Annual Report
2017

NCB
FINANCIAL GROUP
LIMITED

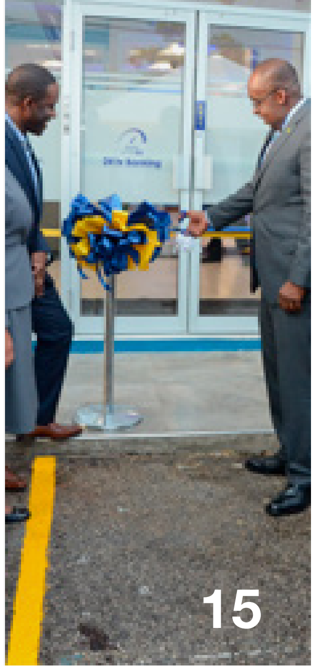
Enterprises that want to stay ahead must redefine themselves constantly in order to meet the needs of the ever changing world. Being agile allows for radical shifts, high product quality and high customer satisfaction. The strength of the Financial Group and the trust in the brand will allow us to reinvent the meaning of a world-class customer experience. Take a step with us towards NCB 2.0:

faster

simpler

stronger


127

25

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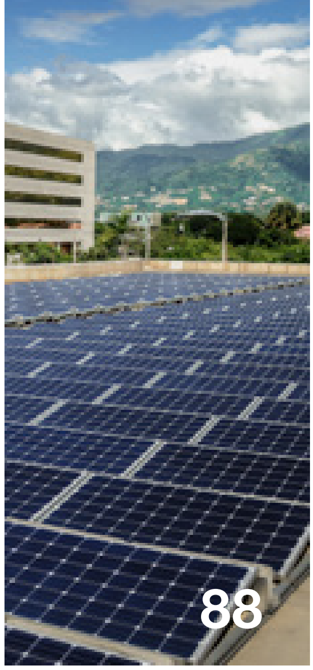


contents

Vision

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

Brand Pillars

Innovation

01

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

02

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

Strength

03

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

Core Values

Stakeholder Value

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

Customer Experience

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

People Development

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

Reward & Recognition

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

Fair Competition

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

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of NCB FINANCIAL GROUP LIMITED will be held at the Spanish Court Hotel, The Valencia T, 16 Worthington Avenue, Kingston 5, in the parish of **Saint Andrew** on **Friday, January 26, 2018** to start at **10:00 a.m.** to consider and if thought fit pass the following resolutions:

ORDINARY BUSINESS

Ordinary Resolutions

1. **Audited Accounts**

   "**THAT** the Audited Accounts for the year ended September 30, 2017 and the Reports of the Directors and Auditors, circulated with the Notice convening the Meeting, be and are hereby adopted."

2. **Declaration of Dividend**

   "**THAT** the interim dividends per stock unit of $0.60 paid in May 2017, $0.60 paid in August 2017 and $0.60 paid in December 2017 be treated on the recommendation of the Directors as the final dividend for the financial year ended September 30, 2017."

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 **Mr Wayne Chen**, **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, **MR WAYNE CHRISTOPHER CHEN**, retiring pursuant to Article 95 of the Articles of Incorporation be and is hereby re-elected."

   b) "**THAT** Director, **MRS SANDRA ALICIA CAROL GLASGOW**, retiring pursuant to Article 95 of the Articles of Incorporation be and is hereby re-elected."

   c) "**THAT** Director, **MRS SANYA MELINA GOFFE**, retiring pursuant to Article 95 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, 2018, BE AND IS HEREBY fixed at $25,000,000, which remuneration may include such share incentive scheme for directors as may be determined by the Board.

5. Appointment of Auditors and their Remuneration

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

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

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

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

DATED this 20th day of **December 2017**

BY ORDER OF THE BOARD

DAVE L. GARCIA
CORPORATE SECRETARY

Our Business in Brief

An organisation built on the pillars of innovation, expertise and strength, NCB Financial Group Limited (NCBFG) a home-grown financial institution, stands as Jamaica's largest with a growing footprint across the Caribbean.

To maintain our position, it remains important to us to not only be Jamaica's financial services provider of choice, but also the employer of choice and a leading corporate citizen, that builds the communities we serve. Our aim is to be a one-stop financial group, providing financial services to all our customers, no matter where they are in their life cycles. Moreover, with the growing penetration of the internet and technology, we have begun to expand our digital capabilities to meet the changing needs of our customers.

Through our recent digitisation thrust, we are focused on financial innovation, as we continuously challenge and disrupt the traditional ways of conducting business and use our transformative impact to put more power in the hands of our customers.

With our history dating back as far as 1837, NCB is growing its presence regionally with locations in Trinidad and Tobago, Barbados and the Cayman Islands. Locally, our network remains unmatched with 36 locations, 300 ABMs and over 14,000 merchants locations, supported by online banking, along with telephone banking and a toll-free 24/7 Customer Care Centre at 1-888-NCBFIRST (622-3477).

NCB FINANCIAL GROUP LIMITED

NCB Financial Group Limited ("NCBFG") was incorporated in April 2016 to be licensed under the Banking Services Act as the financial holding company for National Commercial Bank Jamaica Limited ("NCBJ"). NCB is the largest and most profitable financial services group in Jamaica with roots dating back to 1837. The NCB Group includes NCBJ, NCB Capital Markets Limited and its subsidiaries in Barbados, Cayman and Trinidad and Tobago, NCB Insurance Company Limited, Advantage General Insurance Company Limited and NCB (Cayman) Limited. In May 2016, NCB acquired a 29.99% interest in Guardian Holdings Limited (GHL) in Trinidad & Tobago, which is held through a directly owned subsidiary, NCB Global Holdings Limited, incorporated in Trinidad & Tobago.

NCB NATIONAL COMMERCIAL BANK JAMAICA LIMITED

National Commercial Bank Jamaica Limited provides an array of products & services to meet the banking needs of customers. Deposit accounts, unsecured and secured loans, credit cards, overdraft lines, foreign exchange, personal and private banking services are part of our offerings. Supported by online banking at www.jncb.com.

NCB CAPITAL MARKETS LIMITED

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

NCB GLOBAL FINANCE LIMITED

NCB Global Finance Limited is a Trinidad & Tobago based non-bank financial institution, also known as a merchant bank. Its offerings include deposits; origination of loans and leases; and provision of foreign exchange and trustee services.

NCB UK REPRESENTATIVE OFFICE

NCB Financial Services UK Limited

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

NCB CAYMAN LIMITED

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

NCB INSURANCE COMPANY LIMITED

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

NCB CAPITAL MARKETS (BARBADOS) LIMITED

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

Advantage General INSURANCE COMPANY Limited

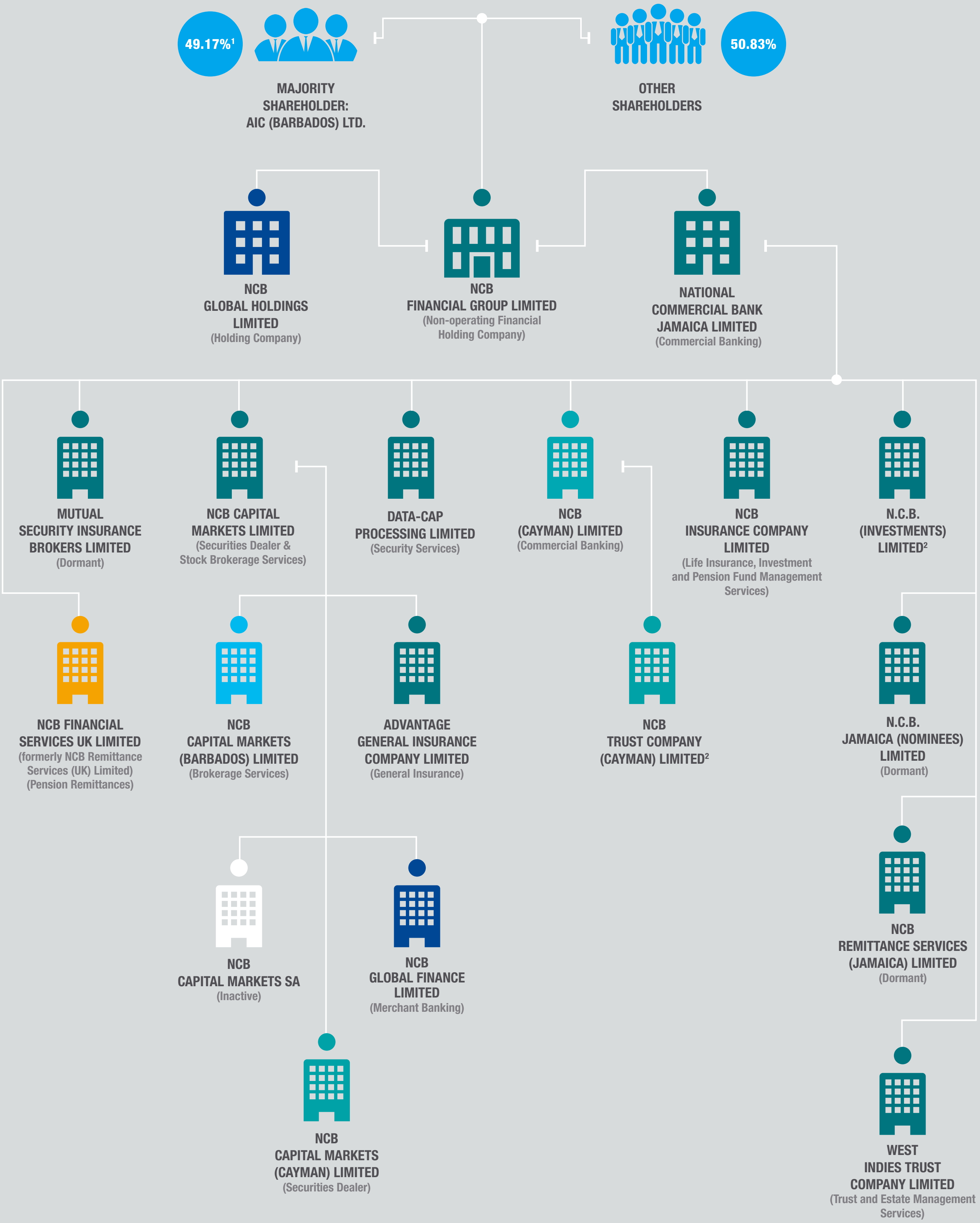
Advantage General Insurance Company Limited is a general insurance company, offering auto, home and content insurance, as well as commercial insurance including employers' liability, goods in transit and professional liability etc.

NCB FOUNDATION

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

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

Group Corporate Structure

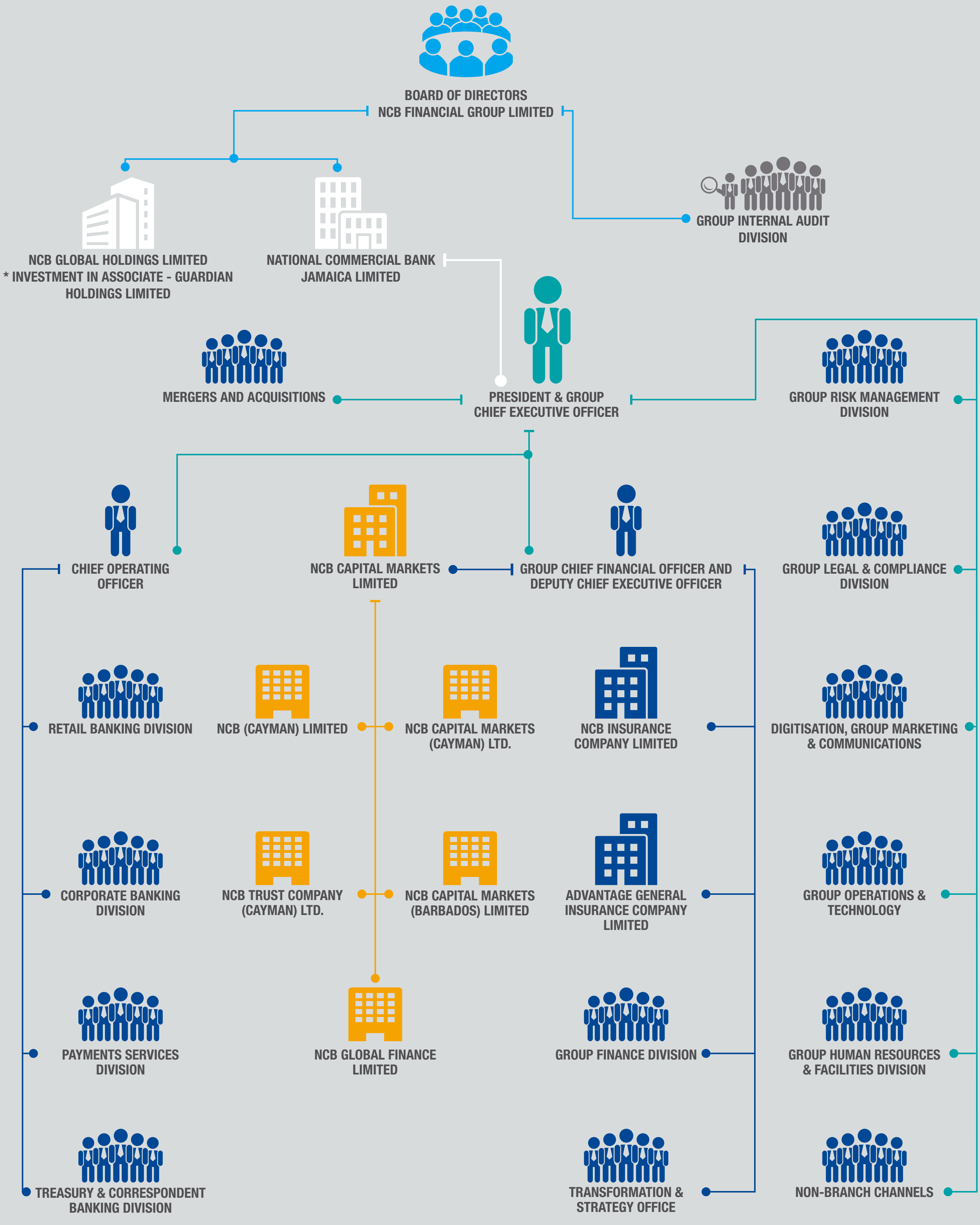


1. As at September 30, 2017

2. No significant activities at this time

Jamaica
Cayman Islands
United Kingdom
Dominican Republic
Barbados
Trinidad & Tobago

Organisational Chart



Strategic Focus

Our 2020 Group aspiration will focus on
BUSINESS PRIORITIES driven by **6 INITIATIVES**

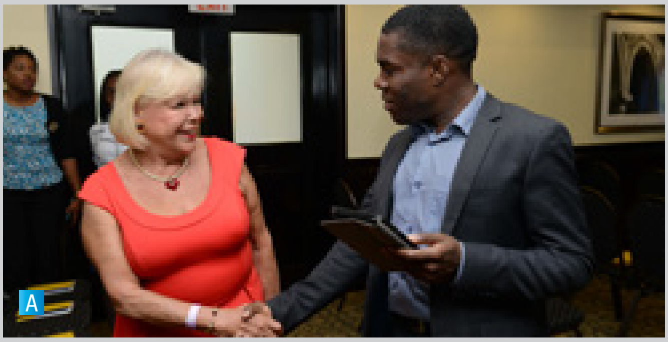
NCB 2.0 by 2020: Faster | Simpler | Stronger

Awards

- **JAMAICA BUSINESS LEADER AWARD NOMINATION** (amongst top 8 companies on the island with exceptional philanthropic endeavours).
- **THE GLEANER HONOUR AWARDS 2016** recipient in the category of Education for its continued support of the education sector in Jamaica.
- **LATIN FINANCE MAGAZINE** – Best Bank
- **THE BANKER** – Bank of the Year 2016 & 2017
- **GLOBAL FINANCE MAGAZINE** – Safest Bank in Jamaica
- **GLOBAL FINANCE MAGAZINE** – Best Bank in Jamaica
- **GLOBAL BUSINESS OUTLOOK** – Best Commercial Bank Jamaica 2016
- **INTERNATIONAL FINANCIAL MAGAZINE** – Most Innovative Banking Solution Jamaica 2016
- **GLOBAL FINANCE-**Best FX Award
- **GLOBAL BANKING AND FINANCE REVIEW** – Best SME Bank Jamaica 2016
- **GLOBAL BANKING AND FINANCE REVIEW** – Best Life Insurance Company 2016
- **JSE AWARDS 2016**
  - Governor General's Award for Excellence (5th consecutive year);
  - Best Practices Award for Annual Report (3 wins to date)
  - Corporate Disclosure & Investor Relations Award
  - 1st runner-up awards for the categories of Website and JSE/PSOJ Corporate Governance (tied 1st runner-up).

Business **Highlights**

Our Relationships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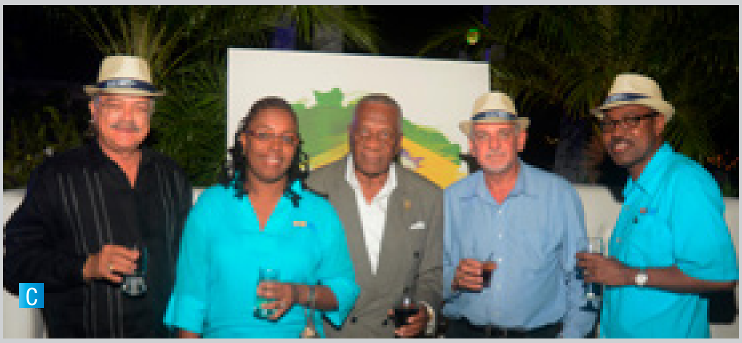

C


D

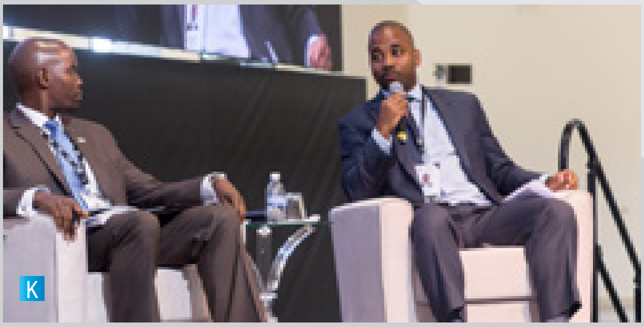

E


F


G


H

SME FORUM NCB continued to support SMEs across the island by hosting the first in a series of SME forum's in Ocho Rios. The event provided an opportunity for SME's to interact with senior executives and team members from across the NCB Group. A Pictured above in conversation is the owner of Evita's Italian Restaurant Eva Myers and Donnovan Reid Branch Manager, St. Ann's Bay. **FINANCING PROJECT** NCB Group was the lead arranger to structure a financing package for the 190 megawatt LNG power plant for JPS and its subsidiary. The transaction represents the largest financing project of its kind with a dollar value of more than US$330M. B In discussion post event are (L-R) Brian Boothe, Acting Head of Retail Banking Division, Charles Whitney & Chris Down, Partners at Norton Rose Fullbright, Dan Theoc CFO JPS, and COO South Jamaica Power, Andrew Simpson, Acting Head, Corporate Banking Division. **CLIENT MINGLE** Team members from the Corporate Banking and Treasury & Correspondent Banking Divisions came together to fete their customers and friends from the second city and its environs. C Pictured (L-R) Robert Russell, of Reggae Sumfest and Pier 1 on the Waterfront , Tanya Watson Francis, General Manager Treasury and Correspondent Banking Division, Godfrey Dyer, Chairman Tourism Enhancement Fund (TEF), Richard Bourke, Managing Director Amstar DMC, and Brian Boothe, Acting Head, Retail Banking Division. D Owner/ manager Lloyd's department store Montego Bay, Anthony Pearson (left) holds a discussion with Brian Boothe, Acting Head, Retail Banking Division. **'THE NEST'** Brian Boothe, Acting Head, Retail Banking Division and Maxia O'Connor Senior Relationship Manager supported clients Caribbean Broilers at the launch of the construction phase of 'The Nest' , the group's first Hybrid Growth Centre at Hill Run in St. Catherine. E (L-R) Audley Shaw, Minister of Finance and the Public Service and Rudyard Spencer Minister of State in the Ministry of Finance and the Public Service greet Brian Boothe, Acting Head, Retail Banking Division and Matthew Lyn, CB's Chief Operating Officer at the official ground-breaking of "The Nest". F (L-R) Mark Haskins CB CEO, Matthew Lyn CB COO, Mrs Lori-Ann Hendrickson-Lyn, CB Director show Brian Booth, Acting Head, Retail Banking Division "The Nest" while Garth Channer, CB CFO listens to a question on the design being asked by Maxia O'Connor, Senior Relationship Manager, Corporate Banking. **MENS HEALTH/ PROCARE WEEKS** G NCB Insurance stages ProWeek between October and February annually, which culminates with a weeklong Men's Health programme that features medical talks, testimonials and physical activity sessions. Here, those gathered at the launch engage in a corporate exercise warm-up challenge. **ULTIMATE WOMAN WEEK** H NCB Financial Group staged the inaugural Ultimate Woman Week, which kicked off on Mother's Day and culminated at Emancipation Park with a high-energy workout session that included dance fitness, yoga and aerobics.



IOSCO NCB Capital Markets sponsored the International Organization of Securities Commission (IOSCO), which was hosted in Jamaica for the first time in 2017. The conference focused on securities regulations and economic policy. **I** Assistant Vice President – Investment Banking Herbert Hall (left) speaks to a patron at the NCB Capital Markets booth, during the conference. **J** Minister of Housing and Montego Bay Member of Parliament Dr Horace Chang (centre), joins NCB Financial Group Chairman Michael Lee Chin; NCB Capital Markets Assistant Vice President – Wealth Management Kerry Spencer (right), IOSCO host and former Executive Director of the Financial Services Commissioner Janice Holness (2nd right) and attorney-at-law Paula Kerr-Jarrett. **K** Steven Gooden, NCB Capital Markets CEO addresses the IOSCO audience during a panel discussion. Sharing in the moment, is Paul Muthaura, Chief Executive Officer of the Capital Markets Authority of Kenya. **SPORTING CLAYS** For more than a decade, NCB Capital Markets has partnered with the Jamaica Skeet Club to produce the island's premiere shooting tournament – NCB Capital Markets Clay Shooting Open. **L** NCB Capital Markets CEO Steven Gooden (second right) shares the winner's circle with overall champion Bobby Chung (centre), who hit a score of 92 out of 100 birds. Also sharing in the moment are NCB Capital Markets Vice President - Wealth Management Kerry Spencer (right), NCBCM Manager – Customer Experience and Channels Najah Peterkin, and Jamaica Skeet Club executive Kahleel Azan. **BLACK RIVER BRANCH OPENING** **M** Patrick Hylton, President and Group CEO cuts the ribbon to represent the opening of the Black River branch while Dennis Cohen, Group Chief Financial Officer and Deputy CEO, Mark Thompson, President and CEO of Advantage General Insurance Company Ltd, Septimus 'Bob' Blake, Chief Operating Officer, Marva Peynado, Business District Manager and members of the community look on. **NCB INSURANCE CORPORATE MINGLE:** NCBIC feted their customers at The Ruins at an Ole time something themed event. Invited clients included trustees, brokers and Human Resources managers who do business with the team. The event was a great opportunity for the team to touch bases with customers while treating them to a performance by Sanchez in addition to old fashioned Jamaican food and treats. **N** Desmond Johnson (R), Manager, NCBIC Group Line business in candid conversation. **O** Kirk Palmer and Tamara Grant, NCBIC Group Line Corporate Officers share a joke with their customer Andrew Fowles of XOMO.

DIGITAL AMBASSADOR KICK-OFF: To fully integrate the Group's digital agenda, a Digital Ambassador Core was formed. The members of this core are tasked to communicate the digital happenings to their peers throughout their unit. A Members of the Ambassador Core pose for the camera at the launch. B Ambassadors work together as a team to complete a challenge at the launch. **PINNACLE AWARDS 2016** C Branch Manager of New Kingston, Donna Clarke poses with her team members as they collect their Branch of the Year Award from Mr. Patrick Hylton, President and Group CEO. **GROUP SALES CONVENTION 2016:** D - E Teams blue and black compete for overall points. Team black knocks out their opponent in an effort to show they are the true champions of Group Sales Convention 2016. **PENSIONERS LUNCHEON 2016:** F NCB Pensioners collect their token of appreciation at the end of the event.

G Mr. Patrick Hylton, President and Group CEO and Dr. Rickert Allen, Senior General Manager, Group Human Resources and Facilities Division, listen keenly to Mrs. Noriene Spence, President of the NCB Pensioners' Association. **SIGMA RUN 2017:** H Team NCB pose for the camera at the end of the race. **LONG SERVICE AWARDS 2017:** I Donna Solomon, Manager Business Support, Retail Division, collects her Long Service Award for 35 years of service from Chairman, Michael Lee Chin. **NCB GENERALS FOOTBALL TEAM:** J NCB Generals collecting the Championship trophy for defeating GK Money Services in the final of the 2017 Insurance Football League. **MANAGERS' MEETING (JULY 2017):** K Members of the NCB Management team listen keenly to Nadeen Matthews Blair, Chief Digital & Marketing Officer's presentation on Agile and how Agile will change the organisation.

Performance Highlights 2017

32% over PY*

$19.1Bn
Net Profit

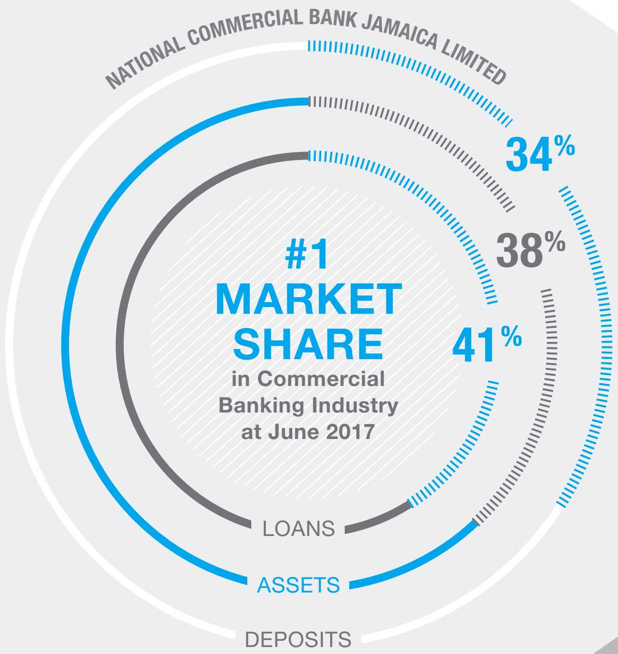
$116.0Bn
Stockholders' equity

16.72%
Stockholders' equity to total assets ratio

$218.6Bn
Net Loans

14% over PY*

$693.7Bn
Assets



Share Price

JSE
J$88.00

TTSE
TT$5.10

$35.8Bn
Unit Trust Portfolios (NCBCM)

$288.5Bn
Customer Deposits

75.79%
Net loans to customer deposits ratio

$59.5Bn
Operating Income

$36.2Bn
Liabilities under annuity and insurance contracts (NCBIC & AGIC)

$75.7Bn
Gross Income

*PY = Prior Year

**The Compounded Annual Growth Rate (CAGR) is a measure of growth over multiple time periods

NCB CAPITAL MARKETS LIMITED
at September 2017

#3

17%
MARKET SHARE OF
Net Value of Unit Trust Fund

ADVANTAGE GENERAL INSURANCE COMPANY LIMITED
at June 2017

#1

23%
MARKET SHARE OF
Underwriting income in General Insurance Industry

NCB INSURANCE COMPANY LIMITED
at September 2017

#3

12%
MARKET SHARE OF
Cumulative Gross Policies Sold

3.1%
Dividend Yield

$47.12
Book Value per Share ($)

118.55%
Annual Total Shareholder Return

$2.70
Dividends Paid per Share

$7.76
Earnings per Share

WHERE WE OPERATE

Jamaica

Cayman Islands

Barbados

Trinidad & Tobago

United Kingdom

CARIBBEAN RANKING EXTRACT[1]

#4 Pre-Tax Profits

#7 Total Assets

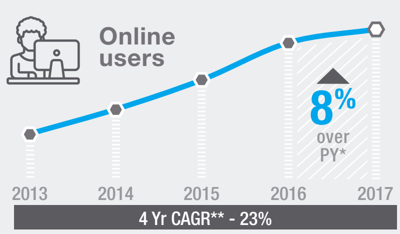
#10 Return on Assets

#11 Tier 1 Capital

#12 Return on Equity

300
ABMs & Financial Kiosks

Online users



19,508
POS terminals deployed

[1] Copyright The Financial Times Ltd 2017. Source: TheBankerDatabase.com – Caribbean Rankings August 2017

10 Year Financial Statistical Review*

	2017	2016	2015	2014
Consolidated Income Statement Summary (J$'000)				
Net profit	19,107,818	14,448,560	12,301,790	12,327,120
Gross operating income	75,671,818	65,236,303	61,183,893	57,422,834
Operating income	59,474,588	51,569,362	47,472,915	43,253,649
Net interest income	29,759,669	28,123,770	25,964,030	24,660,667
Non-interest income	29,714,919	23,445,592	21,508,885	18,592,982
Operating expenses	38,315,960	33,473,290	31,471,734	29,336,942
Staff costs	16,461,158	13,809,023	11,942,482	11,523,930
Provision for credit losses	729,234	612,355	1,799,158	2,226,949
Depreciation and amortisation	2,359,274	1,899,414	1,563,551	1,247,403
Taxation expenses	4,901,510	4,479,992	4,082,309	3,142,766
Consolidated Statement of Financial Position Summary (J$'000)				
Total assets	693,724,190	607,669,433	523,815,161	499,345,092
Loans and advances, net of provision for credit losses	218,615,226	189,055,786	165,404,606	157,630,000
Investment securities	299,177,288	275,669,541	275,987,700	264,170,757
Statutory reserves with Central Banks	39,022,524	29,832,265	23,247,218	22,833,217
Customer deposits	288,464,013	273,965,888	227,850,985	202,162,392
Liabilities under annuity and insurance contracts	36,185,320	35,282,653	34,689,274	34,230,910
Repurchase agreements	115,586,590	105,974,938	100,004,008	134,690,626
Obligations under securitisation arrangements	66,743,350	47,899,756	44,292,064	13,885,577
Stockholders' equity	115,993,769	103,105,310	88,394,211	81,846,383
Statutory capital base (NCB Jamaica) (1)	48,628,364	42,598,365	33,788,365	32,408,365
Profitability Ratios (%)				
Return on average equity (2)	17.44%	15.09%	14.45%	15.97%
Return on average total assets (3)	2.94%	2.55%	2.40%	2.61%
Non-interest income to operating income	49.96%	45.46%	45.31%	42.99%
Effective tax rate (4)	20.42%	23.67%	24.92%	20.32%
Cost to income ratio (5)	63.20%	63.72%	62.34%	62.21%
Stock Unit Information (J$)				
Earnings per stock unit (6)	$7.76	$5.87	$5.00	$5.01
Dividends paid per stock unit	$2.70	$2.35	$2.31	$1.18
Book value per stock unit	$47.12	$41.89	$35.91	$33.25
Share price at September 30 - Jamaica Stock Exchange (JSE)	$88.00	$41.50	$27.52	$17.94
Share price at September 30 - Trinidad & Tobago Stock Exchange (TTSE)	TT$5.10	TT$2.60	TT$1.63	TT$1.00

1. Statutory capital base is calculated as the sum of share capital, retained earnings reserve and banking reserve, for the Bank on a stand-alone basis.
2. Return on average stockholders' equity is calculated as net profit divided by average stockholders' equity (stockholders' equity at the end of the financial year plus stockholders' equity at the end of the prior financial year, divided by two).
3. 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).

* During March 2017, a Scheme of Arrangement became effective which resulted in a re-organisation of the Group. National Commercial Bank Jamaica Limited ("the Bank") became a wholly owned subsidiary of NCB Financial Group Limited ("the Company"). The 2,466,762,828 ordinary stock units of the Bank were acquired by the Company and the former shareholders of the Bank were issued 2,466,762,828 ordinary stock units of the Company in exchange for their shares in the Bank. Consequently, the shares of the Bank were delisted and the shares of the Company were listed on the Jamaica Stock Exchange (JSE) and Trinidad and Tobago Stock Exchange (TTSE), effective March 16, 2017. The re-organisation has been accounted for retrospectively. The comparative financial information for previous periods, have therefore been presented as if the re-organisation was in effect during those periods.

2013	2012	2011	2010	2009	2008
8,578,858	10,045,862	13,885,301	11,074,798	10,248,185	8,701,173
48,941,802	44,425,230	44,791,704	43,023,151	44,868,803	39,255,256
37,965,583	34,546,949	34,672,196	29,423,355	27,272,322	24,806,110
23,558,986	21,784,090	21,150,860	20,649,643	18,879,974	15,826,304
14,406,597	12,762,859	13,521,336	8,773,712	8,392,348	9,084,754
27,775,657	22,366,253	19,184,458	16,135,955	14,100,596	14,162,202
11,226,597	9,755,916	9,240,116	9,252,662	7,989,772	7,281,304
2,066,260	2,462,811	768,881	947,962	1,027,634	468,287
1,209,971	812,512	580,132	528,333	593,538	725,936
2,472,246	3,070,027	3,704,793	2,413,315	2,885,450	2,072,836
446,575,055	379,435,519	359,618,113	334,970,011	315,096,477	291,153,397
141,150,312	111,904,854	91,728,138	85,995,102	88,178,270	82,169,396
234,437,453	210,653,557	204,748,127	200,132,984	167,718,957	154,571,682
20,392,153	17,727,899	16,068,630	15,084,579	16,181,485	11,724,910
178,411,021	162,930,350	155,800,401	144,283,158	130,331,351	126,099,896
33,914,506	25,194,324	23,564,275	20,405,624	19,114,764	16,533,984
117,377,395	101,890,449	84,075,103	85,292,763	77,374,431	69,619,957
10,101,032	2,593,201	14,378,119	20,456,162	27,157,180	26,259,740
72,516,720	65,895,952	61,977,264	48,807,933	41,015,946	31,312,662
31,029,022	26,992,022	23,881,159	20,541,698	19,703,594	19,004,492
12.40%	15.71%	25.07%	24.66%	28.34%	29.07%
2.08%	2.72%	4.00%	3.41%	3.38%	3.19%
37.95%	36.94%	39.00%	29.82%	30.77%	36.62%
22.37%	23.41%	21.06%	17.89%	21.97%	19.49%
67.49%	56.26%	52.36%	51.53%	47.93%	50.25%
$3.49	$4.08	$5.64	$4.50	$4.16	$3.54
$1.11	$1.10	$1.36	$1.90	$0.88	$1.14
$29.46	$26.77	$25.18	$19.83	$16.66	$12.72
$19.00	$21.90	$27.29	$17.51	$13.00	$20.00
TT$1.13	TT$1.60	TT$2.09	TT$1.50	TT$0.95	TT$1.85

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

10 Year Financial Statistical Review*

CONTINUED

	2017	2016	2015	2014
Stock Unit Information (J$) cont'd				
Price earnings ratio	**11.34**	6.54	5.50	3.59
Dividends paid [J$'000]	**6,660,260**	5,796,893	5,698,222	2,910,780
Dividend yield (payment date) [%]	**3.07%**	5.66%	8.39%	6.58%
Dividend payout ratio (payment date) [%]	**34.79%**	40.03%	46.20%	23.60%
Total annual shareholder return [%]	**118.55%**	59.34%	66.28%	0.63%
			0.63%	(8.17%)
Capital Ratios (%)				
Risk-based capital adequacy ratio (NCB Jamaica) (7)	**12.65%**	12.69%	12.72%	12.94%
Capital to risk weighted assets (NCB Capital Markets) (8)	**18.57%**	33.80%	35.30%	28.60%
Minimum continuing capital surplus ratio (NCB Insurance) (9)	**398.50%**	496.69%	610.70%	681.22%
Minimum capital test (Advantage General Insurance) (10)	**432.30%**	358.00%	341.00%	330.48%
Equity to total assets	**16.72%**	16.97%	16.88%	16.39%
Asset Quality Ratios (%)				
Non-performing loans as a percentage of gross loans and advances (11)	**2.45%**	3.14%	5.05%	5.37%
Non-performing loans as a percentage of total assets	**0.78%**	0.99%	1.63%	1.74%
Non-performing loans as a percentage of equity	**4.66%**	5.86%	9.66%	10.62%
Total provision for credit losses as a percentage of non-performing loans	**147.07%**	136.18%	118.72%	118.32%
Total provision for credit losses as a percentage of gross loans and advances	**3.60%**	4.28%	5.99%	6.35%
Consolidated Statement of Financial Position Ratios (%)				
Loans and advances, net of provision for credit losses, as a percentage of total assets	**31.51%**	31.11%	31.58%	31.57%
Investment securities as a percentage of total assets	**43.13%**	45.37%	52.69%	52.90%
Fixed and intangible assets as a percentage of total assets	**2.21%**	1.96%	2.07%	1.96%
Loans and advances, net of provision for credit losses, as a percentage of customer deposits	**75.79%**	69.01%	72.59%	77.97%
Liquid assets as a percentage of customer deposits (12)	**42.52%**	35.20%	44.29%	37.86%
Other Statistics				
JSE Index at September 30	**262,729.17**	164,482.25	96,324.59	72,238.36
JSE Index annual movement (Twelve months ended September 30) [%]	**59.73%**	70.76%	33.34%	(14.51%)
Inflation Rate (Twelve months ended September 30) [%]	**4.61%**	1.83%	1.81%	9.03%
USD foreign exchange rate at September 30	**129.20**	127.93	118.70	112.53

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

8. Capital to risk weighted assets (NCB Capital Markets only) is calculated as qualifying capital divided by total risk assessed assets. Under Financial Services Commission regulations, the overall minimum capital to be maintained in relation to risk assessed assets is 10%.

9. Minimum continuing capital surplus ratio (MCCSR) (NCB Insurance only) is a risk-based formula calculated by the Appointed Actuary that compares available capital and surplus to a minimum requirement set by the Financial Services Commission (FSC) in regard to the asset and liability profile of the company. Under Financial Services Commission

* During March 2017, a Scheme of Arrangement became effective which resulted in a re-organisation of the Group. National Commercial Bank Jamaica Limited ("the Bank") became a wholly owned subsidiary of NCB Financial Group Limited ("the Company"). The 2,466,762,828 ordinary stock units of the Bank were acquired by the Company and the former shareholders of the Bank were issued 2,466,762,828 ordinary stock units of the Company in exchange for their shares in the Bank. Consequently, the shares of the Bank were delisted and the shares of the Company were listed on the Jamaica Stock Exchange (JSE) and Trinidad and Tobago Stock Exchange (TTSE), effective March 16, 2017. The re-organisation has been accounted for retrospectively. The comparative financial information for previous periods have therefore been presented as if the re-organisation was in effect during those periods.

2013	2012	2011	2010	2009	2008
5.46	5.37	4.84	3.89	3.12	5.66
2,738,107	2,713,439	3,354,797	4,686,850	2,170,750	2,812,110
5.84%	5.02%	4.98%	10.85%	6.77%	5.70%
31.90%	26.96%	24.11%	42.23%	21.14%	32.24%
(8.17%)	(15.72%)	63.62%	49.31%	(30.60%)	(5.62%)
(15.72%)					
12.58%	12.96%	15.18%	16.30%	14.61%	14.58%
20.90%	26.20%	35.71%	97.82%	60.75%	77.88%
845.00%	988.00%	1282.26%	1028.74%		
251.71%	n/a	n/a	n/a	n/a	n/a
16.24%	17.37%	17.23%	14.57%	13.02%	10.75%
4.84%	7.14%	7.16%	3.45%	2.61%	2.34%
1.56%	2.18%	1.87%	0.90%	0.74%	0.67%
9.60%	12.55%	10.87%	6.21%	5.71%	6.25%
120.13%	113.94%	115.91%	136.29%	147.26%	152.88%
5.82%	8.14%	8.29%	4.70%	3.84%	3.57%
31.61%	29.49%	25.51%	25.67%	27.98%	28.22%
52.50%	55.52%	56.93%	59.75%	53.23%	53.09%
1.85%	1.68%	1.45%	1.34%	1.35%	1.41%
79.12%	68.68%	58.88%	59.60%	67.66%	65.16%
37.45%	32.32%	40.91%	42.40%	33.22%	37.56%
84,500.20	87,188.38	91,731.84	83,613.08	79,928.03	102,018.87
(3.08%)	(4.95%)	9.71%	4.61%	(21.65%)	5.94%
10.45%	6.65%	8.05%	11.28%	7.18%	25.34%
103.23	89.72	86.12	86.02	88.87	72.48

regulations, the overall minimum required to be maintained is 150%.

10. Minimum Capital Test (MCT) (Advantage General Insurance Company (AGIC) only) is a risk-based formula that compares available capital and surplus to a minimum requirement set by the Financial Services Commission (FSC) in regard to the asset and liability profile of the company. The FSC currently requires a minimum ratio of 250%. AGIC was acquired in February 2013.
11. Non-performing loans are loans as to which there have been no payments of principal or interest for 90 days or more.
12. Liquid assets consist of cash in hand and balances at Bank of Jamaica, investment securities with maturities of less than nine months, any assets specially designated as liquid by the Bank of Jamaica and balances due from other banks.

Chairman's Message

With a passion for service and a renewed commitment to providing our customers with a delightful experience aligned with international standards, we are confident of our direction."

"Be not afraid of greatness. Some are born great, some achieve greatness, and others have greatness thrust upon them." – William Shakespeare

Four hundred years later, the playwright's quote is very much still applicable to life at the NCB Financial Group as we can say this has been an excellent financial year, recording commendable profits of $19.1 billion. Not without its share of challenges, this year has allowed us to demonstrate our commitment to our customers through the pursuit of several digital strategies designed to make access to financial services easier, thereby creating greater stakeholder value.

With this mind, we are continuing our journey to being the financial services provider of choice and though there are miles to go before achieving this end-state, we must take the time to celebrate our victories and those who make them happen.

Today, I am truly proud to lead an organisation that continues to set the BAR in the banking and financial services industry even as we continue to fulfil our various obligations to the communities we serve. Business is changing, and it is important that we change with it, all the while having a clear viewpoint of the customers' expectations, pre-empting their needs and setting the tone for a value-added experience.

We must innovate. For it is only through remaining innovative that our greatness will be maintained. This applies to all areas of our business from our customer-facing staff to those on the back-end ensuring the viability and efficiency of our systems. By building a world-class operation, we will be better able to assess and explore various opportunities that will further promote the expansion of our reach across the Caribbean. We remain committed to empowering our people and developing their capabilities and skills to guarantee that we have the best teams working within the right roles.

Buoyed by the strength and reputation of 180 years of leadership, the NCB Financial Group, stands at the ready to lead this regional change not just from a financial and economic standpoint, but also a social one. As we survey the current Caribbean landscape recently ravaged by two record-breaking hurricanes, the importance of the N.C.B. Foundation must be underscored. Values like compassion, graciousness and volunteerism remain at the core of our efforts and we hope to build on these values as we voyage into new territories.

With a passion for service and a renewed commitment to providing our customers with a delightful experience aligned with international standards, we are confident of our direction. Our shareholders can take comfort in knowing that we will continue to be the financial beacon of strength we have always been to Jamaica. The country appears to be headed on a path to growth, arguably more so than in previous times. We are therefore excited for the opportunities that lie ahead.

We look forward to continuing to take hold of these opportunities in an effort to bring further growth and development to all the industries we touch. We know there will be challenges, as there always are, but creativity and ingenuity are on our side as we go confidently into the new year.

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

Board of Directors

Our Board of Directors in executing its role applies sound corporate governance which is vital to the activities of NCB Financial Group Limited (NCBFG) and its subsidiaries (the Group). FOR MORE INFO www.myncb.com

Hon. Michael LEE-CHIN
OJ, HON. LL.D., B.ENG
Chairman

Michael is the Chairman of Portland Holdings Inc and Mandeville Group of companies. He is the Chairman and Founding Partner of the Portland Private Equity Fund and the AIC Caribbean Fund. He also serves as the Chairman of Jamaica's Economic Growth Council (EGC). He was appointed to the board of Guardian Holdings Limited (GHL) in May 2016.

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
15 years

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

Patrick is the Chairman of NCB Capital Markets Limited, Mona School of Business and Management and Harmonisation Limited. He sits on several boards including Massy Holdings Limited (Trinidad & Tobago) and Guardian Holdings Limited (Trinidad & Tobago). He is a member of the Economic Oversight Committee which monitors the performance of the GOJ programme implemented in connection with the International Monetary Fund (IMF) standby facility. He is also a member of Economic Growth Council (EGC), which advises the Government on proposed growth initiatives. He was appointed to the board of GHL in May 2016.

Appointment Date - NCBFG:
April 26, 2016

Length of Directorship - NCBJ:
14 years

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

Dennis is the Chairman of Advantage General Insurance Company Limited (AGIC) and Mutual Security Insurance Brokers Limited. He also serves as director of NCB Capital Markets Limited, NCB Insurance Company Limited, NCB (Cayman) Limited, West Indies Trust Company Limited and Guardian Holdings Limited. He is a member of the Institute of Chartered Accountants of Jamaica (ICAJ), and is a member and former Chairman of the ICAJ Business Conference Committee. He serves as Vice President of the Private Sector Organisation of Jamaica (PSOJ) and chairs the PSOJ Economic Policy Committee. He was appointed to the board of GHL in May 2016.

Appointment Date - NCBFG:
April 26, 2016

Length of Directorship - NCBJ:
11 years

Robert ALMEIDA
B.COMM., CPA, CA

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

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
9 years

Sandra GLASGOW
B.SC., MBA

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

Appointment Date - NCBFG:
April 26, 2016

Length of Directorship - NCBJ:
15 years

Board of Directors

CONTINUED

Wayne CHEN
LL.B (HONS)

Wayne is the Chairman NCB (Cayman) Limited and NCB Capital Markets (Cayman) Limited, CVM Television Limited, NCB Insurance Company Limited, West Indies Trust Company Limited and Southern Regional Health Authority. He is the Chief Executive Officer of Super Plus Food Stores and serves as the President of the Caribbean Employers' Confederation. He is also a Director of AIC (Barbados) Limited.

Appointment Date - NCBFG:
April 26, 2016

Length of Directorship - NCBJ:
15 years

Sanya M. GOFFE
LL.B (HONS)

Sanya is an Attorney-at-Law and Partner in the law firm Hart Muirhead Fatta. She serves as a Director of Jamaica Producers Group Limited and the Pension Funds Association of Jamaica (PFAJ) and is Chairperson of the Legislative and Governance Committee of the PFAJ. Sanya presently serves as a member of the Jamaican Bar Association's Commercial Law, Intellectual Property Law and Publications Committees. Sanya is also a member of the UK Association of Pension Lawyers and the International Pension and Employee Benefits Lawyers Association. She is also the co-founder of the Adult Learning Centres of Jamaica.

Appointment Date - NCBFG:
April 26, 2016

Length of Directorship - NCBJ:
6 years

Oliver C. MITCHELL JR.
B.SC., M.B.A

Oliver is an Attorney-at-Law, advisor and consultant, whose focus is on executive human resources matters and litigation avoidance issues. He serves as a Director of FS Global Credit Opportunities Fund, a Philadelphia-based mutual fund, founded in 2013 and serves on the Fund's audit and governance committees.

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
2 years

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

Alvin is an Emeritus Professor of International Business at the University of the West Indies (UWI). He serves as Chairman of Jamaica's Electricity Generation Procurement Entity and the Statistical Institute of Jamaica. He is a selected commissioner of the Electoral Commission of Jamaica and Director of Jamaica Producers Group, Planning Institute of Jamaica (PIOJ) and the Caribbean Policy Research Institute (CAPRI). He is the Lead Independent Director of NCBFG.

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
15 years

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

Thalia is the Founder and CEO of the Island Grill chain of restaurants in Jamaica & Barbados. She serves as Chair of the N.C.B. Foundation and of the CB Group/ UWI 5K Fundraiser. She is the CEO of Island Catering and of Island Grill Holdings. She is also a Director of Mustard Seed Communities, Jamaica Macaroni Factory Limited, Port Royal Patties (UK) and Devon House Development.

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
15 years

Hon. Noel HYLTON
OJ, CD, HON. LL.D., J.P

Noel is the retired Chairman, President and Chief Executive Officer of the Port Authority of Jamaica. He has served on several boards including the Jamaica Urban Transit Company Limited, Jamaica Promotions Corporation, the Maritime Authority of Jamaica, Air Jamaica Limited and the Police Service Commission.

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
15 years

Corporate Governance Statement

2017 has been a year of transformation which saw trading in the shares of NCB Financial Group Limited (NCBFG) commence in March 2017, replacing the listing of shares in National Commercial Bank Jamaica Limited.

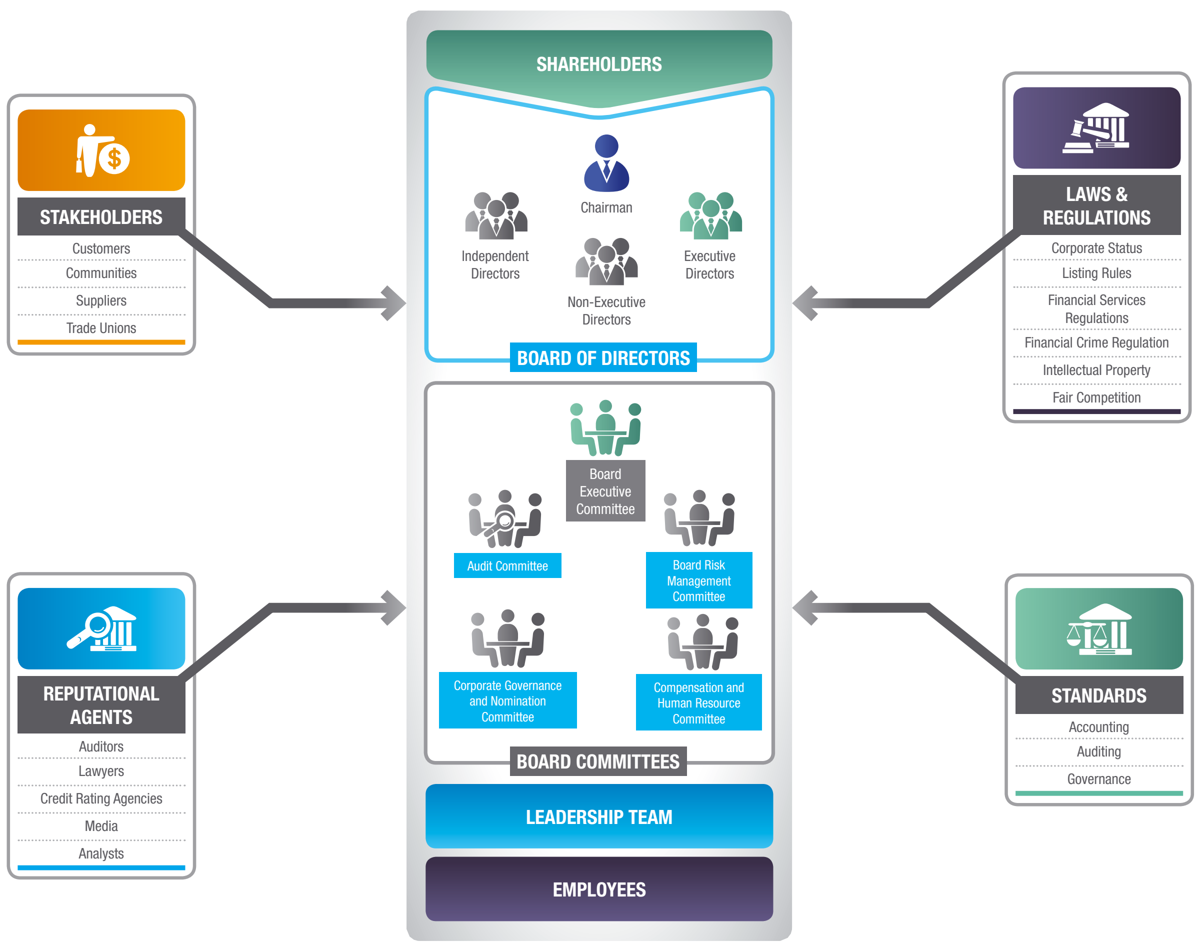
Developing and effectively using this new corporate structure is the focus of NCBFG's Board of Directors (the Board) which now provides corporate governance oversight to the boards of each member company in the Group to ensure the achievement of the Group's strategic goals.

This statement includes some of the activities carried out by the Board and Board Committees of NCBJ as the parent company of the NCB Group, which it was up to March 16, 2017 when the Scheme of Arrangement became effective and NCBFG became the Group's parent.

01 COMMITMENT TO SHAREHOLDERS

The NCB Financial Group (the Group) values our shareholders. To provide transparency in our business operations, performance, social impact and governance framework, we are committed to a robust communication programme to facilitate the timely dissemination of information which builds trust in the organisation, and to solicit feedback. Communication is effected through our Annual General Meetings, the Annual Report, financial results

THE GROUP'S CORPORATE GOVERNANCE FRAMEWORK



announcements and market /investor briefings, the Group's website, print media and social media. This multi-platform communication outreach ensures that our shareholders have current information on which to base ongoing dialogue, thereby facilitating informed decision making. This Corporate Governance Statement details the responsibilities and activities your Board has taken during the financial year to prudently manage the affairs of the organisation for the long-term sustained value of shareholder investments.

02 COMPLIANCE WITH CORPORATE GOVERNANCE CODES

Member organisations in the Group hold operating licences from the Bank of Jamaica (BOJ) and the Financial Services Commission (FSC) which as regulators ensure that both legal and statutory requirements are met. The Group's stock is listed on the Jamaica Stock Exchange (JSE) and the Trinidad and Tobago Stock Exchange (TTSE) and we are guided by the recommendations of best practices in the JSE's Corporate Governance Index Manual. Further, as a member of The Private Sector Organisation of Jamaica (PSOJ), the Group is also guided by the PSOJ's Corporate Governance Code.

03 BOARD ROLES AND RESPONSIBILITIES

From the combined insight of our regulators, the JSE, PSOJ, and our 180 years of corporate experience, the Group has formulated and regularly updates the Board Charter which sets out the role, composition and responsibility of the Board and its committees and is updated biennially.

The role of the Board

During the 2016/2017 financial year, the Board was responsible for:

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

The responsibility of the Board

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

Governance

- Approving the Group's corporate governance framework to ensure it conforms to best practices as well as regulatory and statutory requirements.
- Approving the organisational/ management structure and responsibilities.
- Providing effective oversight over Management's activities.

Corporate Governance Statement

CONTINUED

Strategic

- Providing direction to Management concerning the articulation of the vision and strategy for the Group.
- Approving the vision and strategy proposed by Management.
- Approving Management's long-term corporate strategy and performance objectives and ensuring appropriate resources are available.
- Reviewing the Group's annual business plans to determine the inherent level of risk in these plans.
- Assessing the adequacy of capital to support the operations of the Group within acceptable risk parameters.
- Reviewing performance against the approved four year strategy and how the annual business plan will contribute to achieving targets in the four-year strategic plan.

Performance Measurement Systems

- Approving performance objectives and performance measurement systems.
- Reviewing the performance of the Board, Board Committees, the President and Group CEO, Group CFO and Deputy CEO.

Business Decisions

- Approving and monitoring the progress of material financial restructurings, including mergers, acquisitions, divestments and acquisitions, annual budgets and dividends, which affect our Statement of Financial Position.
- Approving financing and changes in authorised capital.
- Approving, entering into, or withdrawing from, businesses or service lines.

Human Resources

- Retaining the authority to appoint and remove the President and Group CEO and the Group CFO and Deputy CEO as well executives including those who report directly to the President and Group CEO and the Group CFO and Deputy CEO.
- Agreeing on President and CEO's goals and objectives and reviewing his performance at least annually.
- Ensuring that succession planning for the positions of President and Group CEO and Group CFO and Deputy CEO is in place, and monitoring management's succession planning for other executive positions.

Financial Performance

- Approving the annual budget and targets, annual financial statements and interim results, and monitoring financial performance.
- Ensuring that financial results are reported fairly and in accordance with IFRS and other relevant standards.
- Recommending to shareholders the Annual Report / financial statements released by Management and ensuring that any reports issued by the Group, including the financial statements, present a 'true and fair' view of the Group's position and performance.

Compliance

- Ensuring that the Group operates at all times within applicable laws and regulations, including an effective Code of Conduct, Anti-Money Laundering and Counter Financing of Terrorism policies.
- Ensuring that the Group's policies and procedures manuals comply with all regulatory requirements for all operations.

Communications

- Ensuring that there is an agreed communications strategy and procedure with respect to appropriate channels and spokespersons.
- Ensuring the development and implementation of an investor relations programme or shareholder communications process for the Group.

Risk Management

- Approving risk parameters and policies as well as the Group's risk appetite.
- Ensuring that principal risks are identified and Management has implemented appropriate systems to manage these risks.

- Ensuring that the systems and controls framework, including the Board structure and organisational structure of the Group are appropriate for the Group's business and associated risks.

Internal Controls

- Assessing the adequacy of the systems of risk management, internal controls, control environment and regulatory compliance.

