Group				
	ECL staging				
	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	211,057	-	-	-	211,057
Medium	1,815,582	245,295	-	-	2,060,877
High	656,758	82,482	-	-	739,240
Default	-	-	32,448	-	32,448
Loss allowance	2,683,397	327,777	32,448	-	3,043,622

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

	The Group				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	748,789	1,390,465	2,062	-	2,141,316
Medium	428,396	1,277,696	21,743	-	1,727,835
High	9,655	162,218	3,757,005	-	3,928,878
Default	-	-	7,695,806	-	7,695,806
Loss allowance	1,186,840	2,830,379	11,476,616	-	15,493,835

	The Group				
	ECL staging				
	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	1,076,042	2,743,968	5,398	-	3,825,408
Medium	781,546	1,961,975	17,340	-	2,760,861
High	31,137	105,964	3,908,511	-	4,045,612
Default	-	157,009	7,799,004	-	7,956,013
Loss allowance	1,888,725	4,968,916	11,730,253	-	18,587,894

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

	The Group				
	ECL staging				
	2021				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
DUE FROM BANKS, REINSURANCE and OTHER ASSETS	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	58,624	72,473	-	-	131,097
Medium	335,228	3,195,036	-	-	3,530,264
High	34,230	1,664,449	25,553	-	1,724,232
Default	-	-	428,916	-	428,916
Loss allowance	428,082	4,931,958	454,469	-	5,814,509

	The Group				
	ECL staging				
	2020				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
DUE FROM BANKS, REINSURANCE and OTHER ASSETS	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	155,853	305,246	-	-	461,099
Medium	265,198	1,625,585	-	-	1,890,783
High	184,894	1,524,220	6,783	-	1,715,897
Default	-	-	552,775	-	552,775
Loss allowance	605,945	3,455,051	559,558	-	4,620,554

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)
(a) Credit risk (continued)

	The Company				
	ECL staging				
	2021				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
DEBT SECURITIES	$000	$000	$000	$000	$000
Risk rating					
Low	2,119	-	-	-	2,119
Loss allowance	2,119	-	-	-	2,119

	The Company				
	ECL staging				
	2020				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	Total
DEBT SECURITIES	$000	$000	$000	$000	$000
Risk rating					
Low	1,634	-	-	-	1,634
Loss allowance	1,634	-	-	-	1,634

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	$000	$000	$000	$000	$000
Risk rating					
Low	-	-	-	-	-
Loss allowance	-	-	-	-	-

	ECL staging				
	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	$000	$000	$000	$000	$000
Risk rating					
Low	25	-	-	-	25
Loss allowance	25	-	-	-	25

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

	The Company				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS and OTHER ASSETS	$000	$000	$000	$000	$000
Risk rating					
Low	-	-	-	-	-
Gross carrying amount	-	-	-	-	-

	The Company				
	ECL staging				
	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS and OTHER ASSETS	$000	$000	$000	$000	$000
Risk rating					
Low	-	-	-	-	-
Gross carrying amount	-	-	-	-	-

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the
Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	The Group				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2020	2,683,397	327,777	32,448	-	3,043,622
Transfers:					
Transfer from Stage 1 to Stage 2	(181,041)	181,041	-	-	-
Transfer from Stage 2 to Stage 3	-	(71,671)	71,671	-	-
Transfer from Stage 2 to Stage 1	269,545	(269,545)	-	-	-
Transfer from Stage 3 to Stage 2	-	60,456	(60,456)	-	-
New financial assets originated or purchased	954,658	-	-	-	954,658
Financial assets derecognised during the period	(630,413)	(3,709)	-	-	(634,122)
Write offs	-	-	(32,777)	-	(32,777)
Changes to principal	(158,115)	34,490	-	-	(123,625)
Changes to input to ECL model	(562,276)	696,963	-	-	134,687
Foreign exchange movement	141,694	(12,872)	1,175	-	129,997
Loss allowance as at September 30, 2021	2,517,449	942,930	12,061	-	3,472,440

	The Group				
	ECL staging				
	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2019	2,866,986	363,625	363,215	-	3,593,826
Transfers:					
Transfer from Stage 1 to Stage 2	(175,597)	175,597	-	-	-
Transfer from Stage 1 to Stage 3	(32,448)	-	32,448	-	-
Transfer from Stage 2 to Stage 1	102,443	(102,443)	-	-	-
New financial assets originated or purchased	1,195,477	58,131	-	-	1,253,608
Financial assets derecognised during the period	(568,714)	(13,401)	(362,581)	-	(944,696)
Changes to principal	(5,631)	(33,286)	-	-	(38,917)
Changes to input to ECL model	(581,570)	(114,595)	-	-	(696,165)
Foreign exchange movement	(117,549)	(5,851)	(634)	-	(124,034)
Loss allowance as at September 30, 2020	2,683,397	327,777	32,448	-	3,043,622

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

	The Group ECL staging 2021				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2020	**1,888,725**	**4,968,916**	**11,730,253**	**-**	**18,587,894**
Transfers:					
Transfer from Stage 1 to Stage 2	(245,802)	245,802	-	-	-
Transfer from Stage 1 to Stage 3	(11,777)	-	11,777	-	-
Transfer from Stage 2 to Stage 3	-	(326,844)	326,844	-	-
Transfer from Stage 2 to Stage 1	266,882	(266,882)	-	-	-
Transfer from Stage 3 to Stage 1	(2,263)	-	2,263	-	-
Transfer from Stage 3 to Stage 2	-	(37,469)	37,469	-	-
New financial assets originated or purchased	306,410	402,769	5,139,386	-	5,848,565
Financial assets derecognised during the period	(117,875)	(994,643)	(128,469)	-	(1,240,988)
Write offs	-	-	(4,900,227)	-	(4,900,227)
Changes to principal	806,550	874,634	36,617	-	1,717,801
Changes to input to ECL model	(1,717,162)	(2,063,130)	(938,803)	-	(4,719,095)
Foreign exchange movement	13,152	27,226	159,506	-	199,884
Loss allowance as at September 30, 2021	**1,186,840**	**2,830,379**	**11,476,616**	**-**	**15,493,835**

	The Group ECL staging 2020				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2019	**1,594,326**	**2,036,564**	**9,526,730**	**-**	**13,157,620**
Transfers:					
Transfer from Stage 1 to Stage 2	(696,236)	696,236	-	-	-
Transfer from Stage 1 to Stage 3	(23,600)	-	23,600	-	-
Transfer from Stage 2 to Stage 3	-	(174,144)	174,144	-	-
Transfer from Stage 2 to Stage 1	500,052	(500,052)	-	-	-
Transfer from Stage 3 to Stage 1	16,253	-	(16,253)	-	-
Transfer from Stage 3 to Stage 2	-	8,556	(8,556)	-	-
New financial assets originated or purchased	1,138,238	852,942	2,550,094	-	4,541,274
Financial assets derecognised during the period	(853,054)	(1,394,609)	(2,857,579)	-	(5,105,242)
Write offs	-	-	(4,932,507)	-	(4,932,507)
Changes to principal	415,983	(247,394)	5,682,975	-	5,851,564
Changes to input to ECL model	(205,414)	3,698,018	1,587,019	-	5,079,623
Foreign exchange movement	2,177	(7,201)	586		(4,438)
Loss allowance as at September 30, 2020	**1,888,725**	**4,968,916**	**11,730,253**	**-**	**18,587,894**

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

	The Group				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE ASSET and OTHER ASSETS	$000	$000	$000	$000	$000
Loss allowance as at October 1, 2020	605,945	3,455,051	559,558	-	4,620,554
Stage 2 to 3	-	(95,228)	95,228	-	-
New financial assets originated or purchased	49,405	-	-	-	49,405
Financial assets derecognised during the period	(9,291)	90,087	-	-	80,796
Write offs	(304)	(142,191)	(298,525)	-	(441,020)
Changes to principal	1,041	672	49,176	-	50,889
Changes to inputs to ECL model	(265,901)	1,479,351	18,850	-	1,232,300
Foreign exchange changes	47,187	144,216	30,182	-	221,585
Loss allowance as at September 30, 2021	428,082	4,931,958	454,469	-	5,814,509

	The Group				
	ECL staging				
	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE ASSET and OTHER ASSETS	$000	$000	$000	$000	$000
Loss allowance as at October 1, 2019	425,831	2,282,331	327,607	-	3,035,769
Stage 1 to 2	(71,575)	71,575	-	-	-
Stage 1 to 3	(2,659)	-	2,659	-	-
Stage 2 to 3	-	(63)	63	-	-
Stage 2 to 1	17,187	(17,187)	-	-	-
New financial assets originated or purchased	65,536	62,238	-	-	127,774
Financial assets derecognised during the period	6,636	7,055	-	-	13,691
Write offs	-	(602,411)	(44,716)	-	(647,127)
Changes to principal	-	(126)	187,762	-	187,636
Changes to input to ECL model	137,268	1,479,881	52,232	-	1,669,381
Foreign exchange changes	27,721	171,758	33,951		235,430
Loss allowance as at September 30, 2020	605,945	3,455,051	559,558	-	4,620,554

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

	The Company ECL staging 2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2020	1,634	-	-	-	1,634
Transfers:					
New financial assets originated or purchased	485	-	-	-	485
Loss allowance as at September 30, 2021	2,119	-	-	-	2,119

	The Company ECL staging 2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2019	1,408	-	-	-	1,408
Transfers:					
New financial assets originated or purchased	226	-	-	-	226
Loss allowance as at September 30, 2020	1,634	-	-	-	1,634

	The Company ECL staging 2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2020	37	-	-	-	37
Transfers:					
Financial assets derecognised	(37)	-	-	-	(37)
Loss allowance as at September 30, 2021	-	-	-	-	-

	The Company ECL staging 2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2019	47	-	-	-	47
Transfers:					
New financial assets originated or purchased	(10)	-	-	-	(10)
Loss allowance as at September 30, 2020	37	-	-	-	37

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

	The Company				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE ASSET and OTHER ASSETS	$000	$000	$000	$000	$000
Loss allowance as at October 1, 2020	-	-	-	-	-
Transfers:					
Financial assets derecognised during the period	-	-	-	-	-
Loss allowance as at September 30, 2021	-	-	-	-	-

	The Company				
	ECL staging				
	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE ASSET and OTHER ASSETS	$000	$000	$000	$000	$000
Loss allowance as at October 1, 2019	29	-	-	-	29
Transfers:					
Financial assets derecognised during the period	(29)	-	-	-	(29)
Loss allowance as at September 30, 2020	-	-	-	-	-

BACK TO NOTES INDEX

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

The most significant period-end assumptions used for the ECL estimate are set out in the tables below

At October 1, 2020 and September 30, 2021

Economic variable assumptions for exposure – securities

Macroeconomic variables used in the Group's ECL models for securities include, but are not limited to, Global Gross Domestic Product growth, Global Consumer Price Index and interest rates. The impact of these economic variables has been determined by performing statistical analysis to understand that a correlation exists between certain variables. The PDs and LGDs are impacted by long-term changes in the various data sets gathered from external rating agencies (Standard & Poor, Moody's) and the International Monetary Fund. Macroeconomic variable assumptions in the expected credit loss models include Global Gross Domestic Product growth of 5.9 (2020: -3.70) and Global Consumer Price Index 4.79 (2020: 4.40).

Economic variable assumptions for exposure – loans and advances

For lending operations in Jamaica and Trinidad and Tobago, management has examined the information within the market and selected economic metrics that have a significant correlation to credit losses.

Expected state for the next 12 months		Jamaica	Trinidad
GDP growth	Base	Stable	Stable
	Upside	Positive	Positive
	Downside	Negative	Negative
Inflation	Base	Negative	Negative
	Upside	Stable	Stable
	Downside	Negative	Negative

In the Bermuda subsidiaries macroeconomic variables include, but are not limited to, unemployment rates, collateral normalization rates and interest rates. The impact of these economic variables has been determined by performing statistical analyses to confirm that a correlation exists between certain variables, mainly default rates. The PD is impacted by changes in unemployment rate data gathered from an external rating agency. Collateral normalisation rate changes impact the LGD and interest rates estimations will impact future year balances in the calculation of ECL. The impact of any reasonably possible fluctuations in these variables is considered by management to be immaterial.

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the
Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Sensitivity analysis
Set out below are the changes in ECL as at September 30, 2021 that would result from a reasonably possible change in the PDs and LGDs used by the Group:

PD Sensitivity

	The Group		
	2021		
			Impact on ECL
Financial Assets	**Actual PD ranges applied**	**% Change in PD**	**Impact**
			$'000
Debt securities	0.003% – 2.39%	+/- 30%	994,635
Loans and advances	0% - 0.19%	+/- 30%	951,318
Repurchase agreements	0.003% - 0.01%	+/- 30%	10,398
Cash and cash equivalents	0.0003% - 0.01%	+/- 30%	113,298
Commitments, guarantees & LCs			4,321
Total			2,073,970

	The Group		
	2020		
			Impact on ECL
Financial Assets	**Actual PD ranges applied**	**% Change in PD**	**Impact**
			$'000
Debt securities	0.003% - 40.2%	+/- 30%	915,686
Loans and advances	0% - 0.074%	+/- 30%	2,387,985
Repurchase agreements	0.0313% - 0.449%	+/- 30%	1,686
Cash and cash equivalents	0.002% - 0.007%	+/- 30%	103,207
Commitments, guarantees & LCs	0.1512% -0.688%	+/- 30%	15,326
Total			3,423,890

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(b) Liquidity risk

The Group's liquidity risk policy is designed to ensure that it can meet cash obligations when they fall due and take advantage of unanticipated earnings enhancement opportunities.

