

# Financial Results

## For The Three Months Ended December 31, 2016

1-888-NCB-FIRST | [www.jncb.com](http://www.jncb.com) | [jncbinfo@jncb.com](mailto:jncbinfo@jncb.com)



Net Profit

**\$3.6B**



Total Assets

**\$623.7B**



Equity

**\$102.1B**



EPS

**\$1.45**



Return on Assets

**2.33%**



Return on Equity

**14.00%**

### FIRST QUARTER 2017 EARNINGS RELEASE

January 26, 2017 – The Board of Directors is pleased to announce that National Commercial Bank Jamaica Limited (NCB) and its subsidiaries achieved net profit of \$3.6 billion for the three months ended December 31, 2016, an increase of 50% or \$1.2 billion over the prior year.

This is the first year of our new strategic plan, **NCB 2.0 by 2020: Faster | Simpler | Stronger**. This plan focuses on three group-wide business priorities over the next four years:

- building a world-class digital experience,
- accelerating regional expansion and
- reinventing our core business.

Our performance marks a commendable start to another financial year, delivering strong results this quarter with the profits of core operating entities up 40% over the prior year.

Faced with greater regulatory requirements and shifting consumer demands, our organisation remains steadfast in its commitment to excellence. We are well positioned to capitalise on opportunities and are investing in technology, infrastructure and tools, including digital initiatives, to provide innovative solutions to enhance our customers' experience and deliver increased shareholder value.

For more information, contact:

#### INVESTOR RELATIONS

**Jacqueline De Lisser**

Manager

Group Investor Relations, Performance Monitoring & Planning

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#### MEDIA RELATIONS

**Belinda Williams**

Manager

Corporate Brand, Communications & Social Responsibility

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## Dividends

The Board of Directors, at its meeting on January 26, 2017, declared an interim dividend of \$0.60 per ordinary stock unit. The dividend is payable on February 24, 2017 for stockholders on record as at February 10, 2017.

## Awards

- In December at the 12<sup>th</sup> staging of the Jamaica Stock Exchange's Best Practices Awards Ceremony, NCB received the **Governor General's Award for Excellence** (5<sup>th</sup> consecutive year); **Best Practices Award for Annual Report** (3 wins to date) and **Corporate Disclosure & Investor Relations Award**. We also received 1<sup>st</sup> runner-up awards for the categories of **Website** and **JSE/PSOJ Corporate Governance** (tied 1<sup>st</sup> runner-up). The awards were established to recognise listed companies and member dealers which uphold best practice standards.
- Global Banking and Finance Review selected NCB as the winner for **Best SME Bank Jamaica 2016** and NCB Insurance (NCBIC) as **Best Life Insurance Company 2016**. These awards are recognition for the continued commitment to delivering excellence in banking and life insurance.
- NCB was also the recipient of Financial Times' **The Banker – Bank of the Year award for 2016 for Jamaica**. This achievement acknowledges excellence in banking. Banks are judged based on the strategy which drives financial performance, as well as how these organisations overcame regulatory, competitive and economic hurdles.

## Business Highlights

- NCB is scheduled to have its **Annual General Meeting on Friday, January 27, 2017** at 9:30 a.m. at the Jamaica Conference Centre, 14-20 Port Royal Street, Kingston. At this meeting approval will be sought for a proposed Scheme of Arrangement to facilitate the establishment of a financial holding company licensed by the Bank of Jamaica (BOJ) under the Banking Services Act.
- Customers will enjoy greater security when using internet banking, as the bank has further invested to enhance the facility for their safety, through the introduction of a new technology, the RSA SecurID token. The RSA SecurID token is one of the safest authentication solutions used globally by banks and other entities. This solution will help protect customers from fraud losses, theft and intrusion from cyber criminals.
- We have introduced a new digital solution which allows existing customers to open new savings and current accounts online without visiting a branch. This represents a first for the local banking and finance industry, offers added convenience while improving customer satisfaction.

## Financial Results Highlights

	Q1 FY2017	Q1 FY2016	YoY Change	Q4 FY 2016	QoQ Change
Net profit (\$'M)	3,591	2,395	50%	4,512	(20%)
Earnings per stock unit (\$)	1.45	0.96	50%	2.03	(20%)
Cost to income ratio (%)	69.5%	72.6%	-	59.7%	-
Total assets (\$M)	623,718	537,918	16%	607,669	3%
Return on average total assets (%)	2.3%	1.8%	-	3.0%	-
Equity (\$M)	102,101	87,659	16%	103,105	(1%)
Return on average equity (%)	14.0%	10.9%	-	18.1%	-
Net loans (\$M)	197,916	171,557	15%	189,056	5%
Customer deposits (\$M)	275,615	240,980	14%	273,966	1%

## Financial Performance

### Operating Income

Operating income was \$14.2 billion, an improvement of 13% or \$1.6 billion over the prior year's first quarter results. The performance was driven by gains realised on investment activities executed by the Treasury and Wealth Management segments, stemming from greater trading activity when compared to the prior year. Growth in our retail, business and corporate loan portfolios contributed to net fee and commission and loan income through volume increases in credit related fees and interest income. As we focused on executing strategies for growth in our core businesses, the results reflect fee based revenue and volume increases from corporate finance and unit trust activities in our Wealth Management segment. Additionally, pension and policy fees income and volume based fees for e-commerce transactions improved in our Life Insurance and Payment Services segments, respectively.

