

FOURTH QUARTER 2016 EARNINGS RELEASE

November 10, 2016 – The Board of Directors is pleased to release the following financial results for National Commercial Bank Jamaica Limited (NCBJ) and its subsidiaries for the financial year ended September 30, 2016.

Financial Results Highlights

NCBJ reported record net profit of \$14.4 billion, an increase of \$2.1 billion or 17.5%, for the financial year ended September 30, 2016. The earnings per stock unit attributable to stockholders were \$6.35, up \$1.35 over the prior year. The Board also declared a dividend of \$0.90 per ordinary stock unit payable in December 2016. The performance was supported by the successful execution of our strategy which resulted in solid sales performance, improved efficiency and on-going cost management.

	Financial year ended September 30,		Quarter ended September 30,	
	2016	2015	2016	2015
Selected results of operations				
Gross revenue (\$'M)	65,754	61,184	17,211	15,440
Net interest income (\$'M)	28,124	25,964	7,088	6,635
Net profit (\$'M)	14,449	12,302	4,512	3,748
Earnings per stock unit (\$) for profit attributable to stockholders of the company	6.35	5.00	2.03	1.52
Cost to income ratio (%)	64.06%	62.34%	60.17%	57.72%
Return on average total assets (%)	2.55%	2.40%	3.03%	2.90%
Return on average total stockholders' equity (%)	15.09%	14.45%	18.08%	17.06%
Selected financial position data				
Total assets (\$'M)	607,669	523,815		
Total stockholders' equity (\$'M)	103,105	88,394		
Net loans (\$'M)	189,056	165,405		
Customer deposits (\$'M)	273,966	227,851		

“This year can be summarised as dynamic and eventful as we sought to capitalise on the opportunities in our business environment to further drive our successes as an organisation”, stated Mr. Patrick Hylton, Group Managing Director. “The 2015/16 financial year also represented the final year of our 5 in 5 strategy, where we set out to become one of the top five financial institutions in the English and Spanish speaking Caribbean. Some of our successes included:

- Retaining our position as #1 financial institution in Jamaica (as measured by assets and net profit).
- Ranking among the top 10 financial institutions in the English and Spanish speaking Caribbean as measured by net profit.
- Expanding regionally to Barbados and Trinidad, including 29.99% stake in Guardian Holdings Limited, one of the largest regional insurers.
- Commencing a digital transformation journey aimed at further enhancing customer experience, optimising operational processes and continuously improving our business model.
- Offering innovative financial solutions, such as our Bank on the Go self-service, online account opening, electronic statements and our mobile money solution – NCB Quisk.”

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Financial Results Highlights (continued)

Financial year ended September 30, 2016 compared with the financial year ended September 30, 2015

- Net profit of \$14.4 billion, an increase of \$2.1 billion or 17.5%.
- Cost to income ratio increased to 64.1%, from 62.3%.
- Total assets of \$607.7 billion, grew by 16.0%, or \$83.9 billion.
- Return on average total assets increased to 2.6%, from 2.4%.
- Total stockholders' equity of \$103.1 billion, increased by 16.6%, or \$14.7 billion.
- Return on average stockholders' equity of 15.1%, increased from 14.5%.
- Net loans of \$189.1 billion, grew by \$23.7 billion, or 14.3%.
- Customer deposits of \$274.0 billion, increased by \$46.1 billion, or 20.2%.

Quarter ended September 30, 2016 compared with the quarter ended September 30, 2015

- Net profit of \$4.5 billion, an increase of 20.4%, or \$764 million.
- Cost to income ratio increased to 60.2%, from 57.7%.
- Return on average total assets increased to 3.0%, from 2.9%.
- Return on average stockholders' equity of 18.1%, up from 17.1%.

Quarter ended September 30, 2016 compared with the quarter ended June 30, 2016

- Net profit of \$4.5 billion, an increase of 14.5%, or \$571 million.
- Cost to income ratio increased to 60.2%, from 58.6%.
- Return on average total assets of 3.0%, up from 2.8%.
- Return on average stockholders' equity of 18.1%, up from 16.7%.