Liquidity management within the Group, which incorporates funding risk management, ensures that there is a sufficient level of liquid assets available in addition to stable funding lines to meet on-going cash commitments even during periods of stress. The management of liquidity risk is executed within a framework which comprises:

(i) Oversight by relevant governance committees;

(ii) Daily management of liquidity by the relevant treasury/investment units within each Group company;

(iii) Use of tools to measure the Group's exposures;

(iv) Establishment and monitoring of limits/benchmarks for maturity mismatches and funding concentrations;

(v) Diversification of funding sources;

(vi) Maintenance of committed lines of credits; and

(vii) Monitoring of adherence to regulatory ratios.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group's liquidity exposure. It is unusual for companies to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Subsequent to the initial impact of the **COVID-19** pandemic, liability run off moderated during the financial year. Our liquidity positioning was strong, bolstered by fund raising activities completed at close of the prior year, thereby enabling the Group to meet its contractual and regulatory obligations.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities

The tables below present the contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the financial assets (expected) and liabilities (contractual and expected) based on the remaining period.

	The Group					
	Within 1 Month $'000	**2 to 3 Months $'000**	**4 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
As at September 30, 2021:						
Due to Banks	7,471,318	6,984,241	-	12,290,421	-	26,745,980
Customer deposits	556,402,985	27,065,509	54,441,558	14,034,613		651,944,665
Repurchase agreements	65,126,052	79,837,732	37,917,136	45,672,781	6,217,151	234,770,852
Obligations under securitisation arrangements	3,107,220	480,199	10,762,256	35,924,246	27,854,997	78,128,918
Other borrowed funds	7,719,196	19,067,848	16,749,392	111,119,139	15,040,553	169,696,128
Third party interests in mutual funds	33,699,975	-	-	-	-	33,699,975
Lease liabilities	126,383	207,374	825,813	3,260,892	1,516,840	5,937,302
Liabilities under annuity , insurance and investment contracts	1,761,356	3,840,631	45,428,079	118,641,898	813,958,609	983,630,573
Segregated fund liabilities	10,889	31,280	154,946	1,117,335	14,105,029	15,419,479
Other	57,828,017	-	-	-	-	57,828,017
Total financial liabilities (contractual maturity dates)	733,253,391	137,514,814	166,279,180	342,061,325	878,693,179	2,257,801,889
Total financial liabilities (expected maturity dates)	195,988,083	150,856,423	170,181,031	417,003,184	1,319,457,818	2,253,486,540
Total financial assets (expected maturity dates)	209,615,995	14,525,617	183,346,618	631,035,332	1,311,025,791	2,349,549,353

	The Group					
	Within 1 Month $'000	**2 to 3 Months $'000**	**4 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
As at September 30, 2020:						
Due to Banks	10,473,893	11,449,827	10,310,123	297,117	-	32,530,960
Customer deposits	447,637,075	29,650,682	57,036,287	15,972,126	-	550,296,170
Repurchase agreements	66,659,756	60,011,798	83,083,591	1,302,685	4,002,052	215,059,882
Obligations under securitisation arrangements	515,728	392,272	907,999	30,628,584	66,926,509	99,371,092
Other borrowed funds	3,687,953	12,910,451	16,090,984	100,158,495	21,791,904	154,639,787
Third party interests in mutual funds	27,948,926	-	-	-	-	27,948,926
Lease liabilities	1,983,980	195,585	542,930	1,711,562	163,938	4,597,995
Liabilities under annuity , insurance and investment contracts	1,534,291	3,767,547	39,080,450	98,960,382	720,183,373	863,526,043
Segregated fund liabilities	12,965	93,135	405,302	1,218,198	13,344,367	15,073,967
Other	65,688,482	-	-	-	-	65,688,482
Total financial liabilities (contractual maturity dates)	626,143,049	118,471,297	207,457,666	250,249,149	826,412,143	2,028,733,304
Total financial liabilities (expected maturity dates)	148,547,731	116,761,338	228,640,710	348,202,749	1,196,266,570	2,038,419,098
Total financial assets (expected maturity dates)	243,712,063	61,099,826	170,504,748	556,401,757	1,068,700,997	2,100,419,391

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

	The Company					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2021:						
Due to banks	-	520,024	-	17,263,197	-	17,783,221
Other borrowed funds	552,675	653,737	8,070,314	87,228,514	-	96,505,240
Other	2,153,737	-	-	-	-	2,153,737
Total financial liabilities (contractual maturity dates)	2,706,412	1,173,761	8,070,314	104,491,711	-	116,442,198
Total financial liabilities (expected maturity dates)	2,706,412	1,173,761	8,070,314	104,491,711	-	116,442,198
Total financial assets (expected maturity dates)	16,647,439	245,671	-	2,211,041	8,955,973	28,060,124

	The Company					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2020:						
Due to banks	-	2,814,244	10,651,090	168,655	-	13,633,989
Other borrowed funds	41,126	3,426,512	31,272,543	50,470,127	-	85,210,308
Other	-	1,808,394	-	-	-	1,808,394
Total financial liabilities (contractual maturity dates)	41,126	8,049,150	41,923,633	50,638,782	-	100,652,691
Total financial liabilities (expected maturity dates)	41,126	8,049,150	41,923,633	50,638,782	-	100,652,691
Total financial assets (expected maturity dates)	17,667,885	229,370	257,247	2,064,329	9,256,301	29,475,132

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection, investment securities and other eligible bills, loans and advances to banks, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financial institutions.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

Off-statement of financial position items

The tables below show the contractual expiry by maturity of commitments.

	The Group			
	No later than 1 year $'000	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
At September 30, 2021				
Credit commitments	73,048,633	1,001,582	1,632,688	75,682,903
Guarantees, acceptances and other financial facilities	5,774,946	2,633,185	2,737,670	11,145,801
Capital commitments	5,828,043	234,469	-	6,062,512
	84,651,622	3,869,236	4,370,358	92,891,216
At September 30, 2020				
Credit commitments	48,901,692	16,230,139	645,541	65,777,372
Guarantees, acceptances and other financial facilities	9,190,310	1,610,382	2,351,882	13,152,574
Capital commitments	5,660,761	2,548,357	-	8,209,118
	63,752,763	20,388,878	2,997,423	87,139,064

Capital commitments are in relation to approved expenditures for property, plant, equipment and computer software that were unused as at the end of the respective financial years either because they relate to work in progress or are awaiting the start of the project. Of the total capital commitments, planned expenditure valuing $1,094,360,000 (2020 – $637,532,000) for the Group has already been contracted.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(c) Market risk

The Group takes on exposure to market risk, which is defined as the potential for loss arising from changes in the market value of the organisation's financial instruments due to changes in certain market variables, such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads.

The Group incurs market risk primarily in treasury, trading and banking activities. The Group takes a comprehensive governance approach in accordance with the enterprise-wide risk management framework. This includes:

- Oversight provided by the relevant governance committees.
- An independent market risk oversight function.
- The utilisation of tools and models to measure market risk exposure.
- Limit setting mechanisms and a monitoring process.
- The utilisation of scenario analysis and of stress testing for worst case events.

COVID-19

Our investment portfolios were impacted by the widening of credit spreads resulting in significant fall-off in asset prices at the beginning of the pandemic. We maintained surveillance of the portfolios to determine if any action would have been required to protect the Group's balance sheet. During the financial year we observed continued improvements across the financial asset classes, which returned to pre-COVID levels.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Group takes an open position in a currency. To control this exchange risk, the Group has approved limits for net open positions in each currency for both intra-day and overnight.

The Group also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to be settled. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

COVID-19

The tourism sector is a significant foreign currency generator for most of the countries in which we operate. The cessation in travel for the first months of the pandemic severely impacted foreign currency inflows which resulted in increased foreign currency volatility during the prior financial year. This necessitated aggressive management of our currency exposures. During the financial year, foreign currency inflows from the tourism sector improved as rollout of vaccination programs globally supported the return of travel. The Group continues to actively manage foreign currency exposures.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-statement of financial position financial instruments

The tables below summarise the Group's and the Company's exposure to foreign currency exchange rate risk as at the date of the statement of financial position.

	J$	US$	BMD
September 30, 2021	**$'000**	**$'000**	**$'000**
Assets			
Cash in hand and balances at Central Banks	31,049,481	33,115,009	1,842
Due from banks	3,612,806	76,809,840	3,907,039
Reverse repurchase agreements	4,656,980	5,010,080	-
Loans and advances net of provision for credit losses	285,352,684	130,245,591	87,173,428
Investment securities	228,499,228	403,799,650	6,536,207
Derivative financial instruments	-	767,441	-
Reinsurance assets	1,720,241	10,604,004	-
Other	7,997,741	10,712,641	999
Total financial assets	562,889,161	671,064,256	97,619,515
Liabilities			
Due to banks	1,237,015	22,640,192	-
Customer deposits	273,804,724	231,994,397	100,573,051
Repurchase agreements	66,330,139	146,764,843	4,217,111
Obligations under securitisation arrangements	-	63,693,363	-
Other borrowed funds	26,394,683	59,863,931	740,477
Liabilities under annuity , insurance and investment contracts	71,221,374	31,020,492	-
Lease liabilities	1,388,592	2,016,577	-
Derivative financial instruments	-	45,228	-
Segregated fund liabilities	15,419,433	-	-
Third party interest in mutual funds	-	10,780,453	-
Other	18,359,766	10,961,866	1,205,531
Total financial liabilities	474,155,726	579,781,342	106,736,170
Net on-statement of financial position	88,733,435	91,282,914	(9,116,655)
Guarantees, acceptances and other financial facilities	101,706	8,892,422	-
Credit commitments	51,321,740	17,089,210	7,271,953

BACK TO NOTES INDEX

The Group						
GBP	**EURO**	**TT**	**CAD**	**NAF**	**Other**	**Total**
$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
1,917,003	14,737	1,243,533	442,791	-	1,350,253	69,134,649
12,432,394	9,420,222	21,039,162	5,064,311	40,267,402	9,584,997	182,138,173
-	-	-	-	-	-	9,667,060
369	1,921,868	7,119,760	-	11,671,055	4,135	523,488,890
3,099,507	865,933	201,111,170	5,683,497	41,753,347	9,163,656	900,512,195
-	-	-	-	-	-	767,441
3,132,867	4,869,680	1,157,073	-	2,376,966	2,775,166	26,635,997
8,508	4,775,951	5,315,337	103	5,304,887	4,913,805	39,029,972
20,590,648	21,868,391	236,986,035	11,190,702	101,373,657	27,792,012	1,751,374,377
141,325	23,012	-	60,275	-	2,540	24,104,359
15,526,492	3,255,445	15,794,165	5,998,397	-	138,729	647,085,400
-	-	7,493,294	-	-	-	224,805,387
-	-	-	-	-	-	63,693,363
-	-	51,034,248	-	-	-	138,033,339
3,601,436	11,112,465	208,141,942	-	136,022,787	15,709,131	476,829,627
250,868	-	7,056	1,379,223	328,526	6,670	5,377,512
-	-	-		-	-	45,228
-	-	-	-	-	-	15,419,433
-	-	22,919,522	-	-	-	33,699,975
525,609	5,899,598	6,009,490	122,750	7,893,068	6,850,339	57,828,017
20,045,730	20,290,520	311,399,717	7,560,645	144,244,381	22,707,409	1,686,921,640
544,918	1,577,871	(74,413,682)	3,630,057	(42,870,724)	5,084,603	64,452,737
-	-	-	-	2,151,673	-	11,145,801
-	-	-	-	-	-	75,682,903

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-statement of financial position financial instruments (continued)

	J$	US$	BMD
September 30, 2020	**$'000**	**$'000**	**$'000**
Assets			
Cash in hand and balances at Central Banks	46,160,240	23,384,303	924,465
Due from banks	10,799,022	85,390,411	1,948,451
Reverse repurchase agreements	3,921,613	5,597,241	-
Loans and advances net of provision for credit losses	242,590,013	109,025,839	80,113,585
Investment securities	228,091,358	402,034,940	-
Derivative financial instruments	287,758	365,977	-
Reinsurance assets	1,255,170	11,448,283	-
Other	18,117,828	10,041,829	2,416,883
Total financial assets	551,223,002	647,288,823	85,403,384
Liabilities			
Due to banks	1,217,725	28,702,909	-
Customer deposits	251,926,192	210,007,491	85,681,883
Repurchase agreements	68,782,566	140,791,814	-
Obligations under securitisation arrangements	-	71,859,041	-
Other borrowed funds	27,775,595	57,291,454	-
Liabilities under annuity , insurance and investment contracts	64,887,925	28,222,239	-
Lease liabilities	1,793,660	77,306	577,325
Derivative financial instruments	-	-	-
Segregated fund liabilities	14,255,178	-	-
Third party interest in mutual funds	-	9,148,146	-
Other	22,506,698	23,734,011	1,635,295
Total financial liabilities	453,145,539	569,834,411	87,894,503
Net on-statement of financial position	98,077,463	77,454,412	(2,491,119)
Guarantees, acceptances and other financial facilities	4,188,220	6,887,330	24,917
Credit commitments	48,268,149	13,710,855	3,798,369

The Group						
GBP	EURO	TT	CAD	NAF	Other	Total
$'000	$'000	$'000	$'000	$'000	$'000	$'000
1,606,932	16,964	488,047	359,167	-	1,099,471	74,039,589
11,613,931	7,905,165	25,081,695	2,868,784	33,543,182	5,221,561	184,372,202
-	-	-	-	-	-	9,518,854
-	1,767,458	8,005,844	-	11,452,197	-	452,954,936
1,009,760	379,624	157,546,739	4,519,713	44,708,388	14,795,450	853,085,972
-	-	-	-	-	-	653,735
2,538,036	3,615,179	2,497,800		2,151,983	3,025,558	26,532,009
6,530	3,183,323	1,126,781	-	4,565,794	3,322,368	42,781,336
16,775,189	16,867,713	194,746,906	7,747,664	96,421,544	27,464,408	1,643,938,633
128,171	13,194	2,029	52,369	-	18,203	30,134,600
12,958,209	2,350,451	5,540,017	5,394,902	-	109,741	573,968,886
-	-	-	-	-	1,861,999	211,436,379
-	-	-	-	-	-	71,859,041
-	331,896	37,574,522	-	440,232	1,836,503	125,250,202
2,752,447	7,118,672	203,227,316	-	125,370,880	15,117,368	446,696,847
-	331,896	1,365,683	-	434,499	17,625	4,597,994
-	-	-	-	-	-	-
-	-	-	-	-	-	14,255,178
-	-	18,424,768	-	-	-	27,572,914
566,161	4,684,619	3,645,229	29,692	6,984,880	1,901,897	65,688,482
16,404,988	14,830,728	269,779,564	5,476,963	133,230,491	20,863,336	1,571,460,523
370,201	2,036,985	(75,032,658)	2,270,701	(36,808,947)	6,601,072	72,478,110
133,356	-	-	-	1,918,752	-	13,152,574
-	-	-	-	-	-	65,777,372