### Operating Expenses

Operating expenses totalled \$10.1 billion, growing by \$545 million or 6% relative to the prior year. The growth in our asset base resulted in increased asset tax charges of \$200 million or 19% over the prior year. For the quarter, execution of strategic programmes, operational streamlining and infrastructure improvements led to increased depreciation, maintenance, card rebates, licensing and transaction costs.

Increased operating expenses accounted for the 20% reduction in net profit from the September 2016 quarter. The current quarter included asset tax charges of \$1.2 billion which did not occur in previous quarter.

### Share of Profit of Associates

Share of profit of associates grew by \$682 million mainly as a result of accounting for a 29.99% shareholding in Guardian Holdings Limited as an associated company. This investment is consistent with the Group's strategic priority of expanding its regional presence in order to drive continued growth and shareholder value.

## Financial Position Performance

### Loans and advances

The Group's loans and advances, net of provision for credit losses, increased by \$26.4 billion to \$197.9 billion at December 31, 2016. Loans offered by our commercial banking business, including credit card receivables, grew by 16% and loans and advances offered through our merchant banking business went up by 50% over the prior year. Non-performing loans totalled \$6.1 billion, a 28% decrease from December 2015, resulting from the partial recovery of a significant debt which took place at the end of the last financial year. Non-performing loans as a percentage of gross loans improved to 3.0% from 4.8% in the prior year. The regulatory provision coverage at December 31, 2016 was 136.4% compared to 119.5% at December 2015.

### Funding

Deposits grew to \$275.6 billion, up 14% or \$34.6 billion, as customers continue to reflect confidence in the strength of the organisation. This continues to be our largest source of funding.

The Bank successfully completed a securitisation transaction which closed on November 21, 2016 and generated financing of US\$150,000,000 through the issuance of notes backed by future flows derived from international merchant voucher receivables acquired by NCB in Jamaica. The notes were issued by Jamaica Merchant Voucher Receivables Limited, a special purpose vehicle incorporated under the laws of the Cayman Islands, in a private placement within the United States to qualified institutional buyers. The notes were assessed by Fitch Ratings and received a BB+ rating.

### Capital

Stockholders' equity increased to \$102.1 billion from \$87.7 billion at December 31, 2015. The Group's capital position remains strong and the key regulatory ratios of our individual entities exceed the minimum regulatory requirements as shown in the table below.

Company	Key Regulatory Ratios	December 31, 2016	December 31, 2015
National Commercial Bank Jamaica Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 12.5%]	12.8%	12.5%
NCB Capital Markets Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 10.0%]	36.1%	32.3%
NCB Insurance Company Limited	Minimum continuing capital and surplus requirements ratio [Minimum requirement – 150.0%]	455.2%	600.3%
Advantage General Insurance Company Limited	Available assets to required assets (Minimum capital test) [Minimum requirement – 250.0%]	377.0%	335.9%
NCB (Cayman) Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 12.0%]	21.2%	18.0%
NCB Global Finance Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 12.0%]	29.9%	33.8%



## Corporate Social Responsibility

The N.C.B. Foundation (NCBF) financed by 0.50% of the Bank's prior year profits and 0.50% of prior year personal Keycard sales under the Jamaica Education Initiative (JEI), donated over \$14 million to fund and administer initiatives.

NCB and the N.C.B. Foundation continue to be committed to supporting nation building through these three areas of focus. Our support of education addresses the poor numeracy and literacy indicators, student enrolment declines and the rising cost of education; youth leadership & entrepreneurship continues to develop future leaders and contributors to the Jamaican economy and community & sports development is used as a tool for unification and social changes.

For the quarter, we have impacted over 15,000 persons inclusive of youths and the elderly, including initiatives and assistance for medical and academic needs. Our Volunteer Corps (Staff & Scholars) spent over 20 hours executing projects and initiatives.

## Education



(L-R) Principal of Siloah Primary, Oneil Lamond; NCB Branch Manager of the Santa Cruz branch, Conroy Ward; Member of Parliament, Evan Redman; Minister of State in the Ministry of Education, Youth and Information, Floyd Green; and NCB Group Marketing Manager, Nichole Brackett-Walters share in the 'money shot' with excited children from first place winner, Siloah Primary in St. Elizabeth.

### NCB Grant-A-Wish Initiative - Christmas campaign

The programme included our 31 adopted schools and the past primary school of our Brand Ambassador, Elaine Thompson, submitting wishes for public voting to determine which 3 schools would receive the top prizes totalling \$1.75 million, with the remaining 29 schools receiving a cash prize of \$100,000 each.