Financial performance

The strength of our diversified business model, growth in our earning assets portfolio, and improved credit quality contributed to our performance for the financial year.

Operating income

Operating income for the financial year was \$52.1 billion, an increase of 9.7%, or \$4.6 billion, when compared with the prior year, mainly as a result of:

- Net interest income, our largest source of revenue, increasing by 8.3%, or \$2.2 billion, due to volume growth in our loan portfolio and a decline in funding costs.
- Net fee and commission income growing by 11.5%, or \$1.1 billion, mainly due to credit related fees arising from the volume growth in the loan portfolio, higher volumes of e-commerce transactions, unit trust and corporate finance revenue.
- Gain on foreign currency and investment activities increasing by 26.2%, or \$983 million, largely due to foreign exchange trading, foreign exchange positioning and the sale of investment debt and equity securities.

Operating expenses

Operating expenses grew by 7.9%, or \$2.5 billion, over the previous financial year. This was mainly due to:

- Staff costs increasing by 15.6%, or \$1.9 billion, due to increases in salaries and benefits and prior year benefits paid in the first quarter.
- Other operating expenses, up by \$1.1 billion, or 9.3%, due to investments in initiatives to support business growth and our digital agenda. The main areas of increase were licensing and transaction processing fees, property and equipment maintenance and utility costs, credit card rebates and marketing and donation expenses.

Financial position performance

Loans and advances

Loans and advances, net of provision for credit losses, increased to \$189.1 billion as at September 30, 2016, from \$165.4 billion at September 30, 2015. Our Retail & SME and Corporate Banking business segments accounted for most of the growth, increasing by 17% and 10%, respectively. Non-performing loans totalled \$6.1 billion as at September 30, 2016 (\$8.5 billion as at September 30, 2015). The reduction in our non-performing loan portfolio was as a result of the partial recovery of a significant debt during the fourth quarter. Non-performing loans as a percentage of gross loans was 3.2% at the end of the period compared to 5.0% as at September 30, 2015. The regulatory provision coverage at September 30, 2016 was 135.1% of non-performing loans compared to 118.7% at September 30, 2015.

Deposits

Customer deposits continue to be our largest funding source. Deposits grew to \$274.0 billion, up by 20.2% or \$46.1 billion over the prior year. There has been growth in all deposit types; savings, fixed deposit and current accounts.

Capital

Stockholders' equity was \$103.1 billion as at September 30, 2016, up 16.6% over the prior year. Our capital position remains strong and our individual companies continue to meet their respective capital/key regulatory requirements.

Company	Key regulatory ratios	September 30, 2016	September 30, 2015
National Commercial Bank Jamaica Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 12.5%]	12.7%	12.7%
NCB Capital Markets Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 10.0%]	33.8%	35.3%
NCB Insurance Company Limited	Minimum continuing capital surplus ratio [Minimum requirement – 150.0%]	496.7%	610.7%
Advantage General Insurance Company Limited	Available assets to required assets (Minimum capital test) [Minimum requirement – 250.0%]	356.8%	341.0%
NCB (Cayman) Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 12.0%]	18.1%	18.9%
NCB Global Finance Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 10.0%]	30.0%	39.5%

Dividends

The Board of Directors, at its meeting on November 10, 2016, declared an interim dividend of **\$0.90** per ordinary stock unit. The dividend is payable on December 9, 2016 for stockholders on record as at November 25, 2016.

Subsequent event

The Bank of Jamaica (BOJ) has indicated that it has no objection to our proposal to pursue a corporate restructuring activity under which NCB Financial Group Limited would become the holding company of NCBJ and its subsidiaries. We are, therefore, proceeding with this activity, pending other required approvals, including from the Supreme Court and our shareholders.