FINANCIAL STATEMENT - NOTES TO THE FINANCIAL STATEMENTS

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk–on- and off-balance sheet financial instruments (continued)

	The Company			
	J$	US$	TT$	Total
September 30, 2021	**$'000**	**$'000**	**$'000**	**$'000**
Assets				
Due from banks	11,200,031	4,597,101	-	15,797,132
Loan to related party	-	-	-	-
Investment securities	7,126,178	-	-	7,126,178
Other	849,860	65,410	-	915,270
Total financial assets	19,176,069	4,662,511	-	23,838,580
Liabilities				
Due to banks	5,132,329	11,237,647	-	16,369,976
Other borrowed funds	34,881,973	50,760,512	-	85,642,485
Lease liabilities	76,438	-	-	76,438
Other	974,339	1,179,398	-	2,153,737
Total financial liabilities	41,065,079	63,177,557	-	104,242,636
Net on-statement of financial position	(21,889,010)	(58,515,046)	-	(80,404,056)

	The Company			
	J$	US$	TT$	Total
September 30, 2020	**$'000**	**$'000**	**$'000**	**$'000**
Assets				
Due from banks	2,654,216	89,561	17,096	2,760,873
Loan to related party	251,893	-	-	251,893
Investment securities	7,114,685	-	-	7,114,685
Other	13,688,273	12,739	-	13,701,012
Total financial assets	23,709,067	102,300	17,096	23,828,463
Liabilities				
Due to banks	2,617,534	10,741,529	-	13,359,063
Other borrowed funds	19,047,337	56,791,401	-	75,838,738
Other	267,028	74,343	30	341,401
Total financial liabilities	21,931,899	67,607,273	30	89,539,202
Net on-statement of financial position	1,777,168	(67,504,973)	17,066	(65,710,739)

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-statement of financial position financial instruments (continued)

Foreign currency sensitivity

The following table indicates the currencies to which the Group and the Company have significant exposures on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for changes in foreign currency rates. The sensitivity analysis includes loans and advances to customers, investment securities and deposits. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in each variable, variables had to be considered on an individual basis. It should be noted that movements in these variables are non-linear. There was no effect on other comprehensive income.

	2021			2020		
	% Change in Currency Rate	Effect on Profit before Taxation		% Change in Currency Rate	Effect on Profit before Taxation	
		The Group $'000	The Company $'000		The Group $'000	The Company $'000
Currency:						
	Appreciation 2%	(1,825,658)	1,170,301	Appreciation 2%	(1,549,088)	1,379,439
USD	Depreciation 8%	7,302,633	(4,681,204)	Depreciation 6%	4,647,265	(4,138,318)
GBP	Appreciation 2%	(31,557)	-	Appreciation 2%	(7,404)	-
	Depreciation 8%	126,230	-	Depreciation 6%	22,212	-
TTD	Appreciation 2%	1,488,274	-	Appreciation 2%	1,500,653	(342)
	Depreciation 8%	(5,953,095)	-	Depreciation 6%	(4,501,959)	1,026
EUR	Appreciation 2%	(10,898)	-	Appreciation 2%	(40,740)	-
	Depreciation 8%	43,593	-	Depreciation 6%	122,219	-
CAN	Appreciation 2%	(72,601)	-	Appreciation 2%	(45,414)	-
	Depreciation 8%	290,405	-	Depreciation 6%	136,242	-
NAF	Appreciation 2%	857,414	-	Appreciation 2%	736,279	-
	Depreciation 8%	(3,429,658)	-	Depreciation 6%	(2,208,837)	-
BMD	Appreciation 2%	182,333	-	Appreciation 2%	49,822	-
	Depreciation 8%	(729,332)	-	Depreciation 6%	(149,467)	-

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk

Interest rate risk arises when the Group's principal and interest cash flows from on- and off-statement of financial position items have mismatched repricing dates. The short term impact is experienced on the Group's net interest income and long term impact is felt on its equity.

The Group incurs interest rate mismatches from its interest bearing assets and liabilities with the size of such exposure being heavily dependent on the direction and degree of interest rate movements in addition to the size and maturity structure of the mismatched position. The Group's policy requires that such mismatches are managed. Accordingly, the Board requires that a comprehensive system of limits, gap analysis and stress testing be used to manage the Group's exposure.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Limits are established and monitored with respect to the level of mismatch of interest rate repricing that may be undertaken.

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The following tables summarise the exposure to interest rate risk. It includes the financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						
	Within 1 Month	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
September 30, 2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Banks	1,735,301	-	-	-	1,342,585	66,056,763	69,134,649
Due from banks	92,757,858	7,517,046	14,557,701	30,878,490	4,032,571	32,394,507	182,138,173
Reverse repurchase agreements	2,687,447	2,981,831	3,984,094	-	-	13,688	9,667,060
Loans and advances net of provision for credit impairment losses	75,791,362	44,218,888	29,693,814	160,697,288	200,088,616	12,998,922	523,488,890
Investment securities classified as FVOCI	46,998,632	30,360,535	44,654,871	149,229,347	531,073,506	98,195,304	900,512,195
Reinsurance asset	-	-	-	-	-	26,635,997	26,635,997
Derivative financial instruments	-	-	-	-	-	767,441	767,441
Other	-	-	-	-	-	39,029,972	39,029,972
Total financial assets	219,970,600	85,078,300	92,890,480	340,805,125	736,537,278	276,092,594	1,751,374,377
Liabilities							
Due to banks	481,239	9,984,934	439,039	11,003,138	-	2,196,009	24,104,359
Customer deposits	551,680,844	26,350,023	53,891,626	13,665,338	-	1,497,569	647,085,400
Repurchase agreements	68,512,134	73,361,457	34,370,748	41,849,663	5,563,907	1,147,478	224,805,387
Obligations under securitisation arrangements	2,726,908	-	8,420,629	26,979,295	25,139,991	426,540	63,693,363
Other borrowed funds	1,259,248	17,994,880	13,646,456	91,412,494	12,258,901	1,461,360	138,033,339
Derivative financial instruments	-	-	-	-	-	45,228	45,228
Lease liabilities	105,471	125,037	491,031	2,026,412	1,137,206	1,492,355	5,377,512
Liabilities under annuity, insurance and investment contracts	2,207,685	3,505,476	14,989,825	172,573,567	202,702,092	80,850,982	476,829,627
Third party interest in mutual funds	33,699,975	-	-	-	-	-	33,699,975
Segregated fund liabilities	-	-	838,636	14,580,797	-	-	15,419,433
Other	-	-	-	-	-	57,828,017	57,828,017
Total financial liabilities	660,673,504	131,321,807	127,087,990	374,090,704	246,802,097	146,945,538	1,686,921,640
On-statement of financial position interest sensitivity gap	(440,702,904)	(46,243,507)	(34,197,510)	(33,285,579)	489,735,181	129,147,056	64,452,737
Cumulative interest sensitivity gap	(440,702,904)	(486,946,411)	(521,143,921)	(554,429,500)	(64,694,319)	64,452,737	

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group						
	Within 1 Month	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
September 30, 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Banks	19,088,057	-	-	-	1,093,475	53,858,057	74,039,589
Due from banks	70,002,421	19,584,986	23,409,398	16,362,962	11,960,027	43,052,408	184,372,202
Reverse repurchase agreements	7,983,610	1,112,346	255,066	141,572	-	26,260	9,518,854
Loans and advances net of provision for credit impairment losses	94,438,573	38,181,018	21,372,931	127,221,066	167,582,374	4,158,974	452,954,936
Investment securities classified as FVOCI	88,469,555	35,349,728	43,084,007	156,752,577	447,355,520	82,074,585	853,085,972
Reinsurance asset	-	-	-	-	-	26,532,009	26,532,009
Derivative financial instruments	-	-	-	-	-	653,735	653,735
Other	-	-	-	-	-	42,781,336	42,781,336
Total financial assets	279,982,216	94,228,078	88,121,402	300,478,177	627,991,396	253,137,364	1,643,938,633
Liabilities							
Due to banks	6,347,975	7,290,376	12,906,509	-	-	3,589,740	30,134,600
Customer deposits	458,785,289	36,178,003	58,517,740	16,450,341	-	4,037,513	573,968,886
Repurchase agreements	97,283,461	35,142,828	73,870,941	88,052	3,726,460	1,324,637	211,436,379
Obligations under securitisation arrangements	2,490,116	-	7,689,417	28,391,592	32,811,086	476,830	71,859,041
Other borrowed funds	6,861,965	12,003,022	24,945,063	73,404,307	6,553,816	1,482,029	125,250,202
Derivative financial instruments	-	-	-	-	-	-	-
Lease liabilities	1,983,980	195,585	542,930	1,711,561	163,938	-	4,597,994
Liabilities under annuity, insurance and investment contracts	1,030,327	1,584,592	10,580,764	68,168,478	310,775,125	54,557,561	446,696,847
Third party interest in mutual funds	27,572,914	-	-	-	-	-	27,572,914
Segregated fund liabilities	13,401	96,271	418,949	1,259,216	12,467,341	-	14,255,178
Other	-	-	-	-	-	65,688,482	65,688,482
Total financial liabilities	602,369,428	92,490,677	189,472,313	189,473,547	366,497,766	131,156,792	1,571,460,523
On-statement of financial position interest sensitivity gap	(322,387,212)	1,737,401	(101,350,911)	111,004,630	261,493,630	121,980,572	72,478,110
Cumulative interest sensitivity gap	(322,387,212)	(320,649,811)	(422,000,722)	(310,996,092)	(49,502,462)	72,478,110	

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(c) Market risk (continued)
(ii) Interest rate risk (continued)

	The Company						
	Within 1 Month	**2 to 3 Months**	**4 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
September 30, 2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Due from banks	15,796,187	-	-	-	-	945	15,797,132
Investment securities classified as FVOCI	-	-	-	-	7,000,000	126,178	7,126,178
Other	-	-	-	-	-	915,270	915,270
Total financial assets	15,796,187	-	-	-	7,000,000	1,042,393	23,838,580
Liabilities							
Due to banks	-	-	-	15,975,980	-	393,996	16,369,976
Other borrowed funds	-	-	6,585,588	78,165,323	-	891,574	85,642,485
Lease liabilities	-	-	-	76,438	-	-	76,438
Other	-	-	-	-	-	2,153,737	2,153,737
Total financial liabilities	-	-	6,585,588	94,217,741	-	3,439,307	104,242,636
On-statement of financial position interest sensitivity gap	15,796,187	-	(6,585,588)	(94,217,741)	7,000,000	(2,396,914)	(80,404,056)
Cumulative interest sensitivity gap	15,796,187	15,796,187	9,210,599	(85,007,142)	(78,007,142)	(80,404,056)	
September 30, 2020							
Assets							
Due from banks	2,760,873	-	-	-	-	-	2,760,873
Loan to related party	-	-	250,000	-	-	1,905	251,905
Investment securities classified as FVOCI	-	-	-	-	7,000,000	114,685	7,114,685
Other	-	-	-	-	-	13,701,012	13,701,012
Total financial assets	2,760,873	-	250,000	-	7,000,000	13,817,602	23,828,475
Liabilities							
Due to banks	-	-	13,117,877	-	-	241,186	13,359,063
Other borrowed funds	-	2,000,000	30,419,271	42,436,800	-	884,306	75,740,377
Lease liabilities	-	-	-	98,361	-	-	98,361
Other	-	-	-	-	-	341,401	341,401
Total financial liabilities	-	2,000,000	43,537,148	42,535,161	-	1,466,893	89,539,202
On-statement of financial position interest sensitivity gap	2,760,873	(2,000,000)	(43,287,148)	(42,535,161)	7,000,000	12,350,709	(65,710,727)
	2,760,873	760,873	(42,526,275)	(85,061,436)	(78,061,436)	(65,710,727)	

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise the effective interest rates for financial instruments by major currencies.