Siloah Primary emerged winner with a wish to have its computer lab upgraded to benefit the students and members of the community. The runners-up Waltham Abbey in St Ann, wished to retrofit a container to house a classroom for children with special needs, and St. Catherine-based Homestead Primary wished to address flooding issues as well as broken infrastructure. These 2 schools won \$500,000 and \$250,000, respectively.

## Community & Sports Development

### Hurricane Matthew Relief Efforts

In response to a national call from the Office of Disaster Preparedness and Emergency Management (ODPEM),

## Community & Sports Development



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

### Hurricane Matthew Relief Efforts

the Foundation donated emergency supplies in excess of \$1.9 million to assist with the preparation of starter kits with cases of water, tissue and hand towels.

With the sudden detour of the hurricane to Haiti, a request was submitted to ODPEM to redirect 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 of non-perishable food items and toiletries.

### Sports Development

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

## Corporate Social Responsibility (continued)

### Youth Leadership & Entrepreneurship



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.**

### Youth Leadership & Entrepreneurship

#### Youth Leaders of the Americas Conference 2016

NCB partnered with Point Global Limited, the business of a young entrepreneur – Javette Nixon 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 that are a 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 adverts.

As we progress in this new financial year; we continue to build the communities we serve and positively impact nation building through the work of the N.C.B. Foundation, our branches and staff. We are grateful for the support of our valued stakeholders.

To our stakeholders, we say thank you for your continued loyalty, confidence and support; ***Put Your Best Life Forward.***

**ON BEHALF OF THE BOARD**  
Patrick Hylton, Group Managing Director

#### FOLLOW US:



# National Commercial Bank Jamaica Limited

## Unaudited Consolidated Income Statement

Quarter ended December 31, 2016

(expressed in Jamaican dollars unless otherwise indicated)

	<i>CURRENT YEAR</i>		<i>PRIOR YEAR</i>	
	Quarter ended	Quarter ended	Quarter ended	Quarter ended
	December 31	September 30	December 31	December 31
	2016	2016	2015	2015
	\$'000	\$'000	\$'000	\$'000
<b>Operating income</b>				
Interest income	10,216,512	9,946,937	9,726,230	
Interest expense	(3,013,804)	(2,859,132)	(2,690,463)	
Net interest income	7,202,708	7,087,805	7,035,767	
Fee and commission income	4,136,559	3,649,250	3,187,077	
Fee and commission expense	(694,732)	(719,147)	(562,251)	
Net fee and commission income	3,441,827	2,930,103	2,624,826	
Gain on foreign currency and investment activities	1,705,814	1,610,185	614,227	
Premium income	1,740,381	1,750,595	2,271,619	
Dividend income	61,643	59,602	36,187	
Other operating income	68,364	36,601	19,938	
	3,576,202	3,456,983	2,941,971	
	<b>14,220,737</b>	<b>13,474,891</b>	<b>12,602,564</b>	
<b>Operating expenses</b>				
Staff costs	3,751,933	3,601,229	3,461,618	
Provision for credit losses	235,106	(291,275)	424,418	
Policyholders' and annuitants' benefits and reserves	1,029,992	487,820	1,377,285	
Depreciation and amortisation	541,039	517,024	434,064	
Other operating expenses	4,556,684	3,438,819	3,871,889	
	<b>10,114,754</b>	<b>7,753,617</b>	<b>9,569,274</b>	
<b>Operating profit</b>	<b>4,105,983</b>	<b>5,721,274</b>	<b>3,033,290</b>	
Share of profit of associates	821,006	443,059	139,377	
<b>Profit before taxation</b>	<b>4,926,989</b>	<b>6,164,333</b>	<b>3,172,667</b>	
Taxation	(1,336,214)	(1,652,300)	(777,557)	
<b>NET PROFIT</b>	<b>3,590,775</b>	<b>4,512,033</b>	<b>2,395,110</b>	
Attributable to:				
Stockholders of the Bank	3,560,533	5,016,419	2,395,110	
Non-controlling interest	30,242	(504,386)	-	
	<b>3,590,775</b>	<b>4,512,033</b>	<b>2,395,110</b>	
<b>Earnings per stock unit</b>				
Basic and diluted (expressed in \$)	<b>1.45</b>	<b>2.03</b>	<b>0.96</b>	
<b>Earnings per stock unit, including non-controlling interest</b>				
Basic and diluted (expressed in \$)	<b>1.46</b>	<b>1.83</b>	<b>0.96</b>	

**National Commercial Bank Jamaica Limited**  
**Unaudited Consolidated Statement of Comprehensive Income**  
**Quarter ended December 31, 2016**

(expressed in Jamaican dollars unless otherwise indicated)