Segment performance

Commercial banking activities, comprising the Retail & SME, Payments Services, Corporate Banking, and Treasury & Correspondent Banking segments, produced combined operating profits of \$12.2 billion for the financial year ended September 30, 2016, an increase of 26.9%, or \$2.6 billion, when compared to the prior year. Our Treasury & Correspondent Banking segment was the largest contributor to operating profit for the period.

<u>Segment</u>	<u>Operating Profit financial year ended September 30, 2016 (\$'M)</u>	<u>Operating Profit financial year ended September 30, 2015 (\$'M)</u>	<u>Comments</u>
Retail & SME	2,229	1,893	<ul style="list-style-type: none"> Increased by \$336 million, or 17.8%. 9.7% contribution to segment operating profit. For the financial year, this business segment focused on growth of the loan portfolio, prudent risk and delinquency management and cost containment, all of which contributed to the improved performance over the prior year.
Payment Services	1,615	1,358	<ul style="list-style-type: none"> Grew by \$256 million, or 18.9%. 7.0% contribution to segment operating profit. Payment Services enhanced the card product portfolio offering with varying innovative solutions such as credit card instalments and a mobile money solution. There were also continued investments in infrastructure improvements. These initiatives led to operating income growing by \$232 million or 4.0%, while operating expenses decreased by \$229 million or 6.6%. This segment has also benefited from our focus on improving credit quality and delinquency management.
Corporate Banking	2,466	1,442	<ul style="list-style-type: none"> Increased by \$1.0 billion, or 71.0%. 10.7% contribution to segment operating profit. This segment had improved net interest and net fee and commission income. Operating expenses declined by \$319 million or 45.7% primarily as a result of the partial recovery of a non-performing loan.
Treasury & Correspondent Banking	5,854	4,892	<ul style="list-style-type: none"> Increased \$961 million, or 19.7%. 25.4% contribution to segment operating profit. The improved performance was driven by increased gains from foreign currency and investment activities.
Wealth, Asset Management & Investment Banking	5,196	3,667	<ul style="list-style-type: none"> Grew by \$1.5 billion, or 41.7%. 22.5% contribution to segment operating profit. Our expansion in the region has improved the operating income of this segment, which grew by \$2.1 billion or 38.8%.
Life Insurance & Pension Fund Management	4,344	3,537	<ul style="list-style-type: none"> Increased by \$807 million, or 22.8%. 18.8% contribution to segment operating profit. The improved performance was mainly due to increased net premium income arising from group and individual life insurance products.
General Insurance	1,352	1,534	<ul style="list-style-type: none"> Declined by \$182 million, or 11.9%. 5.9% contribution to segment operating profit. The decrease in operating profit was due to increased operating expenses of \$123 million or 2.5% and lower operating income of \$59 million or 0.9%.

Business highlights

During the quarter, we focused on the following:

- We launched our mobile money solution, NCB Quisk. We have partnered with a United States based technology firm, Quisk Incorporated to offer a secure payment option in a simple and convenient manner. Holders of a mobile money account will be able to send and receive money or make payments via text messaging.
- We have partnered with Jamaica Manufacturers' Association (JMA) for a co-branded credit card. Over 400 micro, small and medium-sized enterprises (MSMEs) are set to benefit from this exclusive business solution. It is designed to comprehensively meet financing needs, while providing cost savings and superior benefits to JMA members.
- The ground breaking ceremony for our new Banking and Financial Services Centre in Fairview, Montego Bay. The new location will initially house Retail Banking, NCB Capital Markets, NCB Insurance Company, Corporate Banking and a staff learning and development centre.

Awards

- NCBJ was awarded the *Best Commercial Bank Jamaica 2016* and *Most Innovative Banking Solutions Jamaica 2016* by Global Business Outlook. These awards reflect innovation, achievement, strategy, progressive and inspirational changes within the global business community.
- LatinFinance also awarded NCBJ the *Bank of the Year Jamaica 2016*. This award is given to financial institutions in Latin America and the Caribbean demonstrating excellence in retail, commercial and investment banking services.
- NCB Insurance was named *World Finance Best in Class in the Caribbean for Pension Funds Management*. This award speaks to the dedication, strength and expertise of the team.