	The Group							The Company			
	J$	US$	CAN$	GBP	BMD	TTD	EURO	J$	US$	TT$	GBP
	%	%	%	%	%	%	%	%	%	%	%
September 30, 2021											
Assets											
Balances at Central Banks	0.50	-	-	-	-	-	-	-	-	-	-
Due from banks	-	0.75	-	-	-	-	-	-	-	-	-
Reverse repurchase agreements	2.39	2.19	-	-	6.05	5.77	-	-	-	-	-
Loans and advances	11.14	6.79	-	-	-	-	-	-	-	-	-
Investment securities	4.76	4.63	-	-	6.05	5.64	-	7.00	-	-	-
Liabilities											
Due to banks	0.97	2.94	-	-	-	-	-	6.00	5.96	-	-
Customer deposits	0.94	0.73	-	-	-	-	-	-	-	-	-
Lease liabilities	9.75	6.25	-	-	-	-	-	3.57	-	-	-
Repurchase agreements	3.00	2.62	-	-	2.63	-	-	-	-	-	-
Obligations under securitisation arrangements	-	5.44	-	-	-	-	-	-	-	-	-
Other borrowed funds	6.46	6.10	-	-	-	-	-	6.48	6.33	-	-

	The Group							The Company			
	J$	US$	CAN$	GBP	BMD	TTD	EURO	J$	US$	TT$	GBP
	%	%	%	%	%	%	%	%	%	%	%
September 30, 2020											
Assets											
Balances at Central Banks	0.50	-	-	-	-	-	-	-	-	-	-
Due from banks	3.62	-	-	-	-	1.00	-	-	-	-	-
Reverse repurchase agreements	2.07	2.33	-	-	-	-	-	-	-	-	-
Loans and advances	12.80	9.36	-	-	6.67	5.93	1.50	5.75	-	-	-
Investment securities	5.28	4.58	0.98	2.33	-	5.59	-	6.50	-	-	-
Liabilities											
Due to banks	-	3.77	-	-	-	-	-	-	-	-	-
Customer deposits	2.36	1.46	0.21	0.62	1.47	-	-	-	-	-	-
Lease liabilities	9.75	6.25	-	-	-	-	-	-	-	-	-
Repurchase agreements	4.39	2.64	-	-	-	2.55	-	-	-	-	-
Obligations under securitisation arrangements	-	5.49	-	-	-	-	-	-	-	-	-
Other borrowed funds	6.58	6.64	-	-	-	-	-	6.77	6.43	-	-

49. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of non-trading financial assets and financial liabilities. The sensitivity of other comprehensive income is calculated by revaluing fixed rate FVOCI financial assets for the effects of the assumed changes in interest rates.

	The Group	
	Effect on Net Profit Before Tax	Effect on Other Comprehensive Income
	2021 $'000	2021 $'000
Change in basis points:		
Decrease - JMD -100 and USD -100	297,964	33,761,453
Increase - JMD +100 and USD +100	(192,236)	(20,122,541)

	Effect on Net Profit Before Tax	Effect on Other Comprehensive Income
	2020 $'000	2020 $'000
Change in basis points:		
Decrease - JMD -100 and USD -100	(491,066)	11,987,113
Increase - JMD +100 and USD +100	213,260	(12,065,855)

The financial instruments of the Company attract a fixed rate of interest and are not subject to fair value interest rate risk.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(c) Market risk (continued)

(iii) Other price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified either as at fair value through profit or loss or available-for-sale. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in quoted equity securities are of entities that are publicly traded on the relevant stock exchanges.

Sensitivity to changes in price of equity securities

The following table indicates the sensitivity to a reasonable possible change in prices of equity securities, with all other variables held constant, on the income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed fair value changes of investment securities classified at fair value through profit or loss. The sensitivity of other comprehensive income is the effect of the assumed fair value changes of investment securities classified as FVOCI.

	The Group			
	Effect on Net Profit Before Tax	Effect on Other Comprehensive Income	Effect on Net Profit Before Tax	Effect on Other Comprehensive Income
	2021 $'000	2021 $'000	2020 $'000	2020 $'000
Percentage change in share price				
10% decrease	(8,542,917)	-	(7,087,946)	-
10% increase	8,542,917	-	7,087,946	-

(d) Derivative financial instruments

The Group's derivative transactions are primarily directed at hedging its risk exposures which arise during the normal course of its treasury and investment activities. When entering into derivative transactions, the Group employs the same credit risk management procedures to assess and approve potential credit exposures that are used for traditional lending.

49. Financial Risk Management (Continued)

(e) Insurance risk

The Group issues contracts that transfer insurance risk or financial risk or both.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract this risk is random and therefore unpredictable. Experience shows that the larger the portfolio of similar insurance contracts, the smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency of or severity of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Life insurance risk

The Group issues contracts that have a maximum period determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the Group has to assess the cash flows which may be attributable to the contract. The process of underwriting may also be undertaken and may include specific medical tests and other enquiries which affect the Group's assessment of the risk.

Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed terms, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts without fixed terms, a significant portion of the insurance risk is shared with the insured party. The Group charges for mortality risk on a monthly basis for most life and critical insurance contracts without fixed terms. It has the right to alter these charges based on its mortality experience and hence minimise its exposure to mortality risk.

The Group charges for mortality risks on a monthly basis for insurance contracts with investment options and has the right to alter these charges based on mortality experience and hence to minimise its exposure to mortality risk on these contracts. Delays in implementing increases in mortality charges, and contractual, market or regulatory restraints over the extent of any increases, may reduce this mitigating effect.

The Group also manages mortality risks on its contracts through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to minimise the risk of anti-selection. The Group's underwriting strategy has a twofold approach:

a) products that are subject to traditional methods of application and assessment are controlled by traditional underwriting methods including medical and financial selection with benefits being limited to reflect the health and/or financial condition of applicants and by the application of retention limits on any single life insured.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Life insurance risk (continued)

Frequency and severity of claims (continued)

b) products which are not subject to traditional methods of application and assessment contain pre-existing conditions and exclusionary clauses for certain types of high-risk medical and financial events, with claims on these types of policies examined for breaches to those clauses and denied or settled accordingly.

The tables below indicate the concentration of insured benefits across bands of insured benefits per individual life assured. The Group uses catastrophe re-insurance cover against its Individual contracts as the main risks faced by these contracts are interest rate and liquidity:

For the Trinidadian life insurance subsidiary:

	Total Benefits Assured - Individual			
	2021		2020	
	Before Re-insurance	After Re-insurance	Before Re-insurance	After Re-insurance
Benefits assured per life assured ($'000)				
TT$0 - 250	473,513,345	462,355,652	461,463,622	449,904,093
TT$251 - 500	554,167,737	476,955,106	523,375,165	443,206,016
TT$501 - 1,000	475,814,259	343,851,367	435,609,347	299,214,903
TT$1,001 - 3,000	237,548,962	130,204,516	203,820,720	97,753,145
More than TT$3,000	115,008,163	19,645,881	98,734,680	11,900,301
Total	1,856,052,466	1,433,012,522	1,723,003,534	1,301,978,458

For the Jamaican life insurance subsidiary:

	Total Benefits Assured - Individual			
	2021		2020	
	Before Re-insurance	After Re-insurance	Before Re-insurance	After Re-insurance
Benefits assured per life assured ($'000)				
0 – 1,000	338,690,363	335,964,047	267,306,120	260,877,477
1,000 – 2,000	49,046,718	44,676,540	36,759,579	30,104,858
2,000 – 5,000	11,026,195	8,421,116	8,280,893	5,005,271
5,000 – 10,000	9,158,276	6,759,553	6,013,268	3,256,948
Over 10,000	20,281,218	12,321,598	13,130,076	5,036,987
	428,202,770	408,142,854	331,489,936	304,281,541

For the Dutch Caribbean life insurance subsidiary:

	Total Benefits Insured			
	2021		2020	
Benefits assured per life assured ($'000)	Before Re-insurance	After Re-insurance	Before Re-insurance	After Re-insurance
NAF$10,001 - 20,000	212,427,175	206,838,773	203,317,727	198,331,422
NAF$20,001 - 30,000	18,357,072	8,425,628	17,368,852	7,631,986
NAF$30,001 - 40,000	5,831,330	2,416,359	5,829,588	3,000,165
NAF$40,001 - 50,000	2,967,509	755,771	2,494,199	153,115
More than NAF$50,000	2,398,181	640,760	2,294,485	425,536
Total	241,981,267	219,077,291	231,304,851	209,542,224

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(e) Insurance risk (continued)

The Group uses catastrophe re-insurance cover against its Ordinary Life, Group Life and Creditor Life contracts as the main risks faced by these contracts are interest rate and liquidity.

- The premium ceded during the year in respect of catastrophe re-insurance cover amounted to $42,646,000 (2020 – $23,112,000).
- Policyholders' benefits recovered from reinsurers during the year under these contracts amounted to $Nil (2020 – $ Nil).
- At September 30, 2021, premiums payable under re-insurance contracts amounted to $12,581,000 (2020 – $ Nil).

The following tables for annuity insurance contracts illustrate the concentration of risk based on bands that group these contracts in relation to the amount payable per annum, as if the annuity were in payment at the year end.

For the Trinidadian life insurance subsidiary

	Total Annuities Payable	
	2021	**2020**
Annuity payable per annum per annuitant ($'000)		
TT$0-5,000	144,490	143,171
TT$5,001-10,000	541,519	494,598
TT$10,001-20,000	936,834	856,870
More than TT$20,000	2,361,956	2,185,751
Total	**3,984,799**	**3,680,390**

For the Jamaican life insurance subsidiary

	Total Annuities Payable	
	2021	**2020**
Annuity payable per annum per annuitant ($'000)		
0 -100	508,135	509,902
100 – 300	264,751	257,578
300 – 500	261,888	251,298
500 – 1,000	220,955	226,553
Over 1,000	2,695,816	2,629,833
Total	**3,951,545**	**3,875,164**

For the Dutch Caribbean life insurance subsidiary

	Total Annuities Payable	
	2021	**2020**
Annuity payable per annum per life		
NAF$0 - 10,000	802,040	759,964
NAF$10,001 - 20,000	575,749	547,060
NAF$20,001 - 30,000	350,174	339,809
NAF$30,001 - 40,000	208,525	191,865
NAF$40,001 - 50,000	165,770	156,737
More than NAF$50,000	487,138	438,954
Total	**2,589,396**	**2,434,389**

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(e) Insurance risk (continued)
Life insurance risk (continued)

Apart from the catastrophe cover, the Group does not hold any re-insurance against the liabilities in these contracts.

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to pay reduced or no future premiums, or to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holders' behaviour. The Group has factored the impact of contract holders' behaviour into the assumptions used to measure these liabilities.

Sources of uncertainty in the estimation of future benefit payments and premium payments
Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and morbidity and the variability in policyholder behaviour.

The Group uses appropriate base tables of standard mortality and morbidity according to the type of contract being written. An investigation as to the actual experience of the Group is carried out by the Appointed Actuaries, and a comparison of the actual rates with expected rates is performed. Where data are insufficient to be statistically credible, the best estimates of future mortality and morbidity are based on standard industry tables adjusted for the Group's overall experience. For contracts that insure survival, an adjustment is made for future mortality and morbidity improvements based on trends identified in the continuous mortality and morbidity investigations performed by independent actuarial bodies. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates to be used for the best estimate assumption.

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Life insurance risk (continued)

Process used in deriving assumptions

The assumptions for insurance contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

Estimates are made in two stages:

(i) At inception of the contract, the Group determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used as the base assumptions for calculating the liabilities; and

(ii) Subsequently, new estimates are developed at each reporting date and the assumptions are altered to reflect the latest current estimates or experience.

Assumptions are considered to be 'best estimate' if, on average, the results are expected to be worse than the assumptions in 50% of possible scenarios and better in the other 50%. In the case of Jamaica and Trinidad and Tobago, the assumptions are best estimate assumptions with appropriate provisions for adverse deviations, consistent with the use of a Policy Premium Method valuation. For other territories, the assumptions used are those appropriate for traditional net premium valuation methods. See Note 39 for details on policy assumptions.

Reinsurance risk

Reinsurance risk is the risk that a reinsurer will default and not honour obligations arising from claims. The Group limits the probable loss in the event of individual deaths and any single catastrophic accident occurrence by reinsuring its insurance risk above certain limits with other insurers. Reinsurance ceded does not discharge the Group's liability as the primary insurer. The Group manages reinsurance risk by selecting reinsurers with high credit ratings and monitoring these on an ongoing basis. The Group arranges its reinsurance by type of insurance coverage:

- Individual life – This business is covered by excess of loss and quota share reinsurance arrangements. The method of reinsurance varies for different products with the majority being reinsured on a Yearly Renewable Term (YRT) basis and others being co-insured.
- Group life – The group life portfolio is reinsured on an excess reinsurance arrangement with Swiss Re. Separate treaties exist for group life (including critical illness and accidental death and dismemberment) and group mortgage.
- Catastrophe cover – This cover has been secured for individual life and group life portfolio. It is renewable annually and is held with Sirius International, RGA and Swiss Re.

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit.

49. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Property and casualty insurance risk

The Group manages its property and casualty insurance risk through its underwriting policy that includes *inter alia*, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance. The Group actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modelling and scenario analyses.

Underwriting strategy

The Group manages the risks arising from its underwriting of property and casualty insurance contracts through policies which provide guidance on how to determine the insurability of risks and exposure to large claims. The Group follows detailed, uniform underwriting practices and procedures designed to properly assess and quantify risks before issuing coverage. The Group's underwriting guidelines also outline acceptance limits and the appropriate levels of authority for acceptance of risks.

Reinsurance strategy

A detailed analysis of the Group's exposures, reinsurance needs and quality of reinsurance securities is conducted by the Board and Senior Management. The Group's exposures are continually evaluated by Management to ensure that its reinsurance arrangements remain adequate and mechanisms are in place to continually monitor the reinsurance counterparties to ensure that they maintain ratings in keeping with the Board approved Reinsurance Risk Management Policy.

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(e) Insurance risk (continued)
Property and casualty insurance risk (continued)

Motor insurance
Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage. In general, claims reporting lags are minor and claims complexity is relatively low.

The risks relating to motor contracts are managed primarily through the pricing and selection process. The Group monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims appeals.

Property insurance
Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage. The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay. Property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions. The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.

The risks relating to property contracts are managed primarily through the pricing and selection process. The Group uses strict underwriting criteria to ensure that the risk of losses is acceptable. Furthermore, the Group accepts property insurance risks for one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.

Liability insurance
Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposure is in relation to bodily injury. The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. Although bodily injury claims have a relatively long tail, the majority of bodily injury claims are settled in full within three to four years. In general, these contracts involve higher estimation uncertainty.