	Quarter ended December 31 2016 \$'000	Quarter ended September 30 2016 \$'000	Quarter ended December 31 2015 \$'000
<b>Net Profit</b>	<b>3,590,775</b>	<b>4,512,033</b>	<b>2,395,110</b>
<b>Other comprehensive income, net of tax-</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurements of post-employment benefit obligations	13,206	279,667	(69,963)
<b>Items that may be subsequently reclassified to profit or loss</b>			
Currency translation gains	47,937	95,387	50,426
Unrealised (losses)/gains on available-for-sale investments	(1,796,186)	3,398,411	(764,720)
Realised fair value gains on sale and maturity of available-for-sale investments	(644,365)	(477,649)	(253,640)
	(2,392,614)	3,016,149	(967,934)
<b>Total other comprehensive income</b>	<b>(2,379,408)</b>	<b>3,295,816</b>	<b>(1,037,897)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1,211,367</b>	<b>7,807,849</b>	<b>1,357,213</b>
<b>Total comprehensive income attributable to:</b>			
Stockholders of the Bank	949,600	8,363,859	1,357,213
Non-controlling interest	261,767	(556,010)	-
	<b>1,211,367</b>	<b>7,807,849</b>	<b>1,357,213</b>



# National Commercial Bank Jamaica Limited

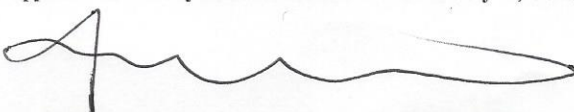
## Unaudited Consolidated Statement of Financial Position

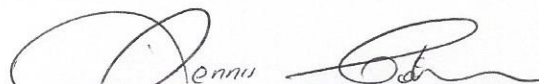
December 31, 2016

(expressed in Jamaican dollars unless otherwise indicated)


	December 31 2016 \$'000	September 30 2016 \$'000	December 31 2015 \$'000
<b>ASSETS</b>			
Cash in hand and balances at Central Banks	41,714,376	35,373,141	30,753,302
Due from other banks	19,632,492	43,820,550	24,249,205
Derivative financial instruments	368,110	276,429	420,116
Investment securities at fair value through profit or loss	1,981,811	2,956,990	749,578
Reverse repurchase agreements	3,045,878	2,810,257	1,244,066
Loans and advances, net of provision for credit losses	197,916,175	189,055,786	171,557,375
Investment securities classified as available-for-sale and loans and receivables	194,481,306	166,426,708	174,804,460
Pledged assets	104,668,359	108,414,917	107,992,595
Investment in associates	36,351,094	34,787,067	6,016,298
Investment properties	773,205	524,917	663,917
Intangible assets	3,624,026	3,445,197	2,989,941
Property, plant and equipment	8,623,232	8,439,961	7,821,616
Deferred income tax assets	172,135	179,748	73,360
Income tax recoverable	659,366	780,807	1,007,437
Customers' liability - letters of credit and undertaking	2,291,231	2,201,599	1,726,954
Other assets	7,414,898	8,175,359	5,847,327
<b>Total assets</b>	<b>623,717,694</b>	<b>607,669,433</b>	<b>537,917,547</b>
<b>LIABILITIES</b>			
Due to other banks	15,202,406	13,273,458	8,608,806
Customer deposits	275,615,191	273,965,888	240,980,406
Repurchase agreements	98,109,667	105,974,938	96,613,533
Obligations under securitisation arrangements	66,863,547	47,899,756	44,732,960
Derivative financial instruments	87,914	72,820	71,654
Other borrowed funds	12,029,451	12,061,154	8,541,966
Income tax payable	1,103,523	753,788	1,187,322
Deferred income tax liabilities	952,811	1,848,539	1,031,603
Liabilities under annuity and insurance contracts	35,343,722	35,282,653	35,231,405
Provision for litigation	-	-	1,500
Post-employment benefit obligations	3,178,677	3,131,117	3,097,847
Liability - letters of credit and undertaking	2,291,231	2,201,599	1,726,954
Other liabilities	10,838,908	8,098,413	8,433,085
<b>Total liabilities</b>	<b>521,617,048</b>	<b>504,564,123</b>	<b>450,259,041</b>
<b>STOCKHOLDERS' EQUITY</b>			
Share capital	6,465,731	6,465,731	6,465,731
Shares held by NCB Employee Share Scheme	(3,388)	(3,388)	(3,388)
Fair value and capital reserves	5,888,618	8,512,757	1,797,387
Loan loss reserve	4,503,586	4,447,709	5,742,238
Banking reserve fund	6,539,948	6,539,948	6,527,091
Retained earnings reserve	31,860,000	29,620,000	22,340,000
Retained earnings	47,537,833	48,476,002	44,789,447
	<b>102,792,328</b>	<b>104,058,759</b>	<b>87,658,506</b>
Non-controlling interest	(691,682)	(953,449)	-
<b>Total stockholders' equity</b>	<b>102,100,646</b>	<b>103,105,310</b>	<b>87,658,506</b>
<b>Total stockholders' equity and liabilities</b>	<b>623,717,694</b>	<b>607,669,433</b>	<b>537,917,547</b>