Corporate Social Responsibility

The N.C.B. Foundation (NCBF) through the Jamaican Education Initiative (JEI) donated over \$76 million for the financial year to fund and administer various initiatives financed by 0.50% of prior year personal Keycard sales, as well as 0.50% of the Bank's prior year profits. The main areas of focus during the quarter are noted below.

Education

Education continued to be the primary area of focus that received key funding especially in light of the new academic year and also to fulfil the Bank's obligations under its flagship Scholarships & Grants Programme. The main projects included:

- Annual scholarships and grants & introduction of the Innovative, Creative, Outstanding Nationalistic (ICON) Scholarship. With an increased sum of \$5 million, the NCBF now has \$30 million to assist students both in the traditional fields of study and the non-traditional/emerging areas such as Animation, Logistics and Supply Chain Management, Engineering, Computer Science and Teaching Degrees specialising in Mathematics and Science for the CSEC and CAPE levels. Over 350 students benefited through this programme with scholarships and bursaries ranging from \$250,000 - \$500,000 for the duration of their undergraduate studies and grants awards from \$50,000 - \$150,000.
- The Foundation partnered in numerous initiatives to further assist needy families across the island. These partnerships included: Alpart Jamaica Back-to-School Programme (Cornwall), West Portland Back-to-School Treat (Surrey) and 1Jam1Love Foundation (Middlesex).

For the first time, the Foundation extended its support to an outreach initiative outside of Jamaica through NCB Capital Markets (Barbados) assisting underprivileged children in vulnerable communities in Barbados enabling them to attend school. There were 180 beneficiaries ages 4 to just over 21 years old.

Corporate Social Responsibility (continued)

Sports and Community Development

To enhance our community development efforts, the Foundation extended support to charities, provided medical grants to and supported various initiatives during the quarter. We responded to increased calls for assistance from hospitals and non-governmental organisations (NGO's) which included:

- Princess Margaret Hospital & Port Maria Hospital – Donation of specialised computers for the operating theatres.
- Heart Foundation of Jamaica – 5 Holter devices were donated to enhance its cardiac screening service.
- Sickle Cell Foundation of Jamaica – Partnered to build awareness around “Sickle Cell Awareness Month”.
- Missionaries of the Poor – Donation to assist with their outreach activities in providing homes and basic amenities for the disadvantaged.

The primary projects executed within the area of Sports were:

- MVP Grassroot Athletics Programme, a partnership with the MVP Track Club for the third consecutive year to host an island-wide athletics training camp catering to student athletes between the ages of 12 and 18 years old to provide lifelong developmental guidance to Jamaica's future athletic stars and coaches. 750 athletes participated.
- Lucas Cricket Camp –50 aspiring young cricketers participated in the camp and were exposed to the history, theory and practice of the sport. Catering to students between the ages of 8 and 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.

Youth Leadership & Entrepreneurship

To advance our focus in this area, two major projects were executed:

- Talk Up Yout Edutainment Day 2016 – Over 1,500 youths were engaged in frank, passionate, solution-oriented interactions surrounding issues affecting them and ideation sessions.
- RESET Ornamental Aquaculture Training Programme – 1,200 youths were exposed to training in aquaculture and enhanced their entrepreneurial endeavours as ornamental aqua-culturists.

In our mandate to develop the communities we serve, we are proud of our efforts to date as we took on projects that created social and economic impact. These were made possible through our financial support as well as the support of our staff, customers and stakeholders. Doing well and doing good remain our resolve and we thank everyone for making this a reality.