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, rating and reinsurance. The Group monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten. In pricing contracts, the Group makes assumptions that costs will increase in line with the latest available research.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Property and casualty insurance risk (continued)

Risk exposure and concentrations of risk

The following table shows the Group's exposure to property and casualty insurance risk (based on the carrying value of insurance provisions at the reporting date) per major category of business:

	2021				
	Liability	**Property**	**Motor**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross	3,870,981	7,944,435	10,286,195	1,352,799	23,454,410
Net of proportional reinsurance	2,361,847	3,324,885	6,089,834	543,145	12,319,711
	2020				
Gross	3,746,899	8,708,312	8,852,677	1,445,318	22,753,206
Net of proportional reinsurance	2,309,389	1,278,072	5,476,968	398,656	9,463,085

Claims development

Claims development information is disclosed in order to illustrate the property and casualty insurance risk inherent in the Group. The upper section of the table shows how the estimates of total claims for each accident year develop over time. The estimates are increased or decreased as losses are paid and more information becomes known about the severity of unpaid claims. The lower section of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year/underwriting year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing on the consolidated statement of financial position as per summary below.

	Total
	$'000
Insurance claims - gross	
By accident year	16,917,135
By underwriting year	6,537,275
Total liability (Note 39)	23,454,410
Insurance claims - net	
By accident year	8,912,679
By underwriting year	3,407,032
Total liability (Note 39)	12,319,711

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Property and casualty insurance risk (continued)

Risk exposure and concentrations of risk (continued)

	2014	2015	2016	2017	2018	2019	2020	2021	Total
Insurance claims – gross	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Accident year									
Estimate of cumulative claims costs:									
Claims at end of accident year	10,915,284	12,571,924	15,187,632	57,340,069	14,394,638	26,010,096	12,420,492	11,046,091	-
One year later	9,997,561	11,070,816	13,956,633	61,846,018	11,191,619	23,288,011	13,247,435	-	-
Two years later	10,504,091	11,369,363	13,676,003	54,480,217	10,758,668	23,083,173	-	-	-
Three years later	10,498,624	11,173,918	13,672,229	54,156,117	10,691,271	-	-	-	-
Four years later	10,276,759	10,956,239	13,606,589	54,232,863	-	-	-	-	-
Five years later	10,145,283	10,649,405	13,650,342	-	-	-	-	-	-
Six years later	10,058,949	10,643,917	-	-	-	-	-	-	-
Seven years later	10,094,871	-	-	-	-	-	-	-	-
Current estimate of cumulative claims	10,094,481	10,643,917	13,650,342	54,232,863	10,691,271	23,083,173	13,247,435	11,046,091	146,689,573
Cumulative payments to date	9,766,389	10,057,886	13,105,786	53,070,346	9,496,866	20,860,394	10,284,069	4,216,621	130,858,357
Liability recognised in the consolidated statement of financial position	328,092	586,031	544,556	1,162,517	1,194,405	2,222,779	2,963,366	6,829,470	15,831,216
Liability in respect of prior years	-	-	-	-	-	-	-	-	1,084,708
Total liability	-	-	-	-	-	-	-	-	16,917,135

BACK TO NOTES INDEX

Notes to the Financial Statements

September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(e) Insurance risk (continued)
Property and casualty insurance risk (continued)
Risk exposure and concentrations of risk (continued)

	2014	2015	2016	2017	2018	2019	2020	2021	Total
Insurance claims – gross	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Underwriting year									
Estimate of cumulative claims costs:									
Claims at end of accident year	807,658	622,495	521,064	540,434	416,855	220,803	421,389	1,810,805	-
One year later	1,007,420	813,906	593,927	662,322	472,191	334,729	640,738	-	-
Two years later	922,149	746,053	557,875	637,007	438,178	324,946	-	-	-
Three years later	897,593	755,099	544,599	628,960	441,345	-	-	-	-
Four years later	877,723	733,602	537,853	619,220	-	-	-	-	-
Five years later	883,060	731,888	526,096	-	-	-	-	-	-
Six years later	860,218	728,179	-	-	-	-	-	-	-
Seven years later	855,359	-	-	-	-	-	-	-	-
Current estimate of cumulative claims	855,359	728,179	526,096	619,220	441,345	324,946	640,738	1,810,805	5,946,688
Cumulative payments to date	827,702	695,467	501,931	520,239	329,219	172,451	88,438	43	3,135,490
Liability recognised in the consolidated statement of financial position	27,657	32,712	24,165	98,981	112,126	152,495	552,300	1,810,762	2,811,198
Liability in respect of prior years	-	-	-	-	-	-	-	-	3,726,078
Total liability	-	-	-	-	-	-	-	-	6,537,275

49. Financial Risk Management (Continued)

(e) Insurance risk (continued)
Property and casualty insurance risk (continued)
Risk exposure and concentrations of risk (continued)

	2014	2015	2016	2017	2018	2019	2020	2021	Total
Insurance claims – net	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Accident year									
Estimate of cumulative claims costs:									
Claims at end of accident year	7,821,571	7,291,983	8,549,164	21,942,825	8,506,366	7,625,801	6,308,402	6,169,552	-
One year later	6,953,392	6,319,726	7,473,675	20,824,776	7,004,368	12,611,317	6,499,292	-	-
Two years later	7,265,258	6,496,429	6,867,340	20,463,669	6,701,071	12,352,379	-	-	-
Three years later	7,284,412	6,605,670	7,200,768	20,300,935	6,682,503	-	-	-	-
Four years later	6,803,414	6,202,415	6,931,136	20,254,037	-	-	-	-	-
Five years later	6,915,475	6,188,424	6,891,462	-	-	-	-	-	-
Six years later	6,705,540	6,189,118	-	-	-	-	-	-	-
Seven years later	6,762,199	-	-	-	-	-	-	-	-
Current estimate of cumulative claims	6,762,199	6,189,118	6,891,462	20,254,037	6,682,503	12,352,379	6,499,292	6,169,552	71,800,542
Cumulative payments to date	6,440,724	5,784,454	6,362,329	19,851,499	5,841,330	11,264,525	5,043,672	2,846,836	63,435,369
Liability recognised in the consolidated statement of financial position	321,475	404,664	529,133	402,538	841,173	1,087,854	1,455,620	3,322,716	8,365,173
Liability in respect of prior years	-	-	-	-	-	-	-	-	547,506
Total liability	-	-	-	-	-	-	-	-	8,912,679

BACK TO NOTES INDEX

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Property and casualty insurance risk (continued)

Risk exposure and concentrations of risk (continued)

	2014	2015	2016	2017	2018	2019	2020	2021	Total
Insurance claims – net	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Underwriting year									
Estimate of cumulative claims costs:									
Claims at end of accident year	807,658	622,495	521,064	540,434	416,855	220,803	421,389	1,813,408	-
One year later	1,007,420	813,906	593,927	662,322	472,191	334,729	640,738	-	-
Two years later	922,149	746,053	557,875	637,007	438,178	324,946	-	-	-
Three years later	897,593	755,099	544,599	628,960	441,345	-	-	-	-
Four years later	877,723	733,602	537,853	619,220	-	-	-	-	-
Five years later	883,060	731,888	526,096	-	-	-	-	-	-
Six years later	860,218	728,179	-	-	-	-	-	-	-
Seven years later	855,359	-	-	-	-	-	-	-	-
Current estimate of cumulative claims	855,359	728,179	526,096	619,220	441,345	324,946	640,738	1,813,408	5,949,291
Cumulative payments to date	827,702	695,467	501,931	520,239	329,219	172,451	88,438	43	3,135,490
Liability recognised in the consolidated statement of financial position	27,657	32,712	24,165	98,981	112,126	152,495	552,300	1,813,365	2,813,801
Liability in respect of prior years	-	-	-	-	-	-	-	-	593,233
Total liability	-	-	-	-	-	-	-	-	3,407,032

49. Financial Risk Management (Continued)

(f) Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the financial markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

All of the Group's significant subsidiaries and associates are individually regulated by the relevant regulator in their jurisdiction or other regulators. The regulatory requirements to which the subsidiaries are subject, include minimum capital and liquidity requirements which may limit their ability to extract capital or funds for other uses. The Group's subsidiaries and associates are also subject to statutory requirements to restrict distributions of capital and generally to maintain solvency. In most cases, the regulatory restrictions are more onerous than the statutory restrictions. Certain Group subsidiaries also raise finance using their financial assets as collateral. Encumbered assets are not available for transfer around the Group. The assets typically affected are disclosed in Note 23.

(i) National Commercial Bank Jamaica Limited

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Bank of Jamaica (BOJ/Central Bank), and the relevant management committees. The required information is filed with the regulator at the stipulated intervals.

The Central Bank requires the Bank to:

- Hold a specified level of the regulatory capital, and
- Maintain a ratio of total regulatory capital to the risk-weighted assets.

The Bank's regulatory capital is divided into two tiers:

Tier 1 capital: ordinary share capital, non-redeemable non-cumulative preference shares, statutory reserve fund and retained earnings reserves. Goodwill, other intangibles and any net loss arising from the aggregate of: current year profit or loss, undistributed profits or accumulated losses for prior financial years any loss positions on revaluation reserves arising from fair value accounting, are deducted in arriving at Tier 1 capital; and

Tier 2 capital: non-redeemable cumulative preference shares, redeemable preference shares having an original term to maturity of five years or more, qualifying subordinated debt and general provisions for loss.

Equity investments in unconsolidated subsidiaries, substantial investment in any other unconsolidated entities or companies and share of accumulated losses of any unconsolidated entities are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital. The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Bank met all the regulatory capital requirements as at September 30, 2021.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(f) Capital management (continued)

(ii) NCB Insurance Agency & Fund Management Limited (formerly NCBIC)

NCBIAFM maintains a capital structure consisting mainly of shareholders' funds consistent with its profile and the regulatory and market requirements. The company is subject to a number of regulatory capital tests and also employs scenario testing on an annual basis to assess the adequacy of capital. The company has met all of these requirements during the year. Capital adequacy is managed at the operational level.

In reporting financial strength, capital and solvency is measured using the regulations prescribed by the Financial Services Commission (FSC) in Jamaica. These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written by the company.

The relevant capital requirement is the Minimum Continuing Capital Surplus Ratio (MCCSR) determined in accordance with the FSC regulations. This ratio is calculated by the Appointed Actuary and reviewed by executive management, the Audit Committee and the Board of Directors. This measure is a risk-based formula that compares available capital and surplus to a minimum requirement set by the FSC in regard to the asset and liability profile of the company. The company met all FSC regulatory capital requirements as at September 30, 2021.

The company's capital position is sensitive to changes in market conditions, due to both changes in the value of assets and the effect that changes in investment conditions may have on the value of the liabilities. The most significant sensitivities arise from changes in interest rates and expenses. The company's capital position is also sensitive to assumptions and experience relating to mortality and persistency.

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(f) Capital management (continued)

(iii) NCB Capital Markets Limited (NCBCM)

The company is regulated by the FSC and is subject to regulatory capital tests employed by the regulator. Under the FSC regulations, the level of capital adequacy determines the maximum amount of liabilities including repurchase agreements NCBCM is able to offer to clients. In addition to the requirements of the FSC, NCBCM also engages in periodic internal testing which is reviewed by the Risk Management Committee. Capital adequacy is managed at the operational level of NCBCM.

The regulatory capital of the company is divided into two tiers:

(i) Tier 1 capital: share capital, retained earnings and reserves created from appropriations of retained earnings.

(ii) Tier 2 capital: qualifying subordinated debt or loan capital, qualifying capital reserves and unrealised gains derived from the fair valuation of equity instruments classified as FVOCI.

The FSC requires that the company maintains a capital base comprising at least 50% of Tier 1 capital.

In addition, the FSC employs certain ratios to test capital adequacy and solvency. The results of these ratios are included in a mandatory quarterly report submitted to the FSC. Two of the critical early warning ratios relating to the test for capital adequacy are 'Capital over Total Assets' and the 'Capital Base over Risk Weighted Assets (RWA)'.

There was no change in relation to how the company manages its capital during the financial year.

NCBCM met all the FSC regulatory capital requirements as at September 30, 2021.

(iv) Clarien Bank Limited

Capital is held to provide a cushion for unexpected losses. The Board sets the internal level of capital with the aim of ensuring minimum regulatory capital levels are always exceeded whilst allowing for growth in the business.

Basel III superseded Basel II and took effect on January 1, 2015 with transitional arrangements until full implementation in 2020. The three pillar framework of Basel II is unchanged but there have been changes to the detailed requirements within each pillar. Pillar 3 has more detailed disclosure requirements and will adopt generic templates over the course of the transition to allow improved comparability and transparency between institutions covered by Basel accords.

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the **Financial Statements**
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(f) Capital management (continued)

(iv) Clarien Bank Limited (continued)
The key elements of the Basel III capital requirements as set by the Bermuda regulatory, the BMA are as follows:

- Common equity Tier 1 (CET1) being the highest form of regulatory capital, comprising of common shares, accumulated reserves after regulatory deductions. Minimum Basel III capital ratios will be CET1 at least 4.5% of Risk Weighted Assets (RWAs), Tier 1 of at least 6.0% of RWAs and Total Capital of at least 8.0% of RWAs.
- A capital conservation buffer set 2.5% and is comprise of CET 1 capital.
- A capital surcharge for Domestic Systemically Important Banks ranging between 0.5% and 3.0% for all Bermuda Banks has also been implemented.
- Introduction of a non-risk based Leverage Ratio, being a measure of Tier 1 capital held against total assets, including certain off-statement of financial position financial commitments.

Clarien has complied with all externally imposed minimum capital requirements throughout the current year.

BACK TO NOTES INDEX

49. Financial Risk Management (Continued)

(f) Capital management (continued)

(v) Guardian Holdings Limited

In each country in which the Group operates, the local insurance regulator indicates the required minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The Group is also subject to insurance solvency regulations in all the territories in which it issues insurance and investment contracts. The minimum required capital must be maintained at all times throughout the year. The Group monitors these requirements throughout the year to ensure compliance. The Group has complied with these minimum capital requirements.