Approved for issue by the Board of Directors on January 26, 2017 and signed on its behalf by:

  
Patrick Hylton Group Managing Director

  
Dennis Cohen Group Finance and Deputy Managing Director

  
Professor Alvin Wint Director

  
Dave Garcia Company Secretary

## National Commercial Bank Jamaica Limited

### Unaudited Consolidated Statement of Changes in Stockholders' Equity

Quarter ended December 31, 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Share capital	Shares held by NCB Employee Share Scheme	Fair value and capital reserves	Loan loss reserve	Banking reserve fund	Retained earnings reserve	Retained earnings	Non-controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at October 1, 2015</b>	6,465,731	(3,388)	2,765,321	5,706,122	6,518,648	20,810,000	46,131,777	-	88,394,211
Total comprehensive income	-	-	(967,934)	-	-	-	2,325,147	-	1,357,213
Dividends paid	-	-	-	-	-	-	(2,092,918)	-	(2,092,918)
Transfer to Loan loss reserve	-	-	-	36,116	-	-	(36,116)	-	-
Transfer to Banking reserve	-	-	-	-	8,443	-	(8,443)	-	-
Transfer to Retained earnings reserve	-	-	-	-	-	1,530,000	(1,530,000)	-	-
<b>Balance at December 31, 2015</b>	6,465,731	(3,388)	1,797,387	5,742,238	6,527,091	22,340,000	44,789,447	-	87,658,506
<b>Balance at October 1, 2016</b>	6,465,731	(3,388)	8,512,757	4,447,709	6,539,948	29,620,000	48,476,002	(953,449)	103,105,310
Total comprehensive income	-	-	(2,624,139)	-	-	-	3,573,739	261,767	1,211,367
Dividends paid	-	-	-	-	-	-	(2,216,031)	-	(2,216,031)
Transfer to Loan loss reserve	-	-	-	55,877	-	-	(55,877)	-	-
Transfer to Retained earnings reserve	-	-	-	-	-	2,240,000	(2,240,000)	-	-
<b>Balance at December 31, 2016</b>	6,465,731	(3,388)	5,888,618	4,503,586	6,539,948	31,860,000	47,537,833	(691,682)	102,100,646

# National Commercial Bank Jamaica Limited

## Unaudited Consolidated Statement of Cash Flows

Quarter ended December 31, 2016

(expressed in Jamaican dollars unless otherwise indicated)

	December 31 2016 \$'000	December 31 2015 \$'000
<b>Cash Flows from Operating Activities</b>		
Net profit	3,590,775	2,395,110
Adjustments to reconcile net profit to net cash provided by operating activities	(17,135,901)	3,608,883
Net cash (used in)/provided by operating activities	<u>(13,545,126)</u>	<u>6,003,993</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(513,453)	(173,562)
Acquisition of intangible asset - computer software	(422,842)	(320,419)
Proceeds from disposal of property, plant and equipment	58,810	10
Dividends received from associates	94,331	81,468
Purchases of investment securities	(49,494,603)	(43,564,361)
Sales/maturities of investment securities	24,479,633	37,740,033
Net cash used in investing activities	<u>(25,798,124)</u>	<u>(6,236,831)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from securitisation arrangements	18,893,925	-
Proceeds from other borrowed funds	299,189	269,158
Repayments of other borrowed funds	(311,875)	(391,392)
Due to other banks	257,559	2,496,966
Dividends paid	(2,216,031)	(2,092,918)
Net cash provided by financing activities	<u>16,922,767</u>	<u>281,814</u>
Effect of exchange rate changes on cash and cash equivalents	46,435	282,648
Net (decrease)/increase in cash and cash equivalents	(22,374,048)	331,624
Cash and cash equivalents at beginning of period	48,633,379	28,879,720
<b>Cash and cash equivalents at end of period</b>	<b><u>26,259,331</u></b>	<b><u>29,211,344</u></b>
<b>Comprising:</b>		
Cash in hand and balances at Central Bank	10,093,135	6,625,172
Due from other banks	18,588,685	23,814,877
Reverse repurchase agreements	627,961	516,000
Investment securities	1,915,116	1,114,736
Due to other banks	(4,965,566)	(2,859,441)
	<b><u>26,259,331</u></b>	<b><u>29,211,344</u></b>