04 BOARD COMPOSITION AND RENEWAL

The Articles of Incorporation provide guidance on the composition of the Group's Board, stating that directors shall be no fewer than five and no more than sixteen. We also require that independent directors be no fewer than one-third of Board membership. The Board recognises the need for its composition to reflect a fair mix of diversity, independence, skills and expertise, to facilitate objectivity in decision making, with high levels of professional skills and appropriate personal qualities being prerequisites for directorships. Further, appointment of Directors throughout the NCB Group is subject to prior approval by our regulators, where required.

The Board comprises of 11 Directors: nine Non-Executive Directors (six of whom are independent) and two Executive Directors, being the President and Group CEO and the Group CFO and Deputy CEO. Profiles of directors and their length of service are provided in this Report along with the board meeting attendance record.

Each year, Board members assess the performance of each director using a 360-degree evaluation process. The outcome of the evaluation is used to inform the Board's decision whether to recommend at the AGM voting for the re-election of director(s) or the election of new director(s). Further, the Corporate Governance and Nomination Committee undertakes an annual review of the Board's composition using a skills matrix to determine competencies and skills required for the governance and oversight of the Group. The results of this review are incorporated into Board succession planning and selection of directors.

Candidates for the Board are considered by the Corporate Governance and Nomination Committee, and are recommended to the Board, in accordance with the qualifications acceptable to the Board, taking into consideration the overall composition and diversity of the Board as well as areas of expertise which new directors could offer.

Chairman

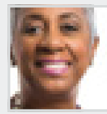
The Chairman, Hon. Michael Lee-Chin OJ is a Non-Executive Director. He leads the Board and sets its tone, and is responsible for the effective organisation and conduct of the Board's affairs. He has the requisite skills and experience in a broad portfolio of industries and organisations, including financial services, hospitality, real estate, and health care. The Chairman also represents NCBFG to shareholders and the wider community. Although as the controlling shareholder of NCBFG he is not an independent director, the Board believes that neither his significant interest in NCBFG nor his positions held outside NCBFG impairs his ability to fulfil his duties to the Board and the Group.

Director Independence

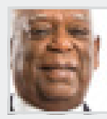
A director meets the criteria for independence when he or she:

1. does not represent a substantial shareholding;
2. is not a close relative of a significant shareholder; and
3. does not have an employment relationship with the Group or its parent company.

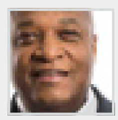
The purpose of having independent directors on the Board is to bring independent views and judgments to the deliberations and decisions of the Board. During the 2016/2017 financial year, the directors who met the independent criteria were:


Sandra Glasgow


Sanya Goffe


Hon. Noel Hylton, OJ


Thalia Lyn, OD


Oliver Mitchell Jr.

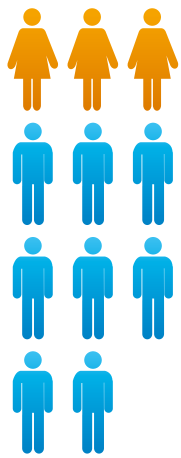

Professor Alvin Wint, CD (Lead Independent Director)

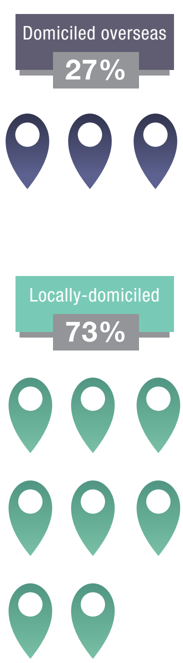
During the year, the Board approved a recommendation from the independent directors to appoint Professor Alvin Wint, CD as the Lead Independent Director. In this role, Professor Wint will preside at meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors.

Corporate Governance Statement

CONTINUED

Board Skills and Experience





Board members term in office

Pursuant to the Articles of Incorporation of NCBFG, all non-executive directors must retire at least once every three years; but shall be eligible for re-election. The company recognises the importance of balancing the contribution of long-standing independent directors who have intimate knowledge of the organisation with the need to infuse fresh ideas and thinking into the oversight of the Group; thus the need for carefully considered succession planning. The selection of Board members is a rigorous exercise to ensure that candidates are of the highest integrity and have the necessary competence and time to execute their duties in a diligent manner.

Appointment of the Board Secretary

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

05 BOARD COMMITTEES

The Board of NCBFG has determined the need to establish committees to delegate assignments to working groups of directors drawn from the full board, to focus on complex and specialised issues facing the Group.

Each Committee operates under a charter setting out its responsibilities and deliverables. They make recommendations for consideration by the Board which retains collective responsibility for decision making at the Group level. The insight gained by directors sitting on the committees allows them to deepen their knowledge of the organisation and focus on issues needing resolution.

Four substantive Board Committees of NCBFG were established during the financial year:

- Corporate Governance and Nomination Committee
- Group Risk Management Committee
- Group Compensation & HR Committee
- Audit Committee

The Board and Board Committees have full access to the management of the organisation through the Chairman, President and Group CEO, Group CFO and Deputy CEO and the Corporate Secretary at any time. This facilitates access to information on a timely basis to address matters needing Board deliberation.

Corporate Governance and Nomination Committee

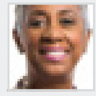
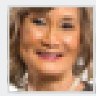
This Committee has responsibility for the corporate governance of NCBFG. Its purpose is to assist the Board in ensuring that its composition, structure, policies and processes meet all relevant legal and regulatory requirements, to strive to achieve corporate governance best practices standards and to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

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

The Committee met twice during the financial year and its major activities were:

- To carry forward from the NCBJ Corporate Governance & Nomination Committee the review of the Jamaica Stock Exchange Corporate Governance Index and NCB's rating.
- To carry forward from the NCBJ Corporate Governance & Nomination Committee the review of the Corporate Disclosure Policy, Social Media Policy and Complaints Management Standard Operating Guidelines making recommendations for their revision.
- Reviewing and proposing the governance structures for NCBFG.
- Reviewing the policy and procedural framework of NCBFG and its major subsidiaries.
- Reviewing and recommending the Board Charter and the Securities Trading Policy for NCBFG.
- Recommending to the Board the appointment of a Lead Independent Director for NCBFG.

Committee Meeting Attendance Report

	MEMBER	ATTENDANCE
	Sandra Glasgow (Chair)	▶ ▶
	Sanya Goffe	▶ ▶
	Thalia Lyn	▶ ▶
	Professor Alvin Wint	▶ ▶
	Oliver Mitchell Jr	▶ ▶

Meeting Total: 2

Group Risk Committee

Established in May 2017 subsequent to the Scheme of Arrangement, the Committee assumed responsibility for assisting the Board of Directors in fulfilling its responsibility with respect to oversight of the Group's risk management framework including:

- Determining its risk appetite, the policies and major procedures related to managing credit, market, liquidity, capital, operational and certain other risks as determined from time to time.
- Playing a role in the decision-making process around significant risks which could be undertaken by the Group

The Committee received and discussed:

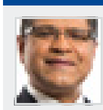
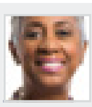
- Approval of the Committee Charter.
- The Group's information assessment framework and the top risks associated with the Group's information assets.

- Status of information security in the Group.
- Operational risk assessments with respect to initiatives/processes implemented and the controls implemented to minimise the Group's risk exposure.
- Approval of major sovereign exposures.

For the period October 2016 to October 2017, the NCBJ Board Risk Management Committee carried out the oversight on behalf of the NCBJ Board. In pursuit of its oversight activities, the Board Risk Management Committee received and deliberated on the following risk issues:

- Amendments to the Group Credit Risk policy and recommendations to the Board for approval.
- Major credits and sovereign exposures.
- External presentations on cybersecurity.
- Top emerging risks and their potential impact on the Group.
- Operational loss trends.

Committee Meeting Attendance Report

MEMBER	ATTENDANCE	Meeting Total: 2
	Robert Almeida	▶
	Dennis Cohen	▶ ▶
	Sandra Glasgow	▶ ▶
	Patrick Hylton	▶ ▶
	Noel Hylton	▶
	Sanya Goffe	▶ ▶
	Professor Alvin Wint (Chair)	▶ ▶

Training

To support each Board member in the execution of his or her fiduciary duties, the Group provides support through a number of introductory and on-going training sessions.

Immediately after their appointment to the Board, directors are provided with a formal induction, as needed. Meetings are also arranged with Executive Management, Heads of Divisions and the Group's auditors. This is intended to foster a better understanding of the business environment and the markets in which the Group operates. The induction programme also includes meetings with the Chairman and, if necessary, legal counsel or compliance officer to review the Board's role and duties, particularly covering legal and regulatory requirements. As all the NCBFG directors had previously been directors of NCBJ, no induction programme was considered necessary. The continuing awareness programme for each Board member is essential and may take different forms, through distribution of publications, workshops, presentations at Board meetings and attendance at conferences encompassing topics on directorship, corporate governance, business, industry or regulatory developments.

During the year, training was conducted involving the Board and management in the areas of (i) digital resilience and (ii) opportunities and risks related to providing financial services to marijuana related businesses.

Board members also participated in the training sessions below:

- **Risk Management**
  Selected Board Members completed risk management training during the first quarter of the financial year, focusing on enterprise risk management.
- **Professional Development**
  The annual Audit Committee members' training was held in June 2017 and invitations were also extended to NCBFG's Board as well as the Audit Committee members of the subsidiaries within the Group. The training topic was "Risk Management at the Speed of Digital Business". The training gave Directors insights into risk management strategies as the organisation pursues digital transformation.
- One of our directors participated in the National Association of Corporate Directors (NACD) Technology Symposium.

Group Compensation and HR Committee

The Compensation and Human Resource Committee of the Board:

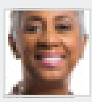
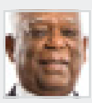
1. reviews and recommends to the Group total compensation and benefit programmes;
2. ensures the competitiveness of these programmes; and
3. advises the Board on human resource issues and the development of succession planning for senior management.

The purpose of the committee is:

- To support Board oversight of the Group's compensation principles and practices.
- To review risk, risk management, and compensation in the light of the Group's objectives, including safe and sound practices as well as avoiding practices which could encourage excessive or unnecessary risk-taking.
- To undertake succession management for the senior officers in the Group and general human resource issues.
- To recruit and retain talent.

The primary goals of the Committee over the past financial year were the review of the Committee Charter and the discussion of items contained in the Committee's Calendar of Events; namely, succession, evaluation and compensation.

Committee Meeting Attendance Report

MEMBER	ATTENDANCE	Meeting Total: 1
	**Sandra Glasgow**	▶
	**Patrick Hylton**	▶
	**Noel Hylton**	▶
	**Michael Lee-Chin** (Chair)	▶
	**Professor Alvin Wint**	▶

Audit Committee

The Audit Committee was established to assist the Board of Directors in fulfilling its oversight responsibilities for the financial and operational reporting processes, risk management, the system of internal control, the audit process, and the organisation's process for monitoring compliance with laws, regulations and the code of conduct.

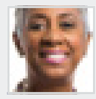
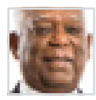
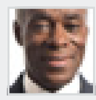
The Committee was established in March 2017, at which point it assumed the responsibilities previously carried out by the NCBJ Audit Committee, that were not retained by that Committee (broadly, the NCBJ Audit Committee retained responsibility for matters related to our Jamaican banking operations).

Audit Committee meetings are regularly attended by the Group Chief Financial Officer and Deputy Chief Executive Officer, Group Chief Internal Auditor, Group General Counsel and Corporate Secretary and the External Auditor.

The Committee executed the following responsibilities:

- Reviewed quarterly unaudited Financial Statements and Stock Exchange Releases with the Group CFO and Deputy CEO, the Group Chief Internal Auditor and the External Auditor before their release, giving due consideration to whether they were complete and consistent with the information known to Committee members.
- Reviewed recent changes in International Financial Reporting Standards in order to develop a full understanding of their likely impact on the financial statements.
- Reviewed the External Auditor's proposed audit strategy, scope and fees for the audit of the year-end financial statements.
- Reviewed reports from the Group Internal Audit Division on the organisation's risk management and internal control environment, noting significant audit findings and management's action plans for resolution.
- Reviewed reports from the Group Compliance Unit on regulatory compliance, breaches and remediation.
- Reviewed all relevant related party transactions to ensure they are in compliance with the policy on Related Party Transactions.
- Subsequent to each meeting, reporting to the Board about the activities of the Committee via the Committee minutes and a report from the Audit Committee Chair.

Committee Meeting Attendance Report

MEMBER	ATTENDANCE	Meeting Total: 2
	**Sandra Glasgow**	▶ ▶
	**Noel Hylton**	▶ ▶
	**Professor Alvin Wint** (Chair)	▶ ▶

06 PERFORMANCE EVALUATION

In the interest of shareholders, the Board conducts an annual assessment of its performance on an individual basis and as a group. This extends to an evaluation by the Chairman of the President and Group CEO, who is a member of the Board.

Each Board member is also required to sign a Code of Conduct annually which binds directors to the highest standards of professionalism and due diligence in discharging their duties.

This financial year, the NCBJ Board benefitted from an external review conducted by McKinsey &

Corporate Governance Statement

CONTINUED

Company in November 2016. Their observations provided the Board with an opportunity to:

- Strengthen its contribution to addressing the Group's potential high-risk areas
- Streamline the board agenda to focus on key strategic deliverables
- Ensure that independent directors deliver maximum value to the organisation
- Bolster oversight of capital expenditures.

As part of the performance evaluation of the Board, the member attendance record for Board meetings was kept. Each board member is required to achieve a 75% minimum attendance for each financial year and must not miss three consecutive board meetings. Should either or both occur, the board member may be terminated and/or a retainer fee may be charged. Neither situation occurred in the 2017 financial year (see attendance records and remuneration table, on pages 39 and 40 respectively).

Independent advisers

Directors are entitled to obtain independent professional advice relating to the affairs of the Group or to their individual responsibilities as Directors. This is subject to approval by the Board if payment is to be made by NCBFG.

Remuneration

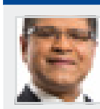
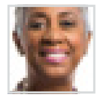
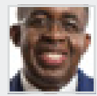
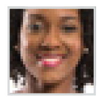
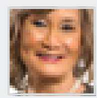
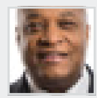
The Board remuneration is set out in the table on page 40. Fees paid to Non-Executive Directors are determined on the basis of market rates and the level of responsibility and time commitment required of Board members. These fees are paid in cash and are not related to the performance of the Group. The fees are set to attract high calibre members from public and business communities who have the required experience, skills and qualifications and who can uphold the core values of the Group.

The fee structure was last adjusted effective April 1, 2017 and comprises:

1. 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.
2. The Lead Independent Director receives a retainer of $2,000,000 per annum.
3. Directors who chair the Audit, Corporate Governance and Nomination and the Group Risk Committees receive instead a retainer of $1,968,760 per annum.
4. 4. A fee payable to directors of $83,333 per Board Meeting and $66,667 for each Committee meeting attended.

Fees fall within the global sum approved by the shareholders at the last AGM in accordance with Article 79 of NCB's Articles of Incorporation.

Board Meeting Attendance Report

	MEMBER	ATTENDANCE (Meeting Total: 5)
	Robert Almeida	▶ ▶ ▶ ▶ ▶
	Wayne Chen	▶ ▶ ▶ ▶ ▶
	Dennis Cohen	▶ ▶ ▶ ▶ ▶
	Sandra Glasgow	▶ ▶ ▶ ▶ ▶
	Patrick Hylton	▶ ▶ ▶ ▶ ▶
	Noel Hylton	▶ ▶ ▶ ▶ ▶
	Michael Lee-Chin (Chair)	▶ ▶ ▶ ▶ ▶
	Sanya Goffe	▶ ▶ ▶ ▶ ▶
	Thalia Lyn	▶ ▶ ▶ ▶ ▶
	Professor Alvin Wint	▶ ▶ ▶ ▶ ▶
	Oliver Mitchell Jr	▶ ▶ ▶ ▶ ▶

07 AUDIT AND FINANCIAL GOVERNANCE

External Auditors

Shareholders approve the appointment of external auditors recommended by the Audit Committee and Board. The external auditors are PricewaterhouseCoopers (PWC). As approved by shareholders, the Board agrees their remuneration. This is done on the recommendation of the Audit Committee.

During the period under review, the net fees, after the deduction of taxes, paid to the non-executive directors were as follows:

Wayne Chen

COMMITTEE	TOTAL NET FEES FOR FINANCIAL YEAR ENDED SEPT 2017 ($)
Board	734,375.75
TOTAL	**734,375.75**

Sandra A. C. Glasgow

COMMITTEE	TOTAL NET FEES FOR FINANCIAL YEAR ENDED SEPT 2017 ($)
Board	1,050,783.75
Audit	100,000.01
Compensation & HR	100,000.01
Corporate Governance	100,000.01
Group Risk	100,000.01
Executive Committee	NONE
TOTAL	**1,450,783.79**

Sanya Goffe

COMMITTEE	TOTAL NET FEES FOR FINANCIAL YEAR ENDED SEPT 2017 ($)
Board	734,375.75
Corporate Governance	100,000.01
Group Risk	100,000.01
TOTAL	**934,375.77**

Hon. Noel Hylton, OJ

COMMITTEE	TOTAL NET FEES FOR FINANCIAL YEAR ENDED SEPT 2017 ($)
Board	734,375.75
Audit	100,000.01
Compensation & HR	100,000.01
Group Risk	50,000.00
TOTAL	**984,375.77**

Thalia Lyn, OD

COMMITTEE	TOTAL NET FEES FOR FINANCIAL YEAR ENDED SEPT 2017 ($)
Board	734,375.75
Corporate Governance	100,000.01
TOTAL	**834,375.76**

Oliver Mitchell Jr.*

COMMITTEE	TOTAL NET FEES FOR FINANCIAL YEAR ENDED SEPT 2017 ($)
Board	979,167.67
Corporate Governance	133,333.34
TOTAL	**1,112,501.01**

Professor Alvin Wint, CD

COMMITTEE	TOTAL NET FEES FOR FINANCIAL YEAR ENDED SEPT 2017 ($)
Board	1,050,783.75
Audit	100,000.01
Compensation & HR	100,000.01
Corporate Governance	100,000.01
Group Risk	100,000.01
Executive Committee	NONE
TOTAL	**1,450,783.79**

GRAND TOTAL	**7,501,571.64**

*Non-Jamaican-no taxes withheld

Corporate Governance Statement

CONTINUED

Throughout the year, the Audit Committee of the Group worked closely with the external auditors. They reviewed the adequacy of the existing external audit arrangements, with emphasis on the effectiveness, performance and independence of the audit.

The external auditors confirmed to the Audit Committee that they (the external auditors) met applicable independence requirements in accordance with the rules of relevant professional accounting bodies and the Companies Act 2004.

Every engagement of PWC (other than to audit financial statements) in the Group requires prior approval of the Audit Committee. This is to ensure engagements are such that they would not affect PWC's independence.

Shareholders have the opportunity to hear from the external auditors on their audit opinion and to answer questions on the audited financials at the Annual General Meeting.

Internal Auditor

The Group's risk management framework and internal control environment are assessed for their adequacy by the Group Internal Audit Division (GIAD) which offers an independent appraisal.

GIAD is assessed for its independence from Management by the Audit Committee which also determines the level of resourcing needed by the Group to perform its mandate. The Committee also reviews the performance of, and decides on the suitability of the Group Chief Internal Auditor for the position.

Financial Controls

The External Auditors and GIAD have separate independent auditing and reporting functions. The Audit Committee provides oversight to the integrity of the Group's financial reporting and monitors the work of GIAD, the External Auditor, and audit committees of member companies within the Group. Key financial reporting controls are evaluated to ensure alignment with the corporate governance framework to ensure their operational effectiveness to meet the Group's reporting requirements.

08 ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

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

- Acting with honesty and integrity
- Treating all with respect
- Report breaches of the Codes
- Declaring personal interest
- Maintaining privacy and confidentiality
- Ensuring a safe working environment

All significant transactions and contracts in which any director has a significant personal interest are disclosed.

Securities Trading

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

Conflict of Interest

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

Whistle Blower Protection

The Group has a Whistle Blower Policy which provides a confidential channel for employees to report instances of fraud, corrupt conduct, bribery, adverse behaviour, legal or regulatory noncompliance, questionable accounting and auditing.

The Policy has established procedures for actioning all disclosures.

Employees reporting issues can be confident that the Group will take all reasonable steps to protect their identity and shield them from reprisals.

09 CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group supports an inclusive workplace reflective of the wide range of socio-economic-political backgrounds of our stakeholders and customers. Our focus is on achieving the right mix between economic growth, digital transformation and social well-being by practising good governance in all areas of our operations.

The Group's CSR activities seek to ensure:

a) Our Mission is realised

b) Our Core Values are reinforced

c) The Group will enjoy long-term success while providing appropriate benefits for our key stakeholders: our employees, investors, consumers and our communities

d) NCB performs competitively and profitably through responsible business practices

e) We remain committed to the principles of sustainable development, which emphasise the integration of economic, social, environmental and ethical goals in our business activities

The executive management team is committed to fostering dialogue with stakeholders to help the Group understand their expectations, identify emerging issues and opportunities, assist with risk management, and improve Group performance.

Specific stakeholder group interests with which we align our CSR programmes are:

- **Our customers -** by continually winning their trust, so we will be their preferred institution to deliver financial services.
- **Our employees -** being an employer of choice, by investing in building their skills sets and competencies and balancing work-life responsibilities, so that the organisation can achieve high levels of staff productivity.
- **Our communities -** being a responsible citizen by investing in them, managing the Group's environmental impact and dependencies, and having a positive impact through the Group's supply chain.
- **Our shareholders –** ensuring that we are a top tier performer maximising shareholder returns over the long term.
- **Regulators and the Government –** practising excellence in corporate governance and business ethics.
- **Our competitors -** working with members of the financial services community to jointly address challenges facing the industry for the benefit of our shareholders and wider society.
- **The media –** being an information facilitator and change agent to make financial inclusion possible where persons have access to useful and affordable financial products and services which meet their needs.

Details of our activities in relation to these stakeholders are provided throughout the Annual Report.

Sandra A. C. Glasgow
Chairperson
Corporate Governance Committee

Our Policies and Practices

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

CORPORATE DISCLOSURE POLICY

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

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

The Policy contains the following:-

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

6. In addition to the means of disclosure required by law, NCB's Listed Companies will:-
   a. conduct meetings,
   b. disclose information on NCB's website and
   c. issue press releases.

DIVIDEND POLICY

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

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

Dividend Pay-Out Rate

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

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

ENVIRONMENTAL POLICY & PRACTICES

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

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

The use of green technology has also been implemented at our locations at 29 Trafalgar Road, 124-126 Constant Spring Road and our newest branch construction at the NCB Financial Centre in Fair View, Montego Bay. This includes inverter air-conditioning systems, as well as use of solar energy panels tied to the public electrical supply grid.

HUMAN RESOURCE DEVELOPMENT POLICIES AND PRACTICES

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

In keeping with the organisation's strategic direction, the Group has established and maintains a Talent Portfolio Framework. This facilitates talent acquisition, employee development, workforce planning and retention to position the human resource function as a strategic driver and create a work environment conducive to high levels of employee productivity, innovation and customer centricity.

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

Our Policies and Practices

CONTINUED

Learning and Development

The Company is committed to channelling its resources into those initiatives that support employee professional development and expertise. The Corporate Learning Campus supports the Company's employment, retention and growth strategies. Succession planning, promotion, rotation and cross-training interventions assist in the increase of performance and productivity levels.

Talent Management

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

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

Succession Management

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

Occupational Health and Safety

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

HIV/AIDS Workplace Policy

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

Whistle Blower

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

Education/Benefits

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

Diversity Management

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

Sexual Harassment

The Group is committed to the maintenance of a work environment which fosters respect and dignity and is free from sexual harassment. The NCB Group does not tolerate sexual harassment of its clients, suppliers or employees, and expects that all relationships with customers, vendors and others are professional and free from sexual harassment. Reports of harrassment may result in our disciplinary policy being invoked.

Supply Chain Management

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

Asset Management (Physical)

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

ANTI-MONEY LAUNDERING AND COUNTER-FINANCING OF TERRORISM POLICY & PROCEDURES MANUAL

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

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

Purpose and Objectives

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

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

BUSINESS CONTINUITY POLICY & PLAN

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

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

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

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

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

President's Message

As we close another financial year with record performance, I want to say thank you to each and every customer for allowing us to serve you, to each team member for your hard work and commitment and to each shareholder for your continued support.

People often ask me the secret to our success, even among challenging circumstances. When I reflect on our journey, I attribute our success to three core components of our DNA:

1. We aspire for greatness and we dream big. Sometimes these dreams seem unreasonable and unachievable. However, we do not constrain our thinking on what is possible based on our geography or our industry.
2. We always seek to advance and continuously improve – not remaining content with the status quo.
3. We anticipate and respond to change.

The following quotes synthesize what's ingrained in our DNA:

"Aspiration is the main fuel for progress. Aspirations transform a set of ordinary people into extraordinary achievers."

—**Narayana Murthy (Infosys)**

"The reasonable man adapts himself to the world: the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man."

—**George Bernard Shaw**

"It is not the strongest of species that survives, nor the most intelligent, but the ones most responsive to change."

—**Charles Darwin**

It is within the context of this DNA that even with a record performance for the 2017 financial year, we look ahead and continue the pursuit of our 2020 strategy – **NCB 2.0 Faster I Simpler I Stronger**.

NCB 2.0 IS DIGITAL

Digital technology has redefined how we live and work. It has enhanced our lives by providing access to information and services once only enjoyed by a small percentage of the global population. Like education, I view digital technology as a great equalizer of which we can all take advantage to improve our personal lives, our companies and our nations. At NCB, we take many lessons from digital technology companies - such as Amazon, Google and Uber - that have developed simple mobile and web applications to enhance the lives of people across the globe. They have raised the bar for customer centricity – a bar that we at NCB are eager to meet because we are nothing without our customers. It is with this in mind that we launched the first known Agile Lab in the English-speaking Caribbean in 2017 to begin the transition to a way of working long adopted by digital technology companies that has contributed to customer centric solutions, efficient product development, employee engagement and growth.

Through our Agile Lab, we were able to launch and pilot our first working software solution for account opening in 22 weeks which reduced wait times to open new deposit accounts by over 50%. We will begin full rollout of this solution in the 2018 financial year. We will also continue to work on additional digital solutions to make banking and money management simpler, easier, more secure and more delightful for each and every customer. When customers are able to make their money work for them, they are able to live their best lives. This is our greatest desire.

I take this opportunity to again thank all our stakeholders for their continued loyalty and support as we continue on this journey.

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

“Like education, I view digital technology as a great equalizer of which we can all take advantage to improve our personal lives, our companies and our nations.”

Management Team

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

Allison WYNTER
Group Chief Risk Officer

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

Dave GARCIA
Group General Counsel and Corporate Secretary

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

Dennis COHEN
Group Chief Financial Officer and Deputy Chief Executive Officer

Dennis provides leadership and oversight for the Group's financial planning and reporting. He is responsible for monitoring the performance against strategy and budget and overseeing the Group's transformation office and investor relations function.

Misheca SEYMOUR SENIOR
Group Chief Compliance Officer

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

Mukisa RICKETTS
Group Chief Internal Auditor

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

Patrick HYLTON
President and
Group Chief Executive Officer

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

Leadership Team

Our leaders are the creators and implementors of our strategic and operational direction. Their roles require focus and flexible actions to create and maintain value for all stakeholders. FOR MORE INFO www.jncb.com

Allison WYNTER
Chief Risk Officer
Group Risk Management Division

Allison is also an officer of NCBFG (See profile on page 49).

Andrew SIMPSON
Acting Head
Corporate Banking Division

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

Brian BOOTHE
Acting Head
Retail Banking Division

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

Claudette RODRIQUEZ
Head
Payment Services

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

Danielle CAMERON DUNCAN
Head
Non-Branch Channels

Danielle has responsibility for the development and execution of the strategic and tactical initiatives required to fulfil the Division's aspiration to create an omni-channel distribution network which delivers a superior customer experience, propels enterprise performance, and advances the Company's digital transformation. Non-Branch Channels includes the Group's Internet, Mobile, ABM, Kiosk, IVR and Call-Centre distribution networks.

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

Dave is also an officer of NCBFG (see profile on page 49).

Dennis COHEN
Chief Financial Officer and Deputy Chief Executive Officer

Dennis is also an officer of NCBFG (see profile on page 49).

Howard GORDON
Senior General Manager
Group Operations and Technology Division

Howard leads the technical and operating environments across the Group to support execution of the Group's strategy and day-to-day operations. Significant progress has been made in strengthening the cybersecurity capabilities and delivering a robust technology and operations environment consistent with international banking practices to facilitate the Group's digitization, risk management, sales and service strategies.

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

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

Leadership Team

CONTINUED

Mukisa RICKETTS
Chief Internal Auditor
Group Internal Audit Division

Mukisa is also an officer of NCBFG (see profile on page 50).

Nadeen MATTHEWS BLAIR
Chief Digital & Marketing Officer and Chief Executive Officer-N.C.B. Foundation

Nadeen is responsible for the development and execution of integrated marketing and communications strategies. She is also leading NCB's shift to leveraging digital technology to improve the customers' experiences, increase efficiency and agility and create new revenue models. As CEO of the Foundation she ensures effective execution of NCB's Corporate Social Responsibility mandate.

Patrick HYLTON
Chief Executive Officer

Patrick is also an officer of NCBFG (see profile on page 50)

Dr. Rickert ALLEN
Senior General Manager
Group Human Resources & Facilities Division

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

Septimus 'Bob' BLAKE
Chief Operating Officer

Bob provides oversight of the Bank's Strategic Business Units, namely Retail Banking, Treasury and Correspondent Banking, Corporate Banking, and Payment Services, to ensure continued growth, profitability and alignment with the Group's Strategy.

Steven GOODEN
CEO
NCB Capital Markets Limited

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

Tanya WATSON-FRANCIS
General Manager
Treasury & Correspondent Banking

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

Vernon JAMES
Managing Director & CEO
NCB Insurance Company Limited

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

Management Discussion & Analysis (MD&A)

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Executive Summary

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

The financial information disclosed in the MD&A is consistent with our audited consolidated financial statements and related notes for the year ended September 30, 2017 ("financial statements"). The information conveyed is based on the informed judgment of management with appropriate consideration to materiality. In this regard, management maintains a system of accounting and reporting that provides for the necessary internal controls to ensure transactions are properly authorised and recorded, assets are safeguarded against unauthorised use or disposal and liabilities fully recognised. Importantly, the system of control is continually reviewed for its effectiveness and is supported by written policies and guidelines, qualified personnel, and strong internal audit and risk assessment procedures.

The MD&A is presented to enable readers to assess the operational results and financial condition of the Group for the year ended September 30, 2017, compared with prior years. The MD&A should be read in conjunction with our financial statements. Unless otherwise indicated, all amounts are expressed in Jamaican dollars and have been primarily derived from our financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). From time to time the MD&A may contain forward-looking statements, which include, but are not limited to, our 2018 outlook and our expectations related to general economic conditions, market trends and their anticipated impact on business segments. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the forward-looking statements.

CORPORATE OVERVIEW

THE COMPANY

NCB Financial Group Limited ("NCBFG" or "the Company") was incorporated in April 2016, with a view to it becoming the holding company for National Commercial Bank Jamaica Limited ("NCBJ" or "the Bank"). A Scheme of Arrangement ("the Scheme") involving NCBJ and NCBFG was completed in March 2017, resulting in a reorganisation of the NCB Group and NCBJ becoming a wholly owned subsidiary of NCBFG. Under the Scheme, all existing NCBJ ordinary shares were cancelled and new NCBJ ordinary shares credited as fully paid to NCBFG and the holders of the cancelled NCBJ ordinary shares received an allotment of a new NCBFG ordinary share credited as fully paid for every cancelled share. This reorganisation created a corporate structure that better facilitates the regional aspiration to become a leading financial conglomerate in the English and Spanish speaking Caribbean.

Resulting from the finalisation of the Scheme, in March 2017 NCBFG's shares were listed on the Jamaica and Trinidad & Tobago Stock Exchanges. Ahead of the listing of the NCBFG's shares, the Bank's shares were de-listed. Prior to this, NCBJ (the Bank) was a publicly traded company with shares listed on the Jamaica Stock Exchange (JSE) since 1986 and on the Trinidad & Tobago Stock Exchange (TTSE) since 2003. At March 31, 2017, NCBFG's major shareholder continued to be AIC (Barbados) Limited, registered as owning 49.75% of NCBFG's equity shares at that time. NCBFG has maintained the NCB identity, business strategy, core management and leadership team.

NCB Financial Group Limited trades under the symbol "NCBFG" on the Jamaica and Trinidad & Tobago Stock Exchanges.

The reorganisation has been accounted for retrospectively. The comparative financial information for previous periods has therefore been presented as if the reorganisation was in effect during those periods.

For the financial year ended September 30, 2017, the Group had total assets of $693.7 billion, total loans of $218.6 billion (net of provision for credit losses), deposits totalling $288.5 billion and shareholders' equity of $116.0 billion.

GENERAL

NCBFG is a non-operating financial holding company and currently has two subsidiaries, National Commercial Bank Jamaica Limited and NCB Global Holdings Limited. The NCB Financial Group is the largest financial services group in Jamaica measured by profitability and total assets. Our organisation operates within the financial services industry, including

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

banking, insurance and investment management, in the Caribbean. The Group operates its business through seven main segments (of which the retail & Small & Medium enterprises (SME), payment services, corporate banking and treasury & correspondent banking segments are the commercial banking segments).
The Group provides a wide range of financial products and services to its customers, including loan and investment products, deposits, electronic banking, payment services, credit cards, structured finance, trade finance, foreign exchange, wealth management, insurance, pension fund management, annuities and trust services. In addition, there are self-service options at financial kiosks and intelligent ABMs in our Bank on the Go locations as well as online.

SUBSIDIARIES OF NCB FINANCIAL GROUP LIMITED

NCB Global Holdings Limited

NCB Global Holdings Limited (NCBGH) was incorporated in Trinidad and Tobago and is a holding company currently holding a 29.99% share in Guardian Holdings Limited (GHL). The acquisition was completed in May 2016 in Trinidad & Tobago and is accounted for as an associated company in the consolidated results of NCBFG. The Guardian Group is the largest indigenous financial services and insurance group in the Caribbean serving markets in 21 countries, including the English and

Subsidiaries of NCB Financial Group Limited

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

* No significant activities at ths time | ** Direct ownership by NCB Financial Group Limited

Executive Summary

CONTINUED

Dutch Caribbean, Trinidad & Tobago, Barbados, Jamaica, Curacao, Aruba, St. Maarten and Bonaire.
The Guardian Group provides services in life and health insurance, asset management, trust services and general insurance.

National Commercial Bank Jamaica Limited

National Commercial Bank Jamaica Limited is a licensed commercial bank (deposit taking institution – DTI), which is regulated by the Bank of Jamaica (BOJ) and currently has eleven subsidiaries. The Bank provides individual consumers, small and medium sized enterprises, or "SMEs", large corporations and government institutions with banking services. One of its largest subsidiaries, NCB Capital Markets Limited (NCBCM), is a licensed securities dealer, investment advisor and Unit Trust Management Company regulated by the Financial Services Commission (FSC), and currently has five subsidiaries. NCB Insurance Company Limited (NCBIC) is a licensed life insurance company and an investment manager and pension administrator regulated by the Financial Services Commission. Advantage General Insurance Company Limited (AGIC) is a licensed general insurance company regulated by the Financial Services Commission.

NCB (Cayman) Limited is a wholly-owned subsidiary of National Commercial Bank Jamaica Limited, established in 1992 to offer banking and trust services from the Cayman Islands. It also currently has one subsidiary. Over the years, NCB (Cayman) has grown to become a highly reputable private banking and wealth management service provider, offering a suite of services to high net worth individuals and corporate entities. NCB (Cayman) is regulated and supervised by the Cayman Islands Monetary Authority.

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

NCBCM incorporated a wholly owned subsidiary located in Barbados in May 2015. This subsidiary, NCB Capital Markets (Barbados) Limited, received a securities license from the Barbados Financial Services Commission on September 22, 2015. NCB Capital Markets (Barbados) Limited is our investment banking hub for the eastern Caribbean.

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

NCBJ and its subsidiaries primarily operate in Jamaica, but also offer services in the Cayman Islands, Barbados, Trinidad & Tobago and the United Kingdom. NCBJ and its subsidiaries serve clients with an island-wide network of branches servicing all 14 parishes in Jamaica. The Bank has 36 branches and over 285 ATMs and financial kiosks island-wide, with its head office located in Kingston and a regional office in Montego Bay. Also, the banking group currently serves just under a million customers through its financial services.

CREDIT RATINGS

NCBFG and its subsidiaries maintain public ratings with established independent rating agencies (refer to Tables 1 & 2 for latest ratings).

In October 2017 Caribbean Information and Credit Ratings Services Limited (CariCRIS) assigned initial ratings to NCBFG and reported the ratings were supported by the Group's leading market share in the Jamaican commercial banking industry with a strong presence in the securities and insurance industries

Table 1: NCBFG Rating

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

Table 2: Subsidiary Ratings

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

coupled with it being an emerging player in the regional financial services industry. They assessed that NCBFG and its subsidiaries had comfortable capitalisation levels. These together with improved financial performance and astute risk management practices also supported the ratings. They indicated these rating strengths are tempered by the Group's high sovereign risk exposure to the Jamaican economy as well as the prevailing macroeconomic challenges in Trinidad and Tobago and Barbados.

The opinions expressed by rating agencies on our creditworthiness and that of our obligations or securities (including long-term debt, short-term borrowings, and asset securitisations) are based on independent analyses and financial modelling. Our credit ratings are subject to reviews by the rating agencies where a number of factors are considered; including our financial strength, performance, prospects, operations, asset quality, capitalisation and our liquidity position as well as factors not under our control. Other factors that influence our credit ratings include changes to the rating agencies' methodologies; the rating agencies' assessment of the general operating environment for financial services companies; our relative positions in the industry; the sovereign credit ratings of the Jamaican government and other relevant governments; current or future regulatory and legislative initiatives; the agencies' views on whether the Jamaican government would provide meaningful support to our organisation in a crisis; our various risk exposures and risk management policies; our reputation; diversity of funding sources and funding costs; the current and expected level and volatility of our earnings; our capital position and capital management practices; and our corporate governance. The rating agencies can adjust our ratings at any time and they provide no assertions about the maintenance of our ratings at current levels. Our organisation maintains active discourse with these major rating agencies and it is our objective to maintain high-quality credit ratings.

PERFORMANCE MEASUREMENT

The organisation is measured against local and international benchmarks and internal targets. A diverse set of key performance indicators are defined to monitor the various business lines. The targets are set to drive performance, challenge the status quo and ensure the team will deliver better results for our business. We have monitored our strategy using both financial and non-financial measures covering areas that are important to all stakeholders including customers, employees, communities and shareholders. Individual strategic targets are then developed for each business unit, and at the unit level the management team is responsible for managing the risks and performance of the unit and reports the results to the senior and executive management team.

Extract from the Jamaican financial services industry

Financial system structure (1)

(in billions, except percentages and number of institutions)

COMMERCIAL BANKS - AT JUNE 30, 2017 (2)

Number of institutions - commercial banks (3)	7
Total assets	1,276.7
Commercial banks percentage market share of total BOJ licensees included in annual prudential indicators	88.4%

EXTRACT FROM THE COMMERCIAL BANKING INDUSTRY DATA (4)

Market share in the commercial banking industry

	National Commercial Bank Jamaica Limited	Commercial banking industry ($'B)
Market share by assets	**37.8%**	1,276.7
Market share by deposits	**33.9%**	840.2
Market share by loans, advances & discounts (net)	**41.0%**	572.5

INSURANCE REGULATED INDUSTRY - AT JUNE 30, 2016 (5)

Number of registered and operational institutions - Life Insurance Industry	7
Number of operational institutions - Life Insurance Industry	6
Total assets	287.1
NCBIC percentage market share of assets in Life Insurance Industry	14.6%
Insurance liabilities	85.5
NCBIC percentage market share of insurance liabilities in Life Insurance Industry	33.0%
Number of registered institutions - General Insurance Industry	11
Number of operational institutions - General Insurance Industry	10
Total assets	76.5
AGIC percentage market share of assets in General Insurance Industry	18.5%
Insurance liabilities	42.3
AGIC percentage market share of insurance liabilities in General Insurance Industry	18.0%

LICENSED DEALERS/SECURITIES FIRMS INDUSTRY - AT JUNE 30, 2016 (6)

Number of licensed institutions - Securities Dealers	42
Number of licensed institutions - Securities Dealers with core business dealing in securities	32
Total assets	555.1
NCBCM percentage market share of assets in Securities Dealers Industry	18.6%
Total funds under management (FUM)	981.2
NCBCM percentage market share of FUM in Securities Dealers Industry	8.1%

Total funds under management (FUM) - Unit trust Management Companies (7)	211.9
NCBCM percentage market share of unit trusts	16.9%

(1) Financial sector assets are not consolidated

(2) Bank of Jamaica - Annual Prudential Indicators of Commercial Banks, Licensees under The Financial Institutions Act (FIA) & Building Societies as at June 30, 2017

(3) The Bank of Jamaica (BOJ) has approved an additional commercial banking licence, which will increase the number of commercial banks to eight.

(4) Bank of Jamaica - Unaudited Assets & Liabilities of Commercial Banks as at June 30, 2017

(5) Financial Services Commission of Jamaica - Industry Statistics as at June 2016 published in FSC Compass volume 8 - issue 2 - December 2016

(6) Licensed dealers are regulated and supervised by the Financial Services Commission of Jamaica - Industry Statistics as at June 2016 published in FSC Compass volume 8 - issue 2 - December 2016

(7) Unit Trust industry statistics at September 30, 2017. NCBCM's fund ranked third in the industry

Financial Snapshot

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

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

The 2017 financial year marked the start of our 2020 aspiration and strategic plan, dubbed – "NCB 2.0 by 2020, **Faster | Simpler | Stronger**". This aspiration is focused on NCB Group "setting the 'BAR' in the financial services industry" and is concentrated on three themes (BAR), driven by six initiatives:

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

TABLE 3: SIX-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(in millions, except per stock unit amounts)	2012	2013	2014	2015	2016	**2017**	**% Change Financial Year 2017 vs. Financial Year 2016**	**Five-year compounded annual growth rate (CAGR)**
Consolidated Income Statement								
Net interest income	21,784	23,559	24,661	25,964	28,124	**29,760**	6%	6%
Non-interest income	12,763	14,407	18,593	21,509	23,446	**29,715**	27%	18%
Operating income	34,547	37,966	43,254	47,473	51,569	**59,475**	15%	11%
Staff Costs	9,756	11,227	11,524	11,942	13,809	**16,461**	19%	11%
Provision for credit losses	2,463	2,066	2,227	1,799	612	**729**	19%	(22%)
Non-interest expenses	10,148	14,483	15,586	17,730	19,052	**21,126**	11%	16%
Net profit	10,046	8,579	12,327	12,302	14,449	**19,108**	32%	14%
Earnings per stock unit ($)	4.08	3.49	5.01	5.00	5.87	**7.76**	32%	14%
Dividends paid per stock unit ($)	1.10	1.11	1.18	2.31	2.35	**2.70**	15%	20%
Consolidated Statement of Financial Position (at year end)								
Investment securities	210,654	234,437	264,171	275,988	275,670	**299,177**	9%	7%
Net loans	111,905	141,150	157,630	165,405	189,056	**218,615**	16%	14%
Total assets	379,436	446,575	499,345	523,815	607,669	**693,724**	14%	13%
Customer deposits	162,930	178,411	202,162	227,851	273,966	**288,464**	5%	12%
Repurchase agreements	101,890	117,377	134,691	100,004	105,975	**115,587**	9%	3%
Liabilities under annuity and insurance contracts	25,194	33,915	34,231	34,689	35,283	**36,185**	3%	8%
Equity	65,896	72,517	81,846	88,394	103,105	**115,994**	13%	12%

Financial Snapshot

CONTINUED

TABLE 4: KEY RATIOS AND PER STOCK UNIT DATA

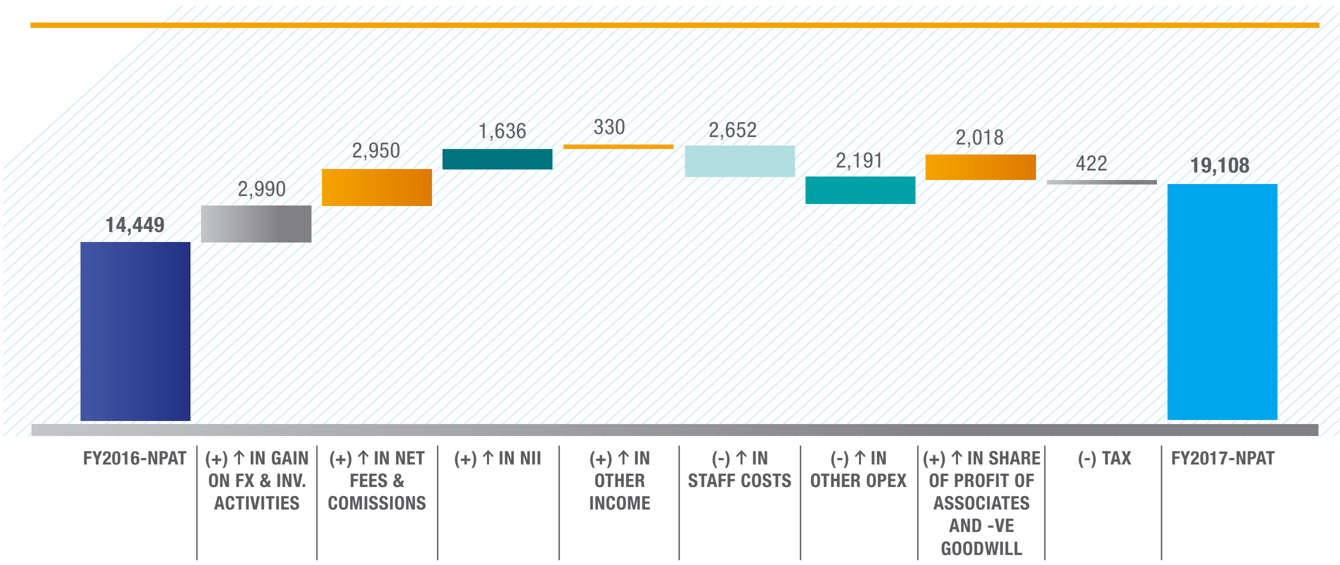
	Year ended September 30,		
	2015	2016	**2017**
Profitability ratios			
Return on average total assets	2.40%	2.55%	**2.94%**
Return on average equity	14.45%	15.09%	**17.44%**
Cost to income ratio	62.34%	63.72%	**63.20%**
Capital ratios			
Risk-based capital adequacy ratio (Bank)	12.72%	12.69%	**12.68%**
Capital to risk weighted assets (NCB Capital Markets)	35.30%	33.80%	**18.57%**
Minimum continuing capital surplus ratio (NCB Insurance)	610.70%	496.69%	**398.50%**
Minimum capital test (Advantage General Insurance)	341.00%	356.82%	**432.28%**
Capital to risk weighted assets (NCB (Cayman))	18.93%	18.07%	**24.39%**
Capital to risk weighted assets (NCB Global Finance)	39.49%	29.97%	**31.63%**
Equity to total assets	16.88%	16.97%	**16.72%**
Per stock unit data			
Dividend payout ratio (based on payment date)	46.20%	40.03%	**34.79%**
Dividend yield	8.39%	5.66%	**3.07%**
Book value ($)	35.91	41.89	**47.12**
Market Price - Jamaica Stock Exchange (JSE)			
High	J$31.02	J$45.00	**J$94.99**
Low	J$17.00	J$27.72	**J$41.05**
Year end	J$27.52	J$41.50	**J$88.00**
Market Price - Trinidad and Tobago (TTSE)			
High	TT$1.95	TT$2.85	**TT$5.25**
Low	TT$0.98	TT$1.67	**TT$2.58**
Year end	TT$1.63	TT$2.60	**TT$5.10**

These goals were set to focus on improving customer experience, through enabling digital capabilities, end to end sales fulfilment, increasing the use of multichannel options and enabling a collaborative culture of high performance. As we executed on these prioritised initiatives we have been able to benefit from diversified income streams, introduction of digital processes, greater economies of scale, improved service quality, and the strengthening of our position in the market both locally and regionally.

This was the first year of the four year strategy and we expect that as progress is made we will see this translating into enhanced service quality and a stronger customer focus, including providing access to financial services and products in a simple, easy, reliable way.

The 2017 year was significant for the Group. We completed our reorganisation under a non-operating holding company and delivered a robust performance, recording our highest net profit results in our history of $19.1 billion. We also strengthened our financial and capital positions which will be key enablers for future success. Our asset base grew to $693.7 billion at the end of the financial year, up by $86.1 billion or 14% over the prior year resulting in a return on average assets of 2.9%. Shareholders' equity increased to $116.0 billion with return on average equity of 17.4% compared to the prior year's result of 15.1%.

Figure 1: Financial Snapshot



Asset & capital base growth	Strong gross revenue & share of profit of associates growth	Continued business growth momentum, strengthening core business	Improved total shareholder return & consistent dividend payments	
14% growth in asset base and 13% growth in equity	Translated into 27% growth in profit before tax	Growth in net loans (16%) & investments (9%); 5% growth in customer deposits	TSR (1 Yr.) 119%	Dividends paid per stock unit: $2.70

- **RETAIL & SME:** Increased 20%, driven by growth in loan portfolio, translated into increased net interest income and fee & commission income and increased transaction volumes through electronic channels.
- **PAYMENT SERVICES:** Increased 41% due to the enhancement of the card product portfolio, increased transaction volumes, lower credit loss provisions coupled with increased recoveries and continued investments in infrastructure improvements.
- **CORPORATE BANKING:** Increased 37% due to increased net interest income and fee & commission income.
- **TREASURY & CORRESPONDENT:** Improved 36%, driven by increased gains on foreign exchange and investment activities.
- **WEALTH, ASSET MANAGEMENT & INVESTMENT BANKING:** Grew 15% primarily due to increased net fee and commission income from investment banking activities, management of unit trust portfolios and gains on investment activities across the region.
- **LIFE INSURANCE AND PENSION FUND MANAGEMENT:** Increased 4% mainly due to higher fee income from pension fund management.
- **GENERAL INSURANCE:** Increased by just under 1% due to higher net fee and commission income.

Operating Environment

Global growth has firmed since the first quarter of the financial year in spite of lingering geopolitical risks, a protectionist stance in the Eurozone and political uncertainties. Market volatility in advanced economies has been generally subdued, evidenced in part by an improving growth trajectory in the US and the Eurozone.

On the other hand, while the magnitude of the impact of Britain's exit from the European Union (EU) – "Brexit" – is still unknown, evolving discussions in the aftermath of the vote continue to weigh on market sentiment. This has resulted in low growth forecasts for the UK. The full extent will become apparent over the next two years, as the UK-EU "divorce" is expected to significantly impact regional trade and could have ripple effects on the global economy.

While our more developed neighbours grapple with political and policy uncertainties, natural disasters have wreaked havoc on countries in the region and continue to be a perpetual risk. In what has been characterised as a hyperactive season for 2017, two hurricanes ravaged the region leaving deaths and billions of dollars of property damage in their wake. Heavily affected markets include Puerto Rico, Antigua & Barbuda, the US Virgin Islands and Dominica, while Cuba, Bahamas and the Dominican Republic were among those mildly affected. This will have negative implications for affected countries which are heavily dependent on tourism. Of note, Texas and Florida in the US were also affected by hurricanes this season; but the fiscal and economic implications are not as grave when compared to the small states in the Caribbean. That said, reconstruction efforts should become a key driver of construction investment for the next several years in the Caribbean.

The consensus is that local macroeconomic conditions have stabilised and could even benefit from the reduced capacity in other tourism markets following the recent disasters. Inflation remains subdued thanks to continued low commodity prices. In addition, the Government of Jamaica's (GOJ's) commitment to fiscal discipline remains evident, and international onlookers are confident that it will continue to meet its primary balance targets, which is necessary for a gradual reduction in debt levels. The recent affirmation of the 'B' rating by Standard & Poor's (S&P) confirmed that view. Of note, the JMD:USD exchange rate was very stable during the financial year, depreciating by just over 1% during the year. Overall, the improvement in individual economic indicators has had positive effects on asset prices, with local stocks and GOJ global bonds touching record highs throughout the year.

The Bank of Jamaica (BOJ) forecasted economic growth within the range of 1.5% – 2.5% and 2% for the 2018/2019 financial year[1]. The IMF is projecting that growth for 2017/2018 will be 1.6%. Continued improvement in employment conditions, high business and consumer confidence should help to drive consumer spending and investments by businesses in the coming year. Manufacturing should benefit from lower input costs due to lower oil prices and exchange rate stability; while hotels and restaurants should profit from the unavailability of competing destinations ravaged by hurricanes and other natural disasters. Jamaica's growth prospects should continue to be bolstered by improvements in external competitiveness as a result of the structural and macroeconomic reforms being undertaken by the Government of Jamaica (GOJ). However, structural barriers including high security costs, perceived corruption, low productivity, a lack of business competitiveness, and vulnerability to external shocks will continue to restrict the pace of growth.

ECONOMIC GROWTH

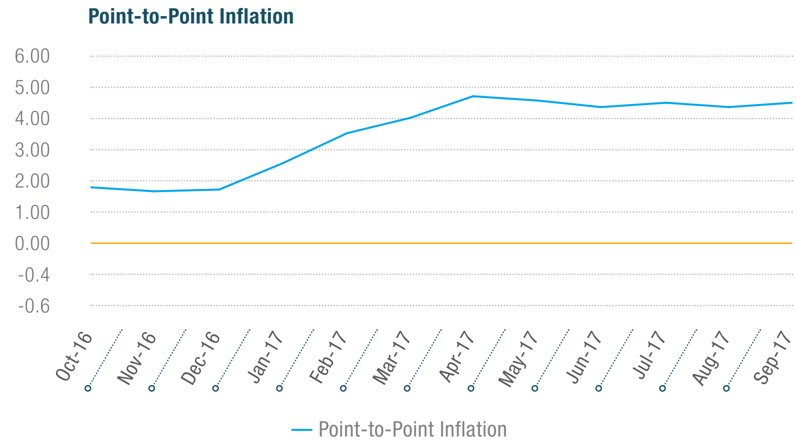
Though not as robust as policymakers would have liked, growth in the local economy remained in positive territory during the financial year. Output was strongest in the October to December 2016 period at 1.1%, 0.1% in January to March 2017 and 0.3% in April to June 2017 which marked the 10th consecutive quarter of economic growth. During the financial year, agriculture, forestry and fishing were the primary drivers of economic activity. Construction activity was also strong, while the pick-up in global activity has filtered through to the tourism sector.

FISCAL PERFORMANCE AND POLICY DEVELOPMENTS

The primary focus of the GOJ is still fiscal consolidation which is critical for further debt reduction. The GOJ continues to focus on reducing interest costs and extending the maturity profile of its debt. As part of its liability management efforts, the GOJ made an offer to purchase outstanding amounts of its high coupon global bonds on the shortest end of the curve – the 2019, 2021, 2022 and 2025. This was financed with the re-tap of the 6.75% 2028s and the 7.875% 2045s.

For the year to August 2017, Central Government activity produced a primary surplus of $52 billion, which was significantly higher than its budgeted target of $33 billion. The fiscal deficit was 78.7% lower (better) than target of $27 billion as revenues outperformed and expenditure was below budget. Revenues and Grants for the period stood at $213 billion and were ahead of budget by 7.4%. Tax revenues were 6.0% above budget at $183 billion. This was led by the outperformance of 'Production and Consumption' as local GCT and SCT receipts were above projected levels. The 'Income and Profits' category was 4.7% higher than budgeted. Notably, profit from non-bauxite companies contributed 37.3% above the initial estimates. However, PAYE receipts have started to see the impact of the recent increase in the tax threshold, recording a shortfall of 4.3%. Expenditure for the first six months of the fiscal year was $7 billion below budget at $219 billion. Recurrent expenditure was $212 billion (3.2% below budget) while capital expenditure was $13 billion, or 0.7% below budget.

S&P notes that following the implementation of a two-stage tax reform to shift the tax system toward indirect taxation, the GOJ is expected to continue to outperform its primary surplus target, which will average 7.4% of GDP over the next four years. Although the GOJ continues to seek opportunities to reduce its debt, the debt burden remains a structural impediment to growth and to an improvement in the 'B' rating. Notwithstanding that fact, it is expected that the debt to GDP burden will decline from 108% by the end of the 2017/2018 financial year, and below 100% by 2019/2020 helped by continued reduction in fiscal deficit levels[2].