The Trinidadian trust services subsidiary holds a license under the Financial Institutions Act and the Securities Industries Act. Under the Financial Institutions Act, the subsidiary is required to have a minimum paid up share capital of $15 million and to transfer a minimum of 10% of its profit after tax to a Statutory Reserve Fund until the balance in the Fund is not less than the paid up capital of the subsidiary as well as the subsidiary’s regulatory capital shall be no less than 10% of its risk weighted assets. Under the Securities Industries Act, the subsidiary is required to have minimum capital of $6 million, of which at least $3 million shall be regulatory capital. The subsidiary has complied with these requirements.

The Trinidadian asset management subsidiary holds a license under the Securities Industries Act, and as such, the subsidiary is required to have a minimum capital of $6 million, of which at least $3 million shall be regulatory capital. The subsidiary has complied with this requirement.

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

50. Fair Values of Financial Instruments

The Group measures fair values using the following fair value hierarchy which reflects the significance of the inputs used in making the measurements:

- Level 1 – inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2 – inputs other than quoted market prices included within level 1 that are observable, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – inputs that are unobservable.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1 and comprise most equity securities that are quoted on the Jamaica Stock Exchange.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. This category includes government bonds, certificates of deposit, commercial paper and most liquid corporate bonds. Indicative prices or yields of these instruments are obtained from regular, publicly available quotes by reputable pricing services, dealers and brokers, such as Bloomberg and Oppenheimer. The Group's derivatives are also included in Level 2. The embedded put option is valued using a discounted cash flow model representing the difference between the present values of future cash flows with and without exercise of the put option using observable market yields for government bonds of similar tenure. Equity-linked options are valued using standard option pricing models using observable market data from Bloomberg.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Unquoted equities are carried at cost as the fair value cannot be reliably determined. These securities are classified at level 3.

50. Fair Values of Financial Instruments (Continued)

The following tables provide an analysis of financial instruments held as at the date of the statement of financial position that, subsequent to initial recognition, are measured at fair value. The financial instruments are classified in the fair value hierarchy into which the fair value measurement is categorised:

	The Group			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
At September 30, 2021				
Financial assets				
Investment securities classified as FVOCI				
Government of Jamaica debt securities	-	274,410,205	2,251,485	276,661,690
Other Government Securities	18,925,955	60,901,250	3,128,637	82,955,842
Corporate Debt Securities	3,687,182	102,858,430	36,247,864	142,793,476
	22,613,137	438,169,885	41,627,986	502,411,008
Investment securities at fair value through profit or loss				
Government of Jamaica debt securities	-	17,368,423	-	17,368,423
Other Government Securities	11,903,092	74,594,857	-	86,497,949
Corporate Debt Securities	4,450,597	12,294,796	1,608,993	18,354,386
Quoted & Unquoted equity securities	73,517,623	3,347,809	8,563,741	85,429,173
Other securities	201,389	1,440,977	161,367	1,803,733
	90,072,701	109,046,862	10,334,101	209,453,664
Derivative financial instruments	-	767,441	-	767,441
	112,685,838	547,984,188	51,962,087	712,632,113
Financial liabilities				
Derivative financial instruments	-	45,228	-	45,228
Liabilities under annuity and insurance contracts	-	-	433,056,798	433,056,798
	-	45,228	433,056,798	433,102,026

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the **Financial Statements**
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

50. Fair Values of Financial Instruments (Continued)

	The Group			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
At September 30, 2020				
Financial assets				
Investment securities classified as FVOCI				
Government of Jamaica debt securities	-	272,393,802	2,414,221	274,808,023
Other Government Securities	9,849,223	36,521,799	2,206,283	48,577,305
Corporate Debt Securities	4,653,910	47,132,535	66,212,932	117,999,377
	14,503,133	356,048,136	70,833,436	441,384,705
Investment securities at fair value through profit or loss				
Government of Jamaica guaranteed corporate bonds	-	17,042,357	-	17,042,357
Other Government Securities	11,632,631	67,582,769	-	79,215,400
Corporate Debt Securities	3,210,926	15,783,137	5,164,034	24,158,097
Quoted & Unquoted equity securities	61,330,073	3,932,621	5,617,726	70,880,421
Other securities	235,708	1,181,881	164,587	1,582,176
	76,409,338	105,522,765	10,946,347	192,878,450
Derivative financial instruments	-	653,735	-	653,735
	90,912,471	462,224,636	81,779,783	634,916,890
Financial liabilities				
Derivative financial instruments				
Liabilities under annuity and insurance contracts	-	-	405,014,541	405,014,541
	-	-	405,014,541	405,014,541

The movement in the Group's financial assets classified as Level 3 during the year is as follows:

	The Group	
	2021 $'000	**2020 $'000**
At start of year	81,779,783	98,128,374
Transfer between levels based on adoption of IFRS 9	450,373	1,815,795
Acquisitions	46,761,439	39,226,448
Disposals	(80,165,605)	(56,476,747)
Fair value gains	3,136,097	(914,087)
At end of year	51,962,087	81,779,783

The movement in liabilities under annuity and insurance contracts is disclosed in Note 39.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

50. Fair Values of Financial Instruments (Continued)

Sensitivity analysis

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements.

	2021			
Description	**Unobservable input**	**Range of input**	**Change in basis points**	**Change in fair value $'000**
Other corporate bonds	Risk premium		JMD -100 and USD -100	2,450,814
			JMD +100 and USD +100	(1,703,809)

	2020			
Description	**Unobservable input**	**Range of input**	**Change in basis points**	**Change in fair value $'000**
Other corporate bonds	Risk premium		JMD -100 and USD -50	2,216,350
			JMD +100 and USD +50	(2,069,519)

The Group's level 3 unquoted equity securities would decrease in value by $186,529,000 should there be a 5% decrease/increase (2020 - $72,685,000) assuming a 15% decrease/increase.

The carrying value (excluding accrued interest) (Note 22) and fair value of investment securities classified as amortised cost are as follows:

	The Group	
	Carrying Value $'000	**Fair Value $'000**
At September 30, 2021	181,879,343	176,166,604
At September 30, 2020	213,084,577	224,271,173

Similar to debt securities classified as FVOCI the above fair value measurements fall within Level 2 of the fair value hierarchy as indicative prices or yields of these instruments are obtained from regular, publicly available quotes by reputable pricing services, dealers and brokers, such as Bloomberg and Oppenheimer.

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

50. Fair Values of Financial Instruments (Continued)

The fair values for all other financial instruments approximate their carrying values and also fall within Level 2 based on the following:

- The fair value of liquid assets and other assets maturing within one year (such as cash and balances at Central Banks and amounts due from banks) is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the date of the statement of financial position;
- The fair value of variable rate loans is assumed to approximate their carrying amounts and management does not believe that, after deduction of provision for credit losses, there is any significant difference between the fair value of fixed rate loans and their carrying values as interest rates approximate current market rates offered on similar loans.

51. Fiduciary Activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At September 30, 2021, the Group had financial assets under administration of approximately $363,489,106,000 (2020 – $367,758,260,000).

52. Dividends

The following dividends were paid by NCB Financial Group Limited during the year:
- $0.50 per ordinary stock unit was paid in May 2021

The Board of Directors, at its meeting on November 11, 2021, did not declare an interim dividend.

53. Disposal of Portfolio

NCB Insurance Company Limited

During the 2020 financial year, the NCB Insurance Company Limited, a wholly owned subsidiary of NCBJ entered in an agreement with Guardian Life Insurance, a wholly owned subsidiary of GHL, which is a subsidiary of NCBFG, to dispose of its insurance and annuity business. The transaction is deemed to be among common owners and as such any gain or loss resulting from the transaction was eliminated. The identifiable assets and liabilities are as follows:

Proceeds, net of transaction costs	4,866,582
Market value of investments transferred	(35,075794)
Policyholders' liabilities and reserves	33,547,584
Other actuarial adjustments	(3,225,455)
Gain on disposal	112,917

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

54. Non-Controlling Interest

The table below shows the summarised financial information for Clarien Group Limited that has non-controlling interest:

	Guardian Holdings Limited		Clarien Group Limited	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Beginning of year	33,979,587	26,312,796	10,110,658	9,967,643
Share of net profit of subsidiaries	5,693,892	7,670,735	155,043	122,299
Revaluation surplus	(5,347,008)	(175,778)	1,325,480	-
Remeasurement of post-employment benefits obligations	430,587	197,674	-	-
Other	(39,293)	(25,840)	(737,546)	20,716
Addition of non-controlling interest	-	-	-	-
Employment share option scheme value of services received	-	-	-	-
Share-based payments exercised	-	-	-	-
Transfer of treasury shares to employees	-	-	-	-
Dividends paid	(362,565)	-	-	-
End of year	34,355,200	33,979,587	10,853,635	10,110,658

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

54. Non-Controlling Interest (Continued)

The table below shows the summarised financial information for Guardian Holdings Limited that has non-controlling interest:

	Guardian Holdings Limited		Clarien Group Limited	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Statement of financial positions				
Current assets	147,446,445	143,252,648	127,181,222	158,861,966
Current liabilities	109,719,676	86,099,453	163,735,451	158,332,392
Total current net assets	37,726,769	57,153,195	(36,554,229)	529,574
Non current assets	597,096,403	536,867,084	71,061,891	34,247,338
Non current liabilities	544,010,289	504,647,351	12,756,918	14,515,071
Total non-current net assets	53,086,114	32,219,733	58,304,973	19,732,267
Net assets	90,812,883	89,372,928	21,750,744	20,261,841
Statement of comprehensive income				
Revenue	202,135,223	163,504,763	10,487,602	10,752,482
Direct profit for the period	16,910,247	15,445,269	891,525	826,024
Consolidation adjustments	(957,831)	5,591,774	(581,377)	(581,377)
Other comprehensive income	(4,955,715)	(3,943)	587,935	41,514
Total comprehensive income	10,996,701	21,033,100	898,083	286,161
Profit allocated to NCI	5,693,892	7,670,735	155,043	122,299
OCI allocated to NCI	(4,955,715)	(3,943)	587,935	20,716
Accumulated non-controlling interest	738,177	7,666,792	742,978	143,015

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

54. Non-Controlling Interest (Continued)

Summarised cash flows

The information below represents amounts before intercompany eliminations

	Guardian Holdings Limited		Clarien Group Limited	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Cash flows from operating activities				
Cash generated from operations	40,908,661	30,786,569	(6,930,526)	27,938,892
Interest paid	(4,683,173)	(3,489,718)	(1,730,839)	(1,631,189)
Income tax paid	(5,601,265)	(2,319,982)	-	-
Net cash generated from operating activities	30,624,223	24,976,869	(8,661,365)	26,307,703
Net cash used in investing activities	(35,342,016)	(11,379,157)	(2,708,286)	10,024,834
Net cash used in financing activities	5,994,367	14,721,789	(204,007)	-
Net increase in cash and cash equivalents				
Cash and cash equivalents at beginning of year	78,126,633	47,891,854	49,725,219	30,125,074
Exchange gains on cash and cash equivalents	2,318,995	2,125,355	1,667,051	1,668,532
Other movements	1,397,312	28,109,424	(11,565,658)	17,931,613
Cash and cash equivalents at end of year	81,842,940	78,126,633	39,826,612	49,725,219

BACK TO NOTES INDEX

NCB Financial Group Limited

Notes to the
Financial Statements

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

55. Reconciliation of Liabilities arising from Financial Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash. Financing activities represent bank and other loans, excluding bank overdrafts and amounts included as cash and cash equivalents:

	The Group			
	Other borrowed funds	**Obligation under securitisation arrangements**	**Lease liabilities**	**Total**
Liabilities	**$'000**	**$'000**	**$'000**	**$'000**
At October 1, 2019	124,394,235	48,305,823	4,212,208	176,912,266
Cash movements -				
Drawdowns	24,192,548	35,392,925	1,724,573	61,310,046
Repayment – principal	(26,988,658)	(12,077,688)	(1,346,282)	(40,412,628)
Non-cash movements -				
Amortisation of upfront fees	118,340	(405,327)	-	(286,987)
Foreign exchange adjustments	3,608,341	(42,883)	7,495	3,572,953
Interest payable	(258,470)	(88,893)	-	(347,363)
At September 30, 2020	125,066,336	71,083,957	4,597,994	200,748,287
Cash movements -				
Drawdowns	55,166,682	-	2,580,907	57,747,589
Repayment – principal	(45,264,920)	(7,894,566)	(1,846,996)	(55,006,482)
Non-cash movements -				
Amortisation of upfront fees	126,872	168,939	-	295,811
Foreign exchange adjustments	1,829,012	(220,823)	19,676	1,627,865
Interest payable	48,461	(50,290)	25,931	24,102
At September 30, 2021	136,972,443	63,087,217	5,377,512	205,437,172

BACK TO NOTES INDEX

55. Reconciliation of Liabilities arising from Financial Activities (Continued)

	The Company		
Liabilities	**Other borrowed funds $'000**	**Lease liabilities $'000**	**Total $'000**
At October 1, 2019	76,227,470	-	76,227,470
Cash movements -			
Drawdowns	2,000,007	127,592	2,127,599
Repayment	(5,500,500)	(29,231)	(5,529,731)
Non-cash movements -			
Foreign exchange adjustments	2,938,515	-	2,938,515
Amortisation of upfront fees	(102,236)	-	(102,236)
Interest payable	(1,206)	-	(1,206)
At September 30, 2020	75,562,050	98,361	75,660,411
Cash movements -			
Drawdowns	31,963,927	128,653	32,092,580
Repayment	(24,939,637)	(150,576)	(25,090,213)
Non-cash movements -			
Foreign exchange adjustments	2,218,255	-	2,218,255
Amortisation of upfront fees	121,332	-	121,332
Interest payable	7,268	-	7,268
At September 30, 2021	84,933,195	76,438	85,009,633

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the
Financial Statements
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

56. Leases

The statement of financial position shows the following amounts relating to leases:

	2021 $'000	2020 $'000
Right-of-use assets		
Buildings	4,634,532	3,962,194
Motor vehicles	525,678	453,824
Equipment	74,728	127,660
	5,234,938	4,543,678
Lease liabilities		
Current	947,814	1,341,021
Non-current	4,429,698	3,256,973
	5,377,512	4,597,994

Rights-of-use assets

(i) Amounts recognised in the balance sheet

a) The statement of financial position shows the following amounts relating to leases:

Right-of-use assets	September 30, 2021 $'000	September 30, 2020 $'000
Buildings	4,634,532	3,962,194
Motor vehicles	525,678	453,824
Equipment	74,728	127,660
	5,234,938	4,543,678

b) As at September 30, 2021, leasehold Improvements and furniture, fittings and equipment where the Group is a lessee under a finance lease are as follows:

	Leasehold Improvements $'000	Equipment $'000	Motor Vehicles $'000
Cost	1,098,729	223,866	1,261,567
Accumulated depreciation	(796,767)	(149,138)	(735,888)
Net book values	301,962	74,728	525,679

56. Leases (Continued)

Leased assets previously classified as operating leases are presented as in the property, plant and equipment disclosure note.