# National Commercial Bank Jamaica Limited

## Unaudited Segment Report

Quarter ended December 31, 2016

	Consumer & SME									Consolidated
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management & Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
External revenue	4,164,644	2,747,416	1,859,104	2,934,691	2,824,529	1,909,000	1,423,722	66,167	-	17,929,273
Revenue from other segments	779,998	-	8,520	1,360,497	80,284	28,724	58,898	14,298	(2,331,219)	-
<b>Total revenue</b>	<b>4,944,642</b>	<b>2,747,416</b>	<b>1,867,624</b>	<b>4,295,188</b>	<b>2,904,813</b>	<b>1,937,724</b>	<b>1,482,620</b>	<b>80,465</b>	<b>(2,331,219)</b>	<b>17,929,273</b>
Interest income	3,762,485	985,856	1,503,399	3,253,176	1,716,528	776,429	176,287	7,910	(1,965,616)	10,216,454
Interest expense	(415,500)	(307,402)	(736,181)	(1,990,748)	(869,152)	(218,839)	-	(327)	1,529,310	(3,008,839)
<b>Net interest income</b>	<b>3,346,985</b>	<b>678,454</b>	<b>767,218</b>	<b>1,262,428</b>	<b>847,376</b>	<b>557,590</b>	<b>176,287</b>	<b>7,583</b>	<b>(436,306)</b>	<b>7,207,615</b>
Net fee and commission income	1,034,714	1,055,076	347,451	111,694	356,503	462,691	42,037	178	(21,909)	3,388,435
Gain on foreign currency and investment activities	42,718	5,781	13,086	826,555	699,133	52,425	57,129	54,268	(48,664)	1,702,431
Premium income	-	-	-	-	-	628,930	1,182,082	-	(70,631)	1,740,381
Other income	82,024	440	232	100,999	132,650	17,249	25,085	18,109	(234,598)	142,190
<b>Total operating income</b>	<b>4,506,441</b>	<b>1,739,751</b>	<b>1,127,987</b>	<b>2,301,676</b>	<b>2,035,662</b>	<b>1,718,885</b>	<b>1,482,620</b>	<b>80,138</b>	<b>(812,108)</b>	<b>14,181,052</b>
Staff costs	1,635,672	167,861	65,026	42,873	254,278	234,431	200,245	21,834	(17,645)	2,604,575
Provision for credit losses	214,016	23,330	(2,796)	(28)	604	-	-	-	-	235,126
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	411,940	618,648	-	(596)	1,029,992
Depreciation and amortisation	80,233	97,813	1,727	9,922	22,195	15,593	19,047	-	17,913	264,443
Other operating expenses	944,846	567,784	258,962	657,272	485,476	206,987	215,845	2,446	(119,327)	3,220,291
<b>Total operating expense</b>	<b>2,874,767</b>	<b>856,788</b>	<b>322,919</b>	<b>710,039</b>	<b>762,553</b>	<b>868,951</b>	<b>1,053,785</b>	<b>24,280</b>	<b>(119,655)</b>	<b>7,354,427</b>
Operating profit before allocated costs	1,631,674	882,963	805,068	1,591,637	1,273,109	849,934	428,835	55,858	(692,453)	6,826,625
Allocated costs	(1,434,877)	(329,184)	(209,267)	(108,712)	-	-	-	-	-	(2,082,040)
<b>Operating profit</b>	<b>196,797</b>	<b>553,779</b>	<b>595,801</b>	<b>1,482,925</b>	<b>1,273,109</b>	<b>849,934</b>	<b>428,835</b>	<b>55,858</b>	<b>(692,453)</b>	<b>4,744,585</b>
Unallocated corporate expenses										(638,602)
Share of profit of associates										821,006
<b>Profit before taxation</b>										4,926,989
Taxation										(1,336,214)
<b>Net Profit</b>										<b>3,590,775</b>
Segment assets	209,377,330	20,784,643	80,489,252	213,150,702	158,687,704	42,549,113	13,911,444	1,192,176	(154,771,294)	585,371,070
Associates										36,351,094
Unallocated assets										1,995,530
<b>Total assets</b>										<b>623,717,694</b>
Segment liabilities	203,870,229	10,598,273	61,663,268	190,888,499	132,284,451	28,626,791	8,068,804	799,389	(117,480,715)	519,318,989
Unallocated liabilities										2,298,059
<b>Total liabilities</b>										<b>521,617,048</b>
Capital expenditure	382,218	303,125	47,281	10,998	101,564	56,564	28,592	5,953	-	936,295