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



ON BEHALF OF THE BOARD

National Commercial Bank Jamaica Limited

Consolidated Income Statement

Year ended September 30, 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	CURRENT YEAR			PRIOR YEAR	
		Quarter ended	Quarter ended	Year ended	Quarter ended	Year ended
		September 30	June 30	September 30	September 30	September 30
		2016	2016	2016	2015	2015
		\$'000	\$'000	\$'000	\$'000	\$'000
Operating income						
Interest income		9,946,937	9,769,639	39,156,349	9,348,842	37,485,884
Interest expense		(2,859,132)	(2,848,674)	(11,032,579)	(2,713,717)	(11,521,854)
Net interest income		7,087,805	6,920,965	28,123,770	6,635,125	25,964,030
Fee and commission income		3,649,250	3,428,012	13,575,872	3,117,783	11,976,517
Fee and commission expense		(718,893)	(674,473)	(2,663,405)	(569,055)	(2,189,124)
Net fee and commission income		2,930,357	2,753,539	10,912,467	2,548,728	9,787,393
Gain on foreign currency and investment activities		1,610,185	1,311,603	4,736,122	932,056	3,753,037
Premium income		1,902,001	1,695,350	7,991,693	1,940,214	7,641,621
Dividend income		59,602	32,623	149,921	40,837	126,095
Other operating income		42,989	47,919	143,736	59,865	200,739
		3,614,777	3,087,495	13,021,472	2,972,972	11,721,492
		13,632,939	12,761,999	52,057,709	12,156,825	47,472,915
Operating expenses						
Staff costs		3,601,229	3,295,005	13,809,023	2,915,604	11,942,482
Provision for credit losses		(291,275)	156,889	612,355	387,027	1,799,158
Policyholders' and annuitants' benefits and reserves		645,614	753,827	4,292,643	640,465	3,875,319
Depreciation and amortisation		517,024	498,256	1,899,414	424,221	1,563,551
Impairment losses on securities		-	-	-	(8,789)	79,765
Other operating expenses		3,439,073	2,935,811	13,348,202	3,036,553	12,211,459
		7,911,665	7,639,788	33,961,637	7,395,081	31,471,734
Operating profit		5,721,274	5,122,211	18,096,072	4,761,744	16,001,181
Share of profit of associates	4	443,059	131,017	832,480	122,275	433,666
Loss on dilution of investment in associate		-	-	-	(50,748)	(50,748)
Profit before taxation		6,164,333	5,253,228	18,928,552	4,833,271	16,384,099
Taxation		(1,652,300)	(1,311,840)	(4,479,992)	(1,085,389)	(4,082,309)
NET PROFIT		4,512,033	3,941,388	14,448,560	3,747,882	12,301,790
Attributable to:						
Stockholders of the Bank		5,016,419	4,624,888	15,636,446	3,747,882	12,301,790
Non-controlling interest	5	(504,386)	(683,500)	(1,187,886)	-	-
		4,512,033	3,941,388	14,448,560	3,747,882	12,301,790
Earnings per stock unit (expressed in \$)						
Basic and diluted		2.03	1.88	6.35	1.52	5.00
Earnings per stock unit, including non-controlling interest (expressed in \$)						
Basic and diluted		1.83	1.60	5.87	1.52	5.00

National Commercial Bank Jamaica Limited

Consolidated Statement of Comprehensive Income

Year ended September 30, 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Quarter ended September 30 2016 \$'000	Quarter ended June 30 2016 \$'000	Year ended September 30 2016 \$'000	Quarter ended September 30 2015 \$'000	Year ended September 30 2015 \$'000
Net Profit		4,512,033	3,941,388	14,448,560	3,747,882	12,301,790
Other comprehensive income, net of tax-						
Items that will not be reclassified to profit or loss						
Remeasurements of post-employment benefit obligations		279,667	(69,964)	63,139	(180,122)	(258,608)
Items that may be subsequently reclassified to profit or loss						
Currency translation gains		95,387	800,549	703,172	87,889	260,083
Unrealised gains on available-for-sale investments		3,398,411	1,317,029	6,462,614	2,980,787	610,551
Realised fair value (gains)/losses on sale and maturity of available-for-sale investments		(477,649)	(453,260)	(1,183,914)	218,365	(676,318)
		<u>3,016,149</u>	<u>1,664,318</u>	<u>5,981,872</u>	<u>3,287,041</u>	<u>194,316</u>
Total other comprehensive income		3,295,816	1,594,354	6,045,011	3,106,919	(64,292)
TOTAL COMPREHENSIVE INCOME		<u>7,807,849</u>	<u>5,535,742</u>	<u>20,493,571</u>	<u>6,854,801</u>	<u>12,237,498</u>
Total comprehensive income attributable to:						
Stockholders of the Bank		8,363,859	5,933,181	21,447,020	6,854,801	12,237,498
Non-controlling interest	5	(556,010)	(397,439)	(953,449)	-	-
		<u>7,807,849</u>	<u>5,535,742</u>	<u>20,493,571</u>	<u>6,854,801</u>	<u>12,237,498</u>