During the financial year additions through new leases and acquisitions amounted to $2,580,907,000 (2020- $1,724,573,000).

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021	2020
Depreciation charge of right-of-use assets	**$'000**	**$'000**
Buildings	1,016,898	764,163
Equipment	102,634	56,752
Motor Vehicles	373,498	246,591
	1,493,030	1,067,506

Amounts recognised in the statement of comprehensive income relating to leases:

	2021 $'000	2020 $'000
Depreciation charge of right-of-use assets	1,493,030	1,067,506
Interest expense on lease liabilities	343,316	344,221
Total expenses related to leases	1,836,346	1,411,727

The Group's leasing activities

The Group leases various buildings to facilitate: execution of banking services at branches and ABMs, general business operations and housing for employees. Rental contracts are typically made for fixed periods of 1 to 10 years. Leases are negotiated on an individual basis and contain a wide range of different terms and conditions (including termination and renewal rights). Extension and termination options are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension and termination options held are exercisable by both the Group and the respective lessor.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which do not have recent third party financing; and,
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

BACK TO NOTES INDEX

NCB Financial Group Limited
Notes to the **Financial Statements**
September 30, 2021
(expressed in Jamaican dollars unless otherwise indicated)

56. Leases (Continued)

The Group's leasing activities (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of land and buildings, management has included various extension options in the lease liability, as relocating would from existing locations would be onerous.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and,
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of $97,252,000.

57. Litigation and Contingent Liabilities

The Group is subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group for which, according to the principles outlined above, no provision has been made, management is of the opinion that such claims are without merit and can be successfully defended. Significant matters are as follows, all relating to National Commercial Bank Jamaica Limited:

(a) Suit has been filed by the NCB Staff Association against the Bank seeking various declarations regarding the Bank's profit sharing scheme, in particular as it relates to the financial year ended September 30, 2002. The Association has not quantified the claim. In 2017, the Supreme Court decided in favor of the NCB Staff Association. The Bank filed an appeal against the judgment. The appeal was heard for 3 days in June 2020 at the end of which the Court of Appeal reserved its judgment. In July 2020, the Court of Appeal handed down its judgment dismissing the Bank's Appeal and affirming the decision of the Supreme Court. The Bank subsequently commenced the process of having an appeal heard by the Judicial Committee of the Privy Council.

Provision for the claim has been made in the financial statements.

(b) Suit has been filed by a customer against the Bank for breach of contract, breach of trust and negligence and damages. The claim for damages includes a sum equivalent to the profit of the business foregone as a result of an inability to access a loan approved by the Bank and the cost of interim financing. No provision was made in these financial statements for this claim as the Bank's attorneys were of the view that the suit against the Bank was unlikely to succeed. The Court subsequently ordered that the customer's claim be struck out. The customer has appealed that decision.

(c) Suit has been filed by a customer against the Bank for damages suffered as a result of the Bank's alleged negligence in relation to the sale of property. The proper value of the property, which had been owned by the customer, is in issue, along with the amount properly to be applied to the customer's loan balance. Based on the advice of the Bank's attorneys, no provision has been made in the financial statements in respect of this claim.

(d) Suit has been filed by a customer against the Bank for unlawful, wrongful and/or improper use of power in the appointment of a Receiver and manager of the customer's business property and assets. Damages, interest and costs have been claimed against the Bank. No provision has been made in the financial statements for this claim as the Bank's attorneys are of the opinion that the claim is unlikely to succeed.

(e) Suit was filed by a claimant seeking specific performance, damages for breach of contract, interest and costs. At the time of trial, the claim against the Bank was quantified by the claimant at approximately $31.4 billion plus interest and costs. No provision was made for this claim as the Bank's attorneys were of the view that the suit against the Bank was unlikely to succeed. The Supreme Court issued judgment in the Bank's favor, with the Court ordering a company (placed by the Bank into receivership) to pay the claimant $5 million plus interest. The claimant has appealed and the defendants (including the Bank) have cross-appealed that portion of the judgment in which the company in receivership was ordered to pay the claimant $5 million plus interest. However, in the light of a recent decision of the Court of Appeal, the claimant has applied to vacate the judgment of the Supreme Court as the Judge who delivered the judgment did so after he retired from the Supreme Court. Having heard the claimant's application, the Court of Appeal ordered that the matter be referred to the Supreme Court where a re-trial has commenced.

A number of other suits have been filed by customers of the Group. In some instances, counter claims have been filed by the Group. Provision has been made in the financial statements for certain of these claims. No provision has been made where the Group's attorneys are of the view that the Group has a good defense against these claims.

NCB Financial Group Limited

Notes to the **Financial Statements**

September 30, 2021

(expressed in Jamaican dollars unless otherwise indicated)

58. Offsetting Financial Assets and Financial Liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Group						
	2021						
	Related amounts not set off in the statement of financial position						
	Gross amounts of financial assets $'000	Gross amounts set off on the balance sheet $'000	Net amounts of financial assets presented on the balance sheet $'000	Impact of master netting agreements $'000	Cash collateral $'000	Financial instruments collateral $'000	Net amounts $'000
Assets							
Cash resources	250,927,116	-	250,927,116	-	(5,249,318)	(6,634,136)	239,043,662
Financial investments	900,642,200	-	900,642,200	(206,734,968)	-	(9,922,149)	683,985,083
	1,151,569,316	-	1,151,569,316	(206,734,968)	(5,249,318)	(16,556,285)	923,028,745
	2020						
Assets							
Cash resources	258,411,791	-	258,411,791	-	(3,707,087)	(5,473,992)	249,230,712
Financial investments	853,085,972	-	853,085,972	(210,914,030)	-	(185,369,195)	456,802,747
	1,111,497,763	-	1,111,497,763	(210,914,030)	(3,707,087)	(190,843,187)	706,033,459

BACK TO NOTES INDEX

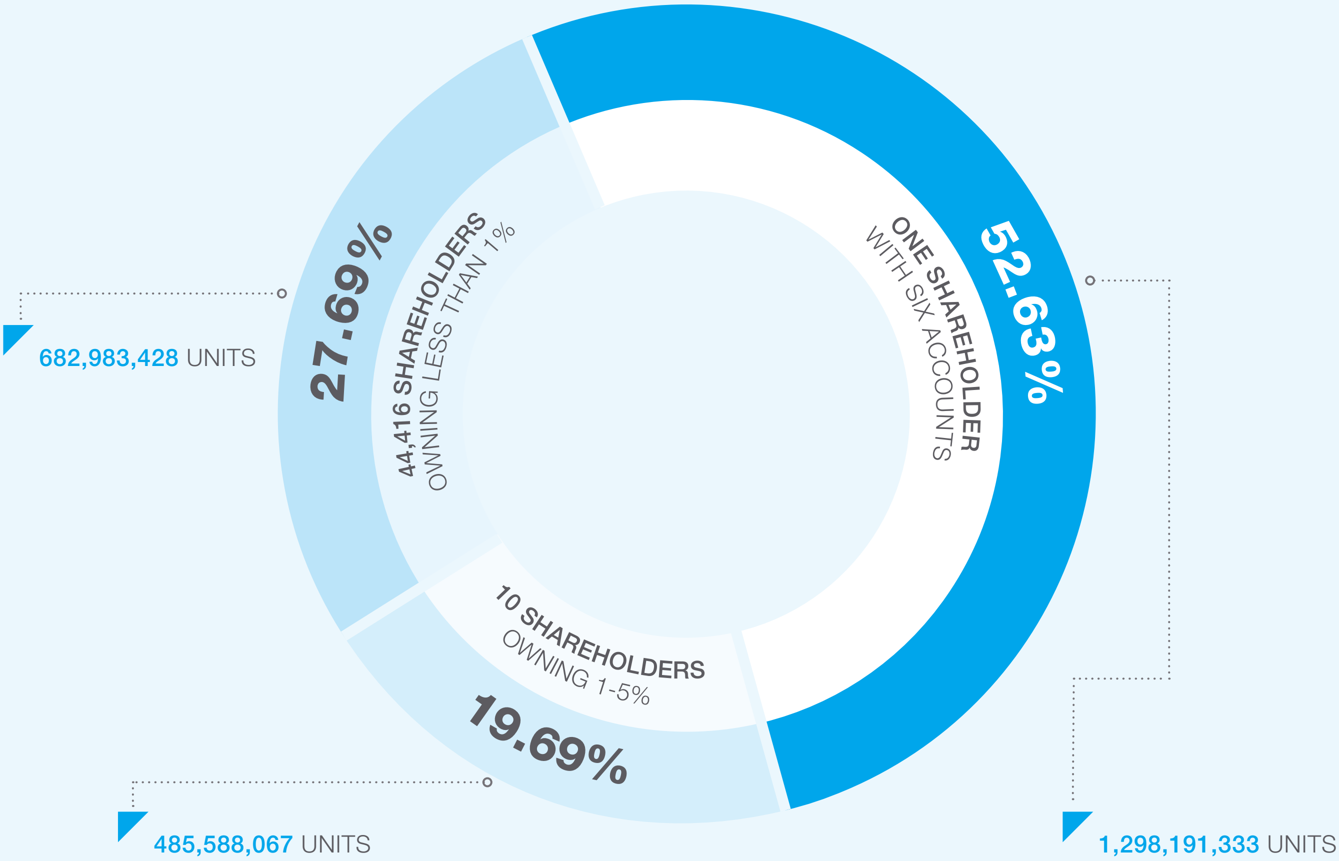
58. Offsetting Financial Assets and Financial Liabilities (Continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Group						
	2021						
				Related amounts not set off in the statement of financial position			
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Repurchase agreements	224,805,387	-	224,805,387	(206,734,968)	(1,661,899)	-	16,408,520
Obligations under securitisation agreements	63,087,217	-	63,087,217	-	(3,587,419)	-	59,499,798
	287,892,604	-	287,892,604	(206,734,968)	(5,249,318)	-	75,908,318
	2020						
Liabilities							
Repurchase agreements	211,436,379	-	211,436,379	(210,914,030)	(84,943)	-	437,406
Obligations under securitisation agreements	71,083,957	-	71,083,957	-	(3,622,144)	-	67,461,813
	282,520,336	-	282,520,336	(210,914,030)	(3,707,087)	-	67,899,219

BACK TO NOTES INDEX

Shareholdings



SHAREHOLDER PROFILE
of NCB Financial Group Limited
as at September 30, 2021

2,466,762,828 Total Units
44,427 Total Shareholders

10 LARGEST SHAREHOLDERS
of NCB Financial Group Limited as at September 30, 2021

Name of Shareholder	Units	Percentage Ownership
AIC (Barbados) Limited	1,298,191,333	52.63%
MF&G Asset Management Limited - NCB Share Scheme	102,574,419	4.16%
Sagicor PIF Equity Fund	79,148,444	3.21%
NCB Insurance Agency & Fund Managers Limited WT 109	62,989,156	2.55%
Harprop Limited	46,434,102	1.88%
AIC Global Holdings Inc.	45,449,690	1.84%
Ideal Portfolio Services Company Limited	33,279,939	1.35%
SJIML A/C 3119	32,539,032	1.32%
Guardian Life of the Caribbean	30,206,368	1.22%
National Insurance Fund	26,836,950	1.09%

INTEREST/OWNERSHIP OF STOCK UNITS BY DIRECTORS

of NCB Financial Group Limited as at September 30, 2021

Directors [1.]	Total	Direct	Connected Parties
Robert Almeida	**65,990,231**	171,750	65,818,481
Dennis Cohen [2.]	**141,038,802**	2,267,344	138,771,458
Sandra Glasgow [2.]	**139,119,484**	142,626	138,976,858
Sanya Goffe	**65,890,481**	72,000	65,818,481
Hon. Patrick Hylton, OJ, CD	**75,324,136**	9,505,655	65,818,481
Hon. Michael Lee-Chin, OJ	**1,504,105,526**	146,698	1,503,958,828
Thalia Lyn, OD [2.]	**139,204,204**	413,984	138,790,220
Prof. Alvin Wint, CD	**65,906,625**	88,144	65,818,481
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, 2021

Executives/Senior Managers	Total	Direct	Connected Parties
Dennis Cohen [1, 2.]	**141,038,802**	2,267,344	138,771,458
Dave Garcia	**175,027**	175,027	0
Hon. Patrick Hylton, OJ, CD [1.]	**75,324,136**	9,505,655	65,818,481
Misheca Seymour-Senior	**7,195**	7,195	0
Mukisa Wilson Ricketts	**87,552**	87,552	0
Allison Wynter [2.]	**73,281,214**	191,237	73,089,977

INTEREST/OWNERSHIP OF STOCK UNITS BY EXECUTIVES/SENIOR MANAGERS OF SUBSIDIARIES

of NCB Financial Group Limited as at September 30, 2021

Executives/Senior Managers	Total	Direct	Connected Parties
Gabrielle Banbury-Kelly	**95,508**	95,508	0
Septimus Blake	**211,144**	211,144	0
Brian Boothe	**242,000**	102,000	140,000
Danielle Cameron Duncan	**92,854**	92,854	0
Euton Cummings	**10**	10	0
Raymond Donaldson	**0**	0	0
Steven Gooden	**124,420**	124,420	0
Vernon James	**0**	0	0
Desmond Johnson	**0**	0	0
Ramon Lewis	**57,215**	57,215	0

Executives/Senior Managers	Total	Direct	Connected Parties
Sheree Martin	**6,713**	6,713	0
Nadeen Matthews Blair	**94,000**	94,000	0
Anne McMorris Cover	**8,735**	8,735	0
Malcolm Sadler	**58,827**	28,774	30,053
Ravi Tewari	**0**	0	0
Ian Truran	**0**	0	0
Simona Watkis	**6,595**	6,595	0
Tanya Watson Francis	**156,323**	156,323	0
Angus Young	**0**	0	0

1. Connected parties for all directors include shares of 65,818,481 held by subsidiaries of Guardian Holdings Limited.
2. Connected parties for Dennis Cohen, Sandra Glasgow, Thalia Lyn and Allison Wynter include shares of 72,949,977 held as trustees of the N.C.B. Staff Pension Fund.