INFLATION

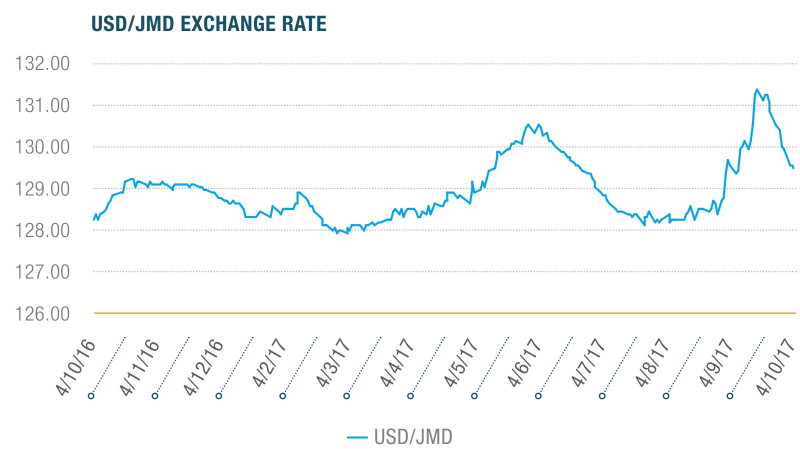
Headline inflation increased during the period from under 1.8% in September 2016 to 4.6% in September 2017. The main contributory factors were the heavy rains in May and the price adjustments associated with the tax package implemented at the start of the fiscal year.

The months of June and August recorded the largest increases in the Consumer Price Index (CPI). The divisions which recorded the largest increases were 'housing, water, electricity, gas & other fuels', which rose mainly on account of higher electricity rates. The highest weighted division in the index – 'food and non-alcoholic beverages' – also increased on account of the rainy weather conditions in May which drove up vegetable prices.

Low oil prices are expected to continue to restrain inflationary impulses as efficiencies in shale oil production continue to drive supply levels higher and shape price dynamics in the oil industry. In light of this, inflation will likely remain closer to the lower end of the BOJ's 4.0% to 6.0% target range in the next year.

FOREIGN EXCHANGE MARKET

The local currency depreciated by 1.3% against the US dollar during the financial year which is well below the historical average pace of 4.0% to 6.0% and the 7.7% recorded in the 2015/2016 financial year. The relatively slow pace of depreciation resulted from higher foreign exchange earnings from tourism as well as the prepayment of the USD benchmark notes, including the largest payout of US$526Mn on September 18, 2017, which contributed to increased USD liquidity.



1. Bank of Jamaica and S&P forecast

2. S&P

Operating Environment

CONTINUED

The BOJ introduced a new foreign exchange auction system – Foreign Exchange Intervention & Trading Tool (B-FXITT) in June 2017. Under the new framework, the BOJ pre-announces the quantity of FX it intends to sell to the market every Wednesday of each week. The move by the BOJ is intended to create a more transparent, market-based exchange rate pricing mechanism in which the Central Bank buys and sells foreign currency via auctions which will allow it to build reserves through market-based purchases, and improve price discovery in the FX market. The certainty of inflows provided by the framework allows dealers and end-users to adequately plan their foreign exchange purchases and reduces episodes of disruptive volatility.

The Central Bank Governor has indicated that the BOJ believes the JMD is now fairly valued, at current levels below $130, relative to the US dollar. This is supported by the improvement in the current account deficit to GDP which fell to less than 2.0% from 2.4% in the 2015/2016 fiscal year. This level is considered sustainable. The BOJ is forecasting that for the 2017/2018 fiscal year into the medium term, the current account deficit relative to GDP will remain stable in the 1.0%–3.0% range. Net International Reserves (NIR) also increased from US$2,443 million to US$3,137 million or by 28.40%.

Taken together, in the absence of external shocks, these indicators suggest that the JMD will be fairly stable in the 2017/2018 fiscal year.

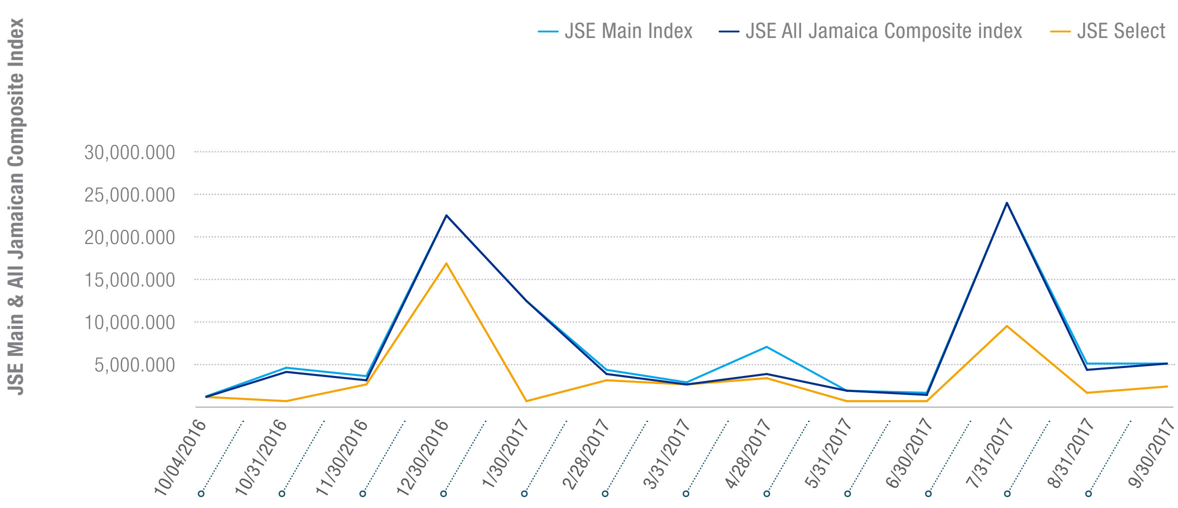
INTEREST RATES

While the US Federal Reserve continues to normalise interest rates with a gradual increase in the Fed Funds rate and the eventual unwinding of its balance sheet, the BOJ has maintained its accommodative monetary policy stance in an effort to stimulate growth. This has translated into lower interest rates on commercial bank loans and credit expansion. As at May 2017, preliminary data indicate that the stock of commercial bank credit to the private sector rose by 31.1%, compared with a year ago. When the impact of a new entrant to the commercial banking sector is excluded, private sector credit grew by 11.0% over the period, a level which suggests continued strong credit growth.

T-bill yields declined slightly throughout the year with the 90-day Weighted Average Treasury Bill Yields (WATBY) moving down 88bps, while the 180-day yield fell by 36bps.

On July 1, 2017, the BOJ changed the policy rate to the overnight deposits rate from the 30-day certificates of deposit rate. This refinement is expected to improve the monetary transmission mechanism and over time allow for lower market interest rates, particularly lending rates. The overnight deposit rate is currently at 3.75%. This is between 2.50% and 2.75% higher than the Fed's target range for its benchmark rate. While policymakers will likely keep interest rates low to support domestic demand, the small differential between rates in the US and Jamaica provides very little room for the BOJ to reduce interest rates further, particularly given rising interest rates in the US.

Local Stock Market Performance



GOJ GLOBAL BOND PERFORMANCE

Stable macroeconomic conditions and GOJ's improving credit profile have resulted in increased demand for GOJ global bonds particularly by international investors. As such, despite rising interest rates since the start of the year, GOJ global bonds enjoyed a rally mostly reserved for credits with stronger fundamentals. Since the start of the year, prices have risen by as low as 0.78% to as high as 5.07%. The GOJ Eurobonds have also been trading at yields closer to those of higher rated credits such as Bahamas and Dominican Republic. This signals continued confidence of investors in the Jamaican economy and its fiscal progress.

As part of its liability management efforts, the GOJ made an offer to purchase for cash a total of US$758.36Mn of its high coupon shorter tenure debt – namely the 2019s, 2021s, 2022s and 2025s. This tender was financed with the re-tap of the 6.75% 2028s and the 7.875% 2045s. The move allowed the GOJ to extend the maturity profile of its debt, while reducing its overall interest burden. This bodes well for further gains on the fiscal front and could continue to support GOJ globals at current prices.

STOCK MARKET PEFORMANCE

Following on strong performances in previous years, local stock prices continued to trend higher in the 2016/2017 financial year. The JSE Combined Index increased by 52.34% points, the Main Index rose by 57.26% points, while the Junior Market increased 22.16% points. There were four IPO listings during the period: Productive Business Solutions Limited– on the main market and Stationery and Office Supplies Limited, Express Catering Limited and Main Event Entertainment Group Limited, on the Junior Market. With increasing confidence in the local economy, it is expected that more companies will look to list on the stock exchange as a means of securing funding for expansion activities.

Macroeconomic conditions continue to create an environment for local companies to record higher earnings which will drive demand for stocks. Financial stocks are likely to continue their strong performance buoyed by growth in loans, non-interest revenues and greater focus on efficiency. In addition, manufacturers and retailers should benefit from lower input cost and improved demand dynamics given higher disposable income.

OUTLOOK

The IMF, in the July 2017 World Economic Outlook Update, revised its expectations for faster global economic recovery. Faster rates of economic output are expected from the Euro Area, Japan and China. While the outlook for US growth was tempered to 2.2% from the 2.3% projected earlier in 2017, expectations are for continued strong flows to Jamaica. This is premised on the expected lift in tourism, while other destinations focus on rebuilding efforts. In addition, the possibility exists that Jamaica's deepening diplomatic and economic relations with China, now the country's third largest trading partner, could help to support economic activity.

Fiscal prudence will remain a primary focus of the government, but policymakers will have to balance this to support growth inducing activities for longer term benefits. Continued low inflation, interest rates and currency stability also bode well for macroeconomic stability. Headwinds persist, however, particularly the rising tide of violent crime which limits both foreign and local investments. Notwithstanding that issue, it is hoped that the GOJ's continued disciplined implementation of structural, growth and fiscal policies under the Precautionary Standby Agreement will begin to facilitate more sustainable and widespread development.

Our Financial Performance

The record net profits achieved by the Group represented a 32% or $4.7 billion increase over the 2016 financial year. In an environment where margins were stable or declining, our focus on sales productivity led to growth in volumes and improved momentum in our core earning assets, especially our loans and advances portfolio.

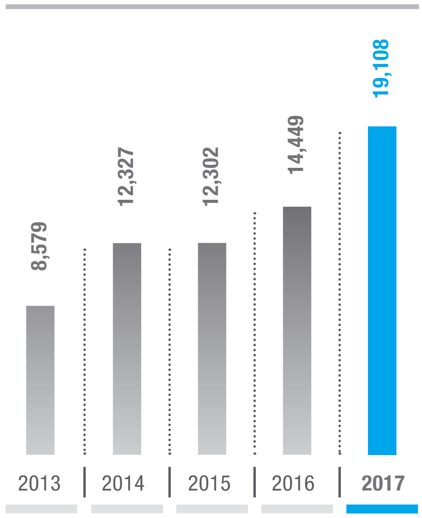
Although strong competition remained a feature in the industry, our business model, the focus on revenues, costs, processes, competencies, customers, products and services allowed us to fortify our market share across business segments.

Operating income (net interest income and non-interest income) grew by $7.9 billion to $59.5 billion for the financial year ended September 30, 2017. This was driven by gains on foreign currency and investment activities of $7.7 billion, an increase of $3.0 billion, or 63.1%, over the prior financial year. Gains on investment activities were mainly due to the sale of debt securities driven by stronger demand for Government of Jamaica (GOJ) securities in the context of high levels of market liquidity resulting from improved GOJ fiscal performance. Net fees and commission income grew to $13.9 billion, up 27.0% or $2.9 billion and net interest income of $29.8 billion grew by $1.6 billion or 6%. The improvement in these areas was mainly as a result of increased sales productivity and the resultant volume growth in the loan portfolio.

Operating expenses of $38.3 billion grew by $4.8 billion or 14% over the prior year. This increase reflects the strategy to increase infrastructure investments aimed at enhancing our digital capabilities, transforming and simplifying our operations which will result in improved customer experiences. Additionally, people development and engagement are equally important in allowing us to reinvent our core business and our increasing operating costs reflect the increased spending in this area. Notwithstanding, we are also mindful of the impact that rising costs can have on our business and are working concurrently with executing on cost optimisation strategies to boost efficiency. We are confident the spending in these areas will translate into enhanced customer experience and increased shareholder value.

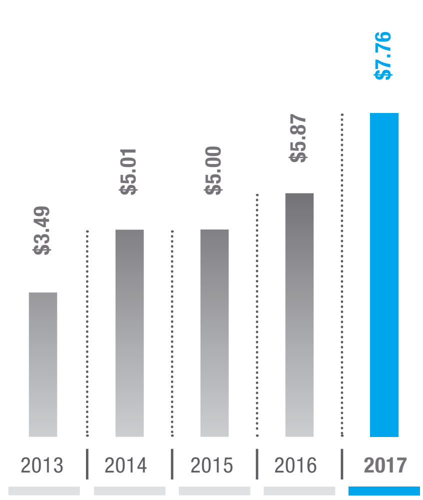
Share of profit from associates increased by $2.0 billion mainly as a result of our 29.99% shareholding in GHL. The 2017 results reflected four quarters earnings from our associated company, GHL, compared to one quarter in the prior year.

Net Profit ($'M) 4 YR CAGR*: 22.2%

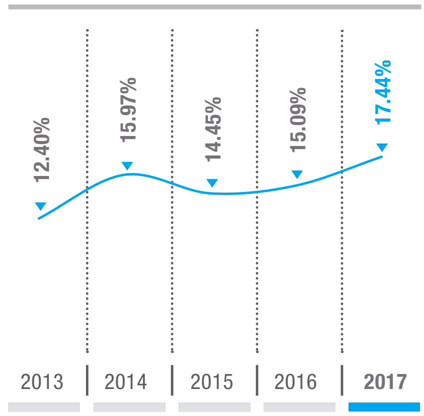


* **CAGR** – The compound annual growth rate (CAGR) is a measure of growth over multiple time periods.

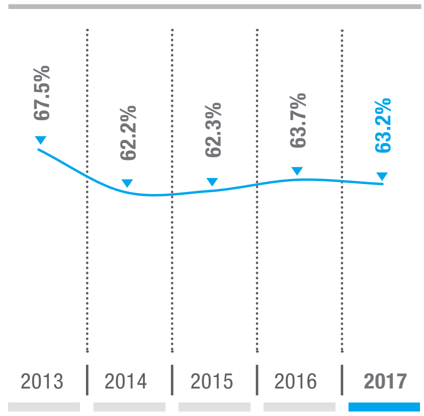
Earnings Per Stock Unit



Return on Equity



Cost To Income



OUTLOOK

As we continue to execute on our strategic priorities, the aim is to strengthen the Group while maintaining momentum in core businesses and creating innovative digital end to end solutions for our customers. We will continue to seek opportunities to expand in priority markets as we continue to diversify revenue streams by geography and business segment.

As part of our transformation process we will also be focusing on operational and cost optimisation which are important in executing business processes in the existing environment. Streamlining the business model and improving processes and tools supports the execution of our strategy as we become even more customer focused on delivering simpler financial solutions. We believe sustained investments in these areas are critical to our future success as we seek to maintain our strategic focus and keep abreast with the pace of change globally.

OPERATING SEGMENT RESULTS

The Group is organised into business segments composed of commercial banking; wealth, asset management & investment banking; life insurance & pension fund management and general insurance. The commercial banking segment is further broken down into consumer and small & medium-sized enterprises (SME), comprising retail & SME and payment services; corporate banking and treasury & correspondent banking operations. For the financial year, the commercial banking segment contributed 58% of the operating profit of the Group up from 53% in the prior year; the non-banking segments totalled 42%.

Consumer & SME

The consumer and SME segment is a part of the commercial banking arm of the business and includes retail and SME banking as well as payment services. It incorporates the provision of banking services to individuals and small & medium-sized (SME) business clients and card related services.

Retail & SME

The retail & SME segment recorded operating profit of $2.7 billion; this represented 10% of the operating profit of the Group. The profit improved by 20% or $456 million over the 2016 financial year. This segment continued to be the largest contributor to revenues, earning external revenues of $18.8 billion which grew by 26% or $3.9 billion over the prior year.

This segment was focused primarily on strengthening the product offerings and services provided in the area of personal banking; growing market share in priority micro and small business sectors and maintaining tight control of costs, all of which contributed to the improved performance. The changes made to the sales team over the past few years also led to increased sales productivity with net loans growth of 25% or $25.3 billion for the year. This expansion of the portfolio has contributed to increased loan and fee & commission income. Retail's loan portfolio represented 58% of the Group's net loans and advances.

Net interest income grew by $1.3 billion or 10%, to $14.2 billion, as a result of interest income from loans increasing by $1.6 billion. The volume growth in loans and income earned from credit related fees were the main contributors to the increase in net fee and commission income, which grew by 15%, or $550 million. Total operating expenses totalled $10.6 billion, an increase of $1.1 billion or 12%. This was driven by staff costs, which grew by 16% or $905 million due to negotiated increases in salaries and benefits coupled with increased incentives payments due to improved sales performance. Allocated costs from support units within the Bank increased by 10% or $498 million.

Payment Services

Our payment services segment, consisting of our Card Acquiring and Issuing businesses, reported operating profit of $2.3 billion, an increase of 41%, or $656 million. This segment contributed 8% to operating profit. External revenues generated were $11.7 billion which improved by 18% or $1.8 billion. To protect our cardholders this segment has made significant investments in our card business which resulted in increased operating expenses. In September we achieved PCI-DSS version 3.2 certification (the Payment Card Industry (PCI) Data Security Standards (DSS) provides an actionable framework for developing a robust payment card data security process). Additionally, implementation work on Europay, Mastercard and Visa (EMV) standards for chip-card technology continued throughout the year. The increased protection for our customers justifies the expenditure in this area.

Net fee and commission income grew by 17% or $628 million resulting from the volume growth in card and e-commerce transactions. Net interest income, the second largest contributor to the revenues of this segment, improved by 17% or $408 million. Total operating expenses of $3.5 billion increased by $261 million or 8%. Infrastructure and technological improvements led to higher depreciation and technical consultancy charges. These costs were partially offset by an 89% reduction in provisions for credit losses stemming from more proactive delinquency management resulting in lower default rates and improved recoveries. Allocated costs from support units totalled $1.4 billion.

Corporate Banking

Our corporate banking segment, which offers banking services to large corporate clients, achieved $3.4 billion in operating profits for the financial year, a rise of 37% or $918 million. Corporate banking provided 12% of the operating profits of the Group. This segment produced external revenues of $7.6 billion, an increase

Our Financial Performance

CONTINUED

of 21% or $1.3 billion. This segment's focus on offering specialised financial services to large corporations contributed to an increase in net interest and net fee & commission income. These income lines improved by 29% or $729 million and 61% or $570 million, respectively. Total operating expenses of $690 million, grew by 82% or $310 million, primarily due to a $409 million increase in provision for credit losses over the prior year. The increase in loan loss provisions compared to the previous financial year resulted from the partial recovery of a significant debt in the 2016 financial year. Provision for credit losses was a net recovery of $3.0 million for the year ended September 30, 2017. Allocated costs from support units were $749 million.

Treasury and Correspondent Banking

Our treasury and correspondent banking segment incorporates the Bank's liquidity and investment management functions, management of correspondent bank relationships as well as relationships with other financial institutions and foreign currency dealing activities. This

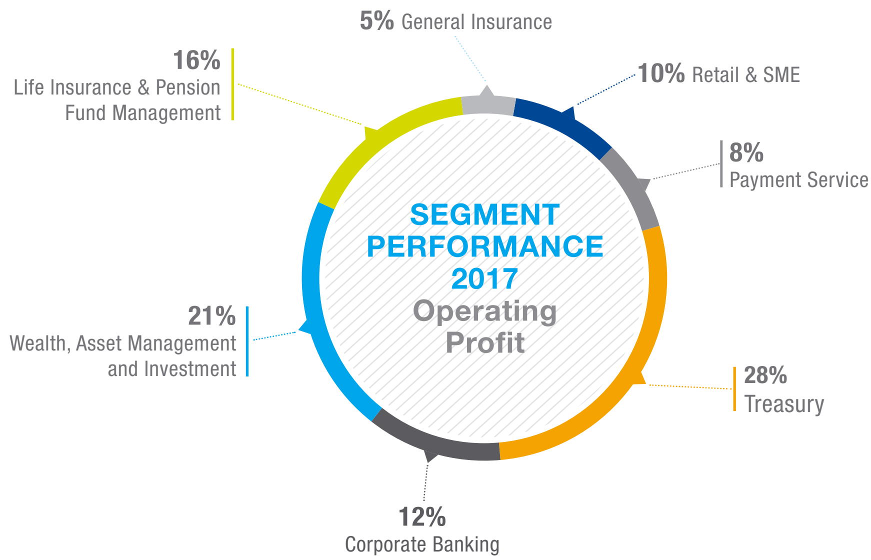
TABLE 5: SEGMENT SELECTED FINANCIAL DATA [1]

	Consumer and SME						Corporate Banking		
	Retail & SME			Payment Services					
Year ended September 30,	2015	2016	**2017**	2015	2016	**2017**	2015	2016	**2017**
Segment's Contribution of Performance (%)									
{Segment Result as a percentage of Consolidated Statement Result}									
Total revenue	28.0%	28.3%	**27.5%**	15.5%	15.2%	**15.4%**	9.5%	9.7%	**10.1%**
Net interest income	44.7%	45.8%	**47.7%**	8.5%	8.7%	**9.6%**	7.9%	9.0%	**11.0%**
Total operating income	31.7%	32.5%	**31.7%**	12.3%	11.9%	**12.0%**	5.7%	6.8%	**8.1%**
Total operating expenses	28.5%	28.3%	**27.6%**	11.1%	9.8%	**9.2%**	2.2%	1.1%	**1.8%**
Operating profit	11.8%	12.3%	**12.7%**	8.5%	8.9%	**10.7%**	9.0%	13.6%	**16.0%**
Total assets	35.8%	36.2%	**36.4%**	3.0%	3.0%	**3.5%**	13.1%	13.1%	**11.5%**
Selected Segment Performance Indicators (%)									
Cost to income ratio	81.7%	82.5%	**82.0%**	61.4%	68.9%	**67.9%**	46.3%	41.5%	**29.9%**
Operating profit as a percentage of average assets	1.1%	1.1%	**1.1%**	8.5%	9.5%	**10.7%**	2.2%	3.3%	**4.2%**
Selected Segment Financial Data (in millions)									
Total revenue	17,156	18,454	**20,829**	9,496	9,929	**11,686**	5,824	6,306	**7,634**
Total operating income	15,069	16,785	**18,834**	5,862	6,123	**7,163**	2,700	3,514	**4,822**
Net interest income	11,617	12,871	**14,193**	2,215	2,452	**2,860**	2,053	2,535	**3,264**
Non-interest income	3,452	3,914	**4,641**	3,647	3,671	**4,303**	647	979	**1,558**
Total direct operating expenses	8,972	9,471	**10,566**	3,479	3,279	**3,540**	699	380	**690**
Staff costs	5,129	5,763	**6,669**	465	544	**723**	155	259	**216**
Operating profit	1,893	2,229	**2,685**	1,358	1,615	**2,270**	1,442	2,466	**3,384**
Segment assets	187,552	219,755	**252,892**	15,934	18,213	**24,056**	68,619	79,609	**80,248**
Segment liabilities	167,379	195,277	**221,235**	9,180	10,693	**12,312**	56,458	63,103	**54,379**

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

segment continued to be the largest contributor to operating profit with 28%. The treasury segment earned external revenue of $12.4 billion, a 24% or $2.4 billion increase, which contributed operating profit of $7.9 billion for the year. This was a notable increase of $2.1 billion or 36% over the prior year. This was driven by improvement in the macro-economic indicators for Jamaica, which led to improved investor sentiments and increased demands for Government of Jamaica bonds. Our gain on foreign currency and investment activities of $4.3 billion, grew by $1.8 billion,

Segment Operating Profit ($'M)



Treasury & Correspondent Banking			Wealth, Asset Management & Investment Banking			Life Insurance & Pension Fund Management			General Insurance		
2015	2016	**2017**	2015	2016	**2017**	2015	2016	**2017**	2015	2016	**2017**
22.1%	22.4%	**24.1%**	15.3%	17.3%	**16.5%**	11.2%	12.1%	**11.3%**	10.5%	9.0%	**7.8%**
15.3%	14.8%	**15.0%**	12.8%	13.7%	**12.7%**	8.0%	7.7%	**7.7%**	2.8%	2.6%	**2.4%**
13.1%	14.0%	**15.9%**	11.4%	14.6%	**14.1%**	12.6%	13.5%	**12.8%**	13.5%	11.4%	**9.9%**
3.3%	3.1%	**3.1%**	5.6%	7.0%	**6.3%**	7.7%	7.8%	**8.0%**	15.5%	13.5%	**11.8%**
30.6%	32.3%	**37.5%**	22.9%	28.7%	**28.2%**	22.1%	24.0%	**21.4%**	9.6%	7.5%	**6.4%**
32.4%	35.3%	**33.1%**	27.3%	25.8%	**27.3%**	7.7%	6.9%	**6.7%**	2.5%	2.3%	**2.1%**
21.1%	18.7%	**16.1%**	31.7%	30.9%	**28.9%**	40.0%	37.7%	**40.5%**	76.0%	76.9%	**76.8%**
2.9%	3.1%	**3.6%**	2.7%	3.5%	**3.4%**	9.0%	10.5%	**10.2%**	12.3%	9.9%	**9.6%**
13,503	14,582	**18,237**	9,372	11,258	**12,520**	6,865	7,870	**8,523**	6,399	5,856	**5,868**
6,203	7,207	**9,470**	5,434	7,545	**8,384**	5,960	6,969	**7,613**	6,399	5,856	**5,868**
3,967	4,162	**4,477**	3,315	3,841	**3,781**	2,072	2,153	**2,280**	731	730	**718**
2,236	3,045	**4,994**	2,120	3,703	**4,603**	3,888	4,816	**5,332**	5,668	5,126	**5,150**
1,040	1,026	**1,181**	1,767	2,349	**2,416**	2,423	2,625	**3,079**	4,865	4,504	**4,506**
149	169	**155**	629	1,002	**1,069**	711	759	**877**	833	954	**844**
4,892	5,854	**7,941**	3,667	5,196	**5,967**	3,537	4,344	**4,533**	1,534	1,352	**1,361**
169,491	214,268	**230,355**	142,935	156,846	**189,796**	40,550	42,101	**46,530**	13,275	14,037	**14,371**
159,503	204,533	**239,968**	120,704	128,838	**157,380**	27,828	28,230	**30,992**	8,455	8,478	**8,017**

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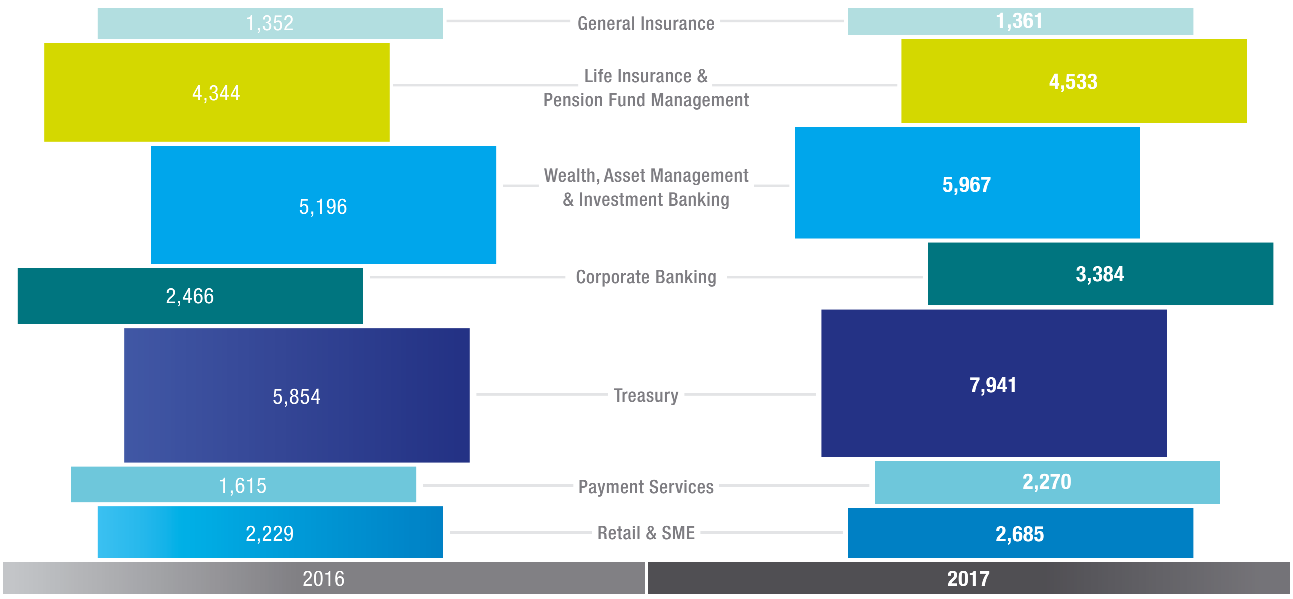
Segment Operating Profit ($'M)



or 75%, mainly due to the sale of debt securities. Higher funding costs coupled with a marginal decline in asset yields caused a decline in margins during the financial year, however strategic management of our balance sheet, currency and liquidity positions led to a $315 million or 8% increase in net interest income. Total operating expenses of $1.2 billion grew by $155 million or 15% mainly resulting from higher asset tax charges due to the growth in assets.

Wealth, Asset Management and Investment Banking

Our wealth, asset management and investment banking segment operates out of Jamaica, the Cayman Islands, Trinidad & Tobago and Barbados, providing stock brokerage services, securities trading, investment management and other financial services. This segment contributed 21% of operating profit accomplishing results of $6.0 billion for the year, an increase of 15% or $772 million over 2016. Our wealth segment was the second largest contributor to operating income. External revenue totalled $11.1 billion representing a 5% or $533 million increase. The improvement in revenues was due to gain on foreign currency and investment activities growing by 26% or $567 million and net fee & commission income increasing by 42% or $367 million. The growth in fees was due to the management of the unit trust portfolios and revenues earned from corporate finance and investment banking activities.

Life Insurance and Pension Fund Management

Our life insurance and pension fund management segment incorporates the results of the life insurance and pension fund management services of the Group. Our life insurance segment contributed 16% of operating profit earning $4.5 billion, an increase of $189 million or 4%. External revenue increased by 8% or $622 million to $8.4 billion for the financial year. The growth in revenues was driven by net fee and commission income improving by $578 million or 46% arising from fees earned from the pension fund management business. This growth was tempered by growth in total operating expenses of $454 million or 17%.

General Insurance

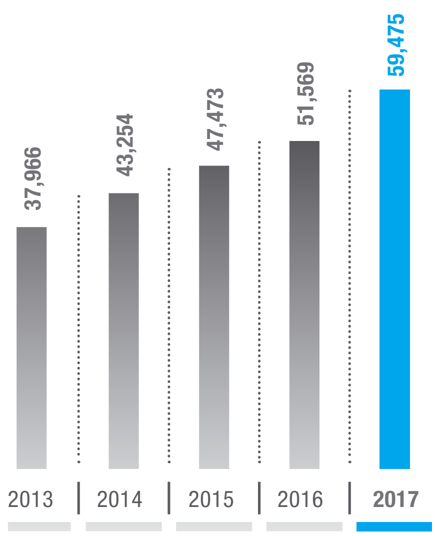
Our general insurance business segment incorporates the results of general insurance, which includes property and casualty insurance. This segment's performance was relatively flat with the prior year due to strong competition and margin compression. For the year, general insurance earned operating profits of $1.4 billion, a slight increase of 1% or $9 million over the prior year. General insurance contributed 5% of operating profit. External revenue was $5.6 billion, representing a marginal decline of 1% or $44 million. Operating income increased by $11 million, while total operating expenses increased by $2 million.

OPERATING INCOME

Operating income comprises mainly net interest income, net fees & commissions, gains on foreign currency and investment activities, insurance premium income and dividends. Operating income totalled $59.5 billion, an increase of 15% or $7.9 billion over the 2016 financial year. Gross income, which consists of operating income excluding interest and fee & commission expenses, was $75.7 billion, an increase of $10.4 billion or 16%. During the year the strong sales performance resulted in interest income from loans growing by $3.4 billion or 16%.

Operating Income ($'M)

4 YR CAGR: 11.9%

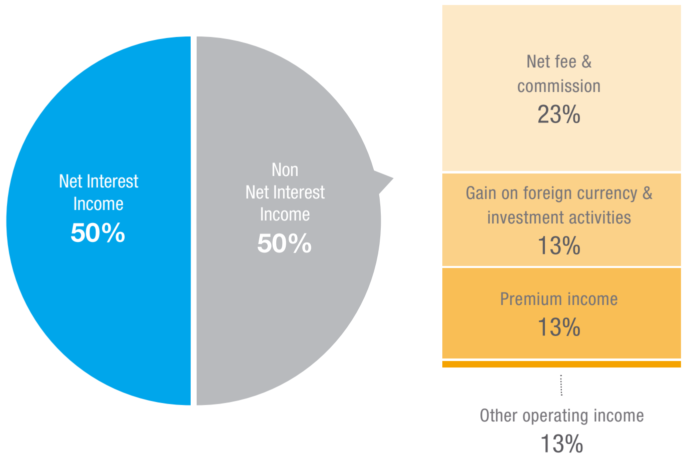


Net interest income and non-interest income contributed equally to operating income, accounting for 50% each. In the prior year net interest income was the main contributor with 55%. The largest contributor to non-interest income was net fee and commission income.

NET INTEREST INCOME

For the 2017 financial year, the Group earned net interest income of $29.8 billion, an increase of $1.6 billion, or 6%. Net interest margin on the portfolio remained flat with the prior year.

Income Mix FY 2017

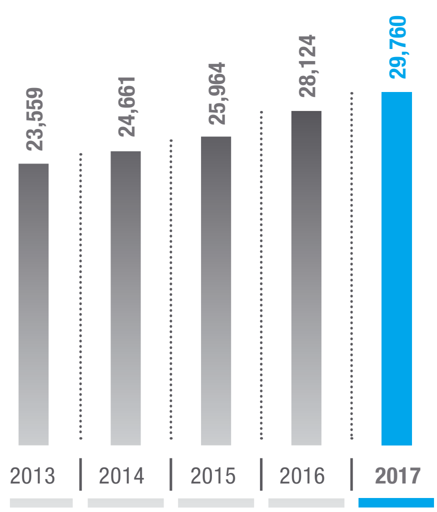


- Interest income from loans of $24.8 billion, grew by $3.4 billion, or 16%, due to the growth in our loan portfolio and a 40 basis points increase in yields due to the proportion of unsecured consumer loans booked during the year. Our retail & SME loan portfolio grew by 25% or $25 billion accounting for most of the increase. Our card issuing and merchant banking entity in Trinidad also recorded strong portfolio growth of 28% or $4.0 billion and 74% or $1.4 billion, respectively.
- Interest income from investment securities of $18.0 billion represented a marginal increase of $241 million or 1%, this was as a result of volume growth in the investment portfolio. The average yield on our investment portfolio declined by 4 basis points for the period.
- Our interest expenses increased by $2.0 billion, or 19%, driven by an increase in our funding portfolio and average funding costs. [Details on net interest income item can be found in note 6 of the financial statements – 194].

As a financial services group, management of our financial position, margins and the associated risks are critical components in the execution of normal operations. We will continue our proactive and prudent control of capital, liquidity, currency and balance sheet positions to meet customers' needs and add value to the organisation which ultimately increases the returns to our shareholders. As part of our business operations we are also cognisant of our operating environment, market risks and our need to adhere to various regulatory bodies in multiple jurisdictions. The NCB Group is committed to providing customers with faster, simpler, quality products and services to assist them with a favourable financial outcome while simultaneously managing the various business portfolios to maximise returns and strengthen the balance sheet.

Net Interest Income ($'M)

4 YR CAGR: 6.0%



Our Financial Performance

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NON-INTEREST INCOME

(refer to **TABLE 6** of MD&A)

The diversification of our income streams has led to growth in non-interest income, which totalled $29.7 billion an increase of $6.3 billion or 27%, over the prior year.

- Net fee and commission income continued to be the largest contributor to non-interest income, amounting to $13.9 billion, an increase of $2.9 billion or 27%. The main driver of the growth was the expansion of our loan portfolio which resulted in a 34% increase in credit related fees. Increased transaction volumes on our electronic channels also contributed to the growth. Our migration efforts to non-branch channels yielded success as we continue to see increased transactions on our ABMs, POS, and e-commerce channels.

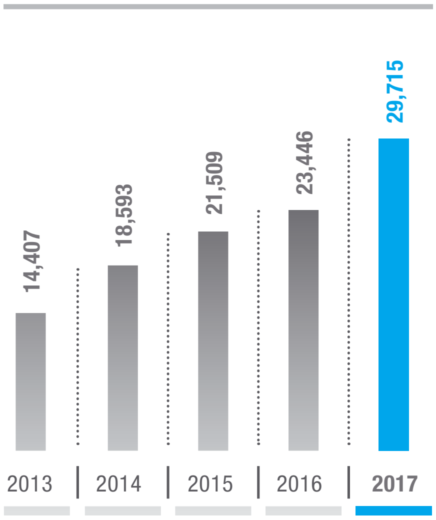
  Our wealth, asset management and investment banking segment experienced improved fee and commission income earned from an increase in the number of deals brokered and growth in the funds under management in the unit trust portfolios being managed during the year. There were also noteworthy increases in fee income from our pension management business and policy fees from our insurance businesses. *[Details by segment can be found in note 7 of the financial statements – page 195].*

- Gains on foreign currency and investment activities of $7.7 billion, increased by $3.0 billion or 63%. Gains from the sale of debt securities accounted for most of the increase. There was also improvement in net foreign exchange gains arising from translation of assets and liabilities denominated in foreign currencies as well as foreign currency dealing activities. *[Details on this income item can be found in note 8 of the financial statements – page 195].*

- Insurance premium income of $7.6 billion increased marginally by 1% or 93 million, primarily due to growth in group and individual life insurance premium income. *[Details on this income item can be found in note 9 of the financial statements – page 196].*

Non-Interest Income ($'M)

4 YR CAGR: 19.8%



OPERATING EXPENSES

Operating expenses of $38.3 billion grew by 14% or $4.8 billion over the prior year. During the year we invested heavily in our digital transformation journey. This is a core part of our strategy to improve customer experience and provide simple, fast and reliable financial services. Additionally, we continued to invest in ways to further improve our operating model, enabling our business segments to capitalise on growth opportunities and to better serve our customers.

- Staff costs of $16.5 billion, increased by $2.7 million, or 19%, stemming from negotiated increases and incentive payments. As we transform our core businesses we have been focusing on investing in people development and engagement. This is in an effort to nurture a customer-oriented, sales-oriented, high-performance and collaborative culture. Additionally, we have also been equipping staff to be able to adapt to the new digital and agile methodologies being employed by the Group. *[Details on staff costs can be found in note 11 of the financial statements – page 196].*

- Other operating expenses totalled $14.6 billion, an increase of $1.2 billion or 9%.
  - Property, vehicle and ABM maintenance and utilities grew by $339 million or 13%. Increased costs were

TABLE 6: NON-INTEREST INCOME	2017 $'M	% of Total %	2016 $'M	% of Total %
Net Fee and Commission	13,891	46.75%	10,942	46.67%
Gain on Foreign Currency and Investment Activities	7,726	26.00%	4,736	20.20%
Premium Income	7,574	25.49%	7,481	31.91%
Dividend Income	295	0.99%	150	0.64%
Other Operating Income	229	0.77%	137	0.59%
Total	**29,715**	**100.00%**	**23,446**	**100.00%**

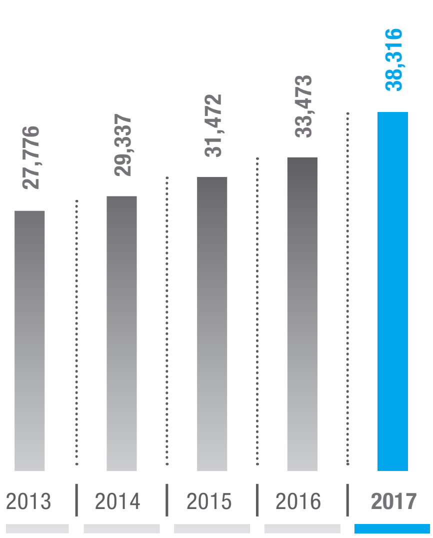
incurred due to investments made particularly in our ABM network. We increased the number of intelligent ABM machines; implemented anti-fraud and anti-skimming devices; expanded product offerings available via this channel and upgraded the software to achieve compliance with PCI-DSS version 3.2 standards.

- Technical, consultancy and professional fees increased by 20% or $273 million, which was driven primarily by the execution of strategic initiatives implemented by the Group during the year. The most significant achievement was the finalisation of the Scheme of Arrangement involving NCBFG and NCBJ.
- Irrecoverable general consumption tax and asset tax grew by $126 million or 5%, primarily due to the growth in our asset base when compared to the previous financial year.
- Credit card rebates, a method of rewarding customer loyalty in card usage, increased by $115 million or 14%.
- During the year, a non-credit provision of $230 million was booked in our payment services segment. *[Details on other operating expenses can be found in note 13 of the financial statements – page 197].*

- Policyholders' and annuitants' benefits and reserves of $4.2 billion increased by $405 million or 11%, due to a change in actuarial reserves for life insurance contracts. *[Details on this expense item can be found in note 12 of the financial statements – page 197].*
- Depreciation and amortisation charges totalled $2.4 billion, an increase of 24% or $460 million. This was mainly due to investments made to our technological infrastructure to enable our digital capabilities. *[Details on these expenses can be found in notes 26 and 27 of the financial statements – pages 211 - 212].*
- Provisions for credit losses grew by 19%, or $117 million, to $729 million for the year. We have maintained fairly stable portfolio default and recovery rates for the year. *[Details on this expense item can be found in note 21 of the financial statements – pages 203 - 204].*

Operating Expenses ($'M)

4 YR CAGR: 8.4%



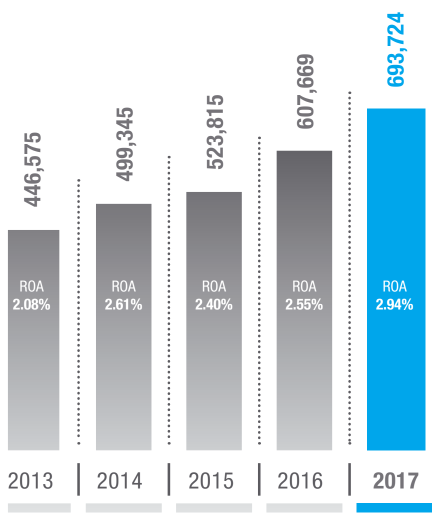
Financial Position Performance

ASSET PERFORMANCE

Total assets grew by $86.1 billion or 14% to $693 billion at September 2017. The increased asset base was supported by growth in loans and advances, investment securities and balances with central banks. This growth was funded by increased corporate notes, obligations under securitisation arrangements, customer deposits and repurchase agreements. We strengthened our financial and capital position throughout the year as we managed our liquidity, risk and core business portfolios.

Total Assets ($'M)

4 YR CAGR: 11.7%



Our return on average total assets improved to 2.94%, up from 2.55% in the prior year. The 32% increase in profitability was the main driver for the improvement in this key performance indicator. This ratio signifies enhanced asset utilisation year over year.

CASH IN HAND & BALANCES AT CENTRAL BANKS

This category consists primarily of cash for our commercial banking business, statutory reserves, operating and short-term investment balances with central banks. These balances at September 2017 stood at $65.3 billion, an increase of 85%, or $29.9 billion. Balances with central banks other than statutory reserves grew by $20.9 billion at the end of the year due to increased operational balances and overnight placements when compared to the prior year.

Our Financial Performance

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Statutory reserves increased by $9.3 billion or 32% due to an increase in the foreign currency reserve requirements coupled with the growth in customer deposit balances. During the financial year all regulatory statutory reserve and liquidity requirements were met. *[Details of the portfolio can be found in note 16 of the financial statements – see page 200].*

RESERVE AND LIQUIDITY REQUIREMENTS – BANK OF JAMAICA

During the year BOJ increased the foreign currency cash reserve and liquid assets ratio requirements by 6 percentage points from 9% and 23% to 15% and 29%, respectively. The Jamaican dollar cash reserve requirements and liquid assets ratio remained unchanged.

The following table shows certain financial ratios NCBJ is required to maintain under Bank of Jamaica regulations:

	Minimum required by Bank of Jamaica regulations	The Bank at September 30, 2017
Jamaican dollar cash reserve	12% of specified Jamaican dollar-denominated deposits	12% of Jamaican dollar-denominated deposits
Jamaican dollar liquid asset reserve	26% of specified Jamaican dollar-denominated deposits	32% of Jamaican dollar-denominated deposits
Foreign currency cash reserve	15% of specified foreign currency-denominated deposits	15% for each of U.S. dollars, British pounds sterling and Canadian dollars
Foreign currency liquid asset reserve	29% of specified foreign currency-denominated deposits	47% for U.S. dollars; 100% for British pounds sterling; and 81% for Canadian dollars

INVESTMENT SECURITIES AND REVERSE REPURCHASE AGREEMENTS

(refer to **TABLE 7** of MD&A)

Our investment securities portfolio comprises mainly debt (GOJ, BOJ, GOJ guaranteed corporate bonds, foreign governments and corporate bonds) and equity securities (quoted and unquoted). These instruments are classified as fair value through profit or loss, available-for-sale at fair value through equity and loans and receivables at amortised cost. For the purpose of this analysis debt securities which were pledged at September 30, 2017 and September 30, 2016 were included in these balances. Investment securities were the largest asset balance in the statement of financial position, accounting for 44% of total assets a slight decrease from the prior year (September 30, 2016: 45%). Our investment securities and reverse repurchase portfolios increased by $23.6 billion or 8% to $302 billion at September 2017. Our investment securities and reverse repurchase agreement portfolios are the main interest-bearing assets that gave rise to the growth in interest income from securities. *[Details of the portfolios can be found in notes 19, 20, 22 and 23 of the financial statements – see pages 202 - 205].*

NET LOANS

(refer to **TABLE 8** of MD&A)

Our loans and advances, net of provisions for credit losses, grew by 16% or $29.6 billion to $218.6 billion at September 2017. The growth in loans was mainly associated with increased personal loans to retail consumers. There were also notable increases in credit to the distribution, energy (electricity, water & gas), tourism and professional services sectors. The retail and SME segment accounted for 58% of the total loan portfolio at September 2017, compared to 53% in the prior year.

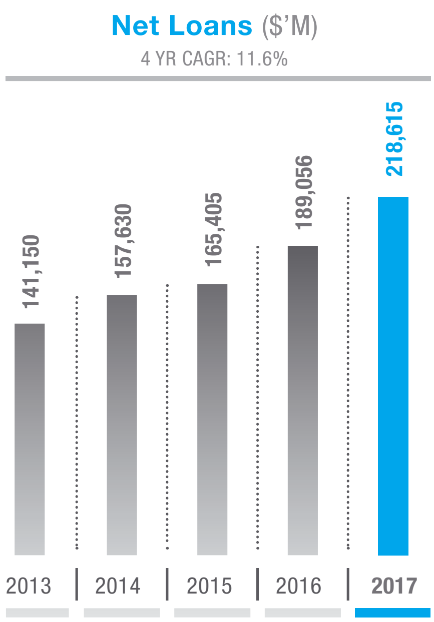
The non-performing loan portfolio declined by 11% or $640 million to close the year at $5.4 billion. The regulatory provision coverage stood at 147.1% at September 30, 2017 (September 2016 – 136.2%). The difference between the statutory provision for credit losses and the International Financial Reporting Standards (IFRS) provision is credited to a non-distributable reserve – loan loss reserve. The balance in the loan loss reserve was $4.3 billion at September 2017 (September 2016 - $4.4 billion). The Bank's provisioning policy is in compliance with Bank of Jamaica requirements.

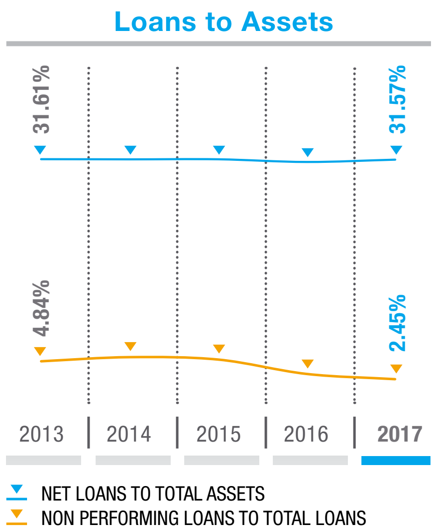
Our specific loan provisions to non-performing loans ratio was 102.5% at September 2017 (September 2016 – 101.1%), indicating that we have adequately provided for classified loans. Our non-performing loans to gross loans ratio was 2.4% at September 2017, while non-performing loans to total assets ratio was 0.8% (September 2016

TABLE 7: INVESTMENT SECURITIES *	2017 $'M	2016 $'M
Investment securities at fair value through profit or loss	4,248	3,093
Investment securities classified as available-for-sale at fair value	229,503	211,914
Investment securities classified as loans and receivables at amortised cost	61,360	56,925
Reverse repurchase agreements	2,845	2,801
Interest receivable	4,082	3,747
Total	**302,039**	**278,480**

* $107.7 billion (September 2016: $106.3 billion) in investment securities was pledged as collateral in the normal course of conducting business for the Group.

– non-performing loans to gross loans ratio: 3.1% and non-performing loans to total assets ratio: 1.0%). We continue to proactively manage delinquency while employing sound credit underwriting and risk practices. These factors have contributed to the improved credit quality of our portfolio. *[Details of the portfolio can be found in note 21 of the financial statements – pages 203 - 204].*





INVESTMENT IN ASSOCIATES

Investment in associates increased by 7% or $2.4 billion to $37.2 billion at the end of the year. The increase was driven by the increased share of profits from associates during the year. The 2017 results reflected four quarters earnings for GHL compared to one quarter in the prior year. During the year, the Group also acquired a 50% interest in Mundo Finance Limited. Mundo Finance Limited is involved in micro financing and offers secured and unsecured loans to individuals, business owners and companies. The company was founded in 2016 and is based in Kingston, Jamaica. This investment will enhance the Group's capacity to provide alternative financing solutions, especially to the SME and micro sectors. *[Details of the portfolio can be found in note 24 of the financial statements – pages 206 - 209].*

FUNDING PERFORMANCE

Our funding portfolio consists of short and long-term borrowing arrangements under the following funding lines: customer deposits, obligations under repurchase agreements, obligations under securitisation arrangements, amounts due to banks, other borrowed funds and liabilities under annuity and insurance contracts. At September 30, 2017, our funding portfolio was $556.2 billion compared to $488.5 billion at September 2016.

TABLE 8: LOAN PORTFOLIO DETAILS	2017 $'M	% of Total %	2016 $'M	% of Total %
Retail and SME	125,882	57.58%	100,537	53.18%
Corporate	69,181	31.65%	69,831	36.94%
Credit Cards	18,556	8.49%	14,544	7.68%
Overseas subsidiaries	4,996	2.29%	4,144	2.19%
Total	**218,615**	**100.00%**	**189,056**	**100.00%**

Our Financial Performance

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TABLE 9: CUSTOMER DEPOSITS DETAILS	2017 $'M	% of Total %	2016 $'M	% of Total %
Non-interest bearing current accounts	44,967	15.59%	45,836	16.73%
Interest bearing current accounts	33,726	11.69%	19,662	7.18%
Savings and other deposit accounts	143,877	49.88%	128,005	46.72%
Time deposits	65,894	22.84%	80,463	29.37%
Total	**288,464**	**100.00%**	**273,966**	**100.00%**

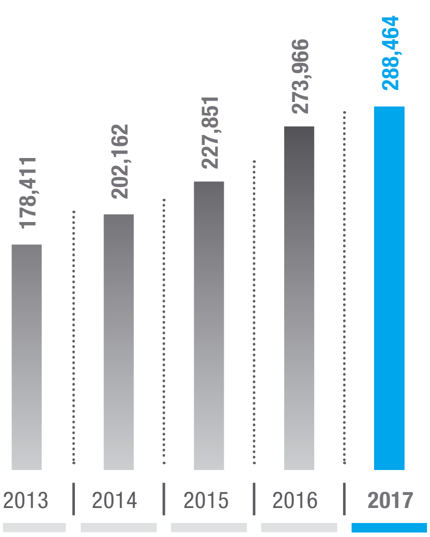
CUSTOMER DEPOSITS

(refer to **TABLE 9** of MD&A)

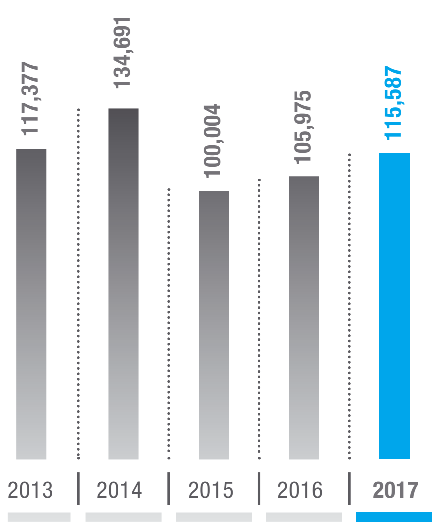
Our customer deposits portfolio totalled $288.5 billion, an increase of $14.5 billion or 5%. Deposits were our largest source of funding, representing 52% of our funding portfolio. The growth in the portfolio is indicative of the high level of confidence from our customers as we continue to build a stronger regional financial group. Savings accounts represented approximately 50% of customer deposit balances at September 2017. This category grew by 12% or $15.9 billion over the prior year. Interest bearing current account balances grew by $14.1 billion or 72% and fixed deposit balances declined by $14.6 billion or 18%.

Customer Deposits ($'M)

4 YR CAGR: 12.8%



Repurchase Agreements ($'M)



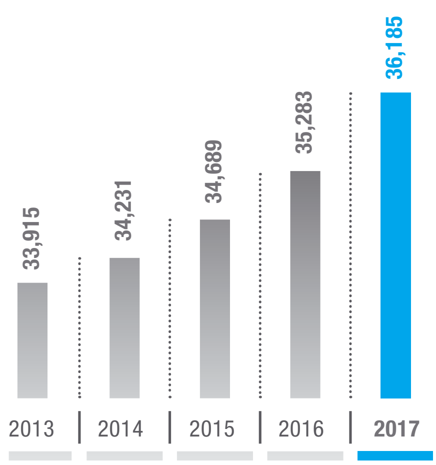
REPURCHASE AGREEMENTS & UNIT TRUST SCHEME

Repurchase agreement funding arrangements are used primarily by the Group as short-term funding and as a product for corporate and limited individual clients. The portfolio increased to $115.6 billion in the 2017 financial year, from $106.0 billion in the prior year.

The Group's Unit Trust Scheme (Unit Trust) was formed to provide retail clients with suitable investment opportunities, given the changes implemented under the retail repo reform programme. The Unit Trust scheme has an independent trustee and NCBCM as the investment manager for the scheme. As investment manager, NCBCM is entitled to receive fees based on the funds under management. The Unit Trust Scheme is comprised of seven portfolios. The net asset value of the unit trust portfolios totalled $35.8 billion at September 2017, an increase of 3% or $967 million over the prior year. *[Details of the Unit Trust can be found in notes 3 and 33 of the financial statements – pages 183 - 186 & 221 - 222].*

Liabilities Under Annuity and Insurance Contracts ($'M)

4 YR CAGR: 1.6%



LIABILITIES UNDER ANNUITY AND INSURANCE CONTRACTS

Liabilities under annuity and insurance contracts arise from operations in the life and general insurance industries. Our life insurance subsidiary issues life insurance and annuity contracts. These contracts insure human life events (for example, death or critical

illness) over a long duration.
The general insurance subsidiary issues property and casualty insurance contracts. Casualty insurance contracts protect our customers against the risk of causing harm to third parties as a result of their legitimate activities. Property insurance contracts mainly compensate our customers for damage suffered to their properties or for the value of property lost.

Liabilities under annuity and insurance contracts totalled $36.2 billion at September 30, 2017, an increase of $903 million, or 3%. Liabilities under life insurance and annuity contracts accounted for the growth in the portfolio. *[Details of the Group's liabilities under annuity and insurance contracts can be found in note 34 of the financial statements pages 223 - 231].*

OBLIGATIONS UNDER SECURITISATION ARRANGEMENTS

The Group has entered into Merchant Voucher Receivables securitisation transactions. This is a structured financing transaction involving the sale of future flows due from Visa International Service Association (Visa) and MasterCard International Incorporated (MasterCard) related to international merchant vouchers acquired by the Bank in Jamaica. The merchant voucher is created when an international cardholder (Visa or MasterCard) pays for goods or services at a NCBJ merchant. The Group successfully raised US$250 million and US$150 million in May 2015 and November 2016, respectively.

This arrangement is in addition to the Diversified Payment Rights (DPR) securitisation arrangement, which is a structured financing transaction selling the rights to receive payments from correspondent banks based overseas whenever a payment order is initiated by a person or entity situated overseas in favour of a person or entity situated in Jamaica. In May 2013, US$100 million was raised under the DPR securitisation arrangement and another US$25 million was negotiated in February 2014. On March 28, 2016, the holders of the Series 2013-1 Notes exercised their option to extend the maturity of the Notes by 12 months, adjusting the principal amortisation on the DPR facility to commence on September 15, 2017 and expected maturity to March 15, 2021. This was the third and final deferral of principal permitted. The Group paid the first principal amortisation on September 15, 2017, amounting to US$8.3 million.