# National Commercial Bank Jamaica Limited

## Unaudited Segment Report

Quarter ended December 31, 2015

	Consumer & SME									Consolidated
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management & Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
External revenue	3,715,058	2,431,511	1,559,049	2,323,805	2,116,374	2,290,290	1,344,290	74,901	-	15,855,278
Revenue from other segments	664,352	-	9,108	920,409	147,421	40,096	43,091	16,639	(1,841,116)	-
<b>Total revenue</b>	<b>4,379,410</b>	<b>2,431,511</b>	<b>1,568,157</b>	<b>3,244,214</b>	<b>2,263,795</b>	<b>2,330,386</b>	<b>1,387,381</b>	<b>91,540</b>	<b>(1,841,116)</b>	<b>15,855,278</b>
Interest income	3,456,651	917,613	1,328,179	2,817,132	1,862,109	753,120	228,742	4,492	(1,641,868)	9,726,170
Interest expense	(418,161)	(310,725)	(747,825)	(1,655,307)	(959,940)	(234,999)	-	(75)	1,641,868	(2,685,164)
<b>Net interest income</b>	<b>3,038,490</b>	<b>606,888</b>	<b>580,354</b>	<b>1,161,825</b>	<b>902,169</b>	<b>518,121</b>	<b>228,742</b>	<b>4,417</b>	<b>-</b>	<b>7,041,006</b>
Net fee and commission income	853,640	943,106	225,512	86,622	173,717	284,517	31,024	2,561	(12,285)	2,588,414
Gain on foreign currency and investment activities	44,781	4,289	11,107	251,574	200,857	29,776	31,541	66,108	(27,144)	612,889
Premium income	-	-	-	-	-	1,249,481	1,084,058	-	(61,920)	2,271,619
Other income	1,325	(2,238)	170	87,166	24,844	13,494	12,014	18,380	(109,073)	46,082
<b>Total operating income</b>	<b>3,938,236</b>	<b>1,552,045</b>	<b>817,143</b>	<b>1,587,187</b>	<b>1,301,587</b>	<b>2,095,389</b>	<b>1,387,379</b>	<b>91,466</b>	<b>(210,422)</b>	<b>12,560,010</b>
Staff costs	1,529,255	141,705	52,517	45,774	211,227	202,023	237,446	19,539	(57,127)	2,382,359
Provision for credit losses	192,100	233,774	(1,723)	-	2	-	-	-	-	424,153
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	694,811	682,474	-	-	1,377,285
Depreciation and amortisation	59,196	60,763	1,850	11,224	7,712	20,483	17,287	52	17,911	196,478
Other operating expenses	985,566	263,587	243,989	506,964	473,209	190,490	191,305	2,565	(71,026)	2,786,649
<b>Total operating expense</b>	<b>2,766,117</b>	<b>699,829</b>	<b>296,633</b>	<b>563,962</b>	<b>692,150</b>	<b>1,107,807</b>	<b>1,128,512</b>	<b>22,156</b>	<b>(110,242)</b>	<b>7,166,924</b>
Operating profit before allocated costs	1,172,119	852,216	520,510	1,023,225	609,437	987,582	258,867	69,310	(100,180)	5,393,086
Allocated costs	(1,195,666)	(297,657)	(165,440)	(84,001)	-	-	-	-	-	(1,742,764)
<b>Operating profit</b>	<b>(23,547)</b>	<b>554,559</b>	<b>355,070</b>	<b>939,224</b>	<b>609,437</b>	<b>987,582</b>	<b>258,867</b>	<b>69,310</b>	<b>(100,180)</b>	<b>3,650,322</b>
Unallocated corporate expenses										(617,032)
Share of profit of associates										139,377
<b>Profit before taxation</b>										<b>3,172,667</b>
Taxation										(777,557)
<b>Net Profit</b>										<b>2,395,110</b>
Segment assets	193,000,243	16,319,478	72,924,516	170,832,478	142,187,337	41,459,683	13,567,988	1,159,076	(121,669,313)	529,781,486
Associates										6,016,298
Unallocated assets										2,119,763
<b>Total assets</b>										<b>537,917,547</b>
Segment liabilities	171,938,109	10,123,736	59,783,501	162,013,505	120,191,217	28,386,606	8,393,680	226,360	(113,310,112)	447,746,602
Unallocated liabilities										2,512,439
<b>Total liabilities</b>										<b>450,259,041</b>
Capital expenditure	113,768	156,625	28,033	16,865	88,757	30,530	52,823	6,579	-	493,981



# National Commercial Bank Jamaica Limited

Notes to the Unaudited Financial Statements

December 31, 2016

(expressed in Jamaican dollars unless otherwise indicated)

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## 1. Identification and Principal Activities

National Commercial Bank Jamaica Limited ("the Bank") is incorporated in Jamaica and licensed under the Banking Services Act, 2014. The Bank is a 50.29% (December 31, 2015 – 51.83%) subsidiary of 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 Bank.

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

The Bank is listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange.

The Bank's subsidiaries and other consolidated entities, together with the Bank are referred to as "the Group".

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 Remittance Services (UK) Limited, which is incorporated in the United Kingdom, NCB Global Finance Limited which is incorporated in Trinidad and Tobago, NCB Capital Markets (Barbados) Limited which is incorporated in Barbados and NCB Capital Markets SA which is incorporated in the Dominican Republic.

## 2. Basis of preparation

The condensed consolidated interim financial statements (interim financial statements) for the three months ended December 31, 2016 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2016 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB).

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

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

There have been no changes in accounting policies since the most recent audited accounts as at September 30, 2016.

## 3. Segment reporting

The Group is organised into the following business segments:

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

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

Costs allocated to the banking segments are reported directly by those segments to the Group Managing Director 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.

## 4. Obligation under Securitisation Arrangement

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.

## 5. Scheme of Arrangement

The Bank of Jamaica gave approval for National Commercial Bank Jamaica Limited to proceed with a scheme of arrangement which will involve a reorganisation of the corporate structure, with NCB Financial Group Limited becoming the licensed financial holding company of the NCB Group. The Bank is proceeding with the activity, which requires other approvals, including the approval of the shareholders and the sanction of the Supreme Court of Judicature of Jamaica.