Corporate Directory

NCB FINANCIAL GROUP LIMITED

32 Trafalgar Road Kingston 10 Jamaica W.I.	www.myncb.com	876-929-9050

Key Persons:

Hon. Patrick Hylton, OJ. CD.	President and Group Chief Executive Officer
Dennis Cohen	Group Chief Financial Officer and Deputy Chief Executive Officer
Allison Wynter	Group Chief Risk Officer
Dave Garcia	Group General Counsel and Corporate Secretary
Mukisa Ricketts	Group Chief Audit Executive
Misheca Seymour-Senior	Group Chief Compliance Officer

NATIONAL COMMERCIAL BANK JAMAICA LIMITED AND ITS SUBSIDIARIES

32 Trafalgar Road Kingston 10 Jamaica W.I.	www.jncb.com	876-929-9050 888-NCB-FIRST (622-3477)

Key Persons:

Septimus 'Bob' Blake	Chief Executive Officer (CEO)
Malcolm Sadler	Chief Financial Officer
Allison Wynter	Head - Group Risk Management Division
Anne McMorris-Cover	Head - Enterprise Operations Division
Brian Boothe	Head - Corporate & Commercial Banking, Collections & Underwriting
Danielle Cameron-Duncan	Head - Payment Services & Digital Channels Division
Dave Garcia	Head - Group Legal & Compliance Division
Euton Cummings	Head - Group HR and Facilities Division
Gabrielle Banbury-Kelly	Head - Group Transformation Office
Mukisa Ricketts	Head - Group Internal Audit Division
Nadeen Matthews Blair	Head - Group Marketing, Communications, Analysis & Digitisation Division /CEO, N.C.B. Foundation
Ramon Lewis	Head - Group Information Technology Division
Sheree Martin	Head - Retail Banking & Customer Experience
Tanya Watson-Francis	Head - Treasury and Correspondent Banking Division
Steven Gooden	Chief Executive Officer (CEO), NCB Capital Markets Limited
Desmond Johnson	General Manager, NCB Insurance Agency & Fund Managers Limited

CLARIEN BANK LIMITED

19 Reid Street Hamilton HM 11, Bermuda	www.clarienbank.com	+1 441-296-6969

Key Persons:

Ian Truran	Chief Executive Officer
Bruce Jackson	EVP, Chief Wealth Management Officer
Minish Parikh	EVP, Chief Operating Officer
Rebecca Pitman	EVP, Chief of Staff
Simon Van de Weg	EVP, Chief Banking Officer
Vishram Sawant	EVP, Chief Financial Officer
Michael DeCouto	EVP, Chief Digital & Marketing Officer

GUARDIAN HOLDINGS LIMITED

1 Guardian Drive Westmoorings Trinidad and Tobago	www.myguardiangroup.com	1-868-226-MYGG (6944)

Key Persons:

Ravi Tewari	Group Chief Executive Officer
David Maraj	Group Chief Financial Officer
Alan Sadler	Group Vice President, Insurance Operations
Sasha Ali	Group Head, Internal Audit
Brent Ford	Group Chief Investment Officer/Group President, Asset Management
Karen Kelshall Lee	Group Head, Compliance
Paul Traboulay	Group Chief Risk Officer
Richard Avey	Group General Counsel/Corporate Secretary
Anand Pascal	President, Guardian Life of the Caribbean Limited
Dean Romany	President, Guardian General Insurance Limited
Diego Frankel	President, Fatum
Eric Hosin	President, Guardian Life Limited
Karen Bhoorasingh	President, Guardian General Insurance Jamaica Limited

CONTACT INFORMATION

Investor Relations*:

Jacqueline De Lisser
Head – Group Investor Relations &
Financial Advisory Unit

delisserjn@jncb.com

Registrar Services**:

Jamaica Central Securities Depository Ltd.
40 Harbour Street, Kingston

876-967-3271

* Information on the Company
** Shareholders' queries

Glossary
Abbreviations

CURRENCIES AND UNITS:

B or Bn – Billion
BMD - Bermudian Dollar
BBD - Barbados Dollar
CAD - Canadian Dollar
EUR - Euro
GBP - British Pound Sterling
J$ or JMD– Jamaican Dollar
K – Thousand
M or Mn – Million
NAF - Netherlands Antilles Guilder
T or Tn - Trillion
TT$ or TTD– Trinidad and Tobago Dollars
US$ or USD – United States Dollars

ENTITIES:

A

AARP - American Association of Retired Professionals

B

BOJ – Bank of Jamaica

C

CariCRIS - Caribbean Information and Credit Ratings Services Limited
CBB - Central Bank of Barbados
CBL - Clarien Bank Limited
CBTT - Central Bank of Trinidad and Tobago
CGL - Clarien Group Limited
CIMA - The Cayman Islands Monetary Authority**3**

F

FSC – Financial Services Commission

G

GHL – Guardian Holdings Limited
GLOC - Guardian Life of the Caribbean

I

IASB – International Accounting Standards Board
ICAJ – Institute of Chartered Accountants of Jamaica
IMF – International Monetary Fund

J

JSE - Jamaica Stock Exchange

N

NCB or NCB Group – NCB Financial Group Limited and its subsidiaries
NCBCM – NCB Capital Markets Limited
NCBFG – NCB Financial Group Limited
NCBGH – NCB Global Holdings Limited
NCBJ – National Commercial Bank Jamaica Limited
NCBMBTT – NCB Merchant Bank (Trinidad and Tobago) Limited (formerly NCB Global Finance Limited)
NHT - National Housing Trust (Jamaica)

O

ODPEM - Office of Disaster Preparedness and Emergency Management

P

PWC – PricewaterhouseCoopers
PSOJ – The Private Sector Organisation of Jamaica

S

STATIN - The Statistical Institute of Jamaica

T

TFOB - TFOB(2021) Limited: a fintech start-up, building out the technological backbone and ecosystem for a range of Lynk-branded digital financial products.
TTSE – Trinidad and Tobago Stock Exchange

W

WBAF - World Business Angels Investment Forum

TITLES:

CEO – Chief Executive Officer
CFO – Chief Financial Officer
EVP - Executive Vice President

OTHER ACRONYMS:

2021F - Forecasted for calendar year 2021
2022F - Forecasted for calendar year 2022

A

ABM – Automated Banking Machine
AGM – Annual General Meeting
AI – Artificial Intelligence
APOs - Additional Public Offers
ATM – Automated Teller Machine

B

BOT - British Overseas Territory
BPO – Business Process Outsourcing

C

CAGR* – Compounded Annual Growth Rate
CBDC - Central Bank Digital Currency
CD account - Certificate of Deposit account
CET1 - Common Equity Tier 1
CGI - Corporate Governance Index
CGU - Cash generating unit
CPI – Consumer Price Index
CPPM - Caribbean Policyholder Premium Method
CSP Fund - Computer Service and Programming Limited Pension Fund
CSR – Corporate Social Responsibility

*** The Compounded Annual Growth Rate (CAGR) is a measure of growth over multiple time periods.**

D
DM - Developed Markets
DPF - Discretionary participation features
DPR – Diversified Payments Rights
DTI - Deposit-taking Institution

E
EAD - Exposure at default
ECL - Expected credit loss
EFF - Extended Fund Facility
e-KYC - Electronic Know Your Customer
EM - Emerging Market
EMBI - Emerging Market Bond Index
EMBI+ - Emerging Market Bond Index Plus
EPS – Earnings per stock unit
ESG - Environmental, Social and Governance

F
FX – Foreign Exchange
FY - Financial Year or Fiscal Year
Finacle - A core banking system that provides digital banking functionalities for NCBJ.
FVOCI - Fair Valued through Other Comprehensive Income
FVPL - Fair Valued through Profit and Loss

G
G7 - Group of Seven, this is an intergovernmental organisation to address international economic and monetary issues.
GDP – Gross Domestic Product
GGApp - Guardian General App
GoIPO - NCB Capital Markets Limited - powered electronic platform for IPO submissions
GOJ – Government of Jamaica

H
H1 – First six months of the year or First half of the year
H2 – Last six months of the year or Second half of the year
HR – Human Resources
HSF - Heritage Stabilisation Fund

I
iABM – Intelligent Automated Banking Machine
IBOR - Inter-bank offered rates
IBNR - Incurred but not reported
IESBA Code - International Ethics Standards Board for Accountants
IFRS – International Financial Reporting Standards
IPO – Initial Public Offering
ISA - International Standards on Auditing
IT – Information Technology

J
JAMAN - Jamaican global bonds
JCSD - Jamaica Central Securities Depository
JMVR - Jamaica Merchant Voucher Receivables

K
KYC - Know Your Customer

L
LAR - Loans and receivables
LGD - Loss given default
Lynk - Mobile wallet of TFOB (2021) Limited

M
MCCSR - Minimum Continuing Capital Surplus Ratio
MD&A – Management Discussion & Analysis
mPOS – Mobile Point of Sale
MSME - Micro, Small and Medium Enterprises
MVR - Merchant Voucher Receivables

O
OCI - Other Comprehensive Income

P
PD - Probability of default
PMFL - Public Management and Finance Law
POCI – Purchased or originated credit-impaired
PPM - Policyholder Premium Method
PY – Prior year

Q
Q1 - Quarter 1 or first quarter
Q2 - Quarter 2 or second quarter
Q3 - Quarter 3 or third quarter
Q4 - Quarter 4 or fourth quarter

R
REPO – Repurchase Agreements
RWA – Risk Weighted Assets

S
SDR - Special Drawing Right
SICR - Significant increase in credit risk
SME – Small and Medium-Sized Enterprise
S&P – Standard & Poor's
SPC - Special purpose company
SPPI - Solely payments of principal and interest

T
T & T or TT – Trinidad & Tobago

U
UK – United Kingdom
US – United States
UWI – University of the West Indies

V
VAT - Value Added Tax

Y
YoY - Year over year

Notes

FINANCIAL GROUP LIMITED

Annual General Meeting **Form of Proxy**

Postage Stamp

I/We ....

of ....

being a Member/Members of the abovenamed Company, hereby appoint

....

of .... or failing him/her

....

of ....

as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at **The Atrium, 32 Trafalgar Road, Kingston 10**, in the parish of **Saint Andrew, Jamaica** on **February 4, 2022,** and **online** through access information to be made available through **www.myncb.com,** to start at **10:30 a.m**. and at any adjournment thereof.

» Please indicate by inserting a cross in the appropriate square how you wish your votes to be cast. Unless otherwise instructed, the Proxy will vote or abstain from voting, at his/her discretion.

RESOLUTION	FOR	AGAINST
1	☐	☐
2	☐	☐
3 (a)	☐	☐
3 (b)	☐	☐

RESOLUTION	FOR	AGAINST
4 (a)	☐	☐
4 (b)	☐	☐
5	☐	☐

As witnessed my hand this .... day of 2022

Signed: ....

NOTES:

1. This Form of Proxy must be received by the Secretary of the Company not less than 48 hours before the time appointed for the Meeting.
2. This Form of Proxy should bear stamp duty of $100. Adhesive stamps are to be cancelled by the person signing the proxy.
3. If the appointer is a Corporation, this Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized in writing.

STRICT OBSERVANCE OF COVID-19 PROTOCOLS IN THE PRODUCTION OF THE ANNUAL REPORT

The production team for the NCBFG 2021 Annual Report adhered to the following safety protocols in order to reduce the risk of spread and exposure to COVID-19:

Automated temperature scanners used to conduct temperature checks for all persons entering the building.

Proper physical distancing practised and actively monitored.

Masks were worn by all team members.

Only the crew and the subject being photographed were in the areas where the photoshoot took place. Subjects being photographed were permitted to remove masks only at the point of being photographed. Proper physical distancing was observed.

No sharing of work equipment or stations without the areas being sanitised prior to being utilised.

Production areas were thoroughly and frequently cleaned and sanitized.

DESIGN:
Graphics & Production Unit
Group Marketing & Communications

PHOTOGRAPHY:
William Richards

AUDITORS:
PricewaterhouseCoopers

PRINTED IN JAMAICA:
Lithographic Printers Ltd.

Put Your
Best Life
Forward

HEAD OFFICE:
"The Atrium"
32 Trafalgar Road
Kingston 10
Jamaica

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

National Commercial Bank Jamaica Limited | Clarien Group Limited | Guardian Holdings Limited

NCB FINANCIAL GROUP LIMITED