Obligations under securitisation arrangements totalled $66.7 billion at September 2017, an increase of 39% or $18.8 billion. The principal outstanding on the DPR and Merchant Voucher Receivables securitisation arrangements were US$116.7 million and US$250 million, respectively at the end of the financial year. *[Details of the obligations under securitisation arrangements can be found in note 31 of the financial statements – page 217 - 218].*

On September 28, 2017, Fitch Ratings (Fitch) affirmed the ratings assigned to the future flow transactions. The Rating Outlook is Stable. Fitch affirmed the ratings as follows:

Fitch based the rating on the following factors:

- **Originator credit quality –** the high influence of the operating environment given the Bank's substantial exposure to the sovereign as well as its reach into all major sectors of the Jamaican economy.
- **Going concern assessment –** this reflected the Bank's position as a systemically top-tiered bank with around 33% of system deposits.
- **Relatively high future flow debt –** they assessed that there was a relatively high level of future flow debt which limited the uplift of the future flow ratings.
- **Merchant Voucher Programme's strength –** the market-leading credit card franchise supported a growing level of international Visa and MasterCard vouchers.
- **DPR line's moderate strength -** the DPR program contained a large proportion of government-related flows and/or capital flows, which Fitch considered to be more volatile than export-related payments and remittances.
- **Partially-mitigated sovereign risk -** the transaction structures mitigate certain sovereign risks by keeping cash flows offshore until collection of periodic debt service, allowing the future flow ratings to be above the sovereign country ceiling.

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

OTHER FUNDING

Other funding arrangements totalled $49.2 billion at the end of the year and comprised due to banks and other borrowed funds balances. Amounts due to banks totalled $10.5 billion, a decrease of $2.7 billion, or 21%. Other borrowed funds of $38.6

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

Our Financial Performance

CONTINUED

billion, grew by $26.6 billion or 220%, over the prior year, primarily due to the issuance of corporate notes (both unsecured and secured variable and fixed rate) repayable between 2017 and 2022. The fixed rate notes attract interest between 4.5% and 9.75% and the variable rate notes attract interest at the six month weighted average Treasury bill yield plus 2.5% per annum. *[Details on these balances can be found in notes 30 and 32 to the financial statements – page 216 & 219 - 220].*

CONSOLIDATED EQUITY

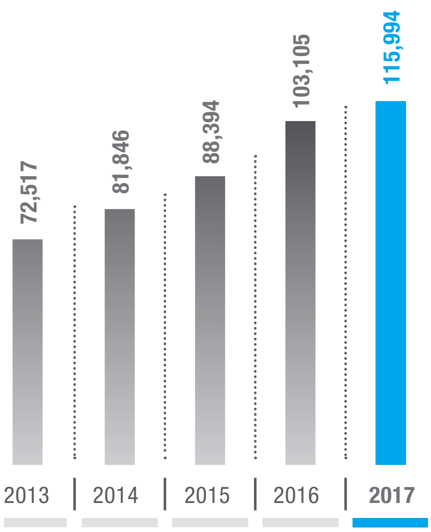
The Group's equity grew to $116.0 billion, an increase of $12.9 billion, or 13% over the prior year. The increase was mainly due to increased retained earnings stemming from the net profit earned during the year. The return on average equity for the Group was 17.4% compared to the prior year's 15.1%.

SHARE CAPITAL

The share capital of $153.8 billion is based on the Jamaica Stock Exchange market capitalisation value of the Bank immediately preceding the Scheme. This represents the acquisition value of the Bank and therefore the consideration exchanged by the Company. The negative reserves of $147.0 billion arising on the consolidation of the Group is accounted for in capital reserves, representing the difference between the market value on the date of the Scheme and the previous carrying value of the share capital. The previous carrying value of the share capital has been transferred to a reorganisation reserve. *[Details can be found in notes 37 and 38 to the financial statements – pages 240 - 241].*

Equity ($'M)

4 YR CAGR: 12.5%



CAPITAL

Each regulated entity within the Group is required to hold a minimum amount of capital as required by each regulator. During the year, the key regulated entities met or exceeded the minimum regulatory requirements. The Group's capital management plan is focused on maintaining adequate levels of capital, optimising the Group's portfolio in accordance with balancing shareholder risk-return objectives and flexibility in responding to changing market conditions. The plan is monitored by the Group Capital Management Committee to ensure full compliance with regulatory requirements and that optimal capital allocation is done on aggregate and across business units. The aim of 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. *[Details on capital management can be found in note 44 (f) to the financial statements – page 275 - 277].*

DIVIDENDS & SHAREHOLDERS' RETURN[1]

The share price on the Jamaica Stock Exchange as at September 30, 2017 was J$88.00 per share (September 30, 2016: J$41.50) which has resulted in a price earnings ratio (current share price as a percentage of per share earnings) of 11.34 (September 2016: 6.54). The share price on the Trinidad & Tobago Stock Exchange as at September 30, 2017 was TT$5.10 per share (September 30, 2016 – TT$2.60).

Our total shareholder return[2], which combines share price appreciation and dividends paid, to show the total amount returned to the investor was 118.6% for the financial year compared to 59.3% in the prior year. At the close of business on 30 September 2017, the JSE All Jamaican Composite Index stood at 262,729.10, a 60% increase over the prior year.

$2.70
Dividends per share paid during year **15% increase over 2016**

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

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

AS AT SEPTEMBER 30, 2017

National Commercial Bank Jamaica Limited

Regulated by the Bank of Jamaica

Regulatory Capital to Risk Weighted Assets	12.7%
Regulatory Requirement	**12.5%**

NCB Capital Markets Limited

Regulated by the Financial Services Commission

Regulatory Capital to Risk Weighted Assets	18.6%
Regulatory Requirement	**10%**

NCB Insurance Company Limited

Regulated by the Financial Services Commission

Minimum Continuing Capital Surplus	398.5%
Regulatory Requirement	**150%**

Advantage General Insurance Company Limited

Regulated by the Financial Services Commission

Minimum Capital Test	432.3%
Regulatory Requirement	**250%**

NCB (Cayman) Limited

Regulated by the Cayman Islands Monetary Authority

Regulatory Capital to Risk Weighted Assets	24.4%
Regulatory Requirement	**12%**

NCB Global Finance Limited

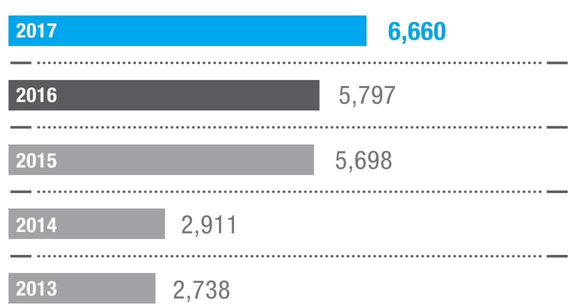
Regulated by the Central Bank of Trinidad & Tobago

Regulatory Capital to Risk Weighted Assets	31.6%
Regulatory Requirement	**12%**

34.8%
Dividend pay-out ratio (dividends per share divided by earnings per share)
September 2016: 40.0%

3.1%
Dividend yield (dividends paid as a percentage of share price)
September 2016: 5.7%

Dividends Paid ($'M)



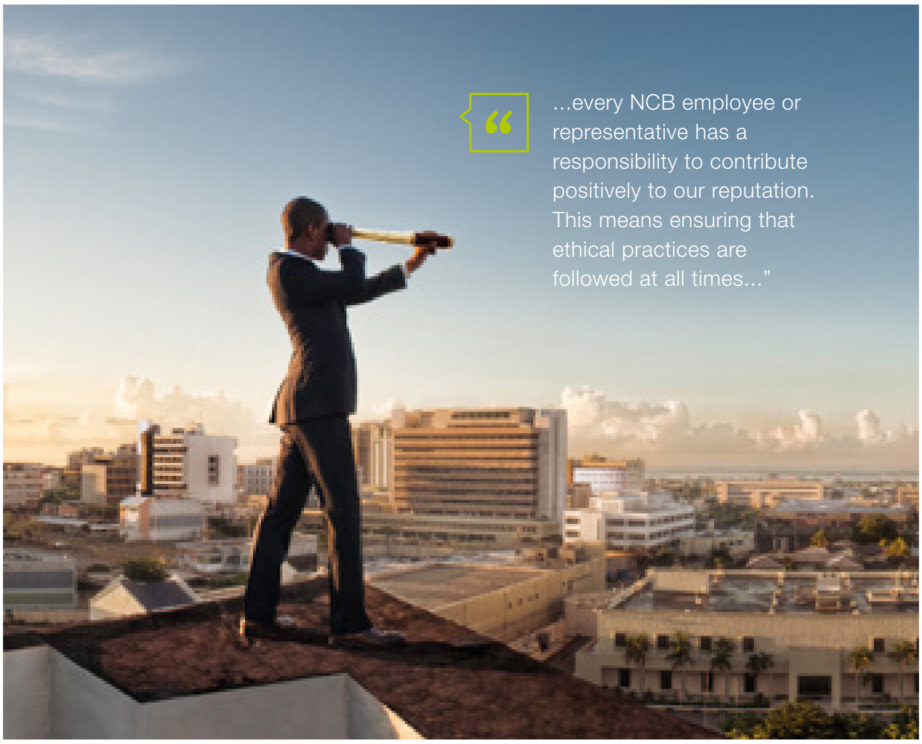
NCBFG TOTAL SHAREHOLDER RETURN

For The Year Ended September 30	2012	2013	2014	2015	2016	2017	Three Year CAGR (%)	Five Year CAGR (%)
Closing Price of Common Shares ($ per share)	21.90	19.00	17.94	27.52	41.50	88.00	70%	32%
Dividend Paid ($ per share)	1.10	1.11	1.18	2.31	2.35	2.70	32%	20%
							Three Year Shareholder Return	**Five Year Shareholder Return**
NCBFG Shareholder Return (%)	**(16%)**	**(8%)**	**1%**	**66%**	**59%**	**119%**	**432%**	**346%**
JSE Index Annual Movement (%)	**(5%)**	**(3%)**	**(15%)**	**33%**	**71%**	**60%**		

Risk Management

The Scheme saw National Commercial Bank Jamaica Limited become a wholly owned subsidiary of the NCBFG. As a result of the scheme of arrangement, in May 2017, NCBFG assumed responsibility for the oversight of risks being undertaken by its subsidiaries, and delegated that responsibility to the Group Risk Committee (the GRC), a subcommittee of the NCBFG Board.

NCBFG, in pursuing its strategic objectives, is exposed to several material risks which could have a material impact on its financial targets, reputation and business sustainability. NCBFG also monitors emerging risks – trends or potential incidents which could impact NCBFG's performance.



THE RISK CONTEXT

The acceleration of regional expansion has seen NCBFG assume greater exposure in the Caribbean, through subsidiaries or associated companies in Barbados as well as in Trinidad & Tobago, thereby increasing our exposure to economic and political risks in addition to those in Jamaica.

During the 2016/2017 financial year, Trinidad & Tobago was downgraded by Standard & Poor's (S&P), moving a notch down from A- to BBB+ with a stable outlook. This was primarily due to the adverse impact on government revenues of low oil and gas prices in global markets and the impact of higher debt on the fiscal deficit.

Barbados suffered a similar fate as S&P also lowered its long-term foreign rating and local currency sovereign rating on Barbados to CCC+ from B- with a negative outlook and its short-term rating to C from B. The downgrade reflected the view that the Government of Barbados, in the face of high fiscal deficits and limited access to private sector funding in the local market, did not indicate a willingness to take the necessary timely and proactive measures to improve its financial profile.

On the other hand, Jamaica saw its rating being affirmed by S&P in October 2016 indicating that, despite the February 2016 change in political regime, the incoming Government displayed a commitment to continued fiscal discipline.

Internally, NCBFG remains focused on digitisation of our processes and leveraging the Agile methodology to improve how employees work (highlighted in Strategic Outlook on page 133), while ensuring that the management of risk remains a core responsibility of all employees.

MANAGING RISK

The Enterprise Risk Management Framework continues to be the most suitable one for the management of NCBFG's risks, as the enterprise-wide approach ensures that material risks assumed in the execution of our strategic initiatives are adequately identified and managed.

Risk management is the "business" of all employees and thus the following organisational and governance principles are in place:

- The first line of defence is provided by the business lines which are tasked with managing risks inherent in their businesses and by all employees who are held accountable for identifying, assessing and managing the risks within the scope of their assigned responsibilities.

- The second line of defence is provided by the risk and compliance functions which undertake responsibility for overseeing the operation of the first line of defence, including the provision of policies and the monitoring of performance measured against these policies.
- The third line of defence is provided by the independent audit functions which provide independent assurance regarding the effectiveness of the first and second lines of defence.

NCBFG's risk governance framework is intended to provide a comprehensive set of controls and ongoing management of the major risks assumed in our business activities. Our organisational structure and governance framework are critical to guiding the risk management process.

NCBFG's Board of Directors assumes ultimate responsibility for oversight of the risk-taking activities, and delegates that responsibility to the GRC, the Board Risk Management Committee of the local banking subsidiary and the audit committees of the subsidiaries.

The Group Risk Committee (GRC) provides oversight of NCBFG's risk management framework, including risk appetite, the effectiveness of our risk systems, review and approval of risk policies and major risk procedures as well as the monitoring of compliance with risk limits and benchmarks. The GRC is supported by the Board Risk Management Committee of the local banking subsidiary along with other independent committees which are established in subsidiaries within the Group – the Asset and Liability committee, the Risk Management committee, the Capital Management committee, the Fraud Prevention and Management Oversight Committee, the Information Technology Steering Committee and the Compliance Management Committee.

MATERIAL RISKS

NCBFG is exposed to several material risks which could have a material impact on our financial results, reputation and the sustainability of our long-term business model.

Credit Risk

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

NCBFG's Credit Risk policy provides a set of guiding principles and a control framework which is intended to identify, assess, measure and monitor credit risk exposure. As part of an ongoing credit policy review process, changes were recommended and accepted by the Board Risk Management Committee and recommended to the Board which approved the policy during the year.

Matters which were considered during the year by the Board Risk committees included the following:

- Sovereign credit risk surfaces because we have subsidiaries and associated companies located outside of Jamaica. In addition, exposure to sovereign risk also occurs during the lending process. Limits are established for sovereign credit exposure and reported to the Group Risk Committee. Updates on a sovereign's political and economic exposure are also presented for review.
- Key loan portfolio metrics and emerging trends as well as actions being pursued to mitigate any negative trends affecting our credit risk exposure.

Liquidity Risk

Liquidity risk is the potential for loss if we are unable to meet our obligations when they fall due. These obligations include the requirement to (a) honour liabilities to depositors and suppliers when they fall due; and (b) take advantage of profitable opportunities when they arise.

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

Our Enterprise Risk Management Policy requires that we manage liquidity within established policy guidelines, limits and/or benchmarks. One of the principal liquidity strategies pursued by NCBFG is maintaining diverse and stable sources of funding. Accordingly, our liquidity funding providers include diversified retail customers and corporate customers, as well as repurchase agreements and long-term secured funding sources which include our securitisation transactions. We also monitor our credit rating as this can impact the availability and cost of credit.

The Group Risk Committee closely monitors our liquidity risk positions and reviews all the relevant information, including:

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

Risk Management

CONTINUED

- Strategies being employed to manage our enterprise-wide liquidity risks

Market Risk

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

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

Operational Risk

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

Cyber security and NCBFG's technology infrastructure as well as internal and external fraud risks were the operational risks which received the greatest attention of the Risk committees. In FY 2016/2017, the Board Risk Management Committee also received reports on operational risk trends emerging in both the internal and external environments.

Insurance Risk

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

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

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

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

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

Regulatory & Legal Risk

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

The financial services Industry is one of the most closely regulated industries, and the management of a financial services business such as ours is expected to meet high standards in all business dealings and transactions. Failure to adequately address conflicts of interest, regulatory requirements, anti-money laundering regulations, privacy laws, information security policies, ethical practices and other legal requirements not only poses a risk of censure or penalty after litigation, but may also put our reputation at risk. Business units are the first lines of defence and are responsible for managing day-to-day regulatory and legal risk, while the Group Legal and Compliance Division acts as the second line of defence, assisting in the provision of advice and oversight.

Reputational Risk

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

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

The responsibilities of NCBFG committees are described below:

Group Risk Committee

The purpose of the GRC is to assist the Board of NCBFG in fulfilling its responsibility with respect to oversight of our risk management framework, including risk appetite, the policies and major procedures related to managing credit, market, liquidity, capital, operational and certain other risks determined from time to time with respect to NCBFG's risk profile, and its risk management framework. This includes the material policies and practices employed to manage risks in our businesses and the overall adequacy of the Group's risk management function. With respect to material risks we undertake, the GRC also plays a role in the decision-making process.

The GRC reports to the Parent Company Board with respect to the NCB Group's risk profile and its risk management framework, including the material policies and practices employed to manage risks in our businesses and the overall adequacy of the Group Risk Management function. The duties of the GRC are enumerated in its charter document. As this Board committee was established in May, the substantive oversight was provided by NCBJ's Board Risk Management Committee up to that point.

The Audit Committee

The purpose of this committee is to assist the Board of NCBFG in fulfilling its oversight responsibilities for the financial and operational reporting processes, risk management, internal control systems, the audit process and NCBFG's process for monitoring compliance with laws and regulations as well as codes of conduct. Details of the responsibilities of the Audit Committee are enumerated in its charter document. Each major subsidiary has its own audit committee.

The Group Asset & Liability Committee

This committee is responsible for monitoring and ensuring the effective and efficient management of market risks and risks relating to the mix of balance sheet assets and liabilities as well as the holding and trading of foreign currencies and designated investment securities for NCBJ and its subsidiaries. The detailed responsibilities of the committee are enumerated in its charter document.

The Capital Management Committee

This committee is responsible for setting and monitoring overall capital management principles in line with NCBJ and its subsidiaries' enterprise-wide risk framework and appetite. Its duties are enumerated in the committee's charter document.

The Compliance Management Committee

This committee's purpose is to monitor the status of legal and regulatory compliance within NCBJ. The committee's terms of reference outline its responsibilities.

The Information Technology Steering Committee

This committee's responsibilities include the provision of oversight of the strategies, policies and procedures in place to manage Information Technology and information security risk exposure throughout the NCB Group, including an effective risk organisational structure and effective governance processes. The committee's charter outlines its responsibilities.

The Fraud Prevention Management Oversight Committee

This committee provides oversight for the Fraud Prevention Unit which is responsible for managing NCBJ's fraud risk. The detailed responsibilities of the committee are enumerated in the Fraud Prevention Unit Charter.

The Business Transformation Committee

The mandate of this committee is to provide oversight for the execution of strategic initiatives for the NCB Group. The committee also facilitates alignment with and transparency of our priorities to enable efficient allocation of resources and investments as well as prioritisation of effort at the business unit level. Detailed responsibilities are set out in the committee's mandate document.

Our Operations

GROUP OPERATIONS & TECHNOLOGY

A key aspect of our mandate is to improve the security, stability and diversity of our product and service options for customers through our growing operational and technological capabilities. During the year, the Group invested significantly in technology to support our digital ecosystem and advance its maturity.

We have succeeded in strengthening and improving our capabilities by implementing major strategic initiatives ranging from enhancement of technological innovations to establishing stronger operational controls. Our focus on enhancing our cyber security posture and implementing other critical technological risk management tools – RSA (Secure Pin), EMV (Chip Card) and PCI DSS (Card Data Security) has allowed us to improve our risk management and fraud prevention, thus ensuring improved security, safer transactions and greater customer peace of mind. Implementing the PCI DSS standards has strengthened our credit and debit card product offerings and facilitated our compliance with international standards. As a fundamental lever of the PCI DSS programme, the upgrade of our switch improved the stability of the channels critical to our focus on enhancing customer experience with our diversified product and service offerings in our electronic and traditional operations.

RSA UPGRADE

- Increased levels of security for customers conducting transactions on NCBJ's Internet Banking Platform (NCBJ Online for Retail & Business Clients).
- Automation of the back-office operations to improve support-staff efficiency.
- Further mitigation of risks associated with transaction fraud, phishing and other attacks on our online banking platform.

LOANS AT ATMS

- Enhanced customer experience – real-time loan processing.
- Leveraging technology and creating integrated, streamlined processes which support and create efficiencies in business processes as well as enhancing delivery of products and services.

PCI DSS COMPLIANCE

- Increased transaction security results from NCBJ's implementation of safeguards for customer card data, using industry standards fully aligned to those required by major payment service providers, i.e. Visa, MasterCard, Discover, AmEx and JCB.
- Existing policies and processes have been revised to align with PCI standards, allowing the staff of NCBJ to utilise a security-focused model in the day-to-day handling of customer card information.
- Adhering to 12 specific requirements to meet PCI standards of compliance, NCBJ's banking operations and support services are now actively engaged in safeguarding sensitive cardholder data (CHD) by working within a standards-based framework.

EMV ISSUING

Adopting EMV technology will reduce fraud exposure and revenue loss over the next five years as Point of Sale (POS) fraud will move towards the much smaller pool of mag-stripe issuers.

Increased usage will be realised as customers feel more secure in using NCBJ cards and related channels.

FACILITIES & SERVICES

NCBFG is committed to protecting the environment in which we operate; therefore, the initiatives we undertake are aimed at reducing our carbon footprint and environmental impact. This philosophy also governs our undertaking of energy efficiency and space management projects.

ENERGY EFFICIENCY & SAFETY

The Group is committed to a clean environment through the implementation of sustainable, efficient and smart energy solutions. As a result, we have embarked on the upgrading of our mechanical and electrical equipment, the installation of solar photovoltaic (PV) systems and LED lighting technology. The solar PV systems installed at the 29 Trafalgar Road, 124–126 Constant Spring Road and Fairview locations provide much needed relief from our energy dependence on the national grid. The combined systems have generated 170,000 kWh for the 2016/2017 financial year, which resulted in the reduction of our carbon footprint by 50 tons or 30 barrels of oil. Our most recent branch construction in Fairview has been outfitted with a solar PV system with a capacity to generate a further 60 kWh.

We undertook a project to replace inefficient fluorescent lighting with energy-efficient LED lighting technology throughout our premises. The project which is now in the final stage has so far yielded savings of 545,000 kWh. This overall strategy is expected to reduce the energy consumption of the enterprise by 53%.

We continue to outfit our buildings with state of the art HVAC variable refrigerant flow (VRF) systems and have increased the safety and security of our locations through the installation of an integrated CCTV system. Additionally, we intend to have all of our building assets monitored by a state of the art building management system.

SPACE MANAGEMENT

Our Group Human Resources and Facilities Division (GHRFD) periodically assesses the organisation's space requirements to determine the most efficient and viable means of improving our operations while simultaneously reducing operating expenditure. As a result of our space rationalisation initiatives, a number of non-strategic real estate

Our Operations

CONTINUED

properties have been identified for disposal. We are near completion of our new banking and financial centre at Fairview, Montego Bay. This contemporarily designed, intelligent building is in keeping with the thrust to delight and satisfy our customers.

Renovation and reconfiguration initiatives

We have undertaken a number of renovation and reconfiguration initiatives to increase the utility, safety and comfort of our customers and employees and have optimised branch operations. We consolidated the operations of the Centralized Disbursement and Securities Unit (CDSU) and co-located it with the Branch at 1–7 Knutsford Boulevard. Renovation projects included:

- Mandeville Branch
- Black River branch's integration with the AGIC Black River operations
- Linstead Branch
- Food Services Centre
- Portmore Branch
- AGIC Head Office 2nd floor
- AGIC Montego Bay restrooms and lobby.

Improvement of AGIC real estate portfolio yield

We are committed to improving the current occupancy rate of the AGIC Investment Real Estate Portfolio and have achieved an increase in occupancy from 79% to 85% at the end of the 2016/2017 financial year.

SUPPLY CHAIN MANAGEMENT

We have made significant strides in transforming our procurement process as we transition from a category management model to a supply chain model. We intend to implement an effective and efficient supply chain which enhances productivity and ensures quality delivery of goods and services. To implement our Supply Chain strategy, we have focused on the following areas:

1. **Commercial Partner Relationship Management**– the development of sustainable and collaborative relationships with our commercial partners
2. **Efficiency in Addressable Spends**– the increased efficiency in procurement processing and negotiations realised an 8% reduction in addressable spend
3. **Digitising our Operations**– digitising our operations to improve turnaround time and impact costs

In the upcoming year, we will continue our supply chain strategy with a granular focus on our value chain.

SERVICE QUALITY

Over the year, we have focused on creating greater value for our customers. We continue to find ways to improve the customer experience and move towards service excellence which is vital for the continued growth of the organisation. At the NCB Group, we imagine a future where our customers enjoy top-class service at every point of their interaction.

The main objectives of the Service Quality Unit for the 2016/2017 financial year were to:

1. Enhance our customers' service experience through improved convenience.
2. Execute service-focused initiatives to support the Organisation's objective of strengthening the relationship with our customers.
3. Empower & motivate our staff to deliver a consistently high quality of service.

The main initiatives undertaken during the year included:

- In October 2016, we executed our Customer Service Week of activities, under the theme "Service Champions". The activities during the week reinforced the organisation's commitment to service excellence. Some of the activities included:
    - Recognition of 'Service Champions' in branches and divisions by having our Executives visit the branches/ units to present tokens to the champions.
    - Branches expressing appreciation to other units/ divisions which provide exceptional internal service through the use of art.
    - Food Services staff members being allowed to relax and dine while other staff members served lunch for the day.
    - All staff members being afforded the opportunity to award their peers who consistently provided high quality service.
    - All branches and divisions choosing a theme (linked to the main theme) and dressing the part on Friday October 7th.
- Launching the Retail Banking Division (RBD) 100 in100 Competition (Service Edition), which challenged branch staff to develop and execute 100 initiatives aimed at improving the experience of their customers.
- Enhancing our Bank of the Future (BOF) service channels, by adding the following functionalities:
    - Depositing cheques via the iABM
    - Requesting manager's cheques via the kiosk
- Commencing the pilot of our Online Account Opening (straight-through) process at the Oxford Place Branch. The service is now available at three branch locations (Oxford Place, University and Windward Road) and is scheduled to be rolled out to all branches during the 1st quarter of the 2017/18 financial year.
- Conducting branch service audits geared at ensuring that critical service elements are being observed by staff on a daily basis. Where inconsistencies are identified, action plans are developed to address the problems.
- Developing and sharing with staff our monthly and quarterly service tutorials which aim to build the knowledge of our staff and reinforce customer-centric behaviour.
- Administering our biannual customer satisfaction, mystery shopper and internal satisfaction surveys which provide useful information on the experience of our customers (internal & external) as they interact with our staff and use our various electronic channels.
- Continuing our 'Fact Friday' series aimed at improving the knowledge of our staff in relation to our main processes and procedures which guide the servicing of customers.

NON-BRANCH CHANNELS

The Non-Branch Channels Division, established in April 2017, aims to fulfil its 2020 aspiration to create an omni-channel non-branch distribution network which delivers a superior customer experience, propels enterprise performance & advances the Group's digital transformation. The Division has responsibility for the Group's Online, Mobile, ABM, KIOSK, IVR and Call Centre distribution network.

ABMS/ KIOSKS

Investment in the ABM Fleet Size and Distribution

This was evidenced by an addition of 15 new units bringing the fleet to a total of 264 units distributed across 44 locations island-wide, addition of 10 intelligent deposit models for a total fleet of 84 units and replacement of 38 cash dispensers for a total fleet of 180.

This investment has triggered positive results for customers and led to improved access/proximity of cash dispensers and deposit taking ABMs. Available 24/7, these ABMs are conveniently located island-wide reducing wait-time for banking services, reduced service interruption and improved customer experience.

Our Operations

CONTINUED

This initiative has led to the following successes:

- One percentage point increase in market share from 35% to 36% – NCBJ has the largest market share of ABMs locally with 264 ABMs.
- Industry leader for multilink revenues earned and transactions volume conducted by non-NCB customers at ABMs.
- Efficiency optimisation by reduction in costs to service customers, reduction in servicing costs for obsolete machines and increased number of customers served.

Investment in Security upgrades

We invested in the security features upgrade for the entire fleet to reduce fraudulent activity and protect customer accounts. The Group also invested in software and hardware (EMV) upgrades to meet Payment Card Industry Data Security Standards (PCI-DSS).

This led to the reduced occurrence of fraudulent activity impacting customer cards and accounts and impeding our customer's ability to transact in a safe and secure manner and maintain customer confidence. This also aided in efficiency optimisation internally as less time is spent on handling customers' complaints, investigations and processing fraud claims.

Improvement in ABM Functionality

From this, there was increased accessibility to fund, transfer and retrieve money from Quisk accounts, immediate access to pre-approved unsecured loan offerings between $50,000 – $500,000 and increased convenience and customer satisfaction.

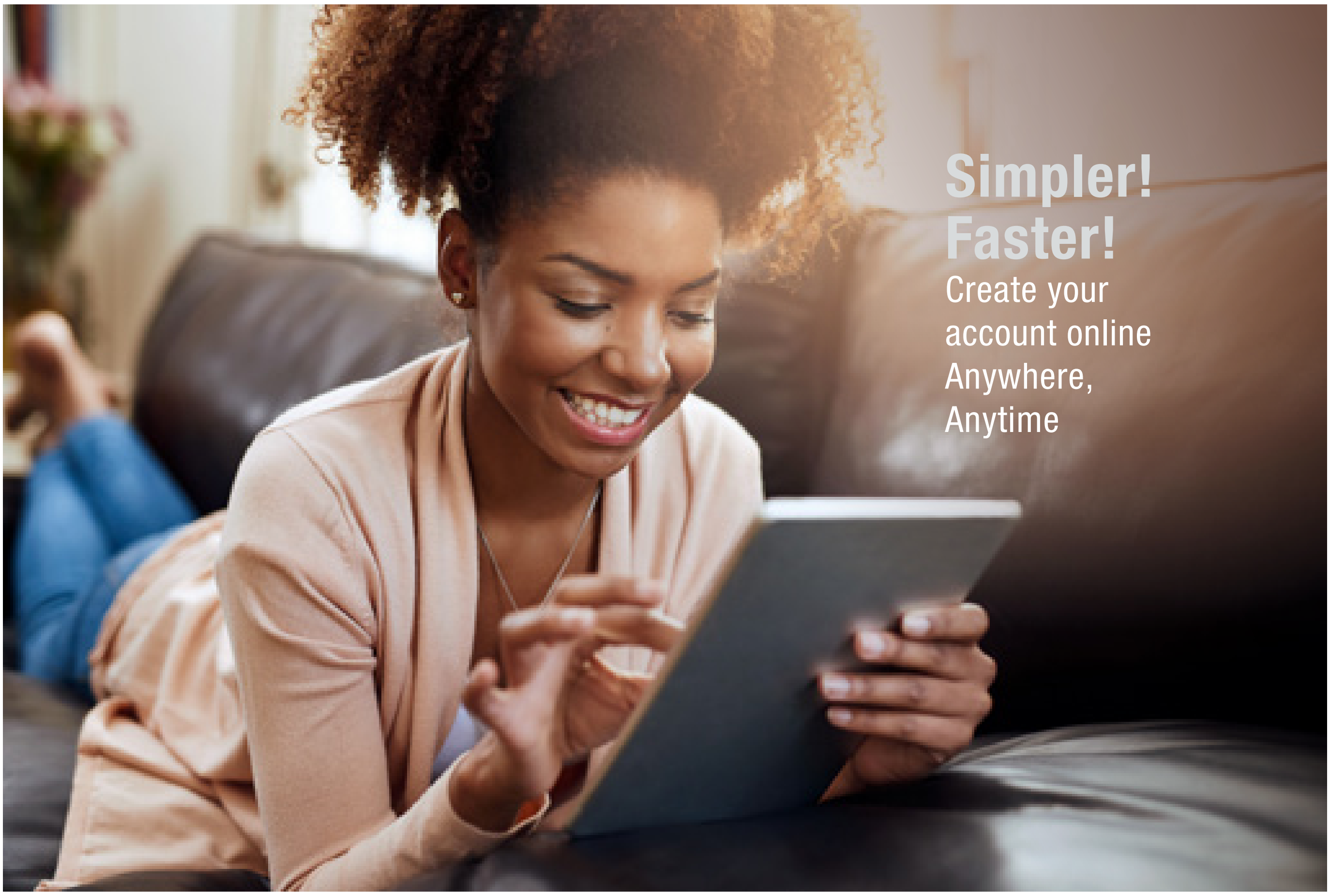
This led to reduced congestion in banking halls and time spent processing routine transactions. The organisation benefited from lower costs to serve customers and increased customer satisfaction and retention.

INTERNET BANKING

Investment in new online capability

- ***Online account opening***
  This digitisation initiative allows customers to open a new account within minutes, improving customer experience through reduced wait times. This initiative supports channel migration and allows focus on efforts to deliver more complex value-added services for our customers & relationship building.

- ***Merchant Business Growth and Development***
  Over the year, we increased our online bill payment merchant customer base by 5% to 192 merchants in total. This increased merchant payee options and facilitated ease of payment as they accessed more seamless and convenient methods of payment, thus enabling the strengthening of our merchant and customer relationships.



CUSTOMER CARE

- ***RSA Token implementation and customer adoption***
  As at September 30, 2017, 69% of the active online retail customers and 91% active online corporate customers are enrolled. This solution provides enhanced online banking security measures to reduce risk of fraudulent activity occurring on customer accounts, facilitating safe use and increased availability of online banking self-services.

- ***Enhanced IVR functionality***
  NCB is the first in the Caribbean to pilot a Conversational Self Service Solution (Omilia) which leverages Artificial Intelligence (AI) technology and voice recognition capability to service client needs. This solution enables reduced wait times to fulfil desired services, faster access to transaction information and reduced wait time to speak to agents on more involved requests.

- ***Enhanced performance at our outsourced call-centre operations*** through ongoing process optimisation intiiatives & efficiency reviews, increased agent support and realignment to meet call volumes and technology enhancements to increase service response time. This led to reduced customer wait time, increased first call issue resolution and reduced issue resolution timing.

Our Business Lines

RETAIL BANKING

The Retail Banking Division (RBD) represents NCB's most widely used service distribution channel, providing more than one million customers with access to personal and commercial banking services through 37 branch locations, a Private Banking Centre and several self-service areas.

During the 2016/2017 financial year, the RBD's financial outcomes reflected significant improvement in all the key performance indicators and the division remained the largest contributor to the overall revenue of the NCB Group. Additionally, RBD continued its drive to transform the face of the retail banking business by focusing on:

1. Improved customer experience by becoming more responsive to the needs of our customers and providing greater convenience and access to banking channels.
2. Sales excellence by ensuring that our offerings are competitive and customer-driven and that our sales team is appropriately equipped and highly motivated.
3. Improved operational efficiencies by simplifying the processes through which we offer products and services to our customers.

Artist rendering of Fairview Banking and Financial Services Centre.

As part of this strategy we implemented the following initiatives:

- We started pilot phases of three distinct branch models in the year to improve our customer experience at all touchpoints and better align our service offerings and distribution model to the peculiarities of the local operating environment. We will continue to monitor the results and fine-tune these models with a view to implementing the appropriate model across the network in the new financial year.
- We deployed a sales management tool in the 2016/2017 financial year aimed at improving management's ability to monitor and coach teams using individualised, end-to-end performance outcomes. This along with the additional expertise supporting the sales teams has resulted in a marked improvement in their overall performance, faster response time to customer requests and significant growth in the division's key performance indicators.
- We expanded the range of personal and commercial products to ensure that we are meeting the needs of customers at all stages of their life cycle.
- We continue to build our digital capabilities and have deployed new end-to-end digital product and service offerings via straight-through processes and platforms. Positive customer feedback about the recently launched online account-opening product is a testament to the improved customer experience.
- We advanced the construction of our new 20,000 sq. ft. financial services centre in the Fairview area of Montego Bay. This new facility will provide our customers across the Group with full access to our suite of banking, insurance and wealth management services under one roof. Starting November 2017, customers in Montego Bay and its environs began enjoying the benefits of this new financial services centre which also provides the convenience of an upgraded self-service area and ample dedicated customer parking.

TREASURY & CORRESPONDENT BANKING

The Treasury and Correspondent Banking Division (TCBD) has a dynamic team which manages NCBJ's liquidity, funding, interest rate risk, foreign exchange risk, and our relationships with financial institutions and correspondent banks. During the 2016/2017 financial year, TCBD contributed 38% of the Group's consolidated operating profit.

RELATIONSHIP MANAGEMENT AND CORRESPONDENT BANKING

TCBD aims to provide the highest level of relationship management to specified financial institutions by delivering efficient payments and operational solutions – leveraging scale, risk management, technology and products to enhance client service delivery.

Over the 2016/2017 financial year, the relationship management team focused on migrating client transactions to NCB's electronic platform, offering banking solutions, transitioning clients to the use of the new online security authentication tool (RSA). These areas of focus boosted our client relationships, security and confidence.

Despite the threat of de-risking by correspondent banks in the region, NCB continues to enjoy strong relationships with our international partners. This has been attributed to the Group's focus on strengthening our Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) framework and providing a secure infrastructure on cross-border payments.

LIQUIDITY AND FUNDING ACTIVITIES COMPLIANCE

In the 2016/2017 financial year, domestic market conditions were stable with improved liquidity and declining interest rates. This buoyed TCBD's ability to optimise our funding structure, and appropriate funding was raised during the year.

TCBD ensures that all NCBJ's commercial and prudential obligations are met timely while maintaining a robust liquidity risk management infrastructure.

FOREIGN EXCHANGE SERVICES

NCBJ's Treasury FX Services continued to connect and serve thousands of customers across Jamaica and the Caribbean, ranging from small individuals to large multinational companies. Through our focus on innovation and best in class delivery, there was increased execution of transactions on our e-Banking Platform.

During the year, NCBJ's Treasury FX Services maintained our key role as a major market maker in the local FX market. Capitalising on our FX expertise and product offerings, we executed a number of market-leading structured transactions with Jamaican and Regional customers, resulting in an overall turnover of US$2.8 billion.

PAYMENT SERVICES

The Payment Services Division continues to execute on the strategy of capturing the full payments opportunity and converting cash to electronic payments by providing multiple payment solutions across convenient electronic channels.

The components of the strategy include: improving acquiring reliability, optimising merchant service pricing, drive carding of un-carded NCB Group customers, streamlining cards portfolio, developing co-branded partnerships and establishing customer lifecycle management.

MAJOR INITIATIVES UNDERTAKEN DURING 2016/2017 FINANCIAL YEAR

1. **Implementation of EMV Chip & PIN Technology (POS) and Cards**
    - Customer payments are more secure, resulting in a reduction in fraudulent transactions.
    - Employees are further equipped with knowledge of existing industry standards.
    - During the period, there was a 54% reduction in the total EMV chargeback amount over the period December 2016 to April 2017. This added security will increase customer trust.

Our Business Lines

CONTINUED

^ The Payment Card Industry Data Security Standards (PCI-DSS) provides the guidelines for the safety and security of cardholder data across thhe globe. NCB Group is the first institution in the region to achieve compliance with PCI-DSS version 3.2 certification, as indicated by our partner, Paladion. Patrick Hylton, President and Group CEO, NCB Financial Group holds the PCI-DSS Certificate of Compliance with NCB Team members and Paladion Executives.

2. **Implementation of PCI-DSS compliance**

    - Provides additional security to merchants by protecting merchant and cardholder data.
    - Employees are further equipped with knowledge of the new compliance regulation by PCI.
    - NCBJ will be recognised in the market as maintaining the industry compliance standard for data protection (both merchant and cardholder data).

3. **Adjust coverage model to high value merchant segment**

    - High value merchants were separated into the Platinum Sector and provided with personalised relationship management.
    - Sales officers assigned to the Platinum Sector are better qualified to develop merchant relationships.
    - With the dedicated focus on this segment, platinum merchant commissions increased by 23%.

4. **Mobile Point of Sale (mPOS)**

    - Merchants will be given the flexibility of accepting card payments via mobile phone or tablets instead of the standard Point of Sale Terminals.
    - First in market for mPOS, we continue being the trendsetter in payment innovation in Jamaica.

5. **Strategic Partnership with the Jamaica Manufacturers Association**

    - Members of the JMA will benefit from products created specifically for them.
    - Research garnered from product development will aid similar programmes.
    - Market penetration in the manufacturing industry will be enhanced.

OUTLOOK FOR NEXT YEAR

- The mPOS and EMV projects are at an advanced stage, but the financial and customer service benefits will be realised in the 2017/2018 financial year.
- Expansion of service options through the external sales team.

CORPORATE BANKING

Our Corporate Banking Division (CBD), which offers banking services to large corporate clients, realised J$3.38 billion in operating profits for the 2016/2017 financial year, growing by J$900 million (37%) over the prior year.

This improvement in operating performance mainly resulted from an increase in the loan syndication business, growing fee income by 59% and net interest income by 29%. Interest expenses remained relatively stable when compared to the prior year despite new loan disbursements. This resulted largely from a strategy to efficiently manage interest spreads and grow core deposits, thereby enabling greater self-funding of the loan portfolio.

For the 2017/2018 financial year, CBD will:

- continue investing in our people as we strive to leverage even further their capability to offer unique financial services to our clients and execute transactions more efficiently;
- explore new markets and product offerings;
- employ additional technology to automate key internal processes; and
- continue our focus on key sectors, such as energy, tourism, agro-industry, logistics, infrastructure and development, which are vital to the overall growth of the Jamaican economy.

DIGITAL BUSINESS

In the 2016/2017 financial year, we moved to accelerate our digital transformation with the launch of the first known Agile Lab in the English-speaking Caribbean.

In the Agile Lab, cross-functional teams are co-located to collaborate on the development of digital software solutions to transform the way we serve our customers, and our operating model.

KEY SUCCESSES

- Launched first known Agile Lab in the English-speaking Caribbean on April 3, 2017.
- Developed our first digital solution to enhance the deposit account-opening process for customers in 22 weeks versus the traditional development cycle of 12-18 months. The tablet-based paperless solution leverages optical character recognition (OCR) technology and data analytics to streamline the amount of data input required from customers. As at September 30, 2017, we were in the pilot phase in three branches where account-opening times have been reduced by over 50%, leading to significant improvement in customer experience. In the 2017/2018 financial year, we will expand the roll-out of solutions to our entire network.

Watch a video presentation on Our Digital Journey: www.jncb.com/DigitalJourney

- Launched second Agile Lab which focused on digital lending solutions in August 2017 with the first minimum viable product slated for release in November 2017. The solutions developed by this team will be focused on enabling customers to easily access loans through digital platforms.
- Trained and developed over 150 staff members in Agile and Scrum methodology, and to date 107 staff members have been Scrum certified.
- Sponsored hackathons and digital innovation activities to help strengthen Jamaica's technology ecosystem, including:
  - **Girls in ICT Day Hackathon**, a day-long event empowering girls and young women from 15 schools to become hands-on in technology. The participants engaged in mobile app creation, web development, robotics and animation.
  - **Coders of the Caribbean**, a hackathon designed to give persons of ages 13-27 years an opportunity to spend 42 hours creating web and mobile apps. NCB used the opportunity to recruit tech talent – over 20 prospects were identified.
  - **Digital Innovation Challenge's** second staging saw three winners emerging. The winners are being taken through the innovation pipeline. "Mek Up Loans" the solution from the previous Digital Innovation Challenge has completed the proof of concept (POC) stage and will be moving to the pilot phase.
  - **Digital Innovation Internship** was overwhelmingly successful, receiving over 2000 applications from countries around the world. At the end of the month-long programme, 10 concepts were presented to be taken through the innovation process.
- Established digital ambassador corps of over 300 employees representing all branches and units. They are tasked with driving the adoption of digital and agile mindset and behaviour shifts across the organisation.

In the 2017/2018 financial year, we plan to accelerate our digital agenda for the benefit of our customers. Our digital solutions will be aimed at making financial services faster, simpler, more convenient and user friendly for our customers. We are building a business model which will have long-term viability to withstand the digital disruptions experienced by other companies in other industries.

Our Subsidiaries

NCB CAPITAL MARKETS LIMITED

NCB Capital Markets Limited (NCBCM) understands the importance of our customers to our success.

During the 2016/2017 financial year, we embarked on a number of initiatives designed to ensure that our customers' needs and expectations would be surpassed. We introduced a new customer survey aimed at getting more frequent feedback from our customers, and added agents to handle incoming NCBCM client queries to NCB's customer care centre. New product development was a key focus during the year as we sought to meet our clients' expectations for more attractive returns on their investments. We increased the number and range of products offered to all of our client segments.

CUSTOMER EXPERIENCE

In July, we launched monthly external surveys to glean our clients' perspective on different aspects of their service experience with Wealth Advisors and Client Services Officers. The information retrieved is being used to inform changes to our service delivery, thereby engendering a more rewarding experience for all of our clients. One primary area in which we will improve our customers' experience is through the introduction

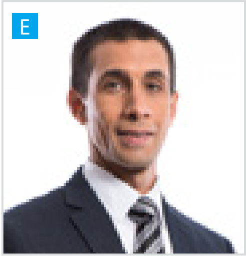
STEVEN GOODEN
CEO

SENIOR MANAGEMENT TEAM


A


D


B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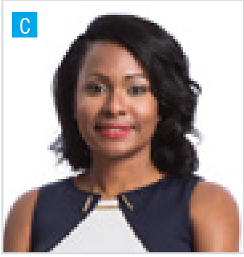

C

A **ANNYA WALKER**, VP, Strategy, Research & Structured Products
B **TRACY-ANN SPENCE**, VP, Investments
C **KERRY-ANN SPENCER**, AVP, Wealth Management
D **HERBERT HALL**, AVP, Investment Banking
E **ANDRE HO LUNG**, Senior Assistant General Manager - Finance

of our online banking platform which will accelerate the payment process and enable clients to view their portfolio valuations online at www.ncbcapitalmarkets.com/online.

PRODUCT OFFERINGS

In an effort to offer our clients products which will enhance the value of their portfolios and help them achieve their financial goals, NCBCM continues to expand its product offerings. Along with the traditional repurchase agreement, unit trust and equity products, our clients are able to invest in offerings from our Investment Banking Unit and our structured products desk as well as various new global bonds on offer. We also introduced our newest unit trust product, the Income Optimizer. The primary objective of this product is to generate a stable level of income for investors who wish to meet a specified medium- to long-term investment objective, such as higher education or home acquisition.

We ramped up our investment banking services and significantly grew our business in the corporate and institutional space during the financial year. We were able to offer our corporate clients not only investment solutions but also liability management assistance. Our structured products desk provided them with exposure to attractive interest-yielding assets and investment solutions. Our Investment Banking unit delivered significant value to our corporate clients as we arranged financing for various large and medium institutions. This is reflected in the fact that during the year NCBCM arranged 29 deals in financing and structured products totalling approximately $84 billion across the Caribbean.

In line with the strategic direction of the Group, NCBCM will be focused on building distinct digital capabilities and reinventing our core business during the 2017/2018 financial year. We are embracing the Agile methodology to expedite the delivery of value to our clients.

We will be delivering new electronic channels to improve customer experience and the efficiency of our team members even as we continue to provide our clients with product diversity. Our clients can expect better service delivery, greater convenience and faster transaction processing as we work to help them achieve their financial goals. They will be able to access their investment accounts not just online but through kiosks in NCB's "Bank on the Go" locations island-wide.

Our Subsidiaries

CONTINUED

NCB INSURANCE COMPANY LIMITED

During the 2016/2017 financial year, NCB Insurance Company Limited (NCBIC) embarked on various strategies geared towards bringing even greater value to our clients by introducing new features to existing products, improving our internal processes and infrastructure, as well as strengthening our sales force capacity and capability.

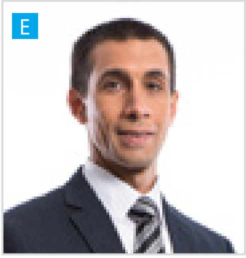
PRODUCT PORTFOLIO EXPANSION AND GROWTH

A. Upgraded Omni and Omni Educator products – launched in March 2017.

- Customers benefitted from the higher insurance coverage.
- Branch sales incentives – Top branches were recognised and awarded.
- Higher insurance coverage helped us compete aggressively in the market.

VERNON JAMES
Managing Director & CEO

SENIOR MANAGEMENT TEAM



A **ANTONIO SPENCE**, Assistant General Manager - Individual Line Sales & Retention
B **DESMOND JOHNSON**, Business Development Manager - Group Business
C **GEORGIA WRIGHT**, Product Development & Projects Manager
D **NICHOLA KING**, Manager - Underwriting and New Business
E **ANDRE HO LUNG**, Senior Assistant General Manager - Finance

B. Upgraded Creditor Life on Loans to include loss of income – launched in July 2017.

- Involuntary loss of income benefit added to Creditor Life on Loans.
- Sales team was able to sell to more persons in the emerging and affluent spaces.
- This provided NCB with a competitive advantage on loan offerings which helped to drive the penetration rate on the secured loan portfolio.

INTERNAL PROCESSES AND INFRASTRUCTURE IMPROVEMENTS/UPGRADE

Developed Web Portal for Pension Clients – launched in March 2017

- Pension fund members, sponsors and trustees are now able to view pension fund information online.
- The implementation of the pension online portal is expected to reduce the number of administrative errors as a result of the web's self-serve feature which allows the member and human resources personnel to validate information added at the point of entry. This is expected to contribute to an increase in staff productivity.
- NCBIC will be able to compete more aggressively with other pension plan administrators.

CHANNEL MIGRATION

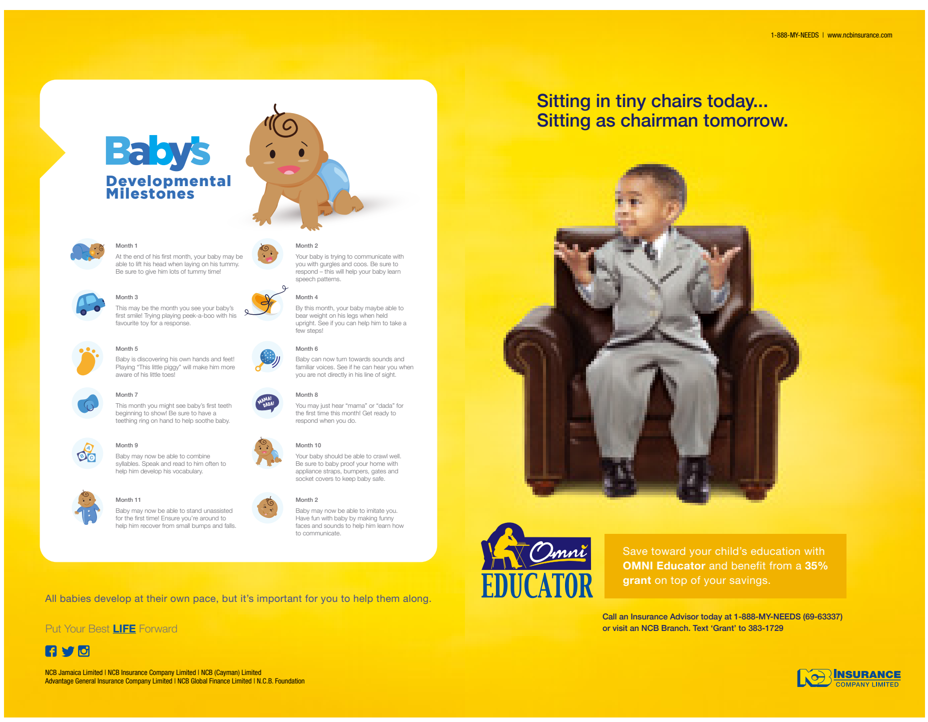
Migration of customers to alternative service delivery channels

- Email and Fax Service Requests initiative rolled out in November 2016.
- Customers given the flexibility to submit their service requests by fax and emails.

OUTLOOK

The improvements in our product portfolio have contributed significantly to our profits during the year. NCBIC was recognised by World Finance and given the Best Pension Funds Caribbean 2017 Award. In addition, the business retained a B rating from A.M. Best, re-affirming our financial stability within the insurance industry.

During the 2017/2018 financial year, we will continue to pursue initiatives which will optimise our digital channels to drive sales volumes and improve the service experience of our customers. In addition, our regional expansion will diversify our revenue streams, offer new products and services and continue to be a major theme for the 2017/2018 financial year.



Our Subsidiaries

CONTINUED

ADVANTAGE GENERAL INSURANCE COMPANY LIMITED

For the period under review, Advantage General Insurance Company Limited (AGIC) remained the market leader in the general insurance industry in terms of profits.

The industry experienced a particularly challenging year as claims reported continued to increase, a situation that was exacerbated by increasing operating expenses. The Industry Loss Ratio was 64% compared to 63% in the prior year and the Combined Ratio deteriorated to 106% from 102% over the same period.

In spite of falling premium rates and intensified industry rivalry, AGIC has been able to remain the leading motor insurance provider, with a 25% market share in terms of premium income and 23% in terms of the risk count. While market share is somewhat reduced, AGIC's focus has been on retaining a high quality risk portfolio. The dividend from this strategy has materialised in the reduction of the actuarial loss ratio. AGIC's solvency remains strong, significantly exceeding regulatory requirements, while actively demonstrating the motto: "Our reliability is your peace of mind".

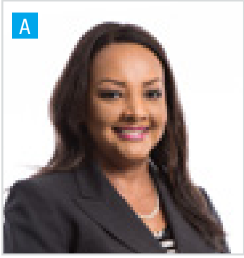
As industry competition in the motor segment intensifies, the differentiation strategy of AGIC is to provide world-class customer experience by implementing a number of best in class initiatives. These include:

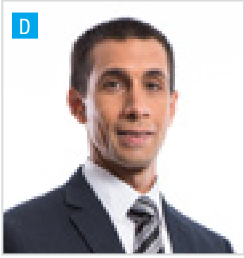
Direct to Market Interaction

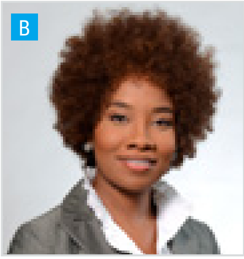
Direct interaction with our customer

MARK THOMPSON
PRESIDENT & CEO

SENIOR MANAGEMENT TEAM







A **RUTH CUMMINGS**, Vice-President, Channel Management and Underwriting
B **ODIA REID CLARKE**, Vice President, Claims
C **STEPHANIE NEITA,** Company Secretary and Compliance Manager
D **ANDRE HO LUNG**, Senior Assistant General Manager - Finance

base allows the company to manage the experience of the customer. Improved communications and faster service/turnaround time are two of the ways we ensure a satisfied and, therefore, a loyal customer. At the end of the period, the direct to indirect ratio stood at 62:38.

Enhancing Digital Experience and Increasing Customer Value

During the period under review, the Blanket Policy which covers mortgages offered by NCB was launched. This product perfectly complements our previously launched Multi-Year Motor Policy which, over the year, has seen unprecedented growth. Both products facilitate a seamless approach to insuring NCB mortgagors at an attractive flat rate over the period of the loan. Similar to the Multi-Year Auto product, the Blanket Policy provides customers with the option to pay their annual premium in 12 instalments. Over the period, we have also enhanced the Multi-Year Policy which now offers even more attractive rates. Thus far, the results from these products have been extremely impressive.

Diversifying our Offerings

In keeping with global and local market trends, we have looked at diversifying our product offering to better suit the needs of our customers. In addition to the usual motor and commercial lines of business engaged by AGIC, we are also registered to underwrite marine insurance. The Marine Policy is to be ready for launch before the end of the first quarter of the 2017/2018 financial year. Acting on feedback from our customers, we have also expanded the Motor Third Party Liability Policy which, for a modest additional premium, may include windscreen coverage and roadside assistance.

Improved Efficiency

Further to the ongoing restructuring of the claims management framework, renovation of the physical department was recently completed. The new space not only provides customers and employees with a more comfortable, safe and customer friendly environment but also facilitates a seamless workflow.

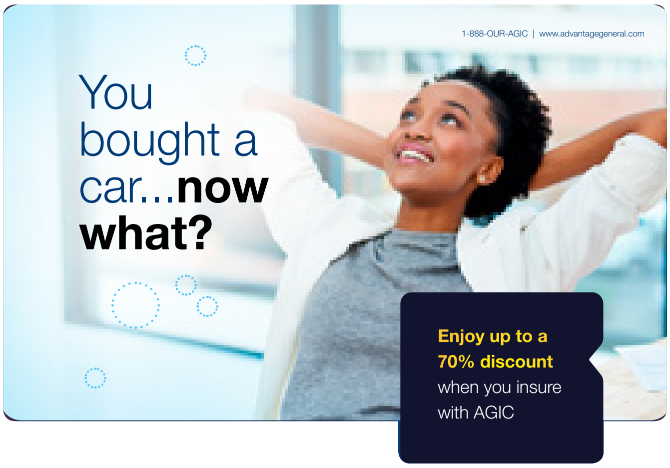
BUSINESS OUTLOOK

The strategic focus for the 2017/2018 financial year will continue to be building a world-class digital experience and reinventing our core business by increasing the use of multi-channel options with the upgrade and expansion of our online and mobile platforms. This will be supported by the installation of in-branch self-service kiosks and tablets. We are also determined to improve the customer experience with optimised efficiency, by extending the hours of service and activities of the Telebranch. Enhancement and automation of our processes are ongoing.