**Interest/Ownership of Securities by Directors and Senior Managers in National Commercial Bank Jamaica  
Limited as at December 31, 2016**

<b>Directors</b>	<b>Total</b>	<b>Direct</b>	<b>Connected Parties</b>
Robert Almeida	170,300	170,300	0
Wayne Chen <sup>2</sup>	1,297,476,688	14,044	1,297,462,644
Dennis Cohen <sup>1,2</sup>	90,907,613	86,480	90,821,133
Sandra Glasgow <sup>1,2</sup>	90,894,832	76,699	90,818,133
Sanya Goffe <sup>2</sup>	17,872,496	4,340	17,868,156
Hon. Noel Hylton, OJ, CD	354,074	14,044	340,030
Patrick Hylton, CD <sup>2</sup>	18,799,058	930,902	17,868,156
Hon. Michael Lee-Chin, OJ	1,574,883,426	2,359,700	1,572,523,726
Thalia Lyn, OD <sup>1</sup>	73,118,509	153,412	72,965,097
Oliver Mitchell, Jr.	0	0	0
Prof. Alvin Wint, CD	88,144	88,144	0
Dave Garcia (Company Secretary)	11,210	11,210	0
<b>Senior Managers</b>	<b>Total</b>	<b>Direct</b>	<b>Connected Parties</b>
Rickert Allen	113,696	113,696	0
Karlene Bailey	0	0	0
Septimus Blake	10,050	10,050	0
Brian Boothe	0	0	0
Robert Brooks	6,209	6,209	0
Nicole Brown	58,294	58,294	0
Danielle Cameron Duncan	0	0	0
Dennis Cohen <sup>1,2</sup>	90,907,613	86,480	90,821,133
Euton Cummings	0	0	0
Damian Duncan	0	0	0
Loren Edwards	7,100	7,100	0
Dave Garcia	11,210	11,210	0
Steven Gooden	4,293	4,293	0
Howard Gordon	0	0	0
Sandra Grey	3,832	3,832	0
Peter Higgins	0	0	0
Andre Ho Lung	0	0	0
Patrick Hylton, CD <sup>2</sup>	18,799,058	930,902	17,868,156
Kevin Ingram	37	37	0
Vernon James	0	0	0
Gabrielle Kelly	0	0	0
Winston Lawson	109,418	109,418	0
Ramon Lewis	30,000	30,000	0
Alison Lynn	36,075	36,075	0
Nadeen Matthews	10,000	10,000	0
Anne McMorris Cover	3,940	3,940	0
Garfield Palmer	0	0	0
Marva Peynado	52,338	52,338	0
Janelle Prevost	0	0	0
Stuart Reid	89,630	89,630	0
Marcia Reid-Grant	1,250	1,250	0
Claudette Rodriguez	42,147	42,147	0
Malcolm Sadler	30,053	0	30,053
Misheca Seymour-Senior	0	0	0
Andrew Simpson	0	0	0
Mark Thompson	0	0	0
Audrey Tugwell Henry	17,540	16,640	900
Warrick Ward	0	0	0
Tanya Watson Francis	0	0	0
Mukisa Wilson Ricketts	5,000	5,000	0
Allison Wynter <sup>1</sup>	73,050,766	100,789	72,949,977
Angus Young	0	0	0

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 Wayne Chen, Dennis Cohen, Sandra Glasgow, Sanya Goffe and Patrick Hylton include shares of 17,868,156 held by subsidiaries of Guardian Holdings Limited (GHL). These directors are also directors of NCB Financial Group Limited, which has an interest in GHL.

**10 Largest Shareholders of National Commercial Bank Jamaica Limited as at December 31, 2016**

<b>Name of Shareholder</b>	<b>Units</b>	<b>Percentage Ownership</b>
AIC (Barbados) Limited	1,240,577,127	50.29%
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%
Ideal Portfolio Services Company Limited	54,391,268	2.20%
AIC Global Holdings Inc.	49,565,238	2.01%
SJIML A/C 3119	43,254,981	1.75%
Portland (Barbados) Limited	38,178,106	1.55%
Neon Liberty Lorikeet Master Fund LP	24,104,100	0.98%
Beta SPV Limited	21,000,000	0.85%

**Shareholder Profile of National Commercial Bank Jamaica Limited as at December 31, 2016**

<b>Number of Shareholders</b>	<b>Ownership of Each Shareholder</b>	<b>Percentage Ownership</b>	<b>Number of Units</b>
(1) shareholder with 4 accounts	50.29%	50.29%	1,240,577,127
1	6 - 10%	9.01%	222,372,000
6	1 - 4%	12.85%	316,926,534
34,912	Less than 1%	27.85%	686,887,167
<b>34,920</b>		<b>100.00%</b>	<b>2,466,762,828</b>