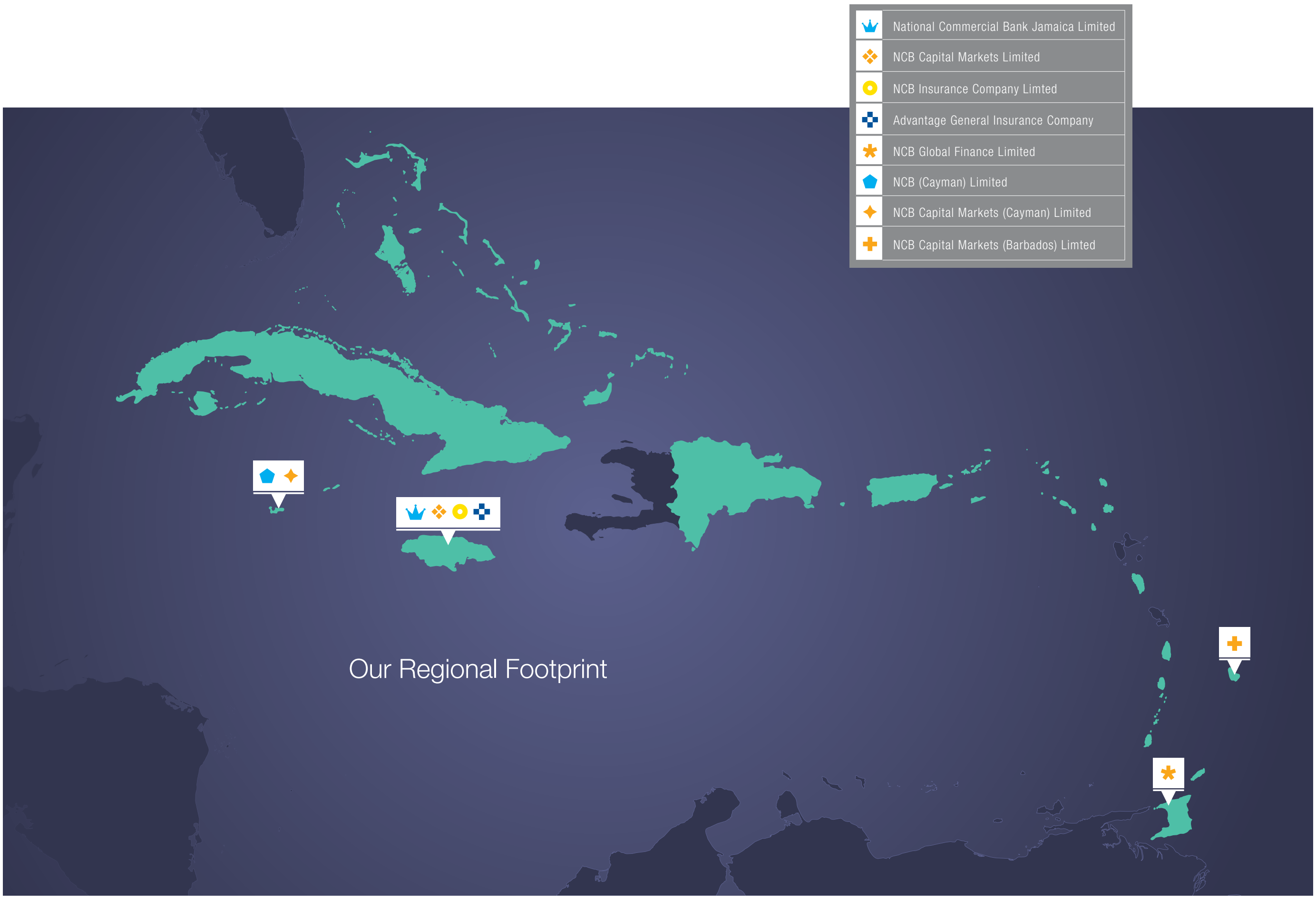
Digital initiatives in progress and scheduled for completion during the next period include establishing connectivity with our various business channels, including intermediaries, online and mobile – with our core enterprise software. This will facilitate straight-through processing of our e-channel business and broker support. Omniflow workflow optimisation for claims and underwriting will increase efficiency and improve service delivery. In addition, we will be building our business intelligence through the use of predictive modelling tools, thereby allowing real time reporting, timely risk assessment and adjustments. The Insured Vehicle Information System (IVIS), an industry database of insured vehicles, which supports our efforts to improve underwriting, claims processing and to reduce the number of fraudulent claims, is currently in test with a few brokers and is expected to go live some time during this period.

With the success realised from the full integration of the Black River Branch with the NCB branch, other key NCB locations such as Mandeville, Montego Bay and St. Jago Shopping Centre have been identified for similar integration. Other integration efforts have begun with AGIC presence in NCB offices in Kingston and Montego Bay. This will be expanded to other areas before the end of the first quarter of the 2017/2018 financial year. With greater awareness of the benefits to be derived from the group and enhanced performance management, the results from the NCB/AGIC cross-selling efforts will continue our impressive performance over the period.

We continue to create innovative approaches to maximising investments and, despite challenging market conditions or because of them, we remain focused on underwriting profitability and offering a superior customer experience.



Our Regional Offices



New products and services were the primary theme across our regional subsidiaries even as we continued to build out a more robust infrastructure to support our growing operations.

NCBGF has rolled out its investment banking services doing just under TT$1 billion in capital market deals and it significantly grew gains from securities trading, in Trinidad & Tobago. In Cayman, the focus was also on new investment opportunities as well arranger services while NCB Capital Markets (Barbados) Limited was also very active in the distribution of new products.

NCB (CAYMAN) LIMITED & NCB CAPITAL MARKETS (CAYMAN) LIMITED

Having spent the previous financial year upgrading its core application, our Cayman operations sought to leverage new opportunities for deposit and loan growth as well as growth in assets under management.

NCB Cayman also launched an online platform to target new business opportunities in the corporate and institutional space in that market.

NCB Cayman continued to expand the range of services it offers during the financial year. In line with the other wealth management entities within the group, it had a strong presence in the capital markets space and arranged and distributed several transactions during the year. To leverage opportunities in the bond market and to grow its income from securities trading, it launched an institutional trading desk. There was also a roll out of the international fund banking services which allowed international fund managers access to our unique banking services.

The company received a Caricris Regional A rating which enables regional customers to gain assurance from a very good independent assessment of the company's financial strength as well as allow access to new regional market segments while we celebrate our 25th anniversary in Cayman.

BUSINESS OUTLOOK

In the new financial year, NCB Cayman will continue to grow its new business lines as well as implement processes and frameworks to support our growing operations. We will continue to build out our institutional trading desk and to leverage the efficiencies for our upgraded core application, online platform and regional relationships to grow our loan book and deposit base. New procedures to create greater efficiency and seamless processes for improved customer experience will also be a key area of focus. In light of our expanded operations, management is also examining the existing policies and framework with a view to bolstering them to ensure that we maintain a robust risk management framework.

PHILLIP HARRISON
Managing Director
NCB (Cayman) Ltd. &
NCB Capital Markets (Cayman) Ltd.

ANGUS YOUNG
CEO
NCB Global Finance Ltd. &

ACTING CEO
NCB Capital Markets (Barbados) Ltd.

NCB GLOBAL FINANCE LIMITED

During the financial year, NCB Global Finance Limited (NCBGF) executed over TT$ 970MM in capital market and structured type transactions with a significant syndication component.

In addition to being a record year for profitability, NCBGF also built a more robust back office infrastructure and upgraded its core IT platforms to support its growing balance sheet and new service offerings. The company also hired key resources to support its enhanced credit risk management programme as well as strengthened its underwriting, collateral security and AML/CFT framework. These resources facilitate a newly installed credit monitoring programme for incumbent exposures and a dedicated resource to focus on collateral perfection and maintenance.

As the company continues to grow and seek out new growth opportunities, 2016/17 was one with several successes. NCBGF recorded its largest profit from securities trading and continued to grow its balance sheet and strengthen its capital base.

BUSINESS OUTLOOK

Despite the challenges in the operating environment, NCB Global Finance will continue to seek new opportunities for loan and investment portfolio growth in the new financial year. It will also focus on growing revenues through its investment banking team as it seeks to do more capital market transactions and securities trading in Trinidad & Tobago and the Dutch and southern Caribbean.

NCB CAPITAL MARKETS (BARBADOS) LIMITED

At NCB Capital Markets (Barbados) Limited (NCBCMBL), our strategy to provide wealth management services to high net worth (HNW) individuals and institutional clients through offerings such as structured products, repurchase agreements and other investment instruments are well advanced.

NCB Capital Markets (Barbados) Limited has expanded its product offering to high net worth customers across the region. We implemented our core application and implemented new policies and procedures to support the rollout of our repo business. The company also hired key resources to bolster its compliance framework and support business development.

BUSINESS OUTLOOK

NCBCMBL recorded another profitable year by increasing its assets under management and successfully executing its own notes issuance. Barbados and the Eastern Caribbean remain the geographical areas of focus for NCBCMBL's transaction origination efforts and syndication reach. Going forward, NCBCMBL will continue to focus on leveraging the liquid domestic markets to further develop the regional capital markets.

Our People

Deloitte, in the preface of their 2017 Human Capital Trends report stated that: "In an age of disruption, business and HR leaders are being pressed to rewrite the rules for how they organize, recruit, develop, manage, and engage the 21st-century workforce."

In the past, organisations were designed primarily for efficiency and effectiveness which led to multiple layers of hierarchy and silos. In this era of disruption and unpredictability, the HR function is challenged to redesign itself to move faster, change quickly and facilitate rapid learning. Agility and adaptability must become the norm.

"Implementation of our digitisation strategy required the sourcing and recruitment of talent not typically associated with the banking and financial services industry."

TALENT MANAGEMENT

Implementation of our digitisation strategy required the sourcing and recruitment of talent not typically associated with the banking and financial services industry. Talent and skill shortages at the national, regional and international level elicited the deployment of more creative and innovative strategies to attract talent. In this regard, we hosted our first Career Open House (dubbed Career+Shift) and leveraged our consulting partners to attract potential recruits for our digital labs. As part of our ongoing talent-sourcing approach, we focused on building employee competencies, providing strong career opportunities and maintaining high levels of engagement within our existing teams so as to position the Group as an attractive option for employment in the non-traditional talent pools.

To further embed our sales management culture, we undertook an assessment of our entire sales team to identify the competencies and sales acumen resident in our teams. The results informed ongoing coaching and development initiatives intended to enhance employee sales proficiency. In addition, we revamped the sales assessment process to incorporate increased use of behaviour-based assessments in the sales recruitment and selection process. Arising from these interventions, we observed significant improvement in the performance of sales staff over the 2016/2017 financial year.

Succession management is integral to business continuity and profitability. Our succession management framework is built on the following tenets:

- Ensure that the right people have the right skills for today and the future.
- Build bench strength to mitigate the risk of turnover in leadership and in mission-critical positions.
- Offer targeted development initiatives to prepare high-potential employees for increased responsibility.
- Assess the skills and talent gaps and close the gaps.
- Find and compare candidate options quickly when critical skills are needed.

We expanded the use of our competency-based talent development framework (TalentED) to facilitate the tabulation of enterprise mission-critical jobs, developing job profiles, matching employees against the profiles and utilising the results to implement actions intended to build and maintain organisational readiness for strategy execution. In support of these objectives, our compensation/benefits strategy continues to be competitive as we seek to attract, motivate and retain top talent.

7.5
Profit per Staff ($M)

33
Training Hours Per Employee

82,817
Total Training Hours

LEARNING & DEVELOPMENT

Financial services companies impacted by the digital revolution require a learning and development function capable of delivering learning 24/7 over a variety of platforms. They demand continuous competence development to meet rapidly evolving careers and organisational skill demands.

The Corporate Learning Campus (the Campus) launched its enterprise digital-learning strategy housed on eCampus to provide all employees with basic digital competencies so as to advance NCB's digital agenda. Digital technologies make available a vast expanse of high-quality, free or low-cost learning solutions and opportunities for employees to collaborate in learning. Utilising open universities and other collaborative learning sites, the Campus has made available some 15 courses intended to enhance employee digital competencies and began offering courses in a digital format. As part of a longer-term strategy, our leadership development courses were also reviewed to include key digital competencies; for example, a module on digital strategy has been incorporated in the strategic planning course.

One of the goals of our learning environment is increased employee mobility. Interdisciplinary skills development is critical because these capabilities align with the organisational shift to networks of teams operating in an agile manner. We provided increased opportunities for regional collaboration through the launch of our diversity site, "Diverse Universe". The site facilitated economic and social information sharing among employees from the different countries within which NCB operates and provided another avenue through which to leverage diverse employee skills and competencies.

A hallmark of the journey to best in class standards is external review. In November 2016, the Campus was adjudged by Training magazine to be among the 2017 top 125 (placing 109th overall) companies globally which excelled in employee training and development. Training is a 53-year-old professional development magazine written for training, Human Resources, and business management professionals in all industries which advocate training and work force development as a business tool.

POSITIVE EMPLOYEE CLIMATE

As organisational structures become more complex and expand globally, a positive climate becomes increasingly integral to maintaining high performance levels. Employees give of their best in environments which balance achievement of the goals and objectives of the company with their individual interests.

Over the 2016/2017 financial year, our organisational health activities included:

- Building leadership empowerment through education by sharing 30 days of tips on employee engagement with the managerial team for them to cascade to their teams
- Providing change management support for every major organisational initiative to continue developing work-force change readiness and resilience
- Enterprise-wide staff meetings to increase the HR presence in the field while promoting constructive staff relations

As part of the digital agenda, we expanded our wellness strategy to include webinars. This was done to deepen the use of technology in health & wellness; to promote individual physical wellness of staff so as to promote fitness and healthy lifestyles and broaden our reach across the region. We continued to offer workshops and seminars geared towards informing and educating our employees about better life options.

We acknowledge the changing workplace demographics and commit to continue providing a transparent environment in which to perform engaging and challenging work while motivating our teams to give of their best to our customers and our Company.

Our Communities

Jamaica Environment Trust – Manatee Sponsor Award
Presented by the Jamaica Environment Trust in recognition of our support of the School's Environment Programme (SEP). The programme has been the largest school's environmental programme over its 19-year run.

Manchester Chamber of Commerce (MCOC) Business Award
Presented by the MCOC in recognition of NCB's significant contribution to education in the parish of Manchester and surrounding communities.

The Gleaner Honour Awards 2016
Recipient in the category of Education for its continued support of the education sector in Jamaica.

Jamaica Business Leader Award Nomination
Among the top eight companies on the island with exceptional philanthropic endeavours.

Total Project Funding and Administration:

$174M

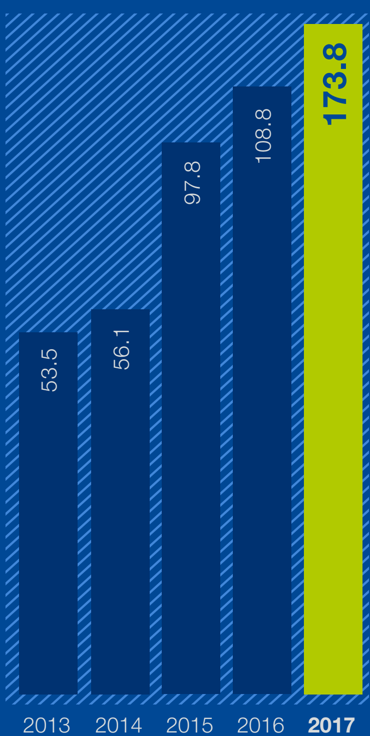
In keeping with our commitment to nation-building, our philanthropic arm – the N.C.B. Foundation, which is financed with 0.50% of the NCB's prior year profits and 0.50% of our prior year personal keycard sales (at no cost to the cardholders) under the Jamaican Education Initiative (JEI), fund and administer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

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

OVER 4,000 MAN-HOURS

675,000 PERSONS IMPACTED

Total Funds Committed over 5 years ($M)



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

This is evidenced by:

- Environmental Policy and Practices (page 44 of Annual Report):

  Supporting a continued strategy to promote use of green technology; efficient water, electrical and energy consumption; sewage disposal and waste management.

  Donations are also made to support and promote this within our communities.

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

  Donations and contributions made through the N.C.B. Foundation: through our CSR policies and practices, tax compliance, employment, charitable contributions/ projects and hours of training, NCB undertakes activities to fulfill our obligations and to be regarded as a responsible corporation.

Our Communities

CONTINUED

MAJOR PROJECT PER QUARTER

QUARTER 1 NCB's Grant-A-Wish Initiative

Brand Ambassadors (L-R) Julian Forte and Elaine Thompson

N.C.B. Foundation sought to brighten the lives of primary school children during the Christmas season with the annual Grant-A-Wish Charity Programme. 31 schools adopted by NCB Branches islandwide and the past primary school of our Brand Ambassador, Elaine Thompson, benefited from over $5 million, collectively. Schools were invited to tell us what they wished for, and the public was asked to vote for the school of their choice.

Over 450,000 votes were received, and Siloah Primary School copped the top prize of $1 million to fund their wish for an upgraded computer lab with modern computers. Second place of $500,000 went to Waltham Abbey Primary in St. Ann, whose wish was for a classroom to be used by students with special needs, and third place of $250,000 went to Homestead Primary in St. Catherine for the paving of their school's walkway between classrooms to facilitate proper drainage because it flooded whenever it rained.

We also surprised all 32 schools with $100,000 each and all schools were given some allocation to assist with their needs.

A

B

A (L-R) Principal of Siloah Primary, Oneil Larmond; Manager, Santa Cruz branch, Conroy Ward; Member of Parliament, Evan Redman; Minister of State in the Ministry of Education, Youth and Information, Floyd Green and Group Marketing & Communications Manager, Nichole Brackett Walters share in the 'money shot' with excited children from first place winner, Siloah Primary in St. Elizabeth. B Ann-Marie Pinto (left), along with other NCB Representatives from the Santa Cruz branch, interacts with students of Siloah Primary in their newly equipped computer lab. This school was the winner of our 'Grant-A-Wish 2016 Christmas Campaign'.

>17,000 LIVES ARE IMPACTED

DONATION OF **$5M**

QUARTER 2 NCB CSEC POA/POB National Bursary

The programme since inception in 2003 has paid over $141 million for 100,489 students in strengthening the Ministry of Education's initiative to assist students at the secondary level in meeting the minimum qualification requirement for entry to an accredited tertiary institution. For this academic year, we assisted 116 schools, extending the subsidy of over $13.9 million to 4,270 students across the island.

A (L-R) Hector Stephenson, Executive Director, Overseas Examinations Commission (OEC); Andrew Pairman, Deputy Chairman, N.C.B. Foundation; Sen. The Honourable Ruel Reid, Minister of Education, Youth and Information; N.C.B. Foundation Board Members, Thalia Lyn, Chairman, Nadeen Matthews Blair, CEO, and Gordon Swaby, Director, gather to witness the electronic transfer to the OEC. B Following streams of applauds and confetti, students of schools in the corporate area, including Convent of Mercy Academy (Alpha), Immaculate Conception, Jamaica College and Ardenne High, engulf (L-R) Nichole Brackett Walters, Group Marketing & Communications Manager; Sen. The Honourable Ruel Reid, Minister of Education, Youth and Information; Nadeen Matthews Blair, CEO, and Thalia Lyn, Chair, at the official handover.

4,270 STUDENTS FROM 116 SCHOOLS (PUBLIC & PRIVATE) ARE DIRECTLY IMPACTED

DONATION OF **$14M**

Our Communities

CONTINUED

QUARTER 3 University Hospital of the West Indies – Intensive Care Unit

MAJOR PROJECT PER QUARTER

The most significant contribution in the area of health was made through a joint partnership (NCB and N.C.B. Foundation) to UHWI which received $30 million to increase the number of specialised beds in the Intensive Care Unit; improving considerably the health facility's service delivery to the nation.

At a tour of the facility, Dr. Carl Bruce, Senior Director – Clinical Services at UHWI, exhibits the features of the new specialised beds to representatives of the NCB Group: (l-r) Nichole Brackett Walters, Group Marketing and Communications Manager; Patrick Hylton, President and Group CEO; and Nadeen Matthews Blair, Chief Digital and Marketing Officer and CEO, N.C.B. Foundation. Also paying keen attention is Kevin Allen (2nd right), CEO of UHWI.

The team is also introduced to other equipment being installed at the facility.

>5,000 LIVES ARE DIRECTLY IMPACTED

DONATION OF **$30M**

QUARTER 4 NCB Scholarship Programme

Annually, more than 300 students from primary to tertiary levels benefit from the N.C.B. Foundation Scholarship & Grants Programme. This year, the organisation invested more than $40 million in the initiative, a $10 million increase over 2016.

A NCB 2017 Parish Champions pose with members of the NCB family ahead of the annual Scholarship Reveal ceremony in August. Joining the youngsters are: NCB representatives (l-r): Nadeen Matthews Blair, CEO, N.C.B. Foundation; Patrick Hylton, President & Group CEO, NCB Financial Group Limited; Jamilia Crooks, Programmes Administrator, N.C.B. Foundation; Kevin Ingram, Senior Assistant General Manager, Retail Banking Division; Dennis Cohen, Group CFO and Deputy CEO, NCB Financial Group Limited and Nichole Brackett-Walters, Manager, Group Marketing and Communications, NCBJ along with Shana Hastings (front), Manager, Office of Student Financing, UWI, Mona. B Michael Lee Chin (right), NCB Group, Chairman, and Thalia Lyn (2nd left) Chair, N.C.B. Foundation share a selfie with the 2017 National Champions – Lisa Morrison (left) and Marisha Williams (2nd right) at the 2017 scholarship reveal cocktail held at the Courtyard Marriott in New Kingston.

Melissa Hendrickson, N.C.B. Foundation Director (L) smiles as CEO, Nadeen Matthews Blair presents a trophy to E-Jon Thomas, ICON Scholar.

Hon. Michael Lee-Chin, Chairman, embraces top scholars as N.C.B. Foundation representatives support him.

>1,050 LIVES IMPACTED

DONATION OF **>$40M**

Our Communities

CONTINUED

Summary of Projects supported by Mandate

EDUCATION

Education is highly regarded as a catalyst for economic prosperity and social change and this area of remit continues to receive key funding and support to address fundamental issues in the sector, including the poor numeracy and literacy indicators, student enrolment declines and the rising cost of education. We assist with academic fees, equipment and infrastructural projects and general educational programmes from the infant to tertiary level.

McIntyre-Nettleford Scholarship Programme

Noting the alignment of the McIntyre-Nettleford Scholarship with N.C.B. Foundation's educational mandate and focus, the Foundation supported the Scholarship Programme to the tune of USD$50,000. This endowment fund will enable two scholarship winners annually to study at Oxford University, England.

Thalia Lyn - Chairman, N.C.B. Foundation (left) signs a mock cheque signalling the Foundation's donation to the McIntyre-Nettleford Scholarship to be offered by the University of the West Indies. Lyn is supported by Karen Young - Manager, UWI Branch and Professor Sir Hilary Beckles - Vice Chancellor, UWI.

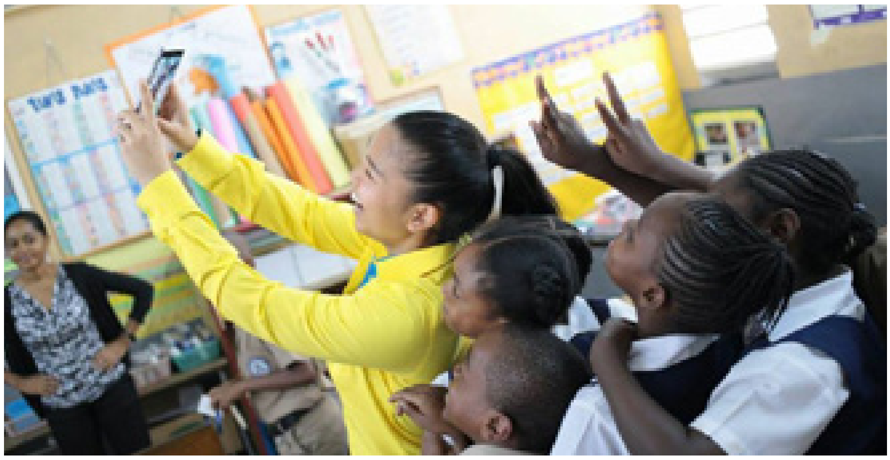
Titchfield High School Donation

Alma Mater of NCB Group Chairman, Michael Lee-Chin - Titchfield High School, received $6 million towards a new structure which will serve as lunch pavillion and a meeting/event venue. The project will improve student experience and comfort at the institution.

A Michael Lee-Chin (left), Chairman, NCB Group confirms the donation and with him are: (L-R) Richard Thompson, Principal, Titchfield High School; Laurence Neufville, Board Chairman, Titchfield High School; Thalia Lyn, Chair, N.C.B. Foundation; and Patrick Hylton, President and Group CEO. B It's selfie time with (L-R) Michael Lee-Chin, Chairman, NCB Group; Thalia Lyn, Chair, N.C.B. Foundation and students of the Port Antonio-based institution, Titchfield High School. The team, accompanied by President and Group CEO, Patrick Hylton and other Executives toured the school and held rap sessions with students.

Child Month Activities

Read Across Jamaica Day and Teachers' Day were also observed across our adopted school network with various activities, including the launch of the N.C.B. Foundation Reading Corners.



N.C.B. Foundation Director, Melissa Hendrickson snaps a selfie with students of the Shortwood Practising Infant, Primary and Junior High School on Read Across Jamaica Day in May.

Antonette Jennings of NCB Bay West Branch reads to the brilliant young minds at the Glendevon Primary and Junior High School

Jermaine Johnson, Telesales Team Lead engages a group of students at Mona Heights Primary School

N.C.B. Foundation Director, Marjorie Seeberan, engages with the students at the Mona Heights Primary School.

Our Communities

CONTINUED

Adopt a School Programme

The Adopt a School programme is ongoing with the 31 adopted schools across Jamaica continuing to benefit from projects being administered by branches and offices through treats, training programmes, mentoring, creation of reading corners and library upgrades. Many schools in the programme received academic supplies, including books and equipment, to enhance the teaching-learning experience.

Nichole Brackett Walters, Group Marketing & Communications Manager (L) and Sherena Wellington, Administrative Assistant (R) share a moment with Norma McNeil, Principal and students at Pembroke Hall Primary School where books and computers were donated to enhance the reading resource room.

NCB Representatives Antonette Blackwood (left), Keleen Rowe-Brown (centre) and Shantel Marshall (right) pose with students of Seaward Primary & Junior High School. An interactive session took place during devotion at the Kingston 16 institution, during a tour by representatives from NCB and I Can! Stationery and More company

Peter Higgins, Assistant General Manager – Treasury & Correspondent Banking Division poses with students of his Division's adopted school, Whitfield Town All Age, after the fun Christmas treat.

Elaine Campbell (left), Relief Manager, Oxford Place Branch, is on duty at her adopted St Francis Primary School, ensuring that everyone gets a slice of the scrumptious cake the team brought for them to indulge in as part of their Christmas party.

Rawle Harris (left), Business Development Representative (BDR) and Daunjay Mendez (right) Senior BDR, show students at the Lluidas Vale Primary School how they can enjoy their new computers.

A If you're awesome and you know it, raise your hands! Patrick Hylton, NCB's President & Group CEO (left) and Michael Lee-Chin, NCB Group Chairman (right) share a candid photo with the enthusiastic students of the **PORT ANTONIO PRIMARY SCHOOL** during a tour of the parish of Portland back in February 2017. B Stephanie Spencer (left), a Sign Language Interpreter, top awardee Celine Lobban (centre) and Nichole Brackett Walters (right), Group Marketing & Communications Manager look on as Dr. Rickert Allen, Senior General Manager, Group HR and Facilities Division greets Governor General Sir Patrick Allen, at the closing ceremony for the **SUMMER OF SERVICE (SOS) COMPETITION**. C N.C.B. Foundation Administrator, Jamilia Crooks (L) and Roland Henry, Senior Marketing Officer, bring cheer to DeAndre Ramsay of **HAZARD PRIMARY SCHOOL** in May Pen, whose wish was for her school to get a cotton candy machine. Looking on are Dr. Alcheia Simmonds (2nd right), Principal, and DeAndre's mother (right). D Ms. Juliana Cousins (left), Business Banker of Portmore branch presents the weather device to the Principal, Ms. Thomas and students of the **GREATER PORTMORE PRIMARY SCHOOL**. E Stuart Reid, N.C.B. Foundation Director and Susan Simes, Head of the Susan Simes Foundation share an endearing moment with (l-r) Kayla-J Moss-Solomon, top girl for 2017; Javaughn Brian Richards, Kayah Hall, and sister Renique Hall, a few of the many children impacted by this year's **BACK-TO-SCHOOL PROGRAMME** hosted by the Susan Show. F Cherine Nicholson, Principal of **COMFORT HALL ALL-AGE SCHOOL**, stands with Stuart Barnes, NCB Branch Manager, Mandeville, while testing the new AC unit donated by the N.C.B. Foundation.

Our Communities

CONTINUED

A Three specialised laptops were donated to the **CALABAR HIGH SCOOL ROBOTICS PROGRAMME**. Antonio Spence, AGM-Individual Line Sales & Retention (2nd right) shares lens with Calvin Rowe, Vice Principal, Phillip Llewelyn, President of the Calabar Robotics Club, Keith Whyte, Immediate Past President of the Calabar Old Boys' Association and David Miller, Past President of the Calabar Old Boys' Association. B (L-R) Sandra Fuller, Branch Teleservice Agent & member of the volunteer corps and Jamilia Crooks, Programmes Administrator, are joined by **EASTWOOD GARDENS YOUTH FOR PROGRESS YOUTH CLUB (EGYFP)** executive members and youth from the community as they inspect the new printers. C Glen Shields, Manager, Cross Roads Branch addresses a group of students during **ANANSE SOUND SPLASH** while Amina Blackwood Meeks of Ntukuma, the Storytelling Foundation of Jamaica looks on. D Students from **JAMAICA COLLEGE** in St. Andrew had the opportunity to showcase their own invention, which Elaine Campbell (2nd right), Service Quality Manager at the Oxford Place Branch was happy to take for a test run. Karen Barton (2nd left), Director General at the Jamaica Library Service (JLS) was pleased by the interaction of the students with the technology and their ability to put it to positive use. E An **EXCELSIOR COMMUNITY COLLEGE** student (seated) showcases the donated interactive whiteboard system to: (r-l) Diandra Campbell, Business Development Representative; Philmore McCarthy, Principal, Mark Edwards, Manager of the Windward Road Branch; a fellow student and Trudy-Anne Riley, Marketing Manager of Excelsior Community College. F Sandra Fuller (right), member of the Volunteer Corps engages children at the treat held in **GORDON TOWN**, St. Andrew.

G ‘Captain I Can’ interacts with boys of the **ST ANNE’S PRIMARY SCHOOL** on a school tour. H Representative from St Jago Branch, (L-R) Tamara Watson, Business Development Representative and Jacqueline Mighten, Branch Manager, engage with one of the desktop computers in the newly upgraded laboratory, alongside two students of the **FRIENDSHIP PRIMARY SCHOOL** in St. Catherine. I A group of students from **MAJESTY GARDENS INFANT SCHOOL** share a light moment at the handover ceremony for the newly refurbished washroom. J (R-L) Claudette Rodriquez, AGM Payment Services, Michelle Thomas - Product and Portfolio Manager\Issuing, (partially hidden) Bridgette Lindsay, Administrator Payment Services; Peter Higgins, AGM Treasury & Correspondent Banking; and Nadine Hibbert, Principal, **WHITFIELD TOWN ALL AGE** along with students show off the school’s newly refurbished water trough. K Jhenelle Crawford, Business Development Officer at the UWI branch reads “A Chair For My Mother” by Vera B. Williams to an excited group of children from the **AUGUST TOWN SDA BASIC SCHOOL** in St. Andrew.

Our Communities

CONTINUED

COMMUNITY DEVELOPMENT & SPORTS

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

Some of the community projects supported included: Food for the Poor – Angels of Hope Christmas Treat, Office of the Custos for the Parish of Kingston/Lay Magistrates Association of Jamaica (Kingston Chapter) "Christmas Family Day for Spouses & Children of Inmates of Tower Street Adult Correctional Centre", partnerships with the Kiwanis Club of New Kingston, St. Catherine 4-H Club, the Issa Trust Foundation and the 1Jam1Love Foundation.

Our support in the area of community development has been bolstered through our commitment to assisting with the improvement of the health care sector. Our contribution was extended through several initiatives, including a donation to the University Hospital of the West Indies (UHWI) Intensive Care Unit, donation of equipment to several health centres and hospitals across the island, including Lucea Health Centre, Olympic Gardens Health Centre, Princess Margaret Hospital and the UHWI. Medical grants were also approved for numerous individuals, including children who had special needs.

Support was also given to sports programmes such as the MVP Grassroots Athletics Programme, Andrew Dixon Foundation Basketball Initiative and the Council of Voluntary Social Services Summer Games and programmes executed by Deaf Sports Jamaica.

Hurricane Matthew Relief Efforts

In response to a national call from the Office of Disaster Preparedness and Emergency Management (ODPEM), the Foundation donated emergency supplies in excess of $1.9 million to help with the preparation of starter kits containing cases of water, tissue and hand towels.

Subsequently, due to the sudden detour of the Hurricane to Haiti, a request was submitted to ODPEM to direct the supplies to the Haiti Relief efforts. To strengthen our contributions, an overwhelming response was received from Staff members, amassing a cash donation of over $500,000 and a myriad non-perishable food items and toiletries.

Director General of the Office of Disaster Preparedness and Emergency Management (ODPEM), Major Clive Davis (left), receives a donation of cash and supplies from CEO, N.C.B. Foundation, Nadeen Matthews Blair, at NCB's head office in Kingston.

Food for the Poor Jamaica – Home Building Programme

For the third consecutive year, N.C.B. Foundation partnered with Food for the Poor Jamaica and extended support to the annual 'Make a Difference' 5K Run/Walk to help raise funds to build homes for needy families in Jamaica. For this year, the Foundation donated more than $2 million towards this initiative and successfully built four homes.

A Darcia Palache (in pink) shows off the keys to her new home as she poses with representatives from N.C.B. Foundation and Food for the Poor Jamaica standing in front of her home built by the team. B Chad McCalla, NCB Scholar, is hard at work helping to build a home for the needy family of Arthur Smalling and his family of four in Victoria District, St. Catherine. C It was all smiles and excitement as Arthur Smalling and his family saw their home being built from the ground up. Front (r-l) Smalling, his daughter and grandchild, pose with Spencer Reynolds, Senior Fields Officer and members of the N.C.B. Foundation Volunteer Corps who assisted in building the third of N.C.B. Foundation's projected four homes for the Food for the Poor Jamaica Limited's 2017 "Build-A-Home" initiative. D Candia Fisher (left) gladly accepts the keys to her new home from Jamilia Crooks (right), Programmes Administrator, N.C.B. Foundation. Sharing in this life-changing moment are her sons and Marsha Burrell-Rose, Development/ Marketing Manager at Food for the Poor Jamaica Limited. E Danielle White, NCB Scholar, is hard at work adding her strength to completing a house for a beneficiary of the 2017 'Build-A-Home' initiative in partnership with Food for the Poor Jamaica Limited in Mammee River, St. Andrew. F We did it! After a long day of work, members of the Volunteer Corps share a photo-op with Barbara Dawson (centre) as she holds the keys to her new home. NCB built this home for her and her family of three in Albert Town, Trelawny, in partnership with Food for the Poor Jamaica.

Our Communities

CONTINUED

Labour Day
Labour Day activities formed a major part of our community development efforts and an investment of over $4.5 million was made for the refurbishment of three police stations – Vineyard Town, Summit and Alligator Pond. These stations were identified in collaboration with the Ministry of National Security based on the level of need at the stations.

In addition, small projects were executed across our adopted school network and in some of our branches several initiatives were undertaken. Our branches also supported community projects in their respective areas, including hospitals and community centres.

The newly installed Commissioner of Police, George Quallo (right) gets his hands dirty as he helps the members of the Foundation's volunteer corps to paint the Vineyard Town Police Station in St. Andrew on Labour Day. Looking on is Nadeen Matthews Blair (left), CEO, N.C.B. Foundation.

A Following a hard day's work, the volunteers at the Vineyard Town Police Station share a photo-op with Commissioner Quallo (kneeling 4th left), who joined the team last Labour Day. In addition, work was done simultaneously by other team members at the Summit and Alligator Pond Police Stations. The total budget allocation for these projects was $4.5M. B Nichole Brackett Walters, Group Marketing & Communications Manager Jamaica talks with Inspector Harris while Julian Robinson, MP and his fellow Officers look on after the completion of the renovations and the official handover at the Vineyard Town Police Station.

MVP Partnership

MVP Grassroot Athletics Programme

For the third consecutive year we partnered with MVP to host an island-wide athletics training camp catering to student athletes between the ages of 12 and 18 years to provide lifelong developmental guidance to Jamaica's future athletic stars and coaches. 750 participants were impacted.

Another tranche of the three-year $30 million donation was made to the MVP Track and Field Club. This programme supports student athletes from low socio-economic backgrounds with their nutritional and training needs.

Tammy-Gaye King (centre), NCB Branch Collector - Portmore speaks with Abigail Gordon (left) of Campion College and Tylan Gill of St. Mary High School (right), participants in the 2016 MVP Grassroots Athletics Programme at the camp held in St. Catherine.

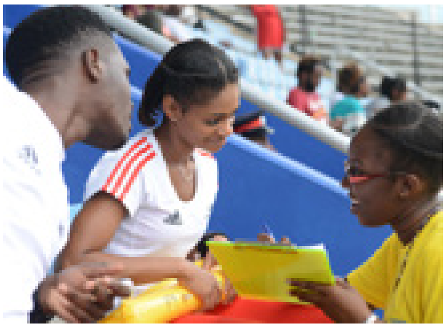
Lucas Cricket Camp

50 aspiring young cricketers participated in the camp where they were exposed to the history, theory and practice of the sport. Catering to students 8 to 14 years, mainly from neighbouring schools in East Kingston, the annual programme is aimed at supporting the development of cricket in Jamaica, both at the club and national levels.

Damion Sibblies (L), Business Banker of Constant Spring Branch makes a presentation to the coach and members of the crickect Camp.

Inter Collegiate Championship

The 2017 NCB Intercollegiate Track and Field Championships held at the National Stadium saw over 500 athletes and 250 cheerleaders competing over a two day period. Over the years the championships have propelled the likes of Julian Forte and Elaine Thompson which later lead to the signing of these athletes as NCB Ambassadors in 2015.


NCB hostess interact with attendees


Gregory Peart, Sales and Relations Manager congratulates a medalist

Our Communities

CONTINUED

A Garfield Palmer (left), Branch Manager, Duke Street; Mrs Nadine Anderson Lawrence (2nd left), Acting Deputy Director of Nursing Services, Victoria Jubliee Hospital; Thalia Lyn (centre), Chair, N.C.B. Foundation; Dr. Avianne Robinson (2nd right), Locum Intern, Victoria Jubilee Hospital; Errol Greene (right), Chief Executive Officer of the Kingston Public and Victoria Jubilee Hospitals, inspect the new foetal and maternal monitor recently donated to the **VICTORIA JUBILEE HOSPITAL**. B (Front L-R) Kaysia Mcdonald - Enrolled Assistant Nurse at the **LUCEA HEALTH CENTRE** puts a blood pressure monitor to the test on Cassandra Randall. Also present were: (Back L-R) Maureen Reid, Nursing Sister of the Lucea Health Centre; and Kaswayne Young, Business Development Representative of the NCB - Lucea Branch. C Health Representatives at the **OLYMPIC GARDENS HEALTH CENTRE**, Lorna Watson (left) and Andrea Smellie (2nd right) share with Charmaine Oudith, Service Quality Manager and Desron Graham, Relationship Manager from the Washington Boulevard branch. D A young patient, Dajon Stephenson, is measured using a digital scale at the **GLEN VINCENT MEMORIAL CLINIC**. Glen Shields, Branch Manager, Cross Roads, christened the device. The GVMC is the only clinic of its kind in the region offering paediatric and maternal curative services. E Integrating education and sports, members of the Football Team, NCB Generals added a fun spin to the Reading Day by incorporating some football moves while reading to the students at **MONA HEIGHTS PRIMARY**. In action is Damian Sibblies, Business Banker, Constant Spring Branch, supported by his team mates Dellon Dixon, Delon Faulkner and Gilroy Edwards. F The proctosigmoidoscope (featured here) is important to the fight against diseases in the low digestive system, Dr. Cecil Batchelor, Senior Medical Officer at the **PRINCESS MARGARET HOSPITAL** in St. Thomas explained to onlookers including: (L-R) Colleen Wright, Parish Manager, St. Thomas Health Services; Dr. Karen Webster Kerr, Principal Medical Officer, National Epidemiologist and Acting Chief Medical Officer; Valrie Ferguson, Relief Manager at the Morant Bay branch; and Paulette Forsythe, Service Quality Manager at the Morant Bay Branch.

G N.C.B. Foundation Director, Gordon Swaby, gives a gentle embrace to former Superintendent and Director of the **JAMAICA CHRISTIAN BOYS' HOME**, Ms. Frances Knight, for dedicating more than 40 years of service to the home founded under the auspices of the Churches of Christ. H (L-R) Senior Project Lead in Group Operations and Technology Division (GOTD), Kimone Thomas; and Senior General Manager at GOTD, Howard Gordon make a presentation to Ms. Karlene Mason, Medical Laboratory Technologist and Secretary, Professor Graham Serjeant, Chairman and Beryl Serjeant, Medical Laboratory Technologist, and Member of the **SICKLE CELL TRUST** (Jamaica). I (L-R) Stuart Reid, N.C.B. Foundation Director makes the presentation to Winston Bowen, Manager of **MAXFIELD PARK CHILDREN'S HOME,** representing the collective contributions of the NCB Financial Services UK Limited, as well as the N.C.B. Foundation. J A few of the aspiring cricketers from the Lucas Cricket Club Summer Camp shared the lens with Damion Sibblies, NCB Business Banker, Constant Spring Branch (right), as well as the coaches and **LUCAS CRICKET CLUB** representatives. The 10-day camp exposed aspiring cricketers, ages 8 to 14 years, to the history, theory and practice of the game. K (L-R) 2016 N.C.B. Foundation Parish Champions, Davian Henry (St James), Raju Gunnings (Westmoreland), and Marlon Smith (Hanover) are pictured making their way to a centralised collection site for garbage collected along the Palisadoes Beach during the **BEACH CLEAN UP PROGRAMME.** L Support was given to the **JAMAICA TABLE TENNIS ASSOCIATION** to provide gears for the young athletes at their annual Championships. Nichole Brackett-Walters, NCB Group Marketing and Communications Manager (2nd left) shares a photo with the young athletes and partners.

Our Communities

CONTINUED

YOUTH LEADERSHIP & ENTREPRENEURSHIP

Within our mandate of Youth Leadership and Entrepreneurship, N.C.B.Foundation continues developing future leaders and contributors to the Jamaican economy, and Community & Sports Development as this is a tool for unification and social change.

Young Leaders of the Americas Conference

NCB partnered with Point Global Limited, the business of a young entrepreneur – Javette Dixon to host the 'Young Leaders of the Americas Conference'. This event connected over 10,000 Jamaican business professionals through the combined social media presence of the eight entrepreneurs who are part of the Jamaican YLAI Network. The entrepreneurs were exposed to Digital Housing through Point Global Marketing's social media pages and through email marketing, as well as print and Facebook ads. N.C.B. Foundation – Deputy Chairman, Andrew Pairman (left) was a moderator at the 'Young Leaders of the Americas Conference' 2016 for the panel discussion themed: Profit & Purpose: Examine the ways we harness private energies for public purpose.

Annual Youth Entrepreneurial Programmes

N.C.B. Foundation renewed its partnership with two annual youth entrepreneurial programmes. These initiatives are student entrepreneurship competitions designed to move ideas to a sustainable and operational phase.

- Utech Business Model Competition

  Joan Duncan School of Entrepreneurship, Ethics & Leadership at the University of Technology, Jamaica (UTech) and the Development Bank of Jamaica hosted the competition which served as a feeder for the National Competition.

- National Business Model Competition

  The National Business Model Competition, organized by the Development Bank of Jamaica seeks to create a platform for learning and the honing of entrepreneurial skills, building valuable networks among team members, mentors, judges & the investment community/owners of capital and attracting and embolden local aspirants to venture into the world of entrepreneurship.

Andrew Pairman (left), Deputy Chairman, N.C.B. Foundation and Steven Gooden (right), CEO, NCB Capital Markets Limited share a photo-op with members of the winning team 'The Sustainable Cart' Ceretsie Campbell (2nd left), Markland Jefferson (centre) and Danoy Robotham (2nd right) at the UTech Business Model Competition Finals in 2016

Youth Empowerment Seminar

In strengthening the focus in this area of remit, the Foundation held the inaugural Youth Empowerment Summit (YES), hosting approximately 150 youths aged 18-25 years, including N.C.B. Foundation scholars, university students and young entrepreneurs. The aim of this youth summit was to expose the attendees to non-traditional career fields and reinforce the ethos that success is possible with the right mindset, irrespective of background.

Team "#AchieveGreatness" was all smiles after emerging as the winning group after the afternoon's various team challenges at the inaugural Youth Empowerment Summit (YES). Each team member was awarded a token and a signed book by keynote speaker, Gabrielle Jordan.

Nadeen Matthews Blair CEO N.C.B. Foundation engages participants.

Members of the "#DreamBig" team enjoys the entertainment.

Regional Activities

NCB Financial Services UK Limited

In recognition of the value of the Home's noble work since 1918, staff of the NCB Financial Services UK Limited and NCB United Kingdom Representative Office of the Retail Banking Division organised a donation drive to support the Maxfield Park Children's Home. This is part of their respective corporate social responsibility portfolios aimed at maintaining a strong humanitarian presence in the Diaspora and on the island.

NCB Capital Markets (Barbados) Limited

For the second consecutive year, support was granted to the Eden Lodge Youth Charitable Trust in Barbados via NCB Capital Markets (Barbados) Limited assisted with the running of their "Needy Children Programme" which started in March 1996. Support was also given to the Back to School and Annual Christmas programmes as well as associated administrative expenses. These programmes will assist several children, whose parents are not working, with food, school clothing, shoes, books and lunch as well as helping under-privileged families with other items needed, and further develop the minds of the youth via educational and developmental programmes.

NCB is committed to building the communities we serve and this is evidenced by the projects we undertake through the N.C.B. Foundation, deriving positive social and economic impact for our nation. We are proud of the contributions we have been able to make and the lives impacted and in some cases changed through our efforts. These were made possible through the support of our staff, customers and stakeholders, in addition to the financial funding resulting from NCB's strong performance. We wish to thank all the persons who made this possible.

Now is the new norm. Constantly connected consumers want it all and they want it now. To keep the show on the road, NCB must not only make the right moves but make them faster than ever; delighting our customers in real-time.

faster


#NCB2.0 #FasterSimplerStronger

The complexity crisis has plagued banking for decades. In an industry known for its complex products, processes and communication, NCB seeks to champion simplicity with fewer steps, less questions, more clarity, and more intuitiveness – a clear, consistent, choreographed experience.

simpler

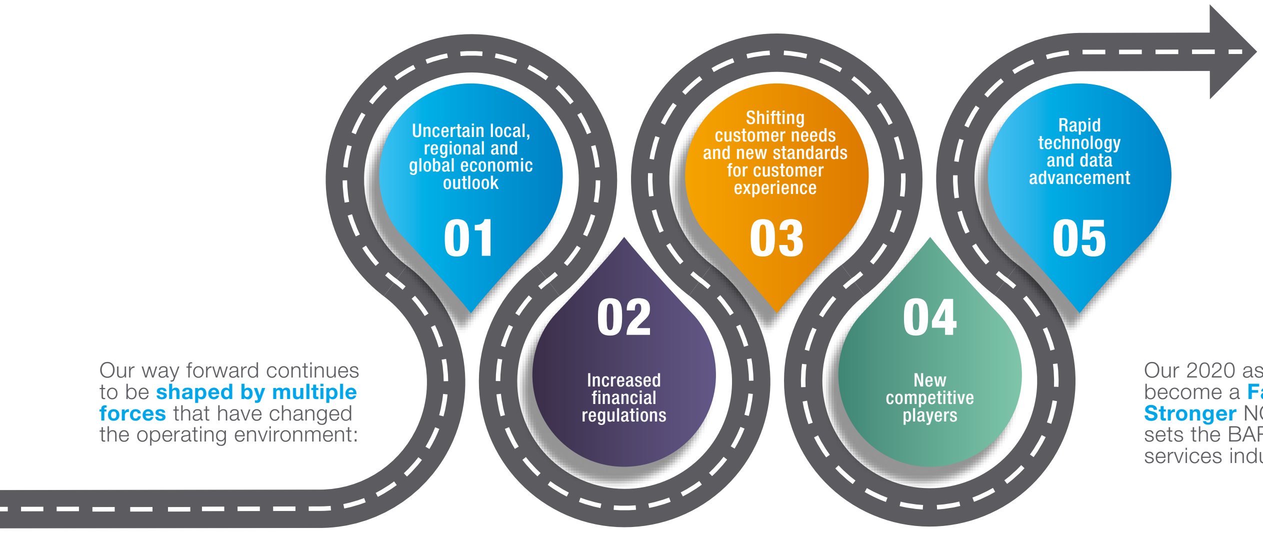

For more information, visit www.myncb.com
#NCB2.0 #FasterSimplerStronger

Our customers remain our greatest strength and ultimate priority and we want to do better for each one. That's why charting new paths, finding ways to increase stakeholder-value and building a solid foundation within the communities we serve is important to us. The strength of our brand and the pride we feel from knowing that millions of dreams are relying on our efforts keeps us going.

stronger


For more information, visit www.myncb.com
#NCB2.0 #FasterSimplerStronger

Strategic Outlook: NCB 2.0 faster | simpler | stronger



Our way forward continues to be **shaped by multiple forces** that have changed the operating environment:

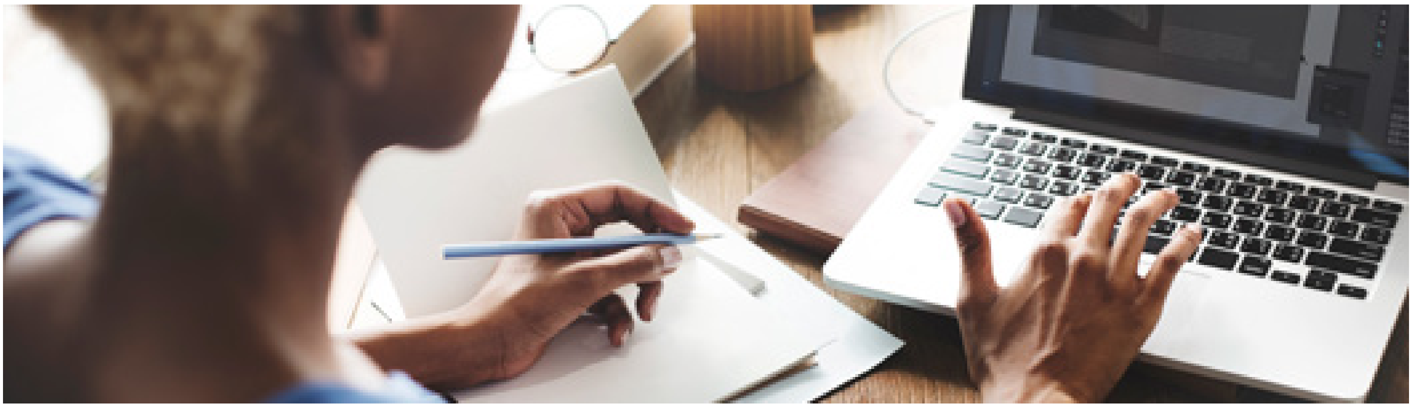
Our 2020 aspiration is to become a **Faster, Simpler, Stronger** NCB Group, which sets the BAR in the financial services industry regionally.

A year ago we committed to building NCB 2.0, a Faster, Simpler, Stronger version of ourselves. We shifted our aspiration from ranking among the top 5 financial services institutions to setting the BAR in the financial services industry.

Our way forward continues to be influenced by multiple forces which have shaped our operating environment:

- Uncertain local, regional and global economic outlook
- Increased financial regulations
- Shifting customer preferences and new benchmarks for customer experience
- Non-traditional competitive players
- Rapid technological and data advancement

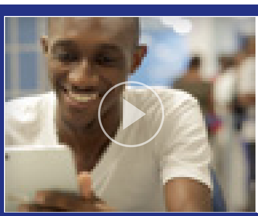
During the 2017/2018 financial year, we will continue to execute our 2020 Strategy across the three business priorities:



PRIORITY 1: BUILDING OUR DIGITAL FUTURE

In 2017, NCB decided to accelerate our digital transformation by adopting the Agile methodology, long utilised within the tech industry to enable speed to market, include the customer as a vital input to the product development process, improve internal collaboration and enhance product quality. We launched our first Agile Lab in April 2017 focused on re-imagining our account-opening experience for deposits. The team delivered our first minimum viable product in less than 6 months against a traditional development cycle of 12-18 months.

We began pilot phases in three branches and during that time we were able to reduce customer wait times by more than 50%, and we are still improving. In the 2017/2018 financial year, we will expand this way of working to accelerate the roll-out of solutions which significantly improve our customers' experiences.



Watch the onltine account opening testimonial : www.jncb.com/testimonial

PRIORITY 2: ACCELERATING REGIONAL EXPANSION

We continued to develop our regional footprint in Trinidad & Tobago, Barbados and the Cayman Islands. We strengthened our recently established relationship with GHL by exploring value-added business opportunities which include providing financial solutions and exploring innovative ways to deliver value to clients.

In Cayman and Barbados, we extended our reach to different market segments by offering clients new products, attractive investment opportunities and a more robust support infrastructure. Looking ahead, we will continue to deepen penetration across our existing footprint in our wealth management, investment banking and asset management business lines while exploring local and regional opportunities for acquisition, joint venture or partnership.

PRIORITY 3: REINVENTING THE CORE

In the 2017/2018 financial year, we will continue to propel the key components of our core operating model, maintaining a strong platform to balance growth and innovation.

Enhance sales and service effectiveness: In 2017, we extended our sales and service disciplines across our subsidiary businesses and explored opportunities for collaboration to better meet the needs of our customers. We will continue enhancing our sales and service model

to drive increased productivity through new and existing sales channels.

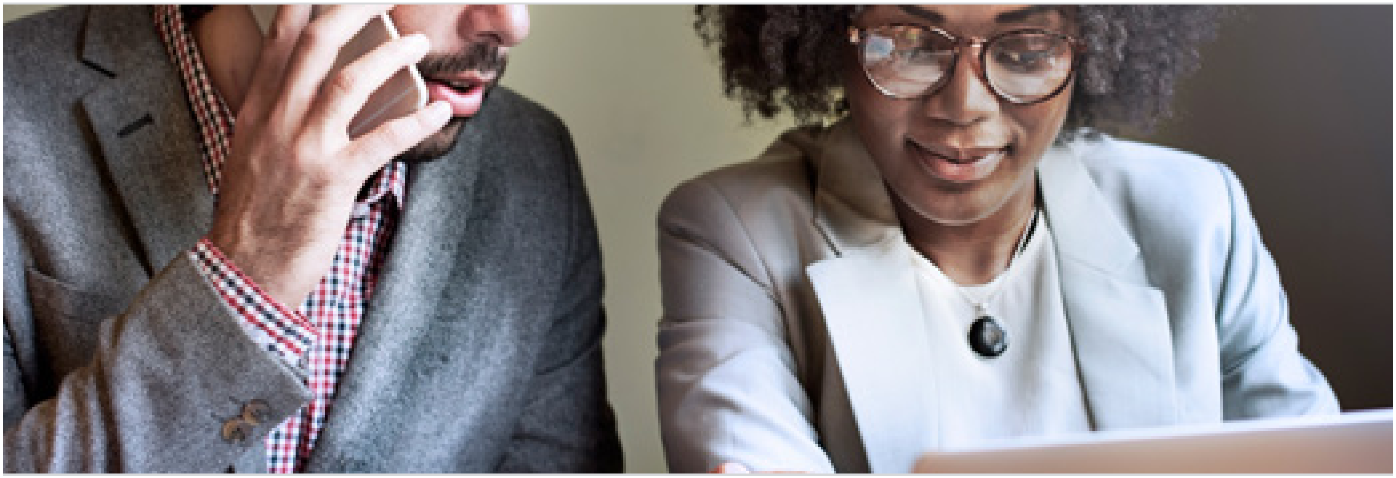
Focus on Payments Innovation: In our payments business, we continue to focus throughout the enterprise on driving innovation to support customer and segment strategies, and driving payment change to enhance our competitive position in the market.

Develop and engage our people: We have focused on nurturing a sales-oriented, high performance, customer-centric and collaborative culture.

Improve customer experience and optimise efficiency: Through our structural cost transformation, we focused on re-engineering our processes, optimising the operating model, streamlining our procurement practices while making it much easier for our clients to do business with us. We remain committed to becoming more efficient while improving the customer experience.

During the year, we redesigned our branch models to better serve our customer segments. The location of our general insurance business within our financial store model provides a broader range of product and service offerings.

At the heart of NCB's strategy is the continuing desire to sustain our high performance over the long term for all stakeholders – customers, employees, shareholders and the members of the communities we serve.



We look forward to another successful financial year in **2017/2018**.

Financial Statements

NCB FINANCIAL GROUP LIMITED

SEPTEMBER 30, 2017

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SEPTEMBER 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

NCB Financial Group Limited

Directors Report

SEPTEMBER 30, 2017

The directors submit herewith the Consolidated Income Statement of NCB Financial Group Limited and its subsidiaries for the year ended September 30, 2017, together with the Consolidated Statement of Financial Position as at that date:

Operating Results

	$'000
Gross operating revenue	75,671,818
Profit before taxation	24,009,328
Taxation	(4,901,510)
Net profit	19,107,818

Dividends

The following dividends were paid during the year:

- $0.60 per ordinary stock unit was paid in May 2017
- $0.60 per ordinary stock unit was paid in August 2017

Another interim dividend of $0.60 per ordinary stock unit was declared for payment in December 2017. The directors recommend that the Company's final dividend be $1.80, representing the aggregate of the interim dividends declared in 2017.

Directors

During the financial year, the Board of Directors comprised:

Hon. Michael A. Lee-Chin, OJ – Chairman (appointed February 23, 2017)
Mr Patrick A.A. Hylton, CD – President & Group Chief Executive Officer
Mr Dennis G. Cohen – Group Chief Financial Officer & Deputy Chief Executive Officer
Mr Robert W. Almeida (appointed February 23, 2017)
Mr Wayne C. Chen
Mrs Sandra A.C. Glasgow
Mrs Sanya M. Goffe
Hon. Noel A.A. Hylton, OJ, CD, Hon. LL B (appointed February 23, 2017)
Mrs Thalia G. Lyn, OD (appointed February 23, 2017)
Professor Alvin G. Wint, CD (appointed February 23, 2017)
Mr Oliver Mitchell Jr. (appointed February 23, 2017)

Corporate Secretary

The Corporate Secretary is Mr Dave L. Garcia.

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

The 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

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 30 September 2017, and of their consolidated financial performance and their consolidated cash flows for the year then ended, and stand-alone financial performance and stand-alone cash flows for the eighteen months then ended, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

What we have audited

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

- The consolidated income statement for the year ended 30 September 2017;
- The consolidated statement of comprehensive income for the year ended 30 September 2017;
- The consolidated statement of financial position as at 30 September 2017;
- The consolidated statement of changes in equity for the year ended 30 September 2017;
- The consolidated statement of cash flows for year ended 30 September 2017;
- The statement of comprehensive income for the eighteen months ended 30 September 2017;
- The statement of financial position as at 30 September 2017;
- The statement of changes in equity for the eighteen months ended 30 September 2017;
- The statement of cash flows for the eighteen months ended 30 September 2017; and
- The notes to the financial statements, which include significant accounting policies.

Basis for opinion

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

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

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

pwc

Independence

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

Our audit approach

Audit scope

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

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Reorganisation of NCB Financial Group Limited *See notes 1, 2 (a) and 3 to the consolidated financial statements for management's disclosures of related accounting policies.* During the financial year, National Commercial Bank Jamaica Limited (NCBJ) underwent a reorganisation which resulted in NCB Financial Group Limited (NCBFG) as the new parent company for NCBJ, in comparison to the prior financial year, when NCBFG was controlled by NCBJ and was consolidated in the financial statements of NCBJ accordingly. The reorganisation was effected in March 2017 under a court sanctioned scheme of arrangement, where the previously existing shares in NCBJ were cancelled, with new shares of equal amount, in NCBJ, being issued to NCBFG. NCBFG then issued shares, on a one for one basis, to all previous shareholders in NCBJ. On completion of the reorganisation,	We obtained an understanding of management's position as well as examined their proposed accounting policy treatment. We compared management's policy and assumption of no change in control against the criteria of IFRS 3 and IFRS10 and did not identify any contradictory conclusions. We examined the original legal documents which gave effect to the reorganisation, and confirmed that the necessary approvals were obtained as well as assessed the terms of the scheme to support the conclusions over management's judgement supporting no change in control. We did not identify any information that contradicted the accounting policy conclusion. We evaluated the adequacy of the presentation of the financial statements and related disclosures to ensure that the reorganisation was sufficiently described and that the presentation was appropriate based on

Key audit matter	How our audit addressed the Key audit matter
each shareholder in NCBFG had the same number of shares held in NCBJ, prior to the scheme of arrangement. In assessing the transaction, management considered that there was no change in control of the Group before and after the transaction. Management determined that the use of the predecessor method of accounting is the most appropriate method to be used in the circumstances. In applying the predecessor method, management presented prior period comparatives at pre reorganisation carrying amounts, and in the current year, presented a full year's financial results, even though the reorganisation took place during the current financial year. The accounting for the reorganisation and the presentation of the financial statements were areas of focus because of management's judgement in determining the accounting treatment.	management's accounting policy. We found no exceptions.
Impairment losses on loans and advances to customers *See notes 2 (j) and 21 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.* As at 30 September 2017, loans and advances, net of provision for credit losses represented $218.0 billion or 32% of total assets of the Group. IFRS determined impairment provisions of $3.7 billion have been recognised for the Group. We focused on the IFRS determined impairment assessment as the assumptions used for estimating both the amount and timing of future cash flows are complex and involve significant judgment by management, including: ▪ Classification of loans as impaired: we focused on management's identification of	We assessed and tested the design and operating effectiveness of the controls over impairment data and calculations. These controls included identification of which loans and advances were impaired. We determined we could rely on these controls for the purposes of our audit. We evaluated management's process by testing a sample of loans and advances which had not been identified by management as potentially impaired and formed our own judgement as to whether that was appropriate. The criteria we used to determine if there is objective evidence of impairment included: • Significant financial difficulty of the borrower;

Key audit matter	How our audit addressed the Key audit matter
the customer accounts that are included in the impairment assessment from a completeness perspective. ▪ Valuation of real estate property pledged as collateral: this is the most significant repayment source for impaired retail and impaired commercial loans. The estimation of collateral values is impacted by market trends as well as the circumstances of the specific property and involves judgment and specialised skills. ▪ The key assumptions and judgments made by management when calculating the provision for individually impaired loans: Key assumptions and judgments include the estimated costs to sell the collateral, time to liquidate the pledged collateral and the amount and timing of collection of cash flows from other sources than pledged collateral.	• Default or delinquency in interest or principal payments; • Concessions granted to a borrower that would not otherwise be considered due to the borrower's financial difficulty; • The probability that the borrower will enter bankruptcy or other financial reorganization; or • Observable market data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio since the initial recognition of the loans. Based on the testing, no adjustments were considered necessary. Where impairment had been identified, we inspected the forecasts of future cash flows prepared by management to support the calculation of the impairment, testing the assumptions and comparing estimates to external evidence where available. Management uses valuation experts to support their estimate of future cash flows from the asset, including realisation of the collateral held. Using a risk based approached, we engaged our experts to perform independent valuations of commercial and residential properties held as collateral. Based on the testing results, no adjustments were considered necessary. We tested the completeness of management's listing of potentially impaired loans by reperforming the process using management's impairment criterion. No differences were noted. Where an impairment provision had been identified by management based on an expected default rate against performing loans by sector, we evaluated the default rate model and compared inputs to relevant data including historical loss experience for loans with similar risk characteristics. We also checked the calculations for mathematical accuracy, noting no exceptions. We evaluated the performance of the loan portfolio subsequent to the end of the reporting period to identify significant adjusting subsequent events and did not identify any such events.

Key audit matter	How our audit addressed the Key audit matter
Valuation of investments classified as fair value through profit or loss, available-for-sale and loans and receivable, and pledged assets. *See notes 2(k), 19, 22 and 23 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.* As at 30 September 2017, investments classified as investment securities at fair value through profit or loss, available-for-sale and loans and receivable, and pledged assets together account for $301.0 billion or 43% of total assets of the Group. For some of the investments, an active market exists, from which quoted prices can be obtained. For others, management uses valuation techniques, which utilise inputs such as the investment cash flow details and a market yield obtained from established yield curves. The magnitude of this balance, the complexity of the models used, the use of management assumptions, and the potential for misstatement from the use of inappropriate yields from the yield curve resulted in this being an area of focus.	For investments for which quoted prices were available, we compared prices used by management to independent pricing sources. No exceptions identified. For investments which were valued using a valuation technique, we tested management's valuation for a sample of individual investment holdings by comparing investment cash flow details and yields to independent pricing and data sources, including externally independently developed yield curves. We evaluated management's assumptions in relation to the timing and amounts of cash flows in relation to the sample of investments by considering any indicators to suggest that there may be variations to the contractual cash flows expected. We recalculated the carrying value, and amounts disclosed for the fair value of the Group's investments for mathematical accuracy and noted no exceptions. Based on the testing, no adjustments were considered necessary.

Key audit matter	How our audit addressed the Key audit matter
Valuation of incurred but not reported claims for property & casualty contracts *See notes 2(t) and 34 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.*	
As at 30 September 2017, total incurred but not reported reserves account for $1.9 billion or 0.3% of total liabilities of the Group. The methodologies and assumptions utilized to develop incurred but not reported reserves involve a significant degree of judgement. The liabilities are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. There is generally less information available in relation to these claims, which can result in variability between initial estimates and final settlement. A range of methods, may be used to determine these provisions. We focused on this area because, underlying these methods are a number of explicit and implicit assumptions relating to the expected settlement amount and settlement patterns of claims and the values determined are subject to complex calculations.	We tested the completeness, accuracy and reliability of the underlying data utilized by management, and their external actuarial experts to support the actuarial valuation. Our tests did not identify any exceptions. We were assisted by actuarial specialists who performed a review of the actuarial valuation done by the Group's actuary. In reviewing the valuation, we evaluated the assumptions used by management and assessed the methodologies used for appropriateness and consistency with established actuarial practice and methodologies used in the prior year. The assumptions used by management were found to be reasonable and the methodologies applied appropriate in the circumstance.

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Key audit matter	How our audit addressed the Key audit matter
Methodologies and assumptions used for determining insurance contract liabilities for life insurance and annuity insurance contracts *See notes 2(t) and 34 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.*	
As at 30 September 2017, risk reserves for life insurance and annuity contracts account for $3.0 billion or 0.5% of the total liabilities of the Group. We focused on this area because the valuation of the provisions for the settlement of future claims involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions may result in significant impacts to the valuation of these liabilities.	We tested the completeness, accuracy and reliability of the underlying data utilized by management to support the actuarial valuation. We tested a sample of contracts to assess whether contract features and demographic data corresponded to the data file given by management to its actuary. We engaged an actuarial specialist to evaluate the methodologies and assumptions utilized by management's actuarial expert considering industry and component specific facts and circumstances. Specific areas of focus were mortality assumptions, contract lapses, investment return and associated discount rate, and operating expenses, all of which are based on entity experience or publicly available information. We found the significant estimates and assumptions used by management to be reasonable, and that the methodologies used were actuarially established and accepted and appropriate in the circumstance.

Key audit matter	How our audit addressed the Key audit matter
Impairment assessment for the Group's shareholding in associated company *See notes 2 (b), 3 and 24 to the financial statements for disclosures of related accounting policies.* At 30 September 2017, the market capitalisation for the Group's shareholdings in one of its associated companies was below its carrying value of $29.8 billion, as determined using equity accounting. This was considered to be an indicator of potential impairment, which required further consideration by management, as to whether a formal impairment assessment was required. Management concluded that an assessment was required, and performed a value in use calculation. We focused on this due to its subjectivity and the sensitivity to changes in inputs, as the performance of value in use calculation involves the use of estimates including future cash flow projections, revenue growth rates, discount rates and terminal growth rates. Based on the results of management's assessment, management has concluded that the investment is not impaired.	We examined management's assessment of the historical performance of its investment and compared underlying financial data used in the assessment, to audited financial statements and other publicly available financial information. We were assisted by our valuation expert to evaluate management's value in use calculation. We evaluated management's assumptions in relation to future cash flow projections, revenue growth rates, discount factors and terminal growth rates by forming our own independent expectation, referencing historical entity performance information, economic and statistical data. Our procedures did not identify any exceptions which would indicate that the investment in the associated company would require an impairment provision.

Other information

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

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

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

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

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

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

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group, 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's and Company's financial reporting process.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

PricewaterhouseCoopers

Chartered Accountants
23 November 2017
Kingston, Jamaica

NCB Financial Group Limited

Consolidated Income Statement

YEAR ENDED SEPTEMBER 30, 2017
(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

	Note	2017 $'000	2016 $'000
Operating Income			
Interest income		42,837,213	39,156,349
Interest expense		(13,077,544)	(11,032,579)
Net interest income	6	29,759,669	28,123,770
Fee and commission income		17,010,753	13,575,872
Fee and commission expense		(3,119,686)	(2,634,361)
Net fee and commission income	7	13,891,067	10,941,511
Gain on foreign currency and investment activities	8	7,726,060	4,736,122
Premium income	9	7,573,599	7,480,690
Dividend income	10	295,123	149,921
Other operating income		229,070	137,348
		15,823,852	12,504,081
		59,474,588	51,569,362
Operating Expenses			
Staff costs	11	16,461,158	13,809,023
Provision for credit losses	21	729,234	612,355
Policyholders' and annuitants' benefits and reserves	12	4,180,027	3,775,253
Depreciation and amortisation		2,359,274	1,899,414
Other operating expenses	13	14,586,267	13,377,245
		38,315,960	33,473,290
Operating Profit		21,158,628	18,096,072
Share of profit of associates	24	2,850,700	832,480
Profit before Taxation		24,009,328	18,928,552
Taxation	14	(4,901,510)	(4,479,992)
NET PROFIT		19,107,818	14,448,560
Earnings per stock unit			
Basic and diluted (expressed in $)	15	7.76	5.87

Consolidated Statement of Comprehensive Income

YEAR ENDED SEPTEMBER 30, 2017
(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

	2017 $'000	2016 $'000
Net Profit	19,107,818	14,448,560
Other Comprehensive Income, net of tax -		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	(388,640)	63,139
Share of other comprehensive income of associated companies	45,157	(77,158)
	(343,483)	(14,019)
Items that may be reclassified subsequently to profit or loss		
Currency translation gains	204,415	703,172
Share of other comprehensive income of associated companies	402,481	(58,606)
Unrealised gains on available-for-sale investments	3,484,021	6,598,378
Realised fair value gains on sale and maturity of available-for-sale investments	(3,318,701)	(1,183,914)
	772,216	6,059,030
Total other comprehensive income	428,733	6,045,011
TOTAL COMPREHENSIVE INCOME	19,536,551	20,493,571

NCB Financial Group Limited

Consolidated Statement of Financial Position

SEPTEMBER 30, 2017
(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

	Note	2017	2016
		$'000	$'000
ASSETS			
Cash in hand and balances at Central Banks	16	65,314,659	35,373,141
Due from banks	17	39,414,981	43,820,550
Derivative financial instruments	18	205,984	276,429
Investment securities at fair value through profit or loss	19	2,580,938	2,956,990
Reverse repurchase agreements	20	2,861,218	2,810,257
Loans and advances, net of provision for credit losses	21	218,615,226	189,055,786
Investment securities classified as available-for-sale and loans and receivables	22	189,070,828	166,426,708
Pledged assets	23	109,321,414	108,414,917
Investment in associates	24	37,186,185	34,787,067
Investment properties	25	812,619	524,917
Intangible assets	26	4,922,810	3,445,197
Property, plant and equipment	27	10,431,461	8,439,961
Deferred income tax assets	28	1,622,204	179,748
Income tax recoverable		1,515,680	780,807
Customers' liability – letters of credit and undertaking		1,971,727	2,201,599
Other assets	29	7,876,257	8,175,359
Total Assets		693,724,191	607,669,433

Consolidated Statement of Financial Position

SEPTEMBER 30, 2017
(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

	Note	2017 $'000	2016 $'000
LIABILITIES			
Due to banks	30	10,547,381	13,273,458
Customer deposits		288,464,013	273,965,888
Repurchase agreements		115,586,590	105,974,938
Obligations under securitisation arrangements	31	66,743,350	47,899,756
Derivative financial instruments	18	132,347	72,820
Other borrowed funds	32	38,649,556	12,061,154
Income tax payable		168,582	753,788
Deferred income tax liabilities	28	1,498,616	1,848,538
Liabilities under annuity and insurance contracts	34	36,185,320	35,282,653
Post-employment benefit obligations	35	4,020,696	3,131,117
Liability – letters of credit and undertaking		1,971,727	2,201,599
Other liabilities	36	13,762,244	8,098,414
Total Liabilities		577,730,422	504,564,123
EQUITY			
Share capital	37	153,827,330	-
Treasury shares	37	(330,129)	-
Reorganisation reserve	37	-	6,462,343
Fair value and capital reserves	38	(137,438,291)	8,824,351
Loan loss reserve	39	4,287,288	4,447,709
Banking reserve fund	40	6,567,333	6,539,948
Retained earnings reserve	41	35,650,000	29,620,000
Retained earnings		53,430,238	47,210,959
Total Equity		115,993,769	103,105,310
Total Equity and Liabilities		693,724,191	607,669,433

Approved for issue by the Board of Directors on November 9, 2017 and signed on its behalf by:

Patrick Hylton — President and Group Chief Executive Officer

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

Professor Alvin Wint — Director

Dave Garcia — Company Secretary

NCB Financial Group Limited

Consolidated Statement of Changes in Equity

YEAR ENDED SEPTEMBER 30, 2017
(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

	Note	Share Capital	Treasury Shares	Reorganisation Reserve	Fair Value and Capital Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at October 1, 2015		-	-	6,462,343	2,765,321	5,706,122	6,518,648	20,810,000	46,131,777	88,394,211
Total comprehensive income		-	-	-	6,059,030	-	-	-	14,434,541	20,493,571
Transfer from Loan Loss Reserve		-	-	-	-	(1,258,413)	-	-	1,258,413	-
Transfer to Banking Reserve Fund		-	-	-	-	-	21,300	-	(21,300)	-
Transfer to Retained Earnings Reserve		-	-	-	-	-	-	8,810,000	(8,810,000)	-
Transaction with owners of the Company -										
Dividends paid	48	-	-	-	-	-	-	-	(5,782,472)	(5,782,472)
Balance at September 30, 2016		-	-	6,462,343	8,824,351	4,447,709	6,539,948	29,620,000	47,210,959	103,105,310
Total comprehensive income		-	-	-	772,216	-	-	-	18,764,335	19,536,551
Transfer from Loan Loss Reserve		-	-	-	-	(160,421)	-	-	160,421	-
Transfer to Banking Reserve Fund		-	-	-	-	-	27,385	-	(27,385)	-
Transfer to Retained Earnings Reserve		-	-	-	-	-	-	6,030,000	(6,030,000)	-
Issue of shares on reorganisation	37	153,827,330	(330,129)	(6,462,343)	(147,034,858)	-	-	-	-	-
Transaction with owners of the Company -										
Dividends paid		-	-	-	-	-	-	-	(6,648,092)	(6,648,092)
Balance at September 30, 2017		153,827,330	(330,129)	-	(137,438,291)	4,287,288	6,567,333	35,650,000	53,430,238	115,993,769

Consolidated Statement of Cash Flows

YEAR ENDED SEPTEMBER 30, 2017

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

	Note	2017 $'000	2016 $'000
Cash Flows from Operating Activities			
Net profit		19,107,818	14,448,560
Adjustments to reconcile net profit to net cash provided by operating activities		(15,237,164)	21,225,555
Net cash provided by operating activities	42	3,870,654	35,674,115
Cash Flows from Investing Activities			
Acquisition of investment in associates	24	(50,000)	(27,952,114)
Acquisition of property, plant and equipment	27	(3,306,436)	(1,487,145)
Acquisition of intangible asset – computer software	26	(2,539,825)	(1,417,935)
Proceeds from disposal of property, plant and equipment		48,376	23,596
Purchase of investment property	25	(164,491)	-
Dividends received from associates	24	1,079,451	434,978
Purchases of investment securities		(251,665,584)	(239,697,929)
Sales/maturities of investment securities		231,325,177	246,559,985
Net cash used in investing activities		(25,273,332)	(23,536,564)
Cash Flows from Financing Activities			
Proceeds from securitisation arrangements		18,893,926	-
Repayment of securitisation arrangements		(1,090,693)	-
Proceeds from other borrowed funds		31,350,316	5,569,431
Repayments of other borrowed funds		(4,966,435)	(2,537,791)
Due to banks		(3,173,039)	6,637,919
Dividends paid		(6,648,092)	(5,782,472)
Net cash provided by financing activities		34,365,983	3,887,087
Effect of exchange rate changes on cash and cash equivalents		1,341,023	3,729,021
Net increase in cash and cash equivalents		14,304,328	19,753,659
Cash and cash equivalents at beginning of period		48,633,379	28,879,720
Cash and Cash Equivalents at End of Period		62,937,707	48,633,379
Comprising:			
Cash in hand and balances at Central Banks	16	26,290,505	5,540,284
Due from banks	17	35,515,793	43,414,871
Reverse repurchase agreements	20	2,170,573	1,319,906
Investment securities	22	2,725,170	1,653,236
Due to banks	30	(3,764,334)	(3,294,918)
		62,937,707	48,633,379

Statement of Comprehensive Income

EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2017
(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

	Note	2017
		$'000
Income		
Management fees	7	3,864,750
Dividend income	10	4,369,900
Losses on foreign currency activities	8	(890,967)
		7,343,683
Expenses		
Staff costs	11	544,668
Other operating expenses	13	1,079,338
		1,624,006
Operating profit		5,719,677
Interest income	6	382,867
Interest expense	6	(2,809,471)
Profit before Taxation		3,293,073
Taxation	14	269,207
NET PROFIT, BEING TOTAL COMPREHENSIVE INCOME		3,562,280

Statement of Financial Position

SEPTEMBER 30, 2017

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

	Note	2017
		$'000
ASSETS		
Due from banks	17	30,093,874
Loan to related party	21	9,591,511
Investment in subsidiaries		181,779,442
Deferred income tax assets		269,207
Other assets	29	5,249,697
Total Assets		226,983,731
LIABILITIES		
Due to banks	30	31,464,349
Other borrowed funds	32	40,359,048
Tax payable		62,246
Other liabilities	36	668,594
Total Liabilities		72,554,237
EQUITY		
Share capital	37	153,827,330
Retained earnings		602,164
Total Equity		154,429,494
Total Equity and Liabilities		226,983,731

Approved for issue by the Board of Directors on November 9, 2017 and signed on its behalf by:

Patrick Hylton — President and Group Chief Executive Officer

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

Professor Alvin Wint — Director

Dave Garcia — Company Secretary

NCB Financial Group Limited

Statement of Changes in Equity

EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2017
(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

	Note	Share Capital	Retained Earnings	Total
		$'000	$'000	$'000
Issue of shares	37	153,827,330	-	153,827,330
Total comprehensive income		-	3,562,280	3,562,280
Transaction with owners of the Company -				
Dividends paid	48	-	(2,960,116)	(2,960,116)
Balance at September 30, 2017		153,827,330	602,164	154,429,494

Statement of Cash Flows

EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2017
(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

	Note	2017 $'000
Cash Flows from Operating Activities		
Net profit		3,562,280
Adjustments to reconcile net profit to net cash provided by/(used in) operating activities:		
Interest income	6	(382,867)
Interest expense	6	2,809,471
Income tax expense	14	(269,207)
Foreign exchange losses	8	890,967
Changes in operating assets and liabilities:		
Loans and advances		(9,579,184)
Withholding taxes		62,246
Other		(4,581,100)
		(11,049,674)
Interest received		2,323
Interest paid		(237,946)
		(11,285,297)
Net cash used in operating activities		(7,723,017)
Cash Flows from Investing Activities		
Acquisition of investment in subsidiary		(27,952,114)
Net cash used in investing activities		(27,952,114)
Cash Flows from Financing Activities		
Proceeds from other borrowed funds		40,240,744
Due to banks		28,120,160
Dividends paid		(2,960,116)
Net cash provided by financing activities		65,400,788
Net increase in cash and cash equivalents		29,725,657
Cash and cash equivalents at beginning of period		-
Cash and Cash Equivalents at End of Period	17	29,725,657

Notes to the Financial Statements

SEPTEMBER 30, 2017
(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

1. Identification and Principal Activities

NCB Financial Group Limited ("the Company") is incorporated and domiciled in Jamaica. The Company is 49.17% owned by AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael A. Lee-Chin, OJ, Chairman of the Company.

During March 2017, through a court sanctioned and shareholder approved Scheme of Arrangements, the Company became the parent of National Commercial Bank Jamaica Limited (the Bank). The Company was established during the 2016 financial year, and was then controlled by, and consolidated in the financial statements of the Bank. The Bank's shares were previously listed on the Jamaica and Trinidad and Tobago Stock Exchanges.

Under the Scheme of Arrangement, the pre-existing shares in the Bank were transferred en-bloc to the Company, which in turn issued on a one for one basis, shares in the Company to the previous shareholders in Bank. Nominal shares, previously existing in the Company, were also cancelled. At the end of the transaction, each shareholder in the Company had an identical number of shares in the Company, as he or she had in the Bank prior to the Scheme of Arrangements. The execution of the Scheme of Arrangements did not change ultimate control of the Company or the Bank and consequently the transaction was accounted for as a re-organisation. As explained in note 2 (a) and 3, in accounting for the transaction, the Company applied the predecessor method of accounting, and accounted for the transaction retrospectively, as if the existing ownership structure was always in place. Prior period comparatives, reflecting pre-existing income and expense and asset and liability balances for the Company and the Bank are presented in these financial statements.

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

Subsequent to the execution of the Scheme of Arrangements, the Company's ordinary stock units were listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange.

(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

1. Identification and Principal Activities (Continued)

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

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

*No significant activities at this time.

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

Notes to the Financial Statements

SEPTEMBER 30, 2017
(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

1. Identification and Principal Activities (Continued)

The Group's associates are as follows:

	Principal Activities	Percentage ownership by The Group
Dyoll Group Limited	In Liquidation	44.47
Elite Diagnostic Limited	Medical Imaging Services	29.61
Guardian Holdings Limited	Life Insurance, Investment and Pension Fund Management Services	29.99
JMMB Group Limited	Securities Dealer and Stock Brokerage Services	26.30
Mundo Finance Limited	Micro Financing	50.00

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

With the exception of the Company's shareholding in NCB Global Holdings, and Guardian Holdings Limted, the Company's shareholdings in the above listed entities was nil in the prior year.

2. Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investment securities, investment securities at fair value through profit or loss, derivative contracts and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in Note 3.

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

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

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

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

Amendments to IAS 27, 'Consolidated and Separate Financial Statements', (effective for annual periods beginning on or after 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of this amendment is not expected to have a significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, (effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The adoption of these amendments is not expected to have a significant impact on the Group's financial statements.

Annual Improvements 2015, (effective for annual periods beginning on or after 1 January 2016). The amendments impact the following standards.

IFRS 5 was amended to clarify that a change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.

The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.

The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The adoption of these improvements is not expected to have a significant impact on the Group's financial statements.

Amendment to IAS 1, 'Presentation of Financial Statements', (effective for annual periods beginning on or after 1 January 2016). This amendment forms part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. It clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment also clarifies that the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The adoption of this standard resulted in a minor change to thepresentation of the consolidated statement of comprehensive income.

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not effective at the date of the statement of financial position, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

IAS 7, 'Statement of cash flows' (effective for annual periods beginning on or after 1 January 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are part of the IASB's Disclosure initiative, which continues to explore how financial statement disclosure can be improved.

IAS 12, 'Income taxes' (effective for annual periods beginning on or after 1 January 2017). These amendments on recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

IFRS 9, Financial Instruments (effective for annual periods beginning on or after 1 January 2018). In July 2014, the IASB issued IFRS 9 which is the comprehensive standard to replace *IAS 39 'Financial Instruments: Recognition and Measurement'*, and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect the asset's cash flows, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in its credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

IFRS 9, 'Financial Instruments' (continued)

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

IFRS 15, Revenue from contracts with Customers, (effective for annual periods beginning on or after 1 January 2018). The IASB has published its new revenue standard, IFRS 15 'Revenue from Contracts with Customers'. The U.S. Financial Accounting Standards Board (FASB) has concurrently published its equivalent revenue standard which is the result of a convergence project between the two Boards. IFRS 15 applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. It specifies how and when an entity will recognise revenue. It also requires entities to provide more informative, relevant disclosures. The standard supersedes IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and a number of revenue-related interpretations. IFRS 15,'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

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

IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for annual periods beginning on or after 1 January 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is a consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

IFRS 17, 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2021). This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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)

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (effective for annual periods beginning on or after 1 January 2018). In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9, Financial Instruments, and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional.

Transfer of Investment Property – Amendment to IAS 40 (effective for annual periods beginning on or after 1 January 2018). The amendment clarifies that transfers to, or from, investment property can only be made of there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer.

Annual improvements 2014-2016- These amendments impact 3 standards:

- **IFRS 1, 'First-time adoption of IFRS',** regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10 effective 1 January 2018.
- **IAS 28, 'Investments in associates and joint ventures'** regarding measuring an associate or joint venture at fair value effective 1 January 2018.

The Group is currently assessing the impact of future adoption of the above new standards on its financial statements.

(b) Basis of consolidation

Subsidiaries

Subsidiaries are those entities which the Group controls because the Group (i) has power to direct relevant activities of the entities that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the entities, and (iii) has the ability to use its power over the entities to affect the amount of the entities returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the entities need to be made. The Group may have power over an entity even when it holds no ownership interests in the entity, or when it holds less than majority of voting power in an entity. In such cases, the Group exercises judgement and assesses its power to direct the relevant activities of the entity, as well as the size of its of 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.

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

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

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

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

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

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

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 hbetween the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

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

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

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

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

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

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

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

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

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

2. Significant Accounting Policies (Continued)

(d) Foreign currency translation (continued)

Transactions and balances (continued)

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.

(e) Revenue recognition

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

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

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

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

2. Significant Accounting Policies (Continued)

(e) Revenue recognition (continued)

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

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

(f) Income taxes

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

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

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

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

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

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

(g) Cash and cash equivalents

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

2. Significant Accounting Policies (Continued)

(h) Derivative financial instruments

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

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

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

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

(i) Repurchase and reverse repurchase transactions

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

Notes to the Financial Statements

SEPTEMBER 30, 2017
(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

2. Significant Accounting Policies (Continued)

(j) Loans and advances and provisions for credit losses

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

Provision for credit losses determined under the requirements of IFRS

The Group continuously monitors loans or groups of loans for indicators of impairment. In the event that indicators are present, the loans or groups of loans are tested for impairment. A provision for credit losses is established if there is objective evidence of impairment. A loan or group of loans is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a 'loss event') and that loss event has reduced the estimated future cash flows of the loan and the amount of the reduction can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the obligor;
(ii) default or delinquency in interest or principal payments;
(iii) having to grant the borrower a concession that would not otherwise be considered due to the borrower's financial difficulty;
(iv) the probability that the borrower will enter bankruptcy or other financial reorganisation; or
(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio since the initial recognition of the loans, although the decrease cannot yet be identified with the individual loan in the portfolio, including:
    a) adverse changes in the payment status of borrowers in the portfolio; and
    b) national or local economic conditions that correlate with defaults on the loan portfolio.

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

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

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

2. Significant Accounting Policies (Continued)

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

Provision for credit losses determined under the requirements of IFRS (continued)
Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the group. Losses over the preceding 12 months are used as a baseline to determine historical loss experience for loans with credit risk characteristics similar to those in the group. This historical loss experience is then adjusted, if necessary, to reflect broader economic trends over the most recent 24-month period with a 36-month look back period used on the highest risk portfolios. Finally, applicable adjustments are made on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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

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

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

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

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

Notes to the Financial Statements

SEPTEMBER 30, 2017
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2. Significant Accounting Policies (Continued)

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

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

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

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

(k) Investment securities

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

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

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (i) those financial assets that the Group intends to sell immediately or in the short term, which are classified as FVPL, or (ii) those financial assets that the entity upon initial recognition, designates as at FVPL or has designated as AFS. Loans and receivables 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.

2. Significant Accounting Policies (Continued)

(k) Investment securities (continued)

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

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

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

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

(l) Investment property

Investment property is held for long-term rental yields and is, therefore, treated as a long-term investment. The property is not occupied by the Group.

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

2. Significant Accounting Policies (Continued)

(m) Intangible assets

Computer software

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

Customer relationships and trade name

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

(n) Property, plant and equipment

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

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

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

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

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

(o) Impairment of long lived assets

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

2. Significant Accounting Policies (Continued)

(p) Financial liabilities

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

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

Offsetting financial instruments

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

(q) Borrowings

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

(r) Structured products

Structured products are recognised initially at the nominal amount when funds are received. Derivatives are separately accounted for at fair value through the income statement (Note 18). The non-derivative elements are stated at amortised cost using the effective interest method.

(s) Leases

As lessee

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

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

As lessor

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

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2. Significant Accounting Policies (Continued)

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

Classification

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

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

Recognition and measurement

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

Short duration insurance contracts

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

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

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

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

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

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

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

2. Significant Accounting Policies (Continued)

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

Recognition and measurement (continued)

Short duration insurance contracts (continued)

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

Long duration insurance contracts

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

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

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

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

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

Outstanding claims

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

Policyholders' benefits

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

2. Significant Accounting Policies (Continued)

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

Liability adequacy test

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

Reinsurance contracts held

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

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

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

Receivables and payables related to insurance contracts and investment contracts

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

(u) Provisions

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

2. Significant Accounting Policies (Continued)

(v) Post-employment benefits

Pension benefits

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

Defined benefit pension plans

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

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

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

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

Past-service costs are recognised immediately in expenses.

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

Defined contribution pension plans

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

Other post-employment benefit obligations

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

2. Significant Accounting Policies (Continued)

(v) Post-employment benefits (continued)

Termination benefits

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

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

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

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

(ii) Obligations to guarantee or stand as surety for the benefit of a third party.

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

Where the Bank's obligations are considered to be contingent, the amounts are disclosed in Note 49.

(x) Share capital

Share issue costs

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

Dividends on ordinary shares

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

Treasury shares

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

(y) Fiduciary activities

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

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

Accounting for the Scheme of Arrangement

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

Income taxes

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

Impairment losses on loans and advances

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

Fair value of nvestment securities

Management uses its judgement in selecting appropriate valuation techniques to determine fair value of investment securities. These techniques are described in Note 45.

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

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

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

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

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

Interests in structured entities

Unit Trust Scheme

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

The Group as investment manager earns income from preliminary charges ranging from 0-4% and management fees ranging from 1.5-1.75% on these Unit Trust portfolios and the Group owns 0.40% (2016 - 0.58%) of the units in the Unit Trust at September 30, 2017.

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

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

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

Investments in Associated Companies

In accounting for the shares in Guardian Holdings Limited, the Group has identified and ascribed certain values to intangible assets, as required by IFRS 3 and IAS 28, as part of the purchase price allocation. The values for those intangibles assets have been determined using established valuation techniques.

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

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

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

4. Responsibilities of the Appointed Actuaries and External Auditors

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

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

5. Segment Reporting

The Group is organised into the following business segments:

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

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

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

(d) Treasury & correspondent banking – This incorporates the Bank's liquidity and investment management function, management of correspondent bank relationships, and relationships with other financial institutions as well as foreign currency dealing activities.

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

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

(g) General insurance – This incorporates property and casualty insurance services.

(h) The Group's insurance brokerage services, trustee services and registrar and transfer agent services are classified as Other for segment reporting.

The Group's operations are located mainly in Jamaica. The operations of subsidiaries located overseas account for less than 10% of the Group's external operating revenue, assets and capital expenditure.

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 Bank that are not allocated to the banking segments.

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

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

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

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5. Segment Reporting (Continued)

Year ended September 30, 2017	Consumer and SME									
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management & Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	18,835,872	11,686,395	7,574,970	12,400,065	11,109,883	8,386,630	5,612,097	65,906	-	75,671,818
Revenue from other segments	1,993,143	-	58,722	5,836,982	1,409,798	136,595	255,486	424,153	(10,114,879)	-
Total revenue	20,829,015	11,686,395	7,633,692	18,237,047	12,519,681	8,523,225	5,867,583	490,059	(10,114,879)	75,671,818
Interest income	16,064,079	4,233,546	6,056,483	13,228,335	7,916,779	3,190,990	717,601	18,315	(8,589,122)	42,837,006
Interest expense	(1,871,148)	(1,373,526)	(2,792,518)	(8,751,796)	(4,136,024)	(910,592)	-	(1,167)	6,781,156	(13,055,615)
Net interest income	14,192,931	2,860,020	3,263,965	4,476,539	3,780,755	2,280,398	717,601	17,148	(1,807,966)	29,781,391
Net fee and commission income	4,231,664	4,274,447	1,499,332	492,441	1,244,614	1,837,636	167,140	6,531	(67,018)	13,686,787
Gain on foreign currency and investment activities	180,509	27,042	58,037	4,292,183	2,754,334	216,670	197,043	246,353	(261,112)	7,711,059
Premium income	-	-	-	-	-	3,170,073	4,688,679	-	(285,153)	7,573,599
Other operating income and dividend income	228,831	1,470	972	208,997	603,955	107,857	97,120	423,785	(1,173,019)	499,968
Total operating income	18,833,935	7,162,979	4,822,306	9,470,160	8,383,658	7,612,634	5,867,583	693,817	(3,594,268))	59,252,804
Staff costs	6,668,573	723,439	216,169	155,182	1,068,915	876,909	844,055	75,581	(3,874)	10,624,949
Provision for credit losses	705,502	31,331	(3,035)	2,693	(7,226)	-	-	-	-	729,265
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	1,461,083	2,726,404	-	(7,460)	4,180,027
Depreciation and amortisation	330,003	443,362	6,839	16,827	104,354	93,527	75,567	-	71,643	1,142,122
Other operating expenses	2,861,692	2,341,893	469,662	1,005,941	1,250,181	647,872	860,392	14,075	(1,292,546)	8,159,162
Total operating expenses	10,565,770	3,540,025	689,635	1,180,643	2,416,224	3,079,391	4,506,418	89,656	(1,232,237)	24,835,525
Operating profit before allocated costs	8,268,165	3,622,954	4,132,671	8,289,517	5,967,434	4,533,243	1,361,165	604,161	(2,362,031)	34,417,279
Allocated costs	(5,583,037)	(1,352,467)	(748,570)	(348,411)	-	-	-	-	-	(8,032,485)
Operating profit c/fwd	2,685,128	2,270,487	3,384,101	7,941,106	5,967,434	4,533,243	1,361,165	604,161	(2,362,031)	26,384,794

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5. Segment Reporting (Continued)

	Consumer and SME									
Year ended September 30, 2017	**Retail & SME**	**Payment Services**	**Corporate Banking**	**Treasury & Corresponde nt Banking**	**Wealth, Asset Management & Investment Banking**	**Life Insurance & Pension Fund Management**	**General Insurance**	**Other**	**Eliminations**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Operating profit b/fwd	2,685,128	2,270,487	3,384,101	7,941,106	5,967,434	4,533,243	1,361,165	604,161	(2,362,031)	26,384,794
Unallocated corporate expenses										(5,226,166)
Share of profit of associates										2,850,700
Profit before Taxation										24,009,328
Taxation										(4,901,510)
Net Profit										19,107,818
Segment assets	252,892,296	24,056,040	80,248,041	230,355,157	189,795,827	46,529,802	14,371,254	1,382,361	(187,130,240)	652,500,538
Associates										37,186,185
Unallocated assets										4,037,468
Total assets										693,724,191
Segment liabilities	221,234,822	12,311,689	54,379,184	239,968,452	157,380,417	30,992,399	8,017,323	72,753,251	(221,473,347)	575,564,190
Unallocated liabilities										2,166,232
Total liabilities										577,730,422
Capital expenditure	2,933,124	973,881	212,808	113,441	821,514	398,447	318,195	74,851	-	5,846,261

5. Segment Reporting (Continued)

Year ended September 30, 2017	Total per segment report $'000	Allocated expenses $'000	Unallocated corporate expenses $'000	Total per income statement $'000
Reconciliation to income statement				
Interest income	42,837,006	160	47	42,837,213
Interest expense	(13,055,615)	(16,920)	(5,009)	(13,077,544)
Net fee and commission income	13,686,787	157,667	46,613	13,891,067
Gain on foreign currency and investment activities	7,711,059	11,575	3,426	7,726,060
Premium income	7,573,599	-	-	7,573,599
Other operating income and dividend income	499,968	18,693	5,532	524,193
Staff costs	(10,624,949)	(4,503,219)	(1,332,990)	(16,461,158)
Provision for credit losses	(729,265)	23	8	(729,234)
Policyholders' and annuitants' benefits and reserves	(4,180,027)	-	-	(4,180,027)
Depreciation and amortisation	(1,142,122)	(939,155)	(277,997)	(2,359,274)
Other operating expenses	(8,159,162)	(2,761,309)	(3,665,796)	(14,586,267)
Operating profit	34,417,279	(8,032,644)	(5,226,007)	21,158,628

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5. Segment Reporting (Continued)

Year ended September 30, 2016	Consumer and SME									
	Retail & SME $'000	Payment Services $'000	Corporate Banking $'000	Treasury & Correspondent Banking $'000	Wealth, Asset Management & Investment Banking $'000	Life Insurance & Pension Fund Management $'000	General Insurance $'000	Other $'000	Eliminations $'000	Total $'000
External revenue	14,925,163	9,929,023	6,270,125	10,006,538	10,576,564	7,764,142	5,656,319	108,428	-	65,236,302
Revenue from other segments	3,528,610	-	35,503	4,575,822	681,768	106,125	199,898	58,050	(9,185,776)	-
Total revenue	18,453,773	9,929,023	6,305,628	14,582,360	11,258,332	7,870,267	5,856,217	166,478	(9,185,776)	65,236,302
Interest income	14,464,834	3,602,442	5,315,981	11,531,826	7,515,905	3,054,322	729,906	19,616	(7,078,666)	39,156,166
Interest expense	(1,593,452)	(1,150,273)	(2,781,003)	(7,369,888)	(3,674,533)	(901,311)	-	(1,202)	6,460,029	(11,011,633)
Net interest income	12,871,382	2,452,169	2,534,978	4,161,938	3,841,372	2,153,011	729,906	18,414	(618,637)	28,144,533
Net fee and commission income	3,681,685	3,645,991	929,209	403,456	877,439	1,259,483	148,330	12,331	(85,166)	10,872,758
Gain on foreign currency and investment activities	190,633	21,989	49,274	2,447,138	2,186,958	382,585	299,733	75,232	(924,348)	4,729,194
Premium income	-	-	-	-	-	3,116,919	4,614,742	-	(250,971)	7,480,690
Other operating income and dividend income	41,491	2,862	754	194,320	638,807	56,959	63,507	59,300	(851,279)	206,721
Total operating income	16,785,191	6,123,011	3,514,215	7,206,852	7,544,576	6,968,957	5,856,218	165,277	(2,730,401)	51,433,896
Staff costs	5,763,194	544,362	259,245	168,738	1,001,611	759,347	954,221	69,032	(78,885)	9,440,865
Provision for credit losses	714,575	286,866	(412,381)	1,706	21,316	-	-	-	-	612,082
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	1,050,732	2,734,239	-	(9,718)	3,775,253
Depreciation and amortisation	267,669	285,228	6,972	47,109	63,556	58,207	73,838	208	71,644	874,431
Other operating expenses	2,725,708	2,162,463	525,814	808,506	1,262,449	756,718	742,139	6,904	(406,177)	8,584,524
Total operating expenses	9,471,146	3,278,919	379,650	1,026,059	2,348,932	2,625,004	4,504,437	76,144	(423,136)	23,287,155
Operating profit before allocated costs	7,314,045	2,844,092	3,134,565	6,180,793	5,195,644	4,343,953	1,351,781	89,133	(2,307,265)	28,146,741
Allocated costs	(5,084,644)	(1,229,446)	(668,084)	(326,881)	-	-	-	-	-	(7,309,055)
Operating profit c/fwd	2,229,401	1,614,646	2,466,481	5,853,912	5,195,644	4,343,953	1,351,781	89,133	(2,307,265)	20,837,686

5. Segment Reporting (Continued)

Year ended September 30, 2016	Consumer and SME									
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management & Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating profit b/fwd	2,229,401	1,614,646	2,466,481	5,853,912	5,195,644	4,343,953	1,351,781	89,133	(2,307,265)	20,837,686
Unallocated corporate expenses										(2,741,614)
Share of profit of associates										832,480
Profit before Taxation										18,928,552
Taxation										(4,479,992)
Net Profit										14,448,560
Segment assets	219,755,477	18,213,178	79,609,290	214,267,834	156,846,325	42,101,382	14,036,822	1,129,946	(174,951,614)	571,008,640
Associates										34,787,067
Unallocated assets										1,873,726
Total assets										607,669,433
Segment liabilities	195,276,692	10,693,171	63,102,788	204,533,001	128,838,244	28,229,974	8,478,399	791,186	(138,229,118)	501,714,337
Unallocated liabilities										2,849,786
Total liabilities										504,564,123
Capital expenditure	1,256,881	746,813	117,962	42,858	415,091	204,485	102,500	18,490	-	2,905,080

5. Segment Reporting (Continued)

Year ended September 30, 2016	Total per segment report $'000	Allocated expenses $'000	Unallocated corporate expenses $'000	Total per income statement $'000
Reconciliation to income statement				
Interest income	39,156,166	131	52	39,156,349
Interest expense	(11,011,633)	(15,071)	(5,875)	(11,032,579)
Net fee and commission income	10,872,758	49,467	19,286	10,941,511
Gain on foreign currency and investment activities	4,729,194	4,985	1,943	4,736,122
Premium income	7,480,690	-	-	7,480,690
Other operating income and dividend income	206,721	57,954	22,594	287,269
Staff costs	(9,440,865)	(3,142,865)	(1,225,293)	(13,809,023)
Provision for credit losses	(612,082)	(193)	(80)	(612,355)
Policyholders' and annuitants' benefits and reserves	(3,775,253)	-	-	(3,775,253)
Depreciation and amortisation	(874,431)	(737,469)	(287,514)	(1,899,414)
Other operating expenses	(8,584,524)	(3,525,994)	(1,266,727)	(13,377,245)
Operating profit	28,146,741	(7,309,055)	(2,741,614)	18,096,072

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6 Net Interest Income

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Interest income			
Loans and advances	24,811,477	21,371,923	12,327
Investment securities –			
Available-for-sale and loans and receivables (including pledged assets)	17,559,605	17,610,458	-
At fair value through profit or loss	138,670	76,867	-
Reverse repurchase agreements	146,828	51,222	-
Deposits and other	180,633	45,879	370,540
	42,837,213	39,156,349	382,867
Interest expense			
Customer deposits	2,267,451	2,209,018	-
Repurchase agreements	3,756,207	3,765,072	-
Policyholders' benefits	907,932	894,754	-
Securitisation arrangements	4,312,097	3,069,176	-
Other borrowed funds and amounts due to banks	1,833,857	1,094,524	2,809,471
Other	-	35	-
	13,077,544	11,032,579	2,809,471
Net interest income	29,759,669	28,123,770	(2,426,604)

7. Net Fee and Commission Income

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Fee and commission income			
Retail and SME	4,328,367	3,674,187	-
Payment services	7,419,450	6,289,749	-
Corporate banking	1,515,148	933,785	-
Management Fees	-	-	3,864,750
Treasury and correspondent banking	505,090	362,303	-
Wealth, asset management & investment banking	1,189,438	877,439	-
Life insurance and pension fund management	1,837,636	1,259,483	-
General insurance	167,140	148,330	-
Other	48,484	30,596	-
	17,010,753	13,575,872	3,864,750
Fee and commission expense			
Payment services	3,119,686	2,634,361	-
	13,891,067	10,941,511	3,864,750

8. Gain on Foreign Currency and Investment Activities

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Net foreign exchange gains/(losses)	2,807,457	2,097,424	(890,967)
Gain/(Loss) on sale of debt securities held for trading	3,579	(146)	-
Gain on sale of other debt securities	4,429,890	2,768,696	-
Fair value loss on embedded put option	(129,972)	(319,006)	-
Gain on sale of equity securities	514,895	146,154	-
Fair value gain on revaluation of investment property (Note 25)	100,211	43,000	-
	7,726,060	4,736,122	(890,967)

Net foreign exchange 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.

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9. Premium Income

	The Group	
	2017	**2016**
	$'000	**$'000**
Annuity contracts	1,056,869	1,405,549
Life insurance contracts	2,113,204	1,660,297
General insurance contracts	4,403,526	4,414,844
	7,573,599	7,480,690

10. Dividend Income

	The Group		The Company
	2017	**2016**	**2017**
	$'000	**$'000**	**$'000**
Subsidiaries	-	-	4,369,900
Other equity securities	295,123	149,921	-
	295,123	149,921	4,369,900

11. Staff Costs

	The Group		The Company
	2017	**2016**	**2017**
	$'000	**$'000**	**$'000**
Wages, salaries, allowances and benefits	12,147,246	11,958,602	494,059
Payroll taxes	1,320,551	1,090,519	45,820
Pension costs – defined contribution plans (Note 35)	391,914	359,033	4,789
Pension costs – defined benefit plans (Note 35)	41,140	36,063	-
Staff profit share	2,044,602	-	-
Termination benefits	166,035	46,650	-
Other post-employment benefits (Note 35)	349,670	318,156	-
	16,461,158	13,809,023	544,668

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

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

12. Policyholders' and Annuitants' Benefits and Reserves

	The Group	
	2017	2016
	$'000	$'000
Annuity contracts	1,902,714	2,035,949
Life insurance contracts	(441,630)	(985,218)
General insurance contracts	2,718,943	2,724,522
	4,180,027	3,775,253

The above amounts include insurance claims by policyholders amounting to $216,851,000 (2016 –$265,850,000) in respect of life insurance and annuity contracts and $2,987,072,000 (2016 – $2,972,367,000) in respect of general insurance contracts.

13. Other Operating Expenses

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Auditors' remuneration	92,333	105,028	4,700
Credit card rebates	921,039	806,110	-
Insurance and premiums	330,293	248,592	-
Commission to insurance brokers	228,417	245,684	-
Irrecoverable general consumption tax and asset tax	2,743,047	2,617,187	200
License and transaction processing fees	1,406,632	1,410,608	5,480
Marketing, customer care, advertising and donations	1,455,304	1,539,246	-
Operating lease rentals	227,713	219,265	-
Property, vehicle and ABM maintenance and utilities	3,028,171	2,688,931	2,088
Receivership expenses	-	116,766	-
Stationery	184,940	149,459	-
Technical, consultancy and professional fees	1,637,141	1,363,696	849,005
Travelling, courier and telecommunication	927,198	978,956	-
Management and royalty fees	183,854	171,988	
Operational losses	330,392	464,744	
Other	889,793	250,985	217,865
	14,586,267	13,377,245	1,079,338

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14. Taxation

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Current:			
Income tax	6,667,501	6,434,595	-
Prior year over provision	(4,809)	(211,432)	-
Deferred income tax (Note 28)	(1,761,182)	(1,743,171)	(269,207)
	4,901,510	4,479,992	(269,207)

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

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Profit before tax	24,009,328	18,928,552	3,293,073
Tax calculated at actual tax rates	8,069,530	5,926,338	1,097,691
Income not subject to tax or in respect of which tax has been remitted	(1,833,877)	(1,194,888)	-
Expenses not deductible for tax purposes	520,606	414,892	-
Effect of share of profit of associates included net of tax	(1,248,900)	(81,169)	-
Effect of change in tax rate applicable to life insurance subsidiary	-	33,698	-
Effect of different tax rates applicable to dividend income	(73,170)	(4,963)	(1,092,475)
Deferred tax not recognised	(35,280)	(405,574)	-
Prior year over provision	(4,809)	(211,432)	-
Other	(492,590)	3,090	(274,423)
Taxation expense	4,901,510	4,479,992	(269,207)

14. Taxation (Continued)

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

	The Group		
At 30 September 2017	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**
Currency translation gains	204,415	-	204,415
Fair value gains on available-for-sale investments, net of gains recycled to profit or loss	328,444	(163,124)	165,320
Share of other comprehensive income of associated companies, net of tax	447,638	-	447,638
Remeasurement of post-employment benefit obligation	(582,961)	194,320	(388,640)
Other comprehensive income	397,536	31,196	428,733
Deferred income tax (Note 28)		31,196	

	The Group		
At 30 September 2016	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**
Currency translation gains	703,172	-	703,172
Fair value gains on available-for-sale investments, net of gains recycled to profit or loss	6,935,777	(1,657,076)	5,278,701
Remeasurement of post-employment benefit obligation	94,708	(31,570)	63,138
Other comprehensive income	7,733,657	(1,688,646)	6,045,011
Deferred income tax (Note 28)		(1,688,646)	

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15. Earnings per Stock Unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders 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.

	2017	2016
Net profit attributable to stockholders ($'000)	19,107,818	14,448,560
Weighted average number of ordinary stock units in issue ('000)	2,461,469	2,461,469
Basic and diluted earnings per stock unit ($)	7.76	5.87

16. Cash in Hand and Balances at Central Banks

	The Group	
	2017	2016
	$'000	$'000
Cash in hand	4,531,037	4,668,373
Balances with Central Banks other than statutory reserves	21,759,468	871,911
Included in cash and cash equivalents	26,290,505	5,540,284
Statutory reserves with Central Banks – interest-bearing	-	159,238
Statutory reserves with Central Banks – non-interest-bearing	39,022,524	29,673,027
	65,313,029	35,372,549
Interest receivable	1,630	592
	65,314,659	35,373,141

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. Interest was earned on certain foreign currency reserves during the previous year. The payment of interest on all foreign currency cash reserves was discontinued.

17. Due from Banks

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Placements with NCB	-	-	29,725,657
Items in course of collection from other banks	491,368	316,093	-
Placements with other banks	40,717,877	45,631,693	-
	41,209,245	45,947,786	29,725,657
Interest receivable	1,628	1,839	368,217
	41,210,873	45,949,625	30,093,874
Less: Placements pledged as collateral for letters of credit (Note 23)	(1,795,892)	(2,129,075)	-
	39,414,981	43,820,550	30,093,874

Placements with other 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
	2017	2016	2017
	$'000	$'000	$'000
Due from NCBJ	-	-	29,725,657
Due from banks	39,414,981	43,820,550	-
Less: amounts restricted to the settlement of obligations under securitisation arrangements	(3,899,188)	(405,679)	-
	35,515,793	43,414,871	29,725,657

18. Derivative Financial Instruments

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

	The Group	
	2017	2016
Assets	$'000	$'000
Embedded put option	73,637	203,609
Equity indexed options	132,347	72,820
	205,984	276,429
Liabilities		
Equity indexed options	132,347	72,820
	132,347	72,820

18. Derivative Financial Instruments (Continued)

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

Embedded put option

The Group holds certain Government of Jamaica debt securities which were issued in February 2013 and mature in February 2024. The terms of these securities contain an investor put option exercisable in February 2018 under which the holder may require the Government of Jamaica to redeem the securities at 100% of the principal value plus any accrued interest. This embedded put option has been separated and recognised as a financial asset in the statement of financial position. Gains and losses arising from changes in the fair value of the option are reflected in "Gain/(loss) on foreign currency and investment activities" (Note 8).

Equity indexed options

The derivative liability represents the equity index option element of principal protected notes issued by the Group (Note 32(d)) and is carried at fair value.

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

19. Investment Securities at Fair Value through Profit or Loss

	The Group	
	2017	**2016**
	$'000	**$'000**
Government of Jamaica debt securities	1,163,435	1,555,655
Government of Trinidad debt securities	89,039	-
Government of Jamaica guaranteed corporate bonds	-	147,334
	1,252,474	1,702,989
Other corporate bonds	254,349	531,461
Foreign government	8,571	163,952
Quoted debt and equity securities	2,732,533	694,563
Other securities	521	521
	4,248,448	3,093,486
Interest receivable	11,275	26,387
	4,259,723	3,119,873
Less pledged securities (Note 23)	(1,678,785)	(162,883)
	2,580,938	2,956,990

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 $15,903,000 (2016 – $9,052,000) for the Group.

At September 30, 2017, the Group held $3,066,136,000 (2016 – $2,932,058,000) 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 $684,464,000 (2016 – $351,000,000) as collateral for some of their own repurchase agreements.

Included in reverse repurchase agreements for the Group are securities with an original maturity of less than 90 days amounting to $2,170,573,000 (2016 – $1,319,906,000) which are regarded as cash equivalents for purposes of the statement of cash flows.

21. Loans and Advances

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Gross loans and advances	220,854,699	192,392,506	9,579,184
Provision for credit losses	(3,659,526)	(3,782,255)	-
	217,195,173	188,610,251	9,579,184
Interest receivable	1,420,053	445,535	12,327
	218,615,226	189,055,786	9,591,511

The current portion of loans and advances amounted to $65,982,683,000 (2016 – $39,060,230,000) for the Group and $9,591,511,000 for the Company.

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

	The Group	
	2017	2016
	$'000	$'000
Balance at beginning of year	3,782,255	4,435,188
Provided during the year	1,697,785	1,522,160
Recoveries	(968,512)	(909,805)
Net charge to the income statement	729,234	612,355
Write-offs	(852,002)	(1,265,287)
Balance at end of year	3,659,526	3,782,255

The aggregate amount of non-performing loans on which interest was not being accrued amounted to $5,403,474,000 as at September 30, 2017 (2016 –$6,043,525,000).

21. Loans and Advances (Continued)

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

	The Group	
	2017	2016
	$'000	$'000
Specific provision	5,539,720	6,108,124
General provision	2,407,094	2,121,840
	7,946,814	8,229,964
Excess of regulatory provision over IFRS provision recognised in the Bank reflected in non-distributable loan loss reserve (Note 39)	4,287,288	4,447,709

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

	The Group	
	2017	2016
	$'000	$'000
Available-for-sale securities – at fair value		
Debt securities –		
Government of Jamaica and Bank of Jamaica	186,060,301	180,152,168
Government of Jamaica guaranteed corporate bonds	3,155,236	4,590,935
	189,215,537	184,743,104
Other corporate bonds	25,009,268	16,585,767
Foreign governments	9,768,973	7,543,772
Equity securities –		
Quoted	2,736,023	1,585,715
Unquoted	2,133,170	903,990
Unit Trust investments	639,868	551,521
	229,502,839	211,913,868
Loans and receivables – at amortised cost		
Debt securities –		
Government of Jamaica and Bank of Jamaica	44,141,505	41,405,112
Government of Jamaica guaranteed corporate bonds	3,786,213	4,046,333
	47,927,718	45,451,445
Other corporate bonds	13,432,012	11,473,261
	61,359,730	56,924,706
Interest receivable	4,054,996	3,711,093
Total investment securities	294,917,565	272,549,667

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

	The Group	
	2017	2016
	$'000	$'000
Total investment securities, as above	294,917,565	272,549,667
Less: Pledged securities (Note 23)	(105,846,737)	(106,122,959)
Amount reported on the statement of financial position	189,070,828	166,426,708

The current portion of total investment securities amounted to $30,574,444,000 (2016 - $19,120,113,000) for the Group.

Included in investment securities are debt securities with an original maturity of less than 90 days amounting to $2,725,170,000 (2016 - $1,653,236,000) for the Group which are regarded as cash equivalents for purposes of the statement of cash flows.

23. Pledged Assets

	The Group	
	2017	2016
	$'000	$'000
Investment securities classified as available-for-sale pledged as collateral for:		
Repurchase agreements	105,118,840	105,429,181
Clearing services	583,543	556,365
Investment securities held as security in respect of life insurance subsidiary	144,354	137,413
	105,846,737	106,122,959
Investment securities at fair value through profit or loss pledged as collateral for:		
Repurchase agreements	1,678,785	162,883
	107,525,522	106,285,842
Placements with other banks pledged as collateral for letters of credit	1,795,892	2,129,075
	109,321,414	108,414,917

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

24. Investment in Associates

	The Group	
	2017	2016
	$'000	$'000
At the beginning of the year	34,787,067	6,307,220
Acquisition	50,000	27,952,114
Share of profits	2,850,700	832,480
Dividends received:		
Guardian Holdings Limited	(886,501)	(276,330)
JMMB Group Limited	(192,950)	(158,648)
Movement in other reserves	577,869	130,231
At end of year	37,186,185	34,787,067

The acquisition of 29.99% shareholding in Guardian Holdings Limited (GHL) in the prior year was completed in May 2016. The Group also acquired a 50% interest in Mundo Finance Limited during the current year. The Group has accounted for these investments as associated companies and will apply the equity method based on a three-month lag.

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

24. Investment in Associates (Continued)

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

	The Group			
	Carrying Value	JSE and TTSE Indicative Value	Carrying Value	JSE and TTSE Indicative Value
	2017	2017	2016	2016
	$'000	$'000	$'000	$'000
Guardian Holdings Limited	29,811,695	19,916,558	28,215,386	16,901,466
JMMB Group Limited	7,254,544	9,587,461	6,501,754	5,574,131
Other	119,946	-	69,927	-
	37,186,185	29,504,019	34,787,067	22,475,597

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24. Investment in Associates (Continued)

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

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

	Guardian Holdings Limited $'000	JMMB Group Limited $'000	Other individually immaterial associates $'000	Total $'000
2017				
Current assets	41,281,247	40,575,048	97,337	81,953,632
Non-current assets	439,448,946	227,475,242	240,069	667,164,257
Current liabilities	24,069,778	174,291,786	16,368	198,377,932
Non-current liabilities	396,702,124	66,954,152	68,084	463,724,360
Revenue	107,062,063	23,202,215	199,574	130,544,335
Profit or loss from continuing operations	7,708,406	3,370,545	2,459	11,081,410
Other comprehensive income	1,577,165	600,485	-	2,177,650
Total comprehensive income	9,716,327	3,971,030	2,459	13,689,816
Percentage ownership	29.99%	26.30%		
Net assets of the associate - 100%	59,958,290	26,804,352		
Pre-acquisition goodwill and intangible assets	(11,888,961)	-		
Non-controlling interests	(401,436)	(867,238)		
Adjusted net assets	47,667,893	25,937,114		
Group share of adjusted net assets	14,295,601	6,821,461		
Fair values of intangible assets recognised on acquisition	15,903,435	862,477		
Accumulated amortisation	(387,341)	(429,394)		
Carrying amount	29,811,695	7,254,544		

24. Investment in Associates (Continued)

	Guardian Holdings Limited $'000	JMMB Group Limited $'000	Other individually immaterial associates $'000	Total $'000
2016				
Current assets	46,406,961	29,051,434	64,872	75,523,267
Non-current assets	399,109,220	215,869,562	195,860	615,174,642
Current liabilities	18,798,247	160,705,922	13,325	179,517,493
Non-current liabilities	371,811,134	60,648,002	68,084	432,527,220
Revenue	21,679,028	19,838,103	193,638	31,705,064
Profit or loss from continuing operations	1,889,530	2,289,689	28,828	3,335,956
Other comprehensive income	(348,379)	(476,391)	-	(663,979)
Total comprehensive income	1,544,758	1,813,298	28,828	2,673,919
Percentage ownership	29.99%	26.30%		
Net assets of the associate - 100%	54,906,801	23,567,072		
Pre-acquisition goodwill and intangible assets	(11,948,703)	-		
Non-controlling interests	(432,711)	(757,036)		
Adjusted net assets	42,525,387	22,810,036		
Group share of adjusted net assets	12,753,363	5,999,039		
Fair values of intangible assets recognised on acquisition	15,462,023	862,477		
Accumulated amortisation	-	(359,762)		
Carrying amount	28,215,386	6,501,754		

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25. Investment Property

	The Group	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of year	524,917	475,500
Additions	164,491	-
Reclassification	23,000	6,417
Fair value gains (Note 8)	100,211	43,000
Balance at end of year	812,619	524,917
Income earned from the properties	54,944	29,676
Expenses incurred by the properties	(46,879)	(5,323)

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

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

26. Intangible Assets

	The Group			
	Trade name $'000	Customer relationships $'000	Computer Software $'000	Total $'000
		2017		
Net book value, at beginning of year	194,531	139,916	3,110,750	3,445,197
Additions	-	-	2,539,825	2,539,825
Amortisation charge	(11,949)	(59,695)	(990,568)	(1,062,212)
Net book value, at end of year	182,582	80,221	4,660,007	4,922,810
Cost	238,974	358,162	10,151,624	10,748,760
Accumulated amortisation	(56,392)	(277,941)	(5,491,617)	(5,825,950)
Closing net book value	182,582	80,221	4,660,007	4,922,810
		2016		
Net book value, at beginning of year	206,480	199,610	2,406,473	2,812,563
Additions	-	-	1,417,935	1,417,935
Reclassifications and adjustments	-	-	(7,694)	(7,694)
Amortisation charge	(11,949)	(59,694)	(705,964)	(777,607)
Net book value, at end of year	194,531	139,916	3,110,750	3,445,197
Cost	238,974	358,163	7,611,780	8,208,917
Accumulated amortisation	(44,443)	(218,247)	(4,501,030)	(4,763,720)
Closing net book value	194,531	139,916	3,110,750	3,445,197

Computer software for the Group at year end include items with a cost of $1,318,682,000 (2016 - $786,609,000) on which no amortisation has yet been charged as these software applications are in the process of implementation.

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27. Property, Plant and Equipment

	The Group					
	Freehold Land and Buildings $'000	Leasehold Improvements $'000	Motor Vehicles, Furniture & Equipment $'000	Assets Capitalised Under Finance Leases $'000	Work-in-Progress $'000	Total $'000
Cost -						
At October 1, 2015	5,399,668	659,152	8,951,526	685,631	620,748	16,316,725
Additions	52,135	40,995	1,015,930	211,173	166,912	1,487,145
Disposals	(2,427)	-	(1,261,796)	(176,483)	-	(1,440,706)
Transfers	236,530	32,905	212,715	-	(482,150)	-
Reclassifications and adjustments	32,987	(1,789)	-	-	7,654	38,852
At September 30, 2016	5,718,893	731,263	8,918,375	720,321	313,164	16,402,016
Additions	6,895	34,333	656,940	304,358	2,303,910	3,306,436
Disposals	(94,990)	(197,654)	(166,995)	(157,878)	(498)	(618,015)
Transfers	28,402	39,363	115,799	-	(206,564)	(23,000)
Reclassifications and adjustments	43,542	(14,909)	(5,207)	24,583	3,299	51,308
At September 30, 2017	5,702,742	592,396	9,518,912	891,384	2,413,311	19,118,745
Accumulated Depreciation -						
At October 1, 2015	813,875	565,161	6,482,939	423,871	-	8,285,846
Charge for the year	119,736	39,835	791,408	170,829	-	1,121,808
Disposals	(609)	-	(1,256,872)	(172,572)	-	(1,430,053)
Reclassifications and adjustments	(15,935)	(862)	1,251	-	-	(15,546)
At September 30, 2016	917,067	604,134	6,018,726	422,128	-	7,962,055
Charge for the year	144,609	55,151	903,428	193,874	-	1,297,062
Disposals	(22,818)	(188,809)	(165,470)	(150,194)	-	(527,291)
Reclassifications and adjustments	(53,224)	(7,559)	14,715	1,526	-	(44,542)
At September 30, 2017	985,634	462,917	6,771,399	467,334	-	8,687,284
Net Book Value -						
September 30, 2017	4,717,108	129,479	2,747,513	424,050	2,413,311	10,431,461
September 30, 2016	4,801,826	127,129	2,899,649	298,193	313,164	8,439,961

The carrying value of assets capitalised under finance leases pledged as collateral amounted to $463,755,000 (2016 – $339,228,000).

28. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 25% (2016: 25%) for the life insurance subsidiary, 33⅓% for the Company and other "regulated companies", 21% for the subsidiary incorporated in the United Kingdom and 25% for all other subsidiaries; with the exception of the subsidiaries incorporated in Cayman Islands and 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
	2017	2016	2017
	$'000	$'000	$'000
Deferred tax assets	(1,622,204)	(179,748)	(269,207)
Deferred tax liabilities	1,498,616	1,848,538	-
Net asset at end of year	(123,588)	1,668,790	(269,207)

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

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Net liability at beginning of year	1,668,790	1,723,315	-
Deferred tax credited in the income statement (Note 14)	(1,761,182)	(1,743,171)	(269,207)
Deferred tax (credited)/charged to other comprehensive income	(31,196)	1,688,646	-
Net (asset)/ liability at end of year	(123,588)	1,668,790	(269,207)

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

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Deferred tax assets to be recovered after more than 12 months	(1,769,096)	(1,066,636)	-
Deferred tax liabilities to be settled after more than 12 months	1,850,883	676,056	-

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28. 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
	2017	2016	2017
	$'000	$'000	$'000
Deferred income tax assets:			
Property, plant and equipment	654,590	411,116	-
Investment securities classified as available-for-sale	1,422	3,219	-
Loan loss provisions	11,893	-	-
Pensions and other post-retirement benefits	1,340,232	1,045,220	-
Interest payable	185,278	164,551	-
Unrealised foreign exchange loss	327,161	-	-
Untilised tax losses	-	-	269,207
Other temporary differences	637,608	307,962	-
	3,158,184	1,932,068	269,207
Deferred income tax liabilities:			
Property, plant and equipment	2,303	27,361	-
Investment securities at fair value through profit or loss	1,804	49,464	-
Investment securities classified as available-for-sale	1,669,258	1,423,592	-
Interest receivable	124,415	380,897	-
Unrealised foreign exchange gains	345,257	763,864	-
Loan loss provisions	621,251	769,991	-
Fair value gains on derivatives	-	106,335	-
Other temporary differences	270,322	79,354	-
	3,034,596	3,600,858	-
Net deferred tax asset	(123,588)	1,668,790	(269,207)

28. Deferred Income Taxes (Continued)

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

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Property, plant and equipment	(260,982)	(379,899)	-
Investment securities	(57,742)	(42,217)	-
Loan loss provisions	(148,740)	(599,841)	-
Pensions and other post-retirement benefits	(100,692)	(84,677)	-
Interest receivable	86,334	130,974	-
Interest payable	(20,726)	(31,333)	-
Fair value (losses)/gains on derivatives	(50,942)	95,315	-
Unrealised foreign exchange gains and losses	(1,233,179)	(490,847)	-
Unutilised tax losses	-	-	(269,207)
Other temporary differences	25,487	(340,646)	-
	(1,761,182)	(1,743,171)	(269,207)

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

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Unrealised gains on available-for-sale investments	746,491	1,813,757	-
Realised fair value gains on sale and maturity of investments	(583,367)	(156,681)	-
Remeasurement of the post-employment benefit obligation	(194,320)	31,570	-
	(31,196)	1,688,646	-

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29. Other Assets

	The Group		The Company
	2017	**2016**	**2017**
	$'000	**$'000**	$'000
Due from merchants, financial institutions, clients and payment systems providers	5,153,514	3,219,760	1,758,742
Prepayments	1,197,314	977,756	24,085
Receivables on disposal of debt collateral	-	2,902,404	-
Re-insurance recoverable	271,145	389,714	-
Due from banks	-	-	3,466,870
Other	1,254,284	685,725	-
	7,876,257	8,175,359	5,249,697

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

30. Due to Banks

	The Group		The Company
	2017	**2016**	**2017**
	$'000	**$'000**	**$'000**
Items in course of payment	3,364,253	2,767,040	-
Borrowings from NCBJ	-	-	29,088,688
Borrowings from other banks	7,056,477	10,362,027	-
Deposits from other banks	60,883	56,167	-
	10,481,613	13,185,234	29,088,688
Interest payable	65,768	88,224	2,375,661
	10,547,381	13,273,458	31,464,349

Items in the course of payment primarily represent cheques drawn by the Group which have been accounted for as a deduction from its bank balances but which have not been presented on its bank accounts. These relate to accounts held with banks outside of Jamaica and at Central Banks. Borrowings from other banks are denominated in United States dollars and have various maturity dates. These attract interest at 5.56%-10.62% per annum.

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

	The Group	
	2017	**2016**
	$'000	**$'000**
Total due to banks	10,547,381	13,273,458
Less: amounts with original maturities of greater than 90 days	(6,783,047)	(9,978,540)
	3,764,334	3,294,918

31. Obligations under Securitisation Arrangements

	The Group	
	2017	2016
	$'000	$'000
Diversified payment rights		
Principal outstanding – US$116,667,000 (2016 – US$125,000,000)	15,073,438	15,991,250
Merchant voucher receivables		
Principal outstanding – US$400,000,000 (2016 –US$250,000,000)	51,680,360	31,982,500
	66,753,798	47,973,750
Unamortised transaction fees	(755,963)	(557,842)
	65,997,835	47,415,908
Interest payable	745,515	483,848
Net liability	66,743,350	47,899,756

The current portion of obligations under securitisation arrangements amounted to $10,781,502,000 (2016 – $1,066,083,000).

Diversified Payment Rights

The Group has entered into a number of structured financing transactions involving securitisation of its Diversified Payment Rights. A Diversified Payment Right ("DPR") is a right of the Group 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, the Group assigns its rights to all present and future DPRs to an offshore special purpose vehicle, Jamaica Diversified Payment Rights Company Limited (Note 33), which then issues notes which are secured by DPR flows. The cash flows generated by the DPRs are used by Jamaica Diversified Payment Rights Company Limited to make scheduled principal and interest payments to the note holders and any excess cash is transferred to the Group, provided no early amortisation event or default has occurred under the terms of the notes.

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

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

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

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

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31. Obligations under Securitisation Arrangements (Continued)

On March 28, 2016, the holders of the Series 2013-1 Notes exercised their third and final option to extend the maturity of the Notes by 12 months, adjusting the principal amortisation to commence on September 15, 2017 and final maturity to March 15, 2021.

Merchant Voucher Receivables

The Group has entered into a structured financing transaction involving securitisation of its Merchant Voucher Receivables. This arrangement involves the sale of future flows due from Visa International Service Association (Visa) and MasterCard International Incorporated (MasterCard) related to international merchant vouchers acquired by the Group 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, the transferred its rights to all future receivables to an off-shore special purpose company (SPC), Jamaica Merchant Voucher Receivables Limited, which then issues notes which are secured by the Merchant Voucher Receivables flows. The cash flows generated by the Merchant Vouchers Receivables are used by Jamaica Merchant Voucher Receivables Limited to make scheduled principal and interest payments to the note holders and any excess cash is transferred to the Group, provided no early amortisation event or default has occurred under the terms of the notes.

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

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

32. Other Borrowed Funds

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
(a) Development Bank of Jamaica	4,409,372	4,120,781	-
(b) Customer long-term investments	40,450	61,545	-
(c) Corporate notes	33,026,926	6,728,949	40,240,744
(d) Principal protected notes	565,600	741,153	-
(e) Finance lease obligations	453,851	347,062	-
(f) Other	1,463	7,239	-
	38,497,662	12,006,729	40,240,744
Unamortised transaction fees	(77,560)	-	(77,560)
Interest payable	229,454	54,425	195,864
	38,649,556	12,061,154	40,359,048

The current portion of other borrowed funds amounted to $6,656,717,000 (2016 – $5,189,420,000) 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% – 8%.

(b) Customer long-term investments represent investments placed by customers for a minimum period of five (5) years. The investments are at variable interest rates and are not subject to withholding tax if held to maturity. They are repayable between 2017 and 2018 and attract interest at 2.6% - 4.4% (2016: 1.7% - 4.4%) per annum.

(c) Corporate notes are both unsecured and secured variable and fixed rate notes issued in a combination of Jamaican dollars and United States dollars. The notes are repayable between 2017 and 2022. The fixed rate notes attract interest between 4.5% and 9.75% and the variable rate notes attract interest of the six month weighted average Treasury bill yield plus 2.5% per annum.

(d) The Group has issued principal protected notes which entitle the holders to participate in positive returns on the Euro Stoxx 50 or S&P 500 indices while providing a principal protection feature with or without an annual coupon interest payment. If the return on the index is negative, the holder will obtain the principal invested for the notes. Both the principal and interest payments are indexed to the US dollar. These notes are structured products and comprise a fixed income element accounted for at amortised cost (disclosed above) and a derivative (equity indexed option) element disclosed in Note 18.

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32. Other Borrowed Funds (Continued)

(e) The finance lease obligations are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Minimum lease payments under finance leases:		
Not later than 1 year	227,651	193,384
Later than 1 year and not later than 5 years	289,247	202,834
	516,898	396,218
Future finance charges	(63,047)	(49,156)
Present value of finance lease obligations	453,851	347,062

The present value of finance lease obligations is as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Not later than 1 year	190,311	164,412
Later than 1 year and not later than 5 years	263,540	182,650
	453,851	347,062

33. Interests in Structured Entities

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

Consolidated Structured Entities

Securitisation Vehicles
The Group uses securitisation as a source of financing and a means of risk transfer. Securitisation of its Diversified Payment Rights and Merchant Voucher Receivables (Note 31) is conducted through structured entities, Jamaica Diversified Payment Rights Company Limited and Jamaica Merchant Voucher Receivables Limited, exempted limited liability companies incorporated under the laws of the Cayman Islands. The relationship between the transferred rights and the associated liabilities is that holders of Notes may only look to cash flows from the securitised assets for payments of principal and interest due to them under the terms of their Notes.

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

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

33. 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	
	2017	**2016**
	$'000	**$'000**
Total assets of the Unit Trust	35,783,505	34,816,209
The Group's interest – Carrying value of units held (included in available-for-sale investment securities – Note 22)	139,179	150,822
Maximum exposure to loss	139,179	150,822
Liability to the Unit Trust in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)	2,623,046	4,728,482
Total income from the Group's interests	656,466	501,111

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.

34. Liabilities under Annuity and Insurance Contracts

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

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

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

Liabilities under Annuity and Insurance Contracts comprise the following:

	The Group	
	2017	**2016**
	$'000	**$'000**
Liabilities under life insurance and annuity contracts	29,106,118	27,811,227
Liabilities under general insurance contracts	7,079,202	7,471,426
	36,185,320	35,282,653

Liabilities under Life Insurance and Annuity Contracts

	The Group	
	2017	**2016**
	$'000	**$'000**
(a) Composition of liabilities under life insurance and annuity contracts:		
Life assurance fund	25,915,372	24,787,816
Risk reserve	3,028,489	2,885,362
Benefits and claims payable	71,366	48,495
Unprocessed premiums	90,891	89,554
	29,106,118	27,811,227

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34. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

	The Group	
	2017	**2016**
	$'000	**$'000**
(b) Change in policyholders' liabilities:		
Life assurance fund:		
At the beginning of the year	24,787,816	23,704,129
Gross premiums	3,855,348	3,777,256
Premium refunds	(2,249)	(596)
Mortality charges transferred to the income statement	(82,201)	(65,892)
Fees transferred to the income statement	(502,827)	(351,545)
Claims and benefits	(3,048,447)	(3,170,290)
Interest credited	907,932	894,754
At the end of the year	25,915,372	24,787,816
Risk reserve:		
At the beginning of the year	2,885,362	3,227,494
Issue of new contracts	496,779	307,108
Normal changes	824,666	388,799
Effect of change in assumptions:		
Base renewal expense levels	(853,543)	(1,021,383)
Investment returns	(192,403)	(73,177)
Lapse and surrender rates	(9,070)	31,751
Mortality rates	(123,302)	18,731
Disability	-	6,039
At the end of the year	3,028,489	2,885,362
Benefits and claims payable:		
At the beginning of the year	48,495	54,085
Policyholders' claims and benefits	216,851	259,462
Benefits and claims paid	(193,980)	(265,052)
At the end of the year	71,366	48,495
Unprocessed premiums:		
At the beginning of the year	89,554	81,318
Premiums received	6,975,442	6,856,058
Premiums applied	(6,974,105)	(6,847,822)
At the end of the year	90,891	89,554

34. Liabilities under Annuity and Insurance Contracts (Continued)

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

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

	2016			
	Annuity	Individual life	Group life	Total
	$'000	$'000	$'000	$'000
Balance brought forward	6,099,907	(3,402,727)	530,314	3,227,494
Changes in assumptions:				
Investment returns	38,750	(111,927)	-	(73,177)
Base renewal expense levels and inflation	1,539	(1,026,528)	3,606	(1,021,383)
Lapse and surrender rates	-	31,751	-	31,751
Disability	-	6,039	-	6,039
Mortality rates	11,251	7,480	-	18,731
	51,540	(1,093,185)	3,606	(1,038,039)
Issue of new contracts	799,114	(685,617)	193,611	307,108
Normal changes	51,896	530,066	(193,163)	388,799
Net change	902,550	(1,248,736)	4,054	(342,132)
	7,002,457	(4,651,463)	534,368	2,885,362

34. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)
The Group's life insurance subsidiary holds assets that match insurance liabilities. These assets comprise mainly investment securities, which are classified as available-for-sale and loans and receivables, and reverse repurchase agreements.

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

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

	2016			
	Annuity Contracts	**Individual and Group Life Insurance Contracts**	**Other Liabilities, Surplus and Capital**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Investment securities	6,761,781	25,609,890	6,558,456	38,930,127
Reverse repurchase agreements	571,020	1,402,734	145,482	2,119,236
Other assets	710,631	1,423,012	(1,112,641)	1,021,002
Property, plant and equipment	-	-	15,725	15,725
Intangible asset – computer software	-	-	314,281	314,281
	8,043,432	28,435,636	5,921,303	42,400,371

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34. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

Policy assumptions

For insurance contracts, the assumptions used to determine the liabilities are updated at each reporting date to reflect the latest best estimates. The assumptions used for valuing the insurance contracts disclosed in this note are as follows:

Mortality and morbidity

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

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

Investment yields

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

	Individual with Investment Options	Individual & Group Life	Annuities
Year 1	6.61%	8.39%	12.82%
Year 2 – 10	Decreasing to 5.85%	Decreasing to 6.99%	12.82%
Year 11 – 29	Decreasing to 5.00%	Decreasing to 5.60%	12.82%
Year 29 onwards	5.00%	5.60%	9.71%
Year 39 onwards	-	-	7.50%

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

34. Liabilities under Annuity and Insurance Contracts (Continued)

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

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

Year 1	5.74%
Year 2 – 10	Decreasing to 5.03%
Year 11 – 25	Decreasing to 4.00%
Year 25 onwards	4.00%

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

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

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

34. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under General Insurance Contracts (continued)

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

	Change in Variable	Increase in Liability	
		2017	2016
	%	$'000	$'000
Lowering of investment returns	-1	2,687,203	2,568,576
Increase in investment returns	1	(2,218,136)	(2,128,338)
Worsening of base renewal expense levels	-10	(208,895)	(246,873)
Improvement in base renewal expense levels	10	208,959	246,873
Worsening of mortality	-10	(91,278)	(81,431)
Improvment in mortality	10	92,278	81,431
Worsening of lapse and surrender rates	-10	(329,191)	(276,837)
Improvement in lapse and surrender rates	10	369,925	276,837

	The Group	
	2017 $'000	2016 $'000
Gross:		
Claims outstanding	4,619,396	4,977,622
Unearned premiums	2,459,806	2,493,804
	7,079,202	7,471,426
Reinsurance ceded		
Claims outstanding	(39,792)	(166,069)
Unearned premiums	(204,847)	(224,381)
	(244,639)	(390,450)
Net:		
Claims outstanding	4,579,604	4,811,553
Unearned premiums	2,365,753	2,376,621
	6,945,357	7,188,174

34. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under General Insurance Contracts

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

	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Notified claims	3,215,853	(160,334)	3,055,519	3,567,995	(40,077)	3,527,918
Claims incurred but not reported	1,761,769	(5,735)	1,756,034	1,526,263	(2,949)	1,523,314
Balance at beginning of year	4,977,622	(166,069)	4,811,553	5,094,258	(43,026)	5,051,232
Claims incurred	2,816,198	(61,074)	2,755,124	2,975,045	(242,357)	2,732,688
Claims paid	(3,174,424)	187,351	(2,987,073)	(3,091,681)	119,314	(2,972,367)
Balance at end of year	4,619,396	(39,792)	4,579,604	4,977,622	(166,069)	4,811,553
Comprising:						
Notified claims	2,687,327	(25,648)	2,661,679	3,215,853	(160,334)	3,055,519
Claims incurred but not reported	1,932,069	(14,144)	1,917,925	1,761,769	(5,735)	1,756,034
	4,619,396	(39,792)	4,579,604	4,977,622	(166,069)	4,811,553

34. Liabilities under Insurance and Annuity Contracts (Continued)

Liabilities under General Insurance Contracts (continued)

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

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

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

	2017			2016		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at beginning of year	2,601,002	(224,381)	2,376,621	2,527,990	(205,958)	2,322,032
Premiums written	5,187,560	(509,750)	4,677,810	5,152,559	(483,228)	4,669,331
Premiums earned	(5,217,962)	529,284	(4,688,678)	(5,079,547)	464,805	(4,614,742)
Balance at end of year	2,570,600	(204,847)	2,365,753	2,601,002	(224,381)	2,376,621
Comprising, by type of business:						
Liability insurance contracts	33,832	-	33,832	27,828	-	27,828
Motor insurance contracts	2,234,796	38,384	2,273,180	2,290,215	-	2,290,215
Pecuniary loss insurance contracts	37,919	(33,733)	4,186	62,622	(35,311)	27,311
Property insurance contracts	264,053	(209,498)	54,555	220,337	(189,070)	31,267
	2,570,600	(204,847)	2,365,753	2,601,002	(224,381)	2,376,621

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35. Post-employment Benefits

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

	The Group	
	2017	**2016**
	$'000	**$'000**
Pension schemes	(122,358)	43,295
Other post-employment benefits	4,143,054	3,087,822
	4,020,696	3,131,117

The amounts recognised in the income statement are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Pension schemes	41,140	36,063
Other post-employment benefits	349,670	318,156
	390,810	354,219

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

	The Group	
	2017	**2016**
	$'000	**$'000**
Pension schemes	(175,451)	(25,296)
Other post-employment benefits	758,412	(69,412)
	582,961	(94,708)

35. Post-employment Benefits (Continued)

(a) Pension schemes

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

National Commercial Bank Staff Pension Fund 1986

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

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

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

National Commercial Bank Staff Pension Fund 1999

This is a defined contribution scheme which is funded by payments from employees and by the relevant companies. Group companies contribute an amount equivalent to 5% of employees' salary to the scheme each pay cycle and employees may contribute 5% to 15%.

Advantage General Insurance Company Limited Superannuation Fund

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

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

	2017		2016	
	The Bank	AGIC	The Bank	AGIC
	$'000	$'000	$'000	$'000
Present value of funded obligations	23,304,895	884,946	18,797,371	897,371
Fair value of plan assets	(29,107,197)	(1,007,304)	(24,390,232)	(854,076)
(Over)/under – funded obligations	(5,802,302)	(122,358)	(5,592,861)	43,295
Limitation on pension assets	5,802,302	-	5,592,861	-
	-	(122,358)	-	43,295

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

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35. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The schemes are valued by independent actuaries annually using the projected unit credit method; the latest such valuation being carried out as at September 30, 2017 for the Bank's scheme and at August 31, 2017 for the AGIC scheme.

The movement in the defined benefit obligation is as follows:

	2017		2016	
	The Bank	AGIC	The Bank	AGIC
	$'000	$'000	$'000	$'000
At beginning of year	18,797,371	897,371	16,226,090	746,167
Employee's contributions	-	34,592	-	30,439
Service cost	-	30,340	-	24,895
Interest cost	1,640,393	81,228	1,416,172	67,126
Remeasurements:				
Experience losses	4,008,701	8,358	2,136,790	54,071
Gains from changes in financial assumptions	-	(133,297)	-	-
Benefits paid	(1,141,570)	(33,647)	(981,681)	(25,327)
At end of year	23,304,895	884,946	18,797,371	897,371

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

	2017		2016	
	The Bank	AGIC	The Bank	AGIC
	$'000	$'000	$'000	$'000
At beginning of year	24,390,232	854,076	20,529,745	684,631
Interest on plan assets	2,143,750	78,424	1,803,501	62,558
Remeasurement - return on plan assets, excluding amounts included in interest on plan assets	3,714,785	50,512	3,038,667	79,368
Contributions	-	65,934	-	59,446
Administration fees	-	(7,995)	-	(6,600)
Benefits paid	(1,141,570)	(33,647)	(981,681)	(25,327)
At end of year	29,107,197	1,007,304	24,390,232	854,076

35. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in the income statement are as follows:

	2017		2016	
	The Bank	AGIC	The Bank	AGIC
	$'000	$'000	$'000	$'000
Current service cost	-	30,340	-	24,895
Administration fees	-	7,995	-	6,600
Net interest expense	-	2,804	-	4,568
Total, included in staff costs	-	41,140	-	36,063

The amounts recognised in other comprehensive income are as follows:

	2017		2016	
	The Bank	AGIC	The Bank	AGIC
	$'000	$'000	$'000	$'000
Loss/(gain) on present value of funded obligations	4,008,702	(124,939)	2,136,789	54,072
Gain on fair value of plan assets	(3,714,785)	(50,512)	(3,038,667)	(79,368)
Change in effect of asset ceiling	(293,917)	-	901,878	-
Net gain	-	(175,451)	-	(25,296)

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

	2017		2016	
	$'000	%	$'000	%
Debt securities	13,004,469	44.68	13,878,726	56.90
Equity securities	13,666,272	46.95	8,043,613	32.98
Real estate	2,391,721	8.37	2,316,565	9.50
Other	44,735	0.15	151,328	0.62
	29,107,197	100.00	24,390,232	100.00

These plan assets included:

- Ordinary stock units of the Company with a fair value of $4,189,409,000 (2016 – $2,646,804,000).
- Repurchase obligations, promissory notes and lease obligations of the Group aggregating $162,407,000 (2016 – $140,000,000)
- Properties occupied by the Group with a fair value of $493,166,000 (2016 - $565,266,000).

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35. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

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

	2017		2016	
	$'000	**%**	**$'000**	**%**
Debt securities	614,026	60.96	455,680	53.35
Equity securities	299,383	29.72	248,524	29.10
Real estate and other	93,895	9.32	149,872	17.55
	1,007,304	100.00	854,076	100.00

Expected contributions to the Bank's and AGIC's defined benefit pension schemes for the year ending September 30, 2018 are nil and $33,600,000 respectively.

The principal actuarial assumptions used are as follows:

	2017		2016	
	The Bank	**AGIC**	**The Bank**	**AGIC**
Discount rate	9.00%	9.00%	9.00%	9.00%
Future salary increases	7.00%	7.00%	6.00%	6.00%
Future pension increases	4.00%	-	4.00%	2.50%

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, 2017 is 11 years (2016 – 11.5 years) for the Bank's defined benefit scheme and 16.6 years (2016 – 18.3 years) for AGIC's scheme.

35. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

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

The Bank

	Increase/(decrease) in defined benefit obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(2,235,847)	2,677,266
Future salary increases	1%	127,120	(120,746)
Future pension increases	1%	2,381,287	(2,042,573)
Life expectancy	1 year	624,000	(586,000)

AGIC

	Increase/(decrease) in defined benefit obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(124,121)	161,488
Future salary increases	1%	80,408	(68,511)
Life expectancy	1 year	12,000	(12,500)

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.

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35. Post-employment Benefits (Continued)

(b) Other post-employment benefits

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

In addition to the assumptions used for pension schemes, the main actuarial assumption is a long-term increase in health costs of 1.5 percentage points above CPI per year (2016 – 1.5 percentage points above CPI).

The average duration of the other post-employment benefits obligation at September 30, 2017 is 19.1 years for the Bank and 20.5 years for AGIC.

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

	The Group	
	2017	**2016**
	$'000	**$'000**
Present value of unfunded obligations	4,143,054	3,087,822

The movement in the defined benefit obligation is as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
At beginning of the year	3,087,822	2,879,352
Service cost	73,704	71,725
Interest cost	275,966	256,339
Remeasurements:		
Experience losses	31,537	(45,628)
Demographic assumptions	52,279	(23,785)
Losses from changes in financial assumptions	674,597	-
Additional liability recognised in respect of prior year	-	(9,908)
Benefits paid	(52,851)	(40,273)
At end of year	4,143,054	3,087,822

The amounts recognised in the income statement are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Service cost	73,704	71,725
Net interest expense	275,966	256,339
Additional liability recognised in respect of prior year	-	(9,908)
Total, included in staff costs (Note 11)	349,670	318,156

35. Post-employment Benefits (Continued)

(b) Other post-employment benefits (continued)

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

The Bank	Increase/(decrease) in obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(625,840)	814,909
Medical cost inflation	1%	799,984	(626,412)
Life expectancy	1 year	139,270	(139,270)

AGIC	Increase/(decrease) in obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(39,427)	51,789
Medical cost inflation	1%	50,685	(39,355)
Life expectancy	1 year	6,300	(7,100)

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

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

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

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

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

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

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

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36. Other Liabilities

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Accrued staff benefits	3,445,276	2,290,602	29,968
Due to customers, merchants and clients	6,920,334	3,077,684	
Accrued other operating expenses	2,312,276	1,238,787	586,045
Due to Government	228,209	502,170	52,581
Other	856,149	989,171	
	13,762,244	8,098,414	668,594

37. Share Capital

	2017	2016
	$'000	$'000
Authorised - unlimited		
Issued and fully paid up –		
2,466,762,828 ordinary stock units of no par value	153,827,330	-
5,293,916 ordinary stock units held by NCB Employee Share Scheme	(330,129)	-
Issued and outstanding	153,497,201	-
Reorganisation reserve	-	6,462,343

The share capital of $153,827,330,000 is based on the Jamaica Stock Exchange market capitalisation value of the Bank immediately preceding the Scheme of Arrangement. This represents the best estimate of consideration exchanged by the Company. The negative reserves of $147,034,858,00 arising on the consolidation of the Group is accounted for in capital reserves, representing the difference between the the value for share capital recognised and the previous carrying value of the share capital in the financial statements of the Company. (Note 38).

The NCB Employee Share Scheme was established in 1986 to acquire certain shares of NCB Group Limited, the then holding company for the Group, for the beneficial interest of eligible employees. The scheme holds 5.3 million units of the Company's ordinary stock that have not been reissued to staff and are accounted for as treasury shares. The scheme, which is included in the consolidated financial statements, is currently dormant.

38. Fair Value and Capital Reserves

	The Group	
	2017	2016
	$'000	$'000
Fair value reserve	4,619,180	4,112,552
Capital reserve	(142,057,471)	4,711,799
	(137,438,291)	8,824,351
Capital reserve comprises:		
Realised –		
Surplus on revaluation of property, plant and equipment	92,991	92,991
Retained earnings capitalised	98,167	98,167
Share redemption reserve	1,077,382	1,077,382
Unrealised –		
Translation reserve	2,576,684	2,362,748
Reserve from the scheme of arrangement	(147,034,858)	-
Surplus on revaluation of property, plant and equipment	142,963	142,963
Share of movement in reserves of associate	534,416	482,764
Other	454,784	454,784
	(142,057,471)	4,711,799

39. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 21).

40. Banking Reserve Fund

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

The Financial Institutions Act, 2008, which is applicable for the Group's regulated subsidiary in Trinidad and Tobago, 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.

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41. Retained Earnings Reserve

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

42. Cash Flows from Operating Activities

	Note	The Group	
		2017	**2016**
		$'000	**$'000**
Net profit		19,107,818	14,448,560
Adjustments to reconcile net profit to net cash flow provided by operating activities:			
Depreciation	27	1,297,062	1,121,808
Amortisation of intangible assets	26	1,062,212	777,607
Share of after tax profits of associates	24	(2,850,700)	(832,480)
Provision for credit losses	21	729,234	612,355
Interest income	6	(42,837,213)	(39,156,349)
Interest expense	6	13,077,544	11,032,579
Income tax expense	14	4,901,510	4,479,992
Unrealised exchange losses on securitisation arrangements		570,743	3,458,209
Amortisation of upfront fees on securitisation arrangements		207,951	111,088
Unrealised exchange losses on other borrowed funds		26,209	426,081
Change in post-employment benefit obligations	35	390,810	354,219
Foreign exchange gains		(2,807,457)	(2,097,424)
Gain on disposal of property, plant and equipment and intangible assets		(53,502)	(12,944)
Fair value gains on investment property	25	(100,211)	(43,000)
Fair value losses on derivative financial instruments		129,972	230,380
Changes in operating assets and liabilities:			
Statutory reserves at Central Bank		(9,190,259)	(6,585,047)
Pledged assets included in due from banks		333,183	(494,733)
Restricted cash included in due from banks		(3,493,509)	235,357
Reverse repurchase agreements		806,557	(1,037,593)
Loans and advances		(29,314,355)	(24,425,321)
Customer deposits		14,575,878	46,176,913
Repurchase agreements		9,670,207	6,034,623
Liabilities under annuity and insurance contracts		902,667	593,379
Other		5,880,706	(2,437,853)
		(36,084,761)	(1,478,154)
Interest received		41,627,242	39,265,488
Interest paid		(12,796,873)	(11,032,398)
Income tax paid		(7,982,772)	(5,529,381)
		(15,237,164)	21,225,555
Net cash provided by operating activities		3,870,654	35,674,115

43. 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Loans and advances								
Balance at September 30	-	43,403	668,603	853,907	219,759	204,051	1,057,573	1,083,484
Interest income earned	-	2,358	67,260	90,265	8,732	9,627	85,295	107,735
Investment securities								
Balance at September 30	-	-	-	-	-	-	-	-
Interest income earned	-	12,348	-	-	-	-	-	-
Reverse repurchase agreements								
Balance at September 30	-	-	843,000	1,018,828	-	-	-	-
Interest income earned	-	-	10,444	4,537	-	-	-	-
Other assets								
Balance at September 30	-	-	-	1,096	-	-	185,000	96,013
Fee and commission income	10,843	5,080	17,465	21,194	3,216	960	13,601	5,457
Other operating income	-	9,581	-	-	15,000	-	721,660	407,472
Dividend income	-	-	1,079,451	434,978	-	-	13,220	30,312

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43. 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Customer deposits								
Balance at September 30	463,007	378,809	2,676,497	2,370,142	211,367	195,413	646,886	1,694,033
Interest expense	335	319	7,329	12,083	751	865	430	7,432
Repurchase agreements								
Balance at September 30	175,227	86,198	1,000,082	350,000	654,807	752,727	163,277	512,399
Interest expense	2,601	7,448	24,726	5,736	10,223	6,445	2,637	13,272
Borrowed Funds								
Balance at September 30	-	-	-	-	387,212	-	43,790	-
Interest expense	-	-	-	-	3,046	-	356	-
Other liabilities								
Balance at September 30	-	-	-	-	77,023	18,443	160	824
Operating expenses	49,764	46,744	5,028	4,928	30,848	14,224	749,727	565,786

43. 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
	2017	2017	2017
	$'000	$'000	$'000
Loans and advances			
Balance at September 30	9,591,511	-	-
Interest income earned	12,327	-	-
Deposits with related party			
Balance at September 30	30,093,874		
Interest income earned (Deposits)	370,540	-	-
Other assets			
Balance at September 30	1,761,219	-	-
Fee and commission income	3,864,750		
Dividend income	4,369,900	-	-
Borrowed funds			
Balance at September 30	54,827,939	387,212	43,790
Interest expense on Borrowings	2,092,228	3,046	356
Other liabilities			
Balance at September 30	31,079	-	-
Operating Expenses	6,223	1,271	6,011

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43. Related Party Transactions and Balances (Continued)

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Key management compensation:			
Salaries and other short-term benefits	1,262,516	803,095	539,785
Post-employment benefits	53,330	41,201	4,883
	1,315,846	844,296	544,668
Directors' emoluments:			
Fees	30,960	27,909	9,631
Management remuneration	638,784	350,458	419,421

44. Financial Risk Management

The Group takes an enterprise-wide approach to the identification, measurement, monitoring, reporting and management of all its risks. The principal financial risks faced by the organisation are identified as: credit, market, interest rate and liquidity risks.

The Group's risk management framework guides its risk-taking activities and ensures that it is in conformity with regulatory requirements, applicable laws, the Board's risk appetite, stockholders' 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.

44. Financial Risk Management (Continued)

Risk limits and benchmarks are integral to the risk management process, as they characterise the Board's risk tolerance and also that of the Regulator. Limits are established for:
(i) Credit and Counterparty risk - exposures to individuals, group, counterparty, country;
(ii) Market risk - rate gap exposure, currency exposure, market value exposure; and
(iii) Liquidity risk - liquidity gaps, funding exposures/liability diversification and liquid assets levels.

Limits and benchmarks are monitored on an ongoing basis and reported to the relevant governance committees.

Policies & Procedures
Rigorous policies and operational procedures are established throughout the organisation and are approved by the relevant management personnel and/or governance committees.

These policies and procedures incorporate requirements for compliance monitoring, maintenance of contingency plans and the provision of reports to management and the relevant governance committees and/or the Board of Directors.

(a) Credit risk
This is defined as potential for loss to the organisation arising from failure of a borrower, guarantor or counterparty to honour their contractual obligations to the Group.

The Group incurs credit and counterparty risk primarily in its loan business, reverse repurchase arrangements, and certain investment activities. There is also credit risk in off-statement of finanical position financial instruments, such as loan commitments. Credit risk management is facilitated by a cadre of loans officers and credit risk personnel, who together operate within a control framework which employs a hierarchical level of authorisations for transactions that expose the organisation to credit risk. Operating practices include the establishment of limits, ongoing monitoring of credit risk exposures, a disciplined approach to provisioning and loan loss evaluation in addition to ongoing reporting of portfolio exposures to the relevant governance committees and the regulators.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Group to risks similar to loans and these are mitigated by the same control policies and processes.

Credit review process
The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

The Group employs the following classifications in assessing its exposures to its borrowing customers. The classifications are in line with the Central Bank regulations.

Standard
Special Mention
Sub-Standard
Doubtful
Loss

Exposure to credit risk is mitigated by the taking of financial or physical assets.

44. Financial Risk Management (Continued)

(a) Credit risk (continued)

Collateral and other credit enhancements

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

(i) Loans - mortgages over residential properties, charges over business assets such as premises, inventory and accounts receivable and charges over financial instruments such as debt securities.

(ii) Securities lending and reverse repurchase transactions – cash or securities.

The Group may also obtain guarantees from parent companies for loans to their subsidiaries.

Collateral values are monitored with a view to requesting additional collateral where market values are compromised or the terms in the loan agreements dictate.

Impairment loss provision methodology

Provisions for impairment losses are assessed under three categories as described below:

Sub-standard, Doubtful or Loss rated loans

The Group identifies substandard, doubtful or loss rated loans as determined by Bank of Jamaica Regulations. The calculated provision is adjusted by the future cash flow from the realisation of the related collateral.

Individually Significant, Standard and Special Mention loans

Individually significant loans are reviewed to determine whether the loans show objective evidence of impairment and to determine the extent of provision required. Impairment may be determined through assessment of a number of factors, which include:

(i) Any significant financial difficulty being experienced by the borrower.

(ii) Breach of contract, such as default term, delinquency in principal and interest.

(iii) High probability of bankruptcy or other financial reorganisation by the borrower.

Collectively assessed provisions

All loans, excluding those that are impaired, are assessed on a portfolio basis where possible, in order to reflect the homogenous nature of the loans. The provision is determined by a quantitative review of the respective portfolios.

44. Financial Risk Management (Continued)

(a) Credit risk (continued)

The tables below show the loans and the associated impairment provision for each internal rating class:

	The Group			
	2017		2016	
	Loans $'000	Impairment provision $'000	Loans $'000	Impairment provision $'000
Standard	210,739,900	1,226,500	180,879,221	933,903
Special Mention	3,387,679	17,572	4,305,083	19,029
Sub-Standard	1,782,341	380,360	1,658,477	658,037
Doubtful	586,677	441,660	964,421	380,668
Loss	4,358,102	1,593,434	4,585,304	1,790,618
	220,854,699	3,659,526	192,392,506	3,782,255

	The Company	
	2017	
	Loans $'000	Impairment provision $'000
Standard	9,579,184	-
Special Mention	-	-
Sub-Standard	-	-
Doubtful	-	-
Loss	-	-
	9,579,184	-

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44. Financial Risk Management (Continued)

(a) Credit risk (continued)

The credit quality of loans is summarised as follows:

	The Group		The Company
	2017 $'000	2016 $'000	2017 $'000
Unimpaired	217,670,452	187,682,316	9,579,184
Impaired	3,184,247	4,710,190	-
Gross	220,854,699	192,392,506	9,579,184
Less: provision for credit losses	(3,659,526)	(3,782,255)	-
Net	217,195,173	188,610,251	9,579,184

The ageing analysis of past due but not impaired loans is as follows:

	The Group		The Company
	2017 $'000	2016 $'000	2017 $'000
Less than 30 days	57,851,236	35,472,598	-
31 to 60 days	1,965,450	2,955,506	-
61 to 90 days	1,378,399	1,534,733	-
Greater than 90 days	2,249,068	1,370,999	-
	63,444,153	41,333,836	-

Of the aggregate amount of gross past due but not impaired loans, $44,870,991,000 was secured as at September 30, 2017 (2016 – $26,123,838,000).

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.

44. Financial Risk Management (Continued)

(a) Credit risk (continued)

Restructured loans (continued)

The determination of whether a loan would qualify for renegotiation is made only if all factors indicate that the borrower is able to repay in full (including interest). In making this assessment, the Group takes its historic experience with the borrowers, their expected future cash flows, collateral valuations and any guarantees into consideration. Therefore, at the time of modification, all renegotiated loans are interest bearing with interest being calculated using the terms of the modified loan.

All renegotiated loans are individually assessed for impairment as the active renegotiation of a loan as a result of borrower difficulty, as defined in paragraph 59(c) of IAS 39, is considered a trigger for determining whether the loan should be tested for impairment. In carrying out its assessment, the Group uses the same methodology as with any other loan in the portfolio that exhibits other objective evidence of impairment. These loans are, however, actively monitored for at least 12 months from the time of renegotiation to determine whether circumstances have changed that would result in the loan being impaired or whether there should be an increase in the current level of impairment.

Credit risk exposure

The table below represents a worst case scenario of credit risk exposure of the Group and the Company at the date of the statement of financial position, without taking account of any collateral held or other credit enhancements. For on-statement of financial position assets, the exposures set out below are based on net carrying amounts as reported in the statement of financial position.

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Credit risk exposures relating to on-statement of financial position assets:			
Balances with Central Bank	60,785,252	30,704,768	-
Due from banks	41,210,873	45,949,625	30,093,874
Derivative financial instruments	205,984	276,429	-
Investment securities at fair value through profit or loss	3,477,861	2,424,789	-
Reverse repurchase agreements	2,861,218	2,810,257	-
Loans and advances, net of provision for credit losses	218,615,226	189,055,786	9,591,511
Investment securities classified as available-for-sale and loans and receivables	289,408,504	269,508,441	-
Customers' liability – letters of credit and undertaking	1,971,727	2,201,599	-
Other assets	6,678,940	7,197,603	5,225,612
	625,215,585	550,129,297	44,910,997
Credit risk exposures relating to off-statement of financial position items:			
Credit commitments	47,183,147	41,679,159	-
Acceptances, guarantees and indemnities	9,711,400	5,726,390	-
	56,894,547	47,405,549	-

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44. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposures

(i) Loans

The majority of loans are made to customers in Jamaica. The following table summarises the credit exposure for loans at their carrying amounts, as categorised by the industry sectors:

	The Group		The Company
	2017 $'000	2016 $'000	2017 $'000
Agriculture	5,149,081	6,702,315	-
Public Sector	8,253,799	7,814,063	-
Construction and land development	7,102,971	8,588,972	-
Other financial institutions	732,970	1,038,793	9,579,184
Distribution	24,712,100	18,776,685	-
Electricity, water & gas	7,671,753	5,162,794	-
Entertainment	1,642,758	1,218,533	-
Manufacturing	7,481,226	6,891,818	-
Mining and processing	357,649	385,863	-
Personal	106,316,583	84,851,702	-
Professional and other services	10,340,508	6,670,619	-
Tourism	33,913,415	29,264,947	-
Transportation storage and communication	1,534,273	3,463,863	-
Overseas residents	5,645,613	11,561,539	-
Total	220,854,699	192,392,506	9,579,184
Total provision	(3,659,526)	(3,782,255)	-
	217,195,173	188,610,251	9,579,184
Interest receivable	1,420,053	445,535	12,327
Net	218,615,226	189,055,786	9,591,511

(ii) Debt securities

The following table summarises the credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	The Group	
	2017 $'000	2016 $'000
Government of Jamaica and Bank of Jamaica	231,365,241	223,112,935
Government of Jamaica guaranteed corporate bonds	6,941,449	8,784,602
Other corporate bonds	40,646,821	28,590,489
Foreign governments	9,866,583	7,707,720
	288,820,094	268,195,746
Interest receivable	4,066,271	3,737,481
	292,886,365	271,933,227

44. Financial Risk Management (Continued)

(b) Liquidity risk

The Group's liquidity risk policy is designed to ensure that it can meet cash obligations when they fall due and take advantage of unanticipated earnings enhancement opportunities.

Liquidity management within the Group, which incorporates funding risk management, ensures that there is a sufficient level of liquid assets available in addition to stable funding lines to meet ongoing cash commitments even during periods of stress. The management of liquidity risk is executed within a framework which comprises:

(i) Oversight by relevant governance committees;

(ii) Daily management of liquidity by the relevant treasury/investment units within each group company;

(iii) Use of tools to measure the organisation's exposures;

(iv) Establishment and monitoring of limits/benchmarks for maturity mismatches and funding concentrations;

(v) Diversification of funding sources;

(vi) Maintenance of committed lines of credits; and

(vii) Monitoring of adherence to regulatory ratios.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group's liquidity exposure. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

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44. 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, 2017:						
Due to Banks	3,712,517	120,883	5,928,635	2,141,480	-	11,903,515
Customer deposits	273,695,960	15,323,673	36,659,208	3,517,969	149,204	329,346,014
Repurchase agreements	44,506,785	42,202,235	21,032,832	9,324,555	-	117,066,407
Obligations under securitisation arrangements	2,893,607	1,384,160	10,342,109	54,972,776	12,146,783	81,739,435
Other borrowed funds	69,529	1,800,916	6,368,494	32,390,026	2,304,023	42,932,988
Liabilities under annuity and insurance contracts	26,045,114	920,219	4,680,953	7,411,086	48,071,582	87,128,954
Other	12,458,108	1,128,761	719,187	-	9,014	14,315,070
Total financial liabilities (contractual maturity dates)	363,381,620	62,880,847	85,731,418	109,757,892	62,680,606	684,432,383
Total financial liabilities (expected maturity dates)	85,421,073	44,510,517	89,796,234	117,474,266	377,885,789	715,087,879
Total financial assets (expected maturity dates)	135,351,843	17,557,504	79,648,492	224,259,395	350,472,985	807,290,219

	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, 2016:						
Due to Banks	8,004,802	3,887,013	1,191,489	8,837,922	956,741	22,877,967
Customer deposits	228,561,576	26,114,007	28,820,608	1,548,131	876,107	285,920,429
Repurchase agreements	39,785,724	40,949,755	13,205,815	13,794,787	-	107,736,081
Obligations under securitisation arrangements	433,207	50,641	1,066,083	39,744,176	7,163,491	48,457,598
Other borrowed funds	17,877	845,592	4,800,870	7,873,106	-	13,537,445
Liabilities under annuity and insurance contracts	3,537,322	2,549,377	8,063,280	22,276,709	69,470,912	105,897,600
Other	5,737,724	863,979	153,279	-	157,816	6,912,798
Total financial liabilities (contractual maturity dates)	286,078,232	75,260,364	57,301,424	94,074,831	78,625,067	591,339,918
Total financial liabilities (expected maturity dates)	43,543,461	51,769,513	51,948,489	80,284,531	416,877,508	644,423,502
Total financial assets (expected maturity dates)	65,005,848	12,810,601	82,956,884	280,291,558	492,311,276	933,376,167

44. 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, 2017:						
Due to banks	-	-	32,383,269	-	-	32,383,269
Customer deposits	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-
Obligations under securitisation arrangements	-	-	-	-	-	-
Other borrowed funds	-	544,985	2,201,849	46,632,135	4,651	49,383,620
Other	586,045	-	-	-	-	586,045
Total financial liabilities (contractual maturity dates)	586,045	544,985	34,585,118	46,632,135	4,651	82,352,934
Total financial liabilities (expected maturity dates)	586,045	544,985	34,585,118	46,632,135	4,651	82,352,934
Total financial assets (expected maturity dates)	39,323,892	4,595,528	11,239,498	-	-	55,158,918

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection, investment securities and other eligible bills, loans and advances to banks, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

44. 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, 2017				
Credit commitments	47,183,367	-	-	47,183,367
Guarantees, acceptances and other financial facilities	7,615,283	1,346,451	749,665	9,711,400
Operating lease commitments	136,410	369,847	129,535	635,792
Capital commitments	6,715,436	-	-	6,715,436
	61,650,496	1,716,299	879,200	64,245,995
At September 30, 2016				
Credit commitments	41,679,150	-	-	41,679,150
Guarantees, acceptances and other financial facilities	3,533,130	895,230	1,298,030	5,726,390
Operating lease commitments	143,170	451,712	128,331	723,213
Capital commitments	5,738,960	-	-	5,738,960
	51,094,410	1,346,942	1,426,361	53,867,713

Capital commitments are in relation to approved expenditures for property, plant, equipment and computer software that were unused as at the end of the respective financial years either because they relate to work in progress or are awaiting the start of the project. Of the total capital commitments, planned expenditure valuing $3,192,774,000 (2016 – $2,539,919,000) for the Group has already been contracted for.

44. Financial Risk Management (Continued)

(c) Market risk

The Group takes on exposure to market risk, which is defined as the potential for loss arising from changes in the market value of the organisation's financial instruments due to changes in certain market variables, such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads.

The Group incurs market risk primarily in treasury, trading and structural banking activities. The Group takes a comprehensive governance approach in accordance with the enterprise-wide risk management framework. This includes:

- Oversight provided by the relevant governance committees.
- An independent market risk oversight function.
- The utilisation of tools and models to measure market risk exposure.
- Limit setting mechanisms and a monitoring process.
- The utilisation of scenario analysis and of stress testing for worst case events.

There has been no change to the manner in which the Group manages and measures this risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Group takes an open position in a currency. To control this exchange risk, the Group has approved limits for net open positions in each currency for both intra-day and overnight.

The Group also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to be settled. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

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44. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-statement of financial position financial instruments

The tables below summarise the Group's and the Company's exposure to foreign currency exchange rate risk as at the date of the statement of financial position.

	The Group					
	J$	**US$**	**GBP**	**CAN$**	**Other**	**Total**
September 30, 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Central Banks	40,522,177	22,271,215	1,761,802	339,744	419,721	65,314,659
Due from banks	6,745,432	20,157,788	9,981,210	1,011,642	3,314,801	41,210,873
Investment securities at fair value through profit or loss	3,679,276	464,202	15,936	-	100,309	4,259,723
Reverse repurchase agreements	2,588,508	272,710	-	-	-	2,861,218
Loans and advances net of provision for credit losses	152,066,760	62,398,102	398,765	-	3,751,599	218,615,226
Investment securities classified as available-for-sale and loans and receivables	134,032,128	160,065,908	373,326	-	446,203	294,917,565
Derivative financial instruments	73,637	132,347	-	-	-	205,984
Other	4,810,437	1,718,475	93,249	-	56,779	6,678,940
Total financial assets	344,518,355	267,480,747	12,624,288	1,351,386	8,089,412	634,064,188
Liabilities						
Due to banks	1,173,043	9,122,353	180,888	47,213	23,884	10,547,381
Customer deposits	156,466,322	112,732,968	12,297,138	1,325,450	5,642,135	288,464,013
Repurchase agreements	43,626,688	71,959,902	-	-	-	115,586,590
Obligations under securitisation arrangements	-	67,499,313	-	-	-	67,499,313
Other borrowed funds	14,134,683	24,592,433	-	-	-	38,727,116
Liabilities under annuity and insurance contracts	35,509,987	675,333	-	-	-	36,185,320
Other	4,235,064	4,431,420	293,125	62,458	3,961,629	12,983,696
Total financial liabilities	255,145,787	291,013,722	12,771,151	1,435,121	9,627,648	569,993,429
Net on-statement of financial position	89,372,568	(23,532,975)	(146,863)	(83,735)	(1,538,236)	64,070,759
Guarantees, acceptances and other financial facilities	3,671,556	5,895,948	1,246	142,649	-	9,711,399
Credit commitments	28,957,378	18,225,939	-	-	-	47,183,367

44. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-statement of financial position financial instruments (continued)

	The Group					
	$	US$	GBP	CAN$	Other	Total
September 30, 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Central Banks	20,020,047	13,673,484	1,210,948	212,086	256,576	35,373,141
Due from banks	5,266,378	28,951,000	8,441,532	1,236,729	2,053,986	45,949,625
Investment securities at fair value through profit or loss	1,377,256	1,627,186	12,667	-	102,764	3,119,873
Reverse repurchase agreements	1,105,785	1,704,472	-	-	-	2,810,257
Loans and advances net of provision for credit losses	95,735,645	89,843,780	-	-	3,476,361	189,055,786
Investment securities classified as available-for-sale and loans and receivables	128,061,725	141,383,245	2,089,730	495,558	519,409	272,549,667
Derivative financial instruments	203,609	72,820	-	-	-	276,429
Other	3,798,739	3,307,738	15,430	-	75,696	7,197,603
Total financial assets	255,569,184	280,563,725	11,770,307	1,944,373	6,484,792	556,332,381
Liabilities						
Due to banks	975,304	12,147,281	83,819	44,671	22,383	13,273,458
Customer deposits	133,612,817	123,882,012	10,701,495	1,684,918	4,084,646	273,965,888
Repurchase agreements	38,866,894	67,108,044	-	-	-	105,974,938
Obligations under securitisation arrangements	-	48,457,598	-	-	-	48,457,598
Other borrowed funds	4,237,328	7,823,826	-	-	-	12,061,154
Liabilities under annuity and insurance contracts	34,675,370	607,283	-	-	-	35,282,653
Other	5,083,515	1,281,144	234,600	39,840	138,190	6,777,289
Total financial liabilities	217,451,228	261,307,188	11,019,914	1,769,429	4,245,219	495,792,978
Net on-balance sheet position	38,117,956	19,256,537	750,393	174,944	2,239,573	60,539,403
Guarantees, acceptances and other financial facilities	1,649,529	3,940,380	1,195	975	134,311	5,726,390
Credit commitments	26,804,089	14,875,061	-	-	-	41,679,150

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44. 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$	Other	Total
September 30, 2017	**$'000**	**$'000**	**$'000**	**$'000**
Assets				
Due from banks	20,669,702	9,424,172	-	30,093,874
Loans and advances net of provision for credit losses	9,591,511	-	-	9,591,511
Other	1,761,219	3,464,393	-	5,225,612
Total financial assets	32,022,432	12,888,565	-	44,910,997
Liabilities				
Due to banks	-	29,403,477	2,060,872	31,464,349
Other borrowed funds	10,323,062	30,113,500	-	40,436,561
Other	304,125	281,920	-	586,045
Total financial liabilities	10,627,187	59,798,897	2,060,872	72,486,955
Net on-balance sheet position	21,395,245	(46,910,332)	(2,060,872)	(27,575,958)

44. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet 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.

	2017			2016	
	% Change in Currency Rate	Effect on Profit before Taxation		% Change in Currency Rate	Effect on Profit before Taxationbuth
		The Group	The Company		The Group
		$'000	$'000		$'000
Currency:					
USD	2% Appreciation	470,659	938,207	1% Appreciation	(192,565)
	6% Depreciation	(1,411,978)	(2,814,620)	6% Depreciation	1,155,392
GBP	2% Appreciation	2,937	-	1% Appreciation	(7,504)
	6% Depreciation	(8,812)	-	6% Depreciation	45,024
CAN	2% Appreciation	1,675	-	1% Appreciation	(1,749)
	6% Depreciation	(5,024)	-	6% Depreciation	10,497

(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.

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44. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Limits are established and monitored with respect to the level of mismatch of interest rate repricing that may be undertaken.

The following tables summarise the exposure to interest rate risk. It includes the financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						
	Within 1 Month	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing/No Specific Maturity Date	Total
September 30, 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Banks	-	-	-	-	-	65,314,659	65,314,659
Due from banks	27,372,378	-	4,653,315	-	-	9,185,180	41,210,873
Investment securities at fair value through profit or loss	-	-	-	308,189	1,207,725	2,743,809	4,259,723
Reverse repurchase agreements	1,372,456	1,472,859	-	-	-	15,903	2,861,218
Loans and advances net of provision for credit losses	121,209,466	23,122,317	11,433,005	29,735,288	31,873,131	1,242,019	218,615,226
Investment securities classified as available-for-sale and loans and receivables	49,949,869	31,632,740	15,753,061	65,317,038	122,640,290	9,624,567	294,917,565
Derivative financial instruments	-	-	-	-	-	205,984	205,984
Other	-	-	-	-	-	6,678,940	6,678,940
Total financial assets	199,904,169	56,227,916	31,839,381	95,360,515	155,721,146	95,011,061	634,064,188
Liabilities							
Due to banks	2,280,547	-	2,896,661	1,938,014	-	3,432,159	10,547,381
Customer deposits	194,937,438	15,270,937	35,583,651	3,266,146	-	39,405,841	288,464,013
Repurchase agreements	43,761,551	41,695,290	20,538,962	9,081,662	-	509,125	115,586,590
Obligations under securitisation arrangements	1,401,149	1,076,675	7,558,163	45,761,515	10,956,296	745,515	67,499,313
Other borrowed funds	1,553,586	13,988,044	1,606,740	19,562,044	1,652,535	364,167	38,727,116
Liabilities under annuity and insurance contracts	25,054,849	143,805	716,717	-	-	10,269,949	36,185,320
Other	-	-	-	-	-	12,983,696	12,983,696
Total financial liabilities	268,989,120	72,174,751	68,900,894	79,609,381	12,608,831	67,710,452	569,993,429
On statement of financial position interest sensitivity gap	(69,084,951)	(15,946,835)	(37,061,513)	15,751,134	143,112,315	27,300,609	64,070,759
Cumulative interest sensitivity gap	(69,084,951)	(85,031,786)	(122,093,299)	(106,342,165)	36,770,150	64,070,759	

44. 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, 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Banks	159,238	-	-	-	-	35,213,903	35,373,141
Due from banks	39,569,970	310,665	-	-	-	6,068,990	45,949,625
Investment securities at fair value through profit or loss	-	-	-	539,587	1,859,336	720,950	3,119,873
Reverse repurchase agreements	1,324,722	1,392,078	84,405	-	-	9,052	2,810,257
Loans and advances net of provision for credit losses	102,483,197	27,851,170	10,346,332	20,608,301	26,342,168	1,424,618	189,055,786
Investment securities classified as available-for-sale and loans and receivables	45,379,067	24,350,068	22,150,422	54,129,641	119,787,173	6,753,296	272,549,667
Derivative financial instruments	-	-	-	-	-	276,429	276,429
Other	-	-	-	-	-	7,162,917	7,162,917
Total financial assets	188,916,194	53,903,981	32,581,159	75,277,529	147,988,677	57,630,155	556,297,695
Liabilities							
Due to banks	4,089,439	4,597,655	874,099	-	767,580	2,944,685	13,273,458
Customer deposits	174,527,526	21,948,242	26,644,871	1,048,341	-	49,796,908	273,965,888
Repurchase agreements	39,410,811	40,403,541	12,563,170	13,032,664	-	564,752	105,974,938
Obligations under securitisation arrangements	-	-	-	15,991,250	31,982,500	483,848	48,457,598
Other borrowed funds	24,816	757,896	1,271,816	9,592,418	359,787	54,421	12,061,154
Liabilities under annuity and insurance contracts	23,964,734	137,548	685,533	-	-	10,494,838	35,282,653
Other	-	-	-	-	-	6,777,289	6,777,289
Total financial liabilities	242,017,326	67,844,882	42,039,489	39,664,673	33,109,867	71,116,741	495,792,978
On statement of financial position interest sensitivity gap	(53,101,132)	(13,940,901)	(9,458,330)	35,612,856	114,878,810	(13,486,586)	60,504,717
Cumulative interest sensitivity gap	(53,101,132)	(67,042,033)	(76,500,363)	(40,887,507)	73,991,303	60,504,717	

44. 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, 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Bank	-	-	-	-	-	140	140
Due from banks	29,725,657	-	-	-	-	368,217	30,093,874
Loans and advances net of provision for credit losses	9,579,184	-	-	-	-	12,327	9,591,511
Other	-	-	-	-	-	5,225,610	5,225,610
Total financial assets	39,304,841	-	-	-	-	5,606,294	44,911,135
Liabilities							
Due to banks		-	29,088,678	-	-	2,375,671	31,464,349
Other borrowed funds	-	-	-	40,240,697	-	273,424	40,514,121
Other	-	-	-	-	-	586,045	586,045
Total financial liabilities		-	29,088,678-	40,240,697	-	3,157,580	72,486,955
On statement of financial position interest sensitivity gap	39,304,841	-	(29,088,678)	40,240,697	-	2,448,714	(27,575,820)
Cumulative interest sensitivity gap	39,304,841	39,304,841	10,216,163	(30,024,534)	(30,024,534)	(27,575,820)	

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44. 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	J$	US$	CAN$	GBP
	%	%	%	%	%	%	%	%
September 30, 2017								
Assets								
Balances at Central Banks	3.71	-	-	-	9.75	5.25	-	-
Due from banks	5.64	0.28	-	0.23	-	-	-	-
Investment securities at fair value through profit or loss	7.73	6.88	-	-	-	-	-	-
Reverse repurchase agreements	4.20	1.29	-	-	-	-	-	-
Loans and advances	14.27	7.48	-	-	4.27	-	-	-
Investment securities classified as available-for-sale and loans and receivables	7.49	5.90	-	-	-	-	-	-
Liabilities								
Due to banks	4.82	3.16	-	-	-	6.00	-	-
Customer deposits	1.54	0.93	0.10	0.14	-	-	-	-
Repurchase agreements	5.54	2.06	-	-	-	-	-	-
Obligations under securitisation arrangements	-	6.36	-	-	-	-	-	-
Other borrowed funds	8.20	6.44	-	-	9.75	5.91	-	-
September 30, 2016								
Assets								
Balances at Central Banks	0.41	0.00	0.12	-				
Due from banks	3.69	2.19	0.27	0.35				
Investment securities at fair value through profit or loss	7.73	7.78	-	-				
Reverse repurchase agreements	5.06	1.19	-	-				
Loans and advances	14.85	7.51	-	-				
Investment securities classified as available-for-sale and loans and receivables	7.37	5.69	1.30	4.25				
Liabilities								
Due to banks	4.62	3.65	-	-				
Customer deposits	0.88	1.14	0.14	0.18				
Repurchase agreements	6.30	2.70	-	-				
Obligations under securitisation arrangements	-	6.36	-	-				
Other borrowed funds	7.68	4.75	-	-				

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44. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of non-trading financial assets and financial liabilities. The sensitivity of other comprehensive income is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates.

	The Group			
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2017 $'000	2017 $'000	2016 $'000	2016 $'000
Change in basis points:				
Decrease - JMD -100 and USD -50	(382,883)	3,994,259	(575,629)	3,351,651
Increase - JMD +100 and USD +100	252,700	(6,705,754)	165,806	(3,494,396)

The financial instruments of the Company attract a fixed rate of interest and are not subject fair value interest rate risk.

44. Financial Risk Management (Continued)

(c) Market risk (continued)

(iii) Other price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified either as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in quoted equity securities are of other entities that are publicly traded on the Jamaica Stock Exchange.

Sensitivity to changes in price of equity securities

The following table indicates the sensitivity to a reasonable possible change in prices of equity securities, with all other variables held constant, on the income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed fair value changes of investment securities classified at fair value through profit or loss. The sensitivity of other comprehensive income is the effect of the assumed fair value changes of investment securities classified as available-for-sale

	The Group			
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2017	2017	2016	2016
	$'000	$'000	$'000	$'000
Percentage change in share price				
10% decrease	(163,870)	(404,589)	(31,130)	(235,641)
10% increase	163,870	404,589	31,130	235,641

44. Financial Risk Management (Continued)

(d) Derivative financial instruments

The Group's derivative transactions are primarily directed at hedging its risk exposures which arise during the normal course of its treasury and investment activities. When entering into derivative transactions, the Group employs the same credit risk management procedures to assess and approve potential credit exposures that are used for traditional lending.

(e) Insurance risk

The Group issues contracts that transfer insurance risk or financial risk or both.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract this risk is random and therefore unpredictable. Experience shows that the larger the portfolio of similar insurance contracts, the smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency of or severity of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Life insurance risk

The Group issues contracts that have a maximum period determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the Group has to assess the cash flows which may be attributable to the contract. The process of underwriting may also be undertaken and may include specific medical tests and other enquiries which affect the Group's assessment of the risk.

Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, resulting in earlier or more claims than expected.

The Group charges for mortality risks on a monthly basis for insurance contracts with investment options and has the right to alter these charges based on mortality experience and hence to minimise its exposure to mortality risk on these contracts. Delays in implementing increases in mortality charges, and contractual, market or regulatory restraints over the extent of any increases, may reduce this mitigating effect.

The Group also manages mortality risks on its contracts through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to minimise the risk of anti-selection. The Group's underwriting strategy has a twofold approach:

a) products that are subject to traditional methods of application and assessment are controlled by traditional underwriting methods including medical and financial selection with benefits being limited to reflect the health and/or financial condition of applicants and by the application of retention limits on any single life insured.

b) products which are not subject to traditional methods of application and assessment contain pre-existing conditions and exclusionary clauses for certain types of high-risk medical and financial events, with claims on these types of policies examined for breaches to those clauses and denied or settled accordingly.

44. Financial Risk Management (Continued)

(e) Insurance risk (continued)
Life insurance risk (continued)
The tables below indicate the concentration of insured benefits across bands of insured benefits per individual life assured. The Group uses catastrophe re-insurance cover against its Individual contracts as the main risks faced by these contracts are interest rate and liquidity:

	Total Benefits Assured - Individual			
	2017		2016	
	$'000 Contracts with Investment Options	$'000 Contracts without Investment Options	$'000 Contracts with Investment Options	$'000 Contracts without Investment Options
Benefits assured per life assured ($'000)				
0 – 1,000	14,342,146	3,551,283	14,392,588	4,011,301
1,000 – 2,000	4,383,793	16,481,648	4,036,669	15,606,248
2,000 – 5,000	6,411,418	14,908,803	5,243,275	14,255,703
5,000 – 10,000	4,038,129	1,805,000	3,539,180	980,000
Over 10,000	4,810,113	-	4,114,990	-
	33,985,599	36,746,734	31,326,672	34,853,252

	Total Benefits Assured - Group			
	2017		2016	
	$'000 Before Re-insurance	$'000 After Re-insurance	$'000 Before Re-insurance	$'000 After Re-insurance
Benefits assured per life assured ($'000)				
0 – 1,000	19,702,999	19,702,260	16,928,296	16,925,914
1,000 – 2,000	15,535,137	15,529,779	13,376,014	13,372,158
2,000 – 5,000	18,108,248	17,973,000	17,409,645	17,023,529
5,000 – 10,000	14,566,542	11,402,334	13,646,956	9,748,141
Over 10,000	16,926,624	5,675,365	15,329,352	4,861,801
	84,839,550	70,282,738	76,690,263	61,931,543

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 $32,222,000 (2016 – $27,775,000). Premium income recognised in the income statement is shown net of these amounts.
- Policyholders' benefits recovered from reinsurers during the year under these contracts amounted to $28,456,000 (2016 – $6,388,000).
- At September 30, 2016, premiums payable under re-insurance contracts amounted to $2,910,000 (2016 – $2,705,000).
- At September 30, 2017, there were no amounts receivable from reinsurers in respect of policyholders' benefits (2016 – $Nil).

44. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Life insurance risk (continued)

The following table for annuity contracts illustrates the concentration of risk in relation to the amount payable as if the annuity were in payment at the year end:

	Total Annuities Payable	
	2017	**2016**
	$'000	**$'000**
Annuity payable per annum per annuitant ($'000)		
0 -100	45,088	41,504
100 – 300	122,561	108,415
300 – 500	122,307	113,700
500 – 1,000	226,483	199,548
Over 1,000	793,642	767,582
	1,310,081	1,230,749

The Group does not hold any re-insurance against the liabilities in these contracts.

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to pay reduced or no future premiums, or to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holders' behaviour. The Group has factored the impact of contract holders' behaviour into the assumptions used to measure these liabilities.

Sources of uncertainty in the estimation of future benefit payments and premium payments

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and morbidity and the variability in policyholder behaviour.

The Group uses appropriate base tables of standard mortality and morbidity according to the type of contract being written. An investigation as to the actual experience of the Group is carried out by the Appointed Actuary, and a comparison of the actual rates with expected rates is performed. Where data are insufficient to be statistically credible, the best estimates of future mortality and morbidity are based on standard industry tables adjusted for the Group's overall experience. For contracts that insure survival, an adjustment is made for future mortality and morbidity improvements based on trends identified in the continuous mortality and morbidity investigations performed by independent actuarial bodies. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates to be used for the best estimate assumption.

44. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Life insurance risk (continued)

Process used in deriving assumptions

The assumptions for insurance contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

Estimates are made in two stages:

(i) At inception of the contract, the Group determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used as the base assumptions for calculating the liabilities; and

(ii) Subsequently, new estimates are developed at each reporting date and the assumptions are altered to reflect the latest current estimates or experience.

Assumptions are considered to be 'best estimate' if, on average, the results are expected to be worse than the assumptions in 50% of possible scenarios and better in the other 50%. See Note 34 for details on policy assumptions.

Reinsurance risk

Reinsurance risk is the risk that a reinsurer will default and not honour obligations arising from claims. The Group limits the probable loss in the event of individual deaths and any single catastrophic accident occurrence by reinsuring its insurance risk above certain limits with other insurers. Reinsurance ceded does not discharge the Group's liability as the primary insurer. The Group manages reinsurance risk by selecting reinsurers with high credit ratings and monitoring these on an ongoing basis. The current reinsurer is Swiss Re (registered in Canada) whose financial strength rating from Standard & Poor's is AA- (at November 2016) and from AM Best A+ (at October 2017).

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The limits of coverage accepted by the Group under these contracts fall into two main categories with limits of $3,000,000 and $7,500,000 per life, coverage in excess of these limits is ceded to reinsurers.

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44. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Property and casualty insurance risk

The Group manages its property and casualty insurance risk through its underwriting policy that includes *inter alia*, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance. The Group actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modeling and scenario analyses.

Underwriting strategy

The Group manages the risks arising from its underwriting of property and casualty insurance contracts through policies which provide guidance on how to determine the insurability of risks and exposure to large claims. The Group follows detailed, uniform underwriting practices and procedures designed to properly assess and quantify risks before issuing coverage. The Group's underwriting guidelines also outline acceptance limits and the appropriate levels of authority for acceptance of risks.

Reinsurance strategy

A detailed analysis of the Group's exposures, reinsurance needs and quality of reinsurance securities is conducted by the Board and Senior Management. The Group's exposures are continually evaluated by Management to ensure that its reinsurances arrangements remain adequate and mechanisms are in place to continually monitor the reinsurance counterparties to ensure that they maintain "A" rating, in keeping with the Board approved Reinsurance Risk Management Policy.

44. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Property and casualty insurance risk (continued)

Motor insurance

Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage. In general, claims reporting lags are minor and claims complexity is relatively low.

The risks relating to motor contracts are managed primarily through the pricing and selection process. The Group monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims appeals.

Property insurance

Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage. The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay. Property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions. The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.

The risks relating to property contracts are managed primarily through the pricing and selection process. The Group uses strict underwriting criteria to ensure that the risk of losses is acceptable. Furthermore, the Group accepts property insurance risks for one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.

Liability insurance

Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposure is in relation to bodily injury. The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. Although bodily injury claims have a relatively long tail, the majority of bodily injury claims are settled in full within three to four years. In general, these contracts involve higher estimation uncertainty.

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, rating and reinsurance. The Group monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten. In pricing contracts, the company makes assumptions that costs will increase in line with the latest available research.

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44. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Property and casualty insurance risk (continued)

Risk exposure and concentrations of risk

The following table shows the Group's exposure to Property and casualty insurance risk (based on the carrying value of insurance provisions at the reporting date) per major category of business:

	Liability	Property	Motor	Other	Total
2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross	49,310	54,056	4,516,030	-	4,619,396
Net of proportional reinsurance	48,702	30,599	4,500,303	-	4,579,604
2016					
Gross	64,030	171,943	4,741,649	-	4,977,622
Net of proportional reinsurance	63,136	34,608	4,713,809	-	4,811,553

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.

	2010	2011	2012	2013	2014	2015	2016	2017	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of cumulative claims at end of financial year	2,236,996	2,077,084	1,951,568	2,170,646	2,208,371	2,336,795	1,899,066	1,427,498	
One year later	2,258,643	2,023,825	2,018,656	2,316,690	2,145,811	2,301,651	2,299,072		
Two years later	2,400,597	2,404,734	2,211,216	2,400,174	2,377,284	2,344,929			
Three years later	2,574,326	2,542,644	2,382,546	2,622,796	2,391,762				
Four years later	2,647,397	2,652,369	2,576,959	2,675,839					
Five years later	2,703,502	2,752,313	2,661,089						
Six years later	2,756,724	2,800,905							
Seven years later	2,787,807								
Estimate of cumulative claims	2,787,807	2,800,905	2,661,089	2,675,839	2,391,762	2,344,929	2,299,072	1,427,498	19,388,901
Cumulative payments to date	2,664,901	2,603,835	2,364,534	2,279,867	1,833,261	1,589,284	1,523,916	432,694	15,292,292
Net outstanding claims liability	122,906	197,070	296,555	395,972	558,501	755,645	775,156	994,804	4,096,609

Prior years' claims liability	152,779
Provision for adverse deviations	213,440
Provision for Unallocated Loss Adjustment Expenses	116,776
Final net claims liability	4,579,604

44. Financial Risk Management (Continued)

(f) Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirements set by the regulators of the financial markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

All of the Group's significant subsidiaries and associates are individually regulated by the Financial Services Commission (FSC) or other regulators. The regulatory requirements to which the subsidiaries are subject, include minimum capital and liquidity requirements which may limit the Bank's ability to extract capital or funds for other uses. The Group's subsidiaries and associates are also subject to statutory requirements to restrict distributions of capital and generally to maintain solvency. In most cases, the regulatory restrictions are more onerous than the statutory restrictions. Certain Group subsidiaries also raise finance using their financial assets as collateral. Encumbered assets are not available for transfer around the Group. The assets typically affected are disclosed in Note 24.

(i) National Commercial Bank Jamaica Limited

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Central Bank, and the relevant management committees. The required information is filed with the respective Authority 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, 2017.

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44. Financial Risk Management (Continued)

(f) Capital management (continued)

(ii) NCB Insurance Company Limited

The company maintains a capital structure consisting mainly of shareholders' funds consistent with the company's profile and the regulatory and market requirements. The company is subject to a number of regulatory capital tests and also employs scenario testing on an annual basis to assess the adequacy of capital. The company has met all of these requirements during the year. Capital adequacy is managed at the operational level.

In reporting financial strength, capital and solvency is measured using the regulations prescribed by the FSC. These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written by the company.

The relevant capital requirement is the Minimum Continuing Capital Surplus Ratio (MCCSR) determined in accordance with the FSC regulations. This ratio is calculated by the Appointed Actuary and reviewed by executive management, the Audit Committee and the Board of Directors. This measure is a risk-based formula that compares available capital and surplus to a minimum requirement set by the FSC in regard to the asset and liability profile of the company. The company met all FSC regulatory capital requirements as at September 30, 2017.

The company's capital position is sensitive to changes in market conditions, due to both changes in the value of assets and the effect that changes in investment conditions may have on the value of the liabilities. The most significant sensitivities arise from changes in interest rates and expenses. The company's capital position is also sensitive to assumptions and experience relating to mortality and persistency.

Dynamic capital adequacy testing (DCAT)

DCAT is a technique used to assess the adequacy of an insurer's financial position and financial condition in different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the statement of financial position at a given date.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

44. Financial Risk Management (Continued)

(f) Capital management (continued)

(iii) Advantage General Insurance Company Limited

The company is regulated by the FSC and is subject to regulatory capital tests employed by the regulator. Under the FSC regulations, the primary measure used to assess capital adequacy is the Minimum Capital Test (MCT). This measure is a risk-based formula that compares available capital and surplus to a minimum requirement set by the FSC in regard to the asset and liability profile of the company. As at September 30, 2017, the company was in compliance with the requirement set by the FSC.

(iv) NCB Capital Markets Limited

The company is regulated by the Financial Services Commission (FSC) and is subject to regulatory capital tests employed by the regulator. Under the FSC regulations, the level of capital adequacy determines the maximum amount of liabilities including repurchase agreements the company is able to offer to clients. In addition to the requirements of the FSC, the company also engages in periodic internal testing which is reviewed by the Risk Management Committee. Capital adequacy is managed at the operational level of the company.

The regulatory capital of the company is divided into two tiers:

(i) Tier 1 capital: share capital, retained earnings and reserves created from appropriations of retained earnings.

(ii) Tier 2 capital: qualifying subordinated debt or loan capital, qualifying capital reserves and unrealised gains derived from the fair valuation of equity instruments classified as available for sale.

The FSC requires that the company maintains a capital base comprising at least 50% of Tier 1 capital.

In addition, the FSC employs certain ratios to test capital adequacy and solvency. The results of these ratios are included in a mandatory quarterly report submitted to the FSC. Two of the critical early warning ratios relating to the test for capital adequacy are ‘Capital over Total Assets’ and the ‘Capital Base over Risk Weighted Assets (RWA)’.

There was no change in relation to how the company manages its capital during the financial year.

The company met all the FSC regulatory capital requirements as at September 30, 2017.

45. 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, most liquid corporate bonds and certain equity securities that are quoted on the Jamaica Stock Exchange. 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. This category includes certain unquoted equity securities.

The valuation of unquoted equity instruments is subjective by nature. The determination of the fair values of unquoted equity securities requires the use of a number of individual pricing benchmarks which would involve unobservable inputs, such as earnings estimates, multiples of comparative companies, marketability discounts and discount rates.

Notes to the Financial Statements

SEPTEMBER 30, 2017
(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

45. 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, 2017				
Financial assets				
Investment securities classified as available-for-sale				
Government of Jamaica debt securities	-	186,060,301	-	186,060,301
Government of Jamaica guaranteed corporate bonds	-	3,155,236	-	3,155,236
Other corporate bonds	-	25,009,268	-	25,009,268
Foreign government debt securities	-	9,768,973	-	9,768,973
Quoted equity securities	2,736,023	-	-	2,736,023
Unquoted equity securities	-	-	2,133,170	2,133,170
Unit trust investments	-	639,868	-	639,868
	2,736,023	224,633,646	2,133,170	229,502,839
Investment securities at fair value through profit or loss				
Government of Jamaica debt securities	-	1,163,435	-	1,163,435
Other corporate bonds	-	254,349	-	254,349
Foreign government debt securities	-	97,610	-	97,610
Quoted equity securities	2,732,533	-	-	2,732,533
Other securities	-	-	521	521
	2,732,533	1,515,394	521	4,248,448
Derivative financial instruments		205,984		205,984
	5,468,556	226,355,024	2,133,691	233,957,271
Financial liabilities				
Derivative financial instruments	-	132,347	-	132,347
Liabilities under annuity and insurance contracts	-	-	36,185,320	36,185,320
	-	132,347	36,185,320	36,317,667

Notes to the Financial Statements

SEPTEMBER 30, 2017
(EXPRESSED IN JAMAICAN DOLLARS UNLESS OTHERWISE INDICATED)

45. Fair Values of Financial Instruments (Continued)

	The Group			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At September 30, 2016				
Financial assets				
Investment securities classified as available-for-sale				
Government of Jamaica debt securities	-	180,152,168	-	180,152,168
Government of Jamaica guaranteed corporate bonds	-	4,590,935	-	4,590,935
Other corporate bonds	-	16,585,768	-	16,585,768
Foreign government debt securities	-	7,543,768	-	7,543,768
Quoted equity securities	1,585,715	-	-	1,585,715
Unquoted equity securities	-	-	903,990	903,990
Unit trust investments	-	551,521	-	551,521
	1,585,715	209,424,160	903,990	211,913,865
Investment securities at fair value through profit or loss				
Government of Jamaica debt securities	-	1,555,655	-	1,555,655
Government of Jamaica guaranteed corporate bonds	-	147,334	-	147,334
Other corporate bonds	-	531,461	-	531,461
Foreign government debt securities	-	163,952	-	163,952
Quoted equity securities	694,563	-	-	694,563
Other securities	-	-	521	521
	694,563	2,398,402	521	3,093,486
Derivative financial instruments	-	276,429	-	276,429
	2,280,278	212,098,991	904,511	215,283,780
Financial liabilities				
Derivative financial instruments	-	72,820	-	72,820
Liabilities under annuity and insurance contracts	-	-	35,282,653	35,282,653
	-	72,820	35,282,653	35,355,473

The movement in the Group's financial assets classified as Level 3 during the year is as follows:

	The Group	
	2017 $'000	2016 $'000
At start of year	904,511	61,188
Acquisitions	1,229,180	843,323
At end of year	2,133,691	904,511

The movement in liabilities under annuity and insurance contracts is disclosed in Note 35.

There were no transfers between levels.

45. Fair Values of Financial Instruments (Continued)

The carrying value (excluding accrued interest) (Note 23) and fair value of investment securities classified as loans and receivables are as follows:

	The Group	
	Carrying Value $'000	Fair Value $'000
At September 30, 2017	61,359,730	66,800,708
At September 30, 2016	56,924,706	57,615,341

Similar to debt securities classified as available-for-sale, the above fair value measurements fall within Level 2 of the fair value hierarchy as indicative prices or yields of these instruments are obtained from regular, publicly available quotes by reputable pricing services, dealers and brokers, such as Bloomberg and Oppenheimer.

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.

46. Regulatory Matters

At the reporting date, one of the subsidiaries within the Group was in breach of a regulatory concentration limit arising from cash holdings with the Bank pending purchases of investment securities. The investments were purchased and the breach was rectified in October 2017.

47. Fiduciary Activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At September 30, 2017, the Group had financial assets under administration of approximately $139,015,187,000 (2016 – $70,177,407,000).

48. Dividends

The following dividends were paid by National Commercial Bank Jamaica Limited during the year:
- $0.90 per ordinary stock unit was paid in December 2016
- $0.60 per ordinary stock unit was paid in February 2017

The following dividends were paid by NCB Financial Group Limited during the year:
- $0.60 per ordinary stock unit was paid in May 2017
- $0.60 per ordinary stock unit was paid in August 2017

On November 9, 2017, the Board declared a final interim dividend in respect of 2017 of $0.60 per ordinary stock unit. The dividend is payable on December 8, 2017 for stockholders on record as at November 24, 2017. The financial statements for the year ended September 30, 2017 do not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the year ending September 30, 2018.

49. Litigation and Contingent Liabilities

The Company and its subsidiaries are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group for which, according to the principles outlined above, no provision has been made, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both its financial position and its operations.

Significant matters are as follows:

(a) Suit has been filed by the Bank's 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. Recently, the Court handed down its decision in favour of the Staff Association. The Bank filed an appeal against the judgment. A provision 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.

49. Litigation and Contingent Liabilities (Continued)

(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. The Bank's attorneys are unable to determine the outcome of the suit and no provision has been made in the financial statements.

(e) Suit was filed by a claimant seeking specific performance, damages for breach of contract, interest and costs. At the time of trial, the claim against the Bank was quantified by the claimant at approximately $31.4 billion plus interest and costs. No provision was made in these financial statements for this claim as the Bank's attorneys were of the view that the suit against the Bank was unlikely to succeed. The Supreme Court issued judgment in the Bank's favour, with the Court ordering a company (placed by the Bank into receivership) to pay the claimant $5 million plus interest. The claimant has appealed and the defendants (including the Bank) have cross-appealed that portion of the judgment in which the company in receivership was ordered to pay the claimant $5 million plus interest.

(f) A number of other suits claiming damages in excess of $5 million each have been filed by customers of the Bank. In some instances counter claims have been filed by the Bank. Provision has been made in the financial statements for certain of these claims. No provision has been made where the Bank's attorneys are of the view that the Bank has a good defense against these claims.

Shareholdings

10 LARGEST SHAREHOLDERS
as at September 30, 2017

	Units	Percentage Ownership
AIC (Barbados) Limited	1,213,020,182	**49.17%**
Harprop Limited	222,372,000	**9.01%**
Sagicor PIF Equity Fund	68,547,785	**2.78%**
NCB Insurance Co. Ltd WT 109	62,989,156	**2.55%**
AIC Global Holdings Inc.	49,565,238	**2.01%**
SJIML A/C 3119	43,254,981	**1.75%**
Ideal Portfolio Services Company Limited	40,762,991	**1.65%**
Portland (Barbados) Limited	38,178,106	**1.55%**
Neon Liberty Lorikeet Master Fund LP	26,932,709	**1.09%**
Beta SPV Limited	21,000,000	**0.85%**

SHAREHOLDINGS OF DIRECTORS [2]
as at September 30, 2017

	Total	Direct	Connected Parties**
Robert Almeida	**61,750,129**	171,750	61,578,379
Wayne Chen	**1,313,632,366**	14,044	1,313,618,322
Dennis Cohen [1]	**134,617,836**	86,480	134,531,356
Sandra Glasgow [1]	**134,619,055**	90,699	134,528,356
Sanya Goffe	**61,582,719**	4,340	61,578,379
Hon. Noel Hylton, OJ, CD	**61,932,453**	14,044	61,918,409
Patrick Hylton, CD	**62,809,281**	1,230,902	61,578,379
Hon. Michael Lee-Chin, OJ	**1,608,954,560**	2,409,400	1,606,545,160
Thalia Lyn, OD [1]	**134,696,888**	153,412	134,543,476
Oliver Mitchell, Jr.	**61,585,679**	7,300	61,578,379
Prof. Alvin Wint, CD	**61,666,523**	88,144	61,578,379
Dave Garcia (Corporate Secretary)	**11,210**	11,210	-

SHAREHOLDINGS OF LEADERSHIP TEAM
as at September 30, 2017

	Total	Direct	Connected Parties**
Rickert Allen	**113,696**	113,696	-
Septimus Blake	**10,050**	10,050	-
Brian Boothe	**-**	-	-
Danielle Cameron Duncan	**-**	-	-
Dennis Cohen [1, 2]	**134,617,836**	86,480	134,531,356
Dave Garcia	**11,210**	11,210	-
Steven Gooden	**4,293**	4,293	-
Howard Gordon	**-**	-	-
Phillip Harrison	**25,598**	10,000	15,598
Patrick Hylton, CD [2]	**62,809,281**	1,230,902	61,578,379
Vernon James	**-**	-	-
Nadeen Matthews	**10,000**	10,000	-
Claudette Rodriquez	**42,147**	-	42,147
Misheca Seymour-Senior	**-**	-	-
Andrew Simpson	**-**	-	-
Mark Thompson	**-**	-	-
Tanya Watson Francis	**-**	-	-
Mukisa Wilson Ricketts	**10,000**	10,000	-
Allison Wynter [1]	**73,050,766**	100,789	72,949,977
Angus Young	**105,000**	105,000	-

1. Connected parties for Dennis Cohen, Sandra Glasgow, Thalia Lyn and Allison Wynter include shares of 72,949,977 held by trustees of the N.C.B. Staff Pension Fund.
2. Connected parties for all directors include shares of 61,578,379 held by subsidiaries of Guardian Holdings Limited (GHL).

Corporate Directory

CORPORATE BANKING DIVISION

Acting Head	Andrew Simpson
AGM - Corporate Finance	Winston Lawson
Business Support & Finance Manager	Belinda Santokie
Corporate Underwriting & Portfolio Manager	Mark Allen
Senior Relationship Manager	Maxia O'Connor
Corporate Underwriting & Portfolio Manager	Toni-Tanille Kerr
Relationship Manager	Wayne Blake

GROUP RISK MANAGEMENT DIVISION

Group Chief Risk Officer	Allison Wynter
AGM - Risk Management	Karlene Bailey
Senior Credit Manager	Collin Yarru
Senior Risk Officer	Percival Hurditt
Senior Business Analyst	John Lobban

GROUP FINANCE DIVISION

SAGM - Finance	Andre Ho Lung
AGM - Group Finance	Malcolm Sadler
Finance Manager	Lilieth Hamilton-Bailey

GROUP HUMAN RESOURCES AND FACILITIES DIVISION

Senior General Manager	Rickert Allen
Senior Assistant General Manager	Euton Cummings
Assistant General Manager	Sandra Grey
Consultant-Environment & Asset Management	Dillon Lobban
Manager-Learning Technologies	Althea Bailey
Manager-Talent Management	Nicole Downie
Food Services Manager	Judith Grossett
Quality Assurance Manager	Michelle McIntyre-Plummer
Facilities Project Manager	Shevene Logan

PRESIDENT'S OFFICE

President & Group CEO	Patrick Hylton
Chief Financial Officer & Deputy CEO	Dennis Cohen
Chief Operating Officer	Septimus 'Bob' Blake
Assistant General Manager-Strategy, Mergers & Acquisition	Damian Duncan
Senior Assistant General Manager-Strategy & Transformation Program	Gabrielle Banbury-Kelly
Assistant General Manager-Special Projects	Erica Anderson
Head - Group Investor Relations, Performance Monitoring & Planning	Jacqueline De Lisser

GROUP OPERATIONS AND TECHNOLOGY DIVISION

Senior General Manager	Howard Gordon
AGM - Centralised Operations	Alison Lynn
AGM - Group Operations	Anne McMorris Cover
AGM - IT Infrastructure	Ramon Lewis
Manager - Governance & Compliance	Cecil Williams

GROUP INTERNAL AUDIT DIVISION

Group Chief Internal Auditor	Mukisa Ricketts
Internal Audit Manager	Shala Dinald
Internal Audit Manager	Amoy Parchment Graham

GROUP LEGAL & COMPLIANCE DIVISION

Group General Counsel & Corporate Secretary	Dave Garcia
Group Chief Compliance Officer	Misheca Seymour Senior
Corporate Services and Compliance Manager	Stephanie Neita
Compliance Manager	Patricia Tennant
Compliance Manager	Dawn Brooks
Legal Counsel	Janelle Muschette Leiba
Legal Counsel	Nicola Whyms-Stone
Legal Counsel	Tricia-Gaye O'Connor
Legal Counsel	Corrine Henry
Legal Counsel	Samantha Bigby
Legal Counsel	Stacey Smith
Legal Counsel	Ky-Ann Taylor

DIGITISATION, GROUP MARKETING & COMMUNICATIONS UNIT

Chief Digital & Marketing Officer and CEO, N.C.B Foundation	Nadeen Matthews Blair
Group Marketing & Communications Manager	Nichole Brackett Walters
Assistant General Manager-Enterprise Information Management	Nicole Brown
Agile Marketing Manager	Sade Powell
Head, Digital Research, Development & Analytics	Anastasia Whyte

RETAIL BANKING DIVISION

Acting Head	Brian Boothe
Assistant General Manager	Marcia Reid-Grant
AGM - Credit Processing & Portfolio Quality	Robert Brooks
AGM - Sales Management	Stuart Reid
Manager, Group Service Delivery	Sharon Williams
Sales and Relationship Manager, Government Business	Kelvin Hall
Retail Sales Manager	Kerryann McCourty-Simmonds
Manager, Customer Experience Management	Claudell Robinson
Business Development Manager	Miguel Thompson

NON- BRANCH CHANNELS

Head of Non-Branch Channels	Danielle Cameron Duncan

PAYMENT SERVICES DIVISION

Head - Card & Electronic Services	Claudette Rodriquez
Product & Portfolio Manager-Issuing	Michelle Thomas
Product & Portfolio Manager-Acquiring	Kirk Prendergast
Sales and Relationship Manager-Acquiring	Gregory Peart
Sales Manager-Issuing	Anitha Cross
Senior Financial Analyst	Eric Riettie

TREASURY & CORRESPONDENT BANKING DIVISION

General Manager	Tanya Watson Francis
AGM - Foreign Exchange Trading	Peter Higgins
Financial Institutions Relationship Manager	Karen Watson
Senior Business Analyst	Youlan Laidlaw

ADVANTAGE GENERAL INSURANCE COMPANY LIMITED

President and CEO	Mark Thompson
Vice President, Channel Management and Underwriting	Ruth Cummings
Vice President, Claims	Odia Reid-Clarke
Company Secretary and Compliance Manager	Stephanie Neita
Underwriting Manager	Adina Bryson

NCB CAPITAL MARKETS LIMITED & SUBSIDARIES

CEO	Steven Gooden
Vice President, Strategy, Research & Projects	Annya Walker
Vice President, Investments	Tracey-Ann Spence
Assistant Vice President, Investment Banking	Herbert Hall
Assistant Vice President, Wealth Management	Kerry-Ann Spencer
Managing Director, NCB (Cayman) Ltd. & NCB Capital Markets (Cayman) Ltd.	Phillip Harrison
CEO, NCB Global Finance Ltd. & Acting CEO, NCB Capital Markets (Barbados) Ltd.	Angus Young
Manager, Regional Customer Experience & Channels	Najah Peterkin
Manager, Wealth Management – Region 1 and Private Client Services	Elizabeth James
Manager, Wealth Management and Syndication – Region 2 and Corporate Sales	Simona Watkis
Manager, Investment Banking - Origination and Structuring	Dwight Jackson
Manager, Investment Banking – Origination and Structuring	Stanley Thompson
Manager, Investment Banking – Origination and Structuring	Denton Dewar
Manager, Strategy and Projects	Denario Brown
Manager, Portfolio and Asset Management	Stacey-Ann Tait
Finance Manager	Avril Bailey
Manager, Trading	Davie Martin
Company Secretary	Janelle Muschette Leiba

NCB INSURANCE COMPANY LIMITED

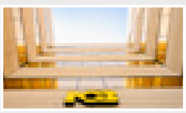
Managing Director and CEO	Vernon James
Assistant General Manager-Individual Line Sales & Retention	Antonio Spence
Business Development Manager-Group Business	Desmond Johnson
Sales Manager	Christopher Vendryes
Investment Manager	Andre Brown
Product Development & Projects Manager	Georgia Wright
Regional Manager-Region 2, Individual Line	Marsha Clarke-Bruce
Regional Manager-Region 1, Individual Line	Anntonette Cowan-Palmer
Manager, Underwriting and New Business	Nichola King
Finance Manager	Maxine Clark
Finance Manager	Kevin Parker
Manager, Insurance Operations	Leneisha Sterling
Company Secretary	Tricia-Gaye O'Connor

Branch Directory

All Branches:	Customer Care Toll Free:	United States, Canada and the English Speaking Caribbean	United Kingdom
929-4NCB	1-888-NCB-FIRST	1-866-622-3477	0-800-032-2973

BUSINESS DISTRICT ONE	BUSINESS DISTRICT TWO	BUSINESS DISTRICT THREE
Marva Peynado	Kevin Ingram	Loren Edwards

HEAD OFFICE



The Atrium

32 Trafalgar Road
Kingston 10
St. Andrew
929-9050

ANNOTTO BAY

Main Street
Annotto Bay
St. Mary

Branch Manager:
DOROTHY FOOTE

BLACK RIVER

Chambers Plaza
1 Brigade Street
Black River
St. Elizabeth

Branch Manager:
MURPHINE GARRICK

BROWN'S TOWN

17 Main Street
Brown's Town
St. Ann

Branch Manager:
SHELLY-ANN ALLEN

CHAPELTON

40 Main Street
Chapelton
Clarendon

Branch Manager:
NEPAUL KNIGHT

CHRISTIANA

Main Street
Christiana
Manchester

Branch Manager:
BARBARA COHEN

CONSTANT SPRING

124-126
Constant Spring Road
St. Andrew

Branch Manager:
LLOYD RICHARDSON

CROSS ROADS

90-94 Slipe Road
Kingston 5
St. Andrew

Branch Manager:
GLEN SHIELDS

DUKE STREET

37 Duke Street
Kingston
St. Andrew

Branch Manager:
GARFIELD PALMER

FALMOUTH

2 Water Square
Falmouth
Trelawny

Branch Manager:
BRIAN BAGGOO

FAIRVIEW

Fairview Commercial Centre
Montego Bay
St. James

Branch Manager:
WAYNE HUNTER

HAGLEY PARK

211 Hagley Park Road
Kingston 11
St. Andrew

Branch Manager:
PATRICIA CURNIFFE-COLE

HALF MOON

Half Moon
Shopping Village
St. James

Branch Manager:
DYAN GREY

HALF WAY TREE

94 Half Way Tree Road
Kingston 10
St. Andrew

Branch Manager:
MAXINE MCKENZIE

JUNCTION

Junction
St. Elizabeth

Branch Manager:
DUWAYNE WIGGAN

KNUTSFORD BOULEVARD

1-7 Knutsford Boulevard
Kingston 5
St. Andrew

Branch Manager:
DONNA CLARKE

LINSTEAD

29 King Street
Linstead
St. Catherine

Branch Manager:
NEIL CAMPBELL

LUCEA

Main Street
Lucea
Hanover

Branch Manager:
BASHEVIS PRYCE

MANDEVILLE

6 Perth Road
Mandeville
Manchester

Branch Manager:
STUART BARNES

MATILDA'S CORNER

15 Northside Plaza,
Kingston 6
St. Andrew

Branch Manager:
DAVE WILSON

MAY PEN

41 Main Street
May Pen
Clarendon

Branch Manager:
LAURIE SPENCER

MORANT BAY

39 Queen Street
Morant Bay
St. Thomas

Branch Manager:
VALRIE FERGUSON

NEGRIL

Sunshine Village Complex
West End Road
Negril
Westmoreland

Branch Manager:
JANET REID

OCHO RIOS

40 Main Street
Ocho Rios
St. Ann

Branch Manager:
KANHAI SKEEN

OLD HARBOUR

Cnr. South & West Street
Old Harbour
St. Catherine

Branch Manager:
JOYCELYN ROWE

OXFORD PLACE

10 Oxford Road
Kingston 5

Branch Manager:
DEAN SIMPSON

PORTMORE

Lot 13-14 West Tradeway
Portmore Town Centre
St. Catherine

Branch Manager:
DWIGHT HYDE

PORT ANTONIO

1 Gideon Avenue
Port Antonio
Portland

Branch Manager:
ASANA REID

PORT MARIA

8 Main Street
Port Maria
St. Mary

Branch Manager:
ANTHONY BUTLER

PRIVATE BANKING

124-126
Constant Spring Road
St. Andrew

Branch Manager:
AUDREY MCINTOSH

SANTA CRUZ

7 Coke Drive
Santa Cruz
St. Elizabeth

Branch Manager:
CONROY WARD

SAVANNA-LA-MAR

68 Great George Street
Savanna-La-Mar
Westmoreland

Branch Manager:
KEVIN WALKER

ST. ANN'S BAY

19-21 Main Street
St. Ann's Bay
St. Ann

Branch Manager:
DONNOVAN REID

JAGO SHOPPING CENTRE

St. Jago Shopping Centre
Burke Road,
Spanish Town,
St. Catherine

Branch Manager:
JACQUELINE MIGHTEN

ST. JAMES STREET

41 St. James Street
Montego Bay
St. James

Branch Manager:
WAYNE HUNTER

UNIVERSITY (UWI)

Mona Campus
Kingston 7
St. Andrew

Branch Manager:
KAREN YOUNG

WASHINGTON BOULEVARD

45 Elma Crescent
Kingston 20
St. Andrew

Branch Manager:
DESRON GRAHAM

WINDWARD ROAD

89-91 Windward Road
Kingston 2
St. Andrew

Branch Manager:
MARK EDWARDS

NCB Subsidiaries & Foundation

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

Hon. Michael Lee-Chin, OJ CHAIRMAN
Mr Patrick Hylton, CD CEO
Mr Dennis Cohen CFO & DEPUTY CEO
Mr Robert Almeida
Mr Wayne Chen
Mrs Sandra Glasgow
Mrs Sanya Goffe
Hon. Noel Hylton, OJ, CD
Mrs Thalia Lyn, OD
Prof. Alvin Wint, CD
Mr Oliver Mitchell

CORPORATE SECRETARY Dave Garcia

NCB (CAYMAN) LIMITED

Mr Wayne Chen CHAIRMAN
Mr Phillip Harrison MANAGING DIRECTOR
Mr Patrick Hylton, CD
Mr Dennis Cohen
Prof. Alvin Wint, CD
Mr Steven Gooden

COMPANY SECRETARY Nicola Whyms-Stone

NCB CAPITAL MARKETS (CAYMAN) LIMITED

(Subsidiary of NCB Capital Markets Limited)

Mr Wayne Chen CHAIRMAN
Mr Phillip Harrison MANAGING DIRECTOR
Mr Patrick Hylton, CD
Mr Dennis Cohen
Prof. Alvin Wint, CD
Mr Steven Gooden

COMPANY SECRETARY Nicola Whyms-Stone

NCB TRUST COMPANY (CAYMAN) LIMITED

(Subsidiary of NCB (Cayman) Ltd.) name changed July 2015

Mr Wayne Chen CHAIRMAN
Mr Phillip Harrison MANAGING DIRECTOR
Mr Patrick Hylton, CD
Mr Dennis Cohen
Prof. Alvin Wint, CD

COMPANY SECRETARY Nicola Whyms-Stone

NCB CAPITAL MARKETS (BARBADOS) LIMITED

(Subsidiary of NCB Capital Markets Limited)
Incorporated May 27, 2015

Mr Steven Gooden CHAIRMAN
Mr Angus Young ACTING CEO
Mr Julian Jordan
Mr Lalu Vaswani

COMPANY SECRETARY Dave Garcia

DATA-CAP PROCESSING LIMITED

Dr. Rickert Allen
Mr Patrick Hylton, CD

COMPANY SECRETARY Samantha Bigby

NCB INSURANCE COMPANY LIMITED

Mr Wayne Chen CHAIRMAN
Mr Vernon James CEO
Mr Patrick Hylton, CD
Mr Milverton Reynolds
Prof. Alvin Wint, CD
Mr Dennis Cohen
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Mr Harry Smith

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Mr Leonard Mahipalamudali
Dr. Franklin Johnston
Mr Brian Boothe
Mr Lawson Crawford
Mr Malcolm Sadler

COMPANY SECRETARY Stephanie Neita

Glossary - Abbreviation

CURRENCIES AND UNITS:

B – Billion
Bn – Billion
J$ – Jamaican Dollar
JMD – Jamaican Dollar
K – Thousand
M – Million
Mn – Million
TT$ – Trinidad and Tobago Dollars
TTD – Trinidad and Tobago Dollars
US$ – United States Dollars
USD – United States dollar

ENTITIES:

A
AGIC – Advantage General Insurance Company Limited

B
BOJ – Bank of Jamaica

F
FSC – Financial Services Commission

G
GHL – Guardian Holdings Limited

I
IASB – International Accounting Standards Board
ICAJ – Institute of Chartered Accountants of Jamaica
IMF – International Monetary Fund

J
JSE – Jamaica Stock Exchange

N
NACD- National Association of Corporate Directors
NCB or NCB Group – NCBFG and its subsidiaries
NCBCM – NCB Capital Markets Limited
NCBCMBL – NCB Capital Markets (Barbados) Limited
NCBFG – NCB Financial Group Limited
NCBGF – NCB Global Finance Limited
NCBIC – NCB Insurance Company Limited
NCBJ – National Commercial Bank Jamaica Limited

P
PWC – PricewaterhouseCoopers

T
TTSE – Trinidad and Tobago Stock Exchange

TITLES:

AGM – Assistant General Manager
CEO – Chief Executive Officer
CFO – Chief Financial Officer
SAGM – Senior Assistant General Manager

OTHER ACRONYMS:

A
ABM – Automated Banking Machine
AGM – Annual General Meeting
AI – Artificial Intelligence
AmEx – American Express
AML – Anti-Money Laundering
ATM – Automated Teller Machine

C
CAGR – Compounded Annual Growth Rate
CBD – Corporate Banking Division
CCTV – Closed Circuit Television
CD – Certificate of Deposit
CDSU – Central Disbursement and Securities Unit
CFT – Counter Financing of Terrorism
CHD – Cardholder Data
CPI – Consumer Price Index
CSR – Corporate Social Responsibility

D
DPR – Diversified Payments Rights
DTI – Deposit Taking Institution

E
EGC – Economic Growth Council
EMV – Europay, MasterCard, and Visa
EPS – Earnings per stock unit
EU – European Union

F
FUM – Funds Under Management
FX – Foreign Exchange

G
GCT – General Consumption Tax
GDP – Gross Domestic Product
GHRD-Group Human Resources and Facilities Division
GIAD-Group Internal Audit Division
GOJ – Government of Jamaica
GOTD – Group Operations and Technology Division
GRC – Group Risk Committee
GRMD – Group Risk Management Division

Glossary - Abbreviation

CONTINUED

H

HNW – High Net Worth

HR – Human Resources

HVAC - heating, ventilation, and air conditioning

I

iABM – Intelligent Automated Banking Machine

ICT – information through telecommunications

IFRS – International Financial Reporting Standards

IPO – Initial Public Offering

IT – Information Technology

J

JEI – Jamaica Education Initiative

K

kWh – kilowatt hour

L

LED – light-emitting diode

M

MD&A – Management Discussion & Analysis

mPOS – Mobile Point of Sale

N

NEPA – National Environment and Planning Agency

NIR – Net International Reserves

P

PCI-DSS – Payment Card Industry Data Security Standard

POC – proof of concept

POS – Point of Sale

PSOJ – Private Sector Organisation of Jamaica

PY – Prior year

R

RBD – Retail Banking Division

S

SCT – Special Consumption Tax

SME – Small and Medium Sized Enterprise

S&P – Standard & Poor's

T

T – Bill – Treasury Bill

TCBD – Treasury & Correspondent Banking Division

TT – Trinidad & Tobago

U

UK – United Kingdom

US – United States

UWI – University of the West Indies

V

VRF – variable refrigerant flow

W

WATBY – Weighted Average Treasury Bill Yields

Notes

Notes

NCB FINANCIAL GROUP LIMITED

Postage Stamp

Annual General Meeting Form of Proxy

I/We ....

of ....

being a Member/Members of the abovenamed Company, hereby appoint

....

of .... or failing him/her

....

of ....

as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the **Spanish Court Hotel,The Valencia T, 16 Worthington Avenue, Kingston 5**, in the parish of Saint Andrew, on **Friday, January 26, 2018 at 10:00 a.m**. and at any adjournment thereof.

Please indicate by inserting a cross in the appropriate square how you wish your votes to be cast. Unless otherwise instructed, the Proxy will vote or abstain from voting, at his/her discretion.

RESOLUTION	FOR	AGAINST
1	☐	☐
2	☐	☐
3 (a)	☐	☐
3 (b)	☐	☐
3 (c)	☐	☐

RESOLUTION	FOR	AGAINST
4 (a)	☐	☐
4 (b)	☐	☐
5	☐	☐

As witnessed my hand this .... day of 2018

Signed: ....

NOTES:

1. This Form of Proxy must be received by the Secretary of the Company not less than 48 hours before the time appointed for the Meeting.
2. This Form of Proxy should bear stamp duty of $100. Adhesive stamps are to be cancelled by the person signing the proxy.
3. If the appointer is a Corporation, this Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized in writing.

DESIGN:
Graphics & Production Unit -
Group Marketing & Communications

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Forward

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Advantage General Insurance Company Limited | NCB Global Finance Limited | N.C.B. Foundation

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