National Commercial Bank Jamaica Limited

Consolidated Statement of Financial Position

September 30, 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	September 30 2016 \$'000	September 30 2015 \$'000
ASSETS			
Cash in hand and balances at Central Bank		35,373,141	28,875,090
Due from other banks		43,820,550	24,064,233
Derivative financial instruments		276,429	486,783
Investment securities at fair value through profit or loss		2,956,990	943,184
Reverse repurchase agreements		2,810,257	2,148,117
Loans and advances, net of provision for credit losses		189,055,786	165,404,606
Investment securities classified as available-for-sale and loans and receivables		166,426,709	166,019,274
Pledged assets		108,414,917	110,659,584
Investment in associates	4	34,787,067	6,307,220
Investment properties		524,917	475,500
Intangible assets		3,445,197	2,812,563
Property, plant and equipment		8,439,961	8,030,877
Deferred income tax assets		179,748	70,242
Income tax recoverable		780,806	902,435
Customers' liability - letters of credit and undertaking		2,201,599	1,775,088
Other assets		8,175,359	4,840,365
Total assets		607,669,433	523,815,161
LIABILITIES			
Due to other banks		13,273,458	6,146,366
Customer deposits		273,965,888	227,850,985
Repurchase agreements		105,974,938	100,004,008
Obligations under securitisation arrangements		47,899,756	44,292,064
Derivative financial instruments		72,820	52,794
Other borrowed funds		12,061,154	8,595,313
Income tax payable		753,788	181,084
Deferred income tax liabilities		1,848,539	1,793,557
Liabilities under annuity and insurance contracts		35,282,653	34,689,274
Provision for litigation		-	1,500
Post-employment benefit obligations		3,131,117	2,940,888
Liability - letters of credit and undertaking		2,201,599	1,775,088
Other liabilities		8,098,413	7,098,029
Total liabilities		504,564,123	435,420,950
STOCKHOLDERS' EQUITY			
Share capital		6,465,731	6,465,731
Shares held by NCB Employee Share Scheme		(3,388)	(3,388)
Fair value and capital reserves		8,512,757	2,765,321
Loan loss reserve		4,447,709	5,706,122
Banking reserve fund		6,539,948	6,518,648
Retained earnings reserve		29,620,000	20,810,000
Retained earnings		48,476,002	46,131,777
		104,058,759	88,394,211
Non-controlling interest	5	(953,449)	-
Total stockholders' equity		103,105,310	88,394,211
Total stockholder's equity and liabilities		607,669,433	523,815,161

Approved for issue by the Board of Directors on November 10, 2016 and signed on its behalf by:



Group Managing Director



Group Finance and Deputy Managing Director



Director



Company Secretary

National Commercial Bank Jamaica Limited

Consolidated Statement of Changes in Stockholders' Equity

Year ended September 30, 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
Balance at October 1, 2014	6,465,731	(3,388)	2,571,005	5,375,901	6,512,634	19,430,000	41,494,500	-	81,846,383
Total comprehensive income	-	-	194,316	-	-	-	12,043,182	-	12,237,498
Dividends paid	-	-	-	-	-	-	(5,689,670)	-	(5,689,670)
Transfer to Loan Loss Reserve	-	-	-	330,221	-	-	(330,221)	-	-
Transfer to Banking Reserve Fund	-	-	-	-	6,014	-	(6,014)	-	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	1,380,000	(1,380,000)	-	-
Balance at September 30, 2015	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	-	-	5,747,436	-	-	-	15,699,584	(953,449)	20,493,571
Dividends paid	-	-	-	-	-	-	(5,782,472)	-	(5,782,472)
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)	-	-
Balance at September 30, 2016	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

National Commercial Bank Jamaica Limited

Consolidated Statement of Cash Flows

Year ended September 30, 2016

(expressed in Jamaican dollars unless otherwise indicated)

	September 30 2016 \$'000	September 30 2015 \$'000
Cash Flows from Operating Activities		
Net profit	14,448,560	12,301,790
Adjustments to reconcile net profit to net cash provided by operating activities	21,225,555	(12,652,165)
Net cash provided by/(used in) operating activities	<u>35,674,115</u>	<u>(350,375)</u>
Cash Flows from Investing Activities		
Acquisition of investment in associates	(27,952,114)	-
Acquisition of property, plant and equipment	(1,487,145)	(1,754,575)
Acquisition of intangible asset - computer software	(1,417,935)	(913,066)
Proceeds from disposal of property, plant and equipment	23,596	104,347
Dividends received from associates	434,978	142,931
Purchases of investment securities	(239,697,929)	(108,208,499)
Sales/maturities of investment securities	246,559,985	94,042,504
Net cash used in investing activities	<u>(23,536,564)</u>	<u>(16,586,358)</u>
Cash Flows from Financing Activities		
Proceeds from securitisation arrangements	-	28,394,178
Proceeds from other borrowed funds	5,569,431	1,517,844
Repayments of other borrowed funds	(2,537,791)	(8,078,556)
Due to other banks	6,637,919	(448,369)
Dividends paid	(5,782,472)	(5,689,670)
Net cash provided by financing activities	<u>3,887,087</u>	<u>15,695,427</u>
Effect of exchange rate changes on cash and cash equivalents	3,729,021	1,874,467
Net increase in cash and cash equivalents	19,753,659	633,161
Cash and cash equivalents at beginning of period	28,879,720	28,246,559
Cash and cash equivalents at end of period	<u>48,633,379</u>	<u>28,879,720</u>
Comprising:		
Cash in hand and balances at Central Bank	5,540,284	5,627,242
Due from other banks	43,414,871	23,423,198
Reverse repurchase agreements	1,319,906	1,698,845
Investment securities	1,653,236	1,024,402
Due to other banks	(3,294,918)	(2,893,967)
	<u>48,633,379</u>	<u>28,879,720</u>

National Commercial Bank Jamaica Limited

Segment Report

Year ended September 30, 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	14,925,163	9,929,023	6,270,125	10,006,538	10,576,564	7,798,305	6,139,547	108,428	-	65,753,693
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	7,904,430	6,339,445	166,478	(9,185,776)	65,753,693
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	3,616,947	929,209	403,456	877,439	1,259,483	148,330	12,331	(85,166)	10,843,714
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	-	-	-	-	-	3,144,694	5,097,970	-	(250,971)	7,991,693
Other income	41,491	2,862	754	194,320	638,807	63,347	63,507	59,300	(851,279)	213,109
Total operating income	16,785,191	6,093,967	3,514,215	7,206,852	7,544,576	7,003,120	6,339,446	165,277	(2,730,401)	51,922,243
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
Depreciation and amortisation	267,669	285,228	6,972	47,109	63,556	58,207	73,838	208	71,644	874,431
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	1,084,895	3,217,467	-	(9,719)	4,292,643
Other operating expenses	2,725,708	2,133,419	525,814	808,506	1,262,449	756,718	742,139	6,904	(406,176)	8,555,481
Total operating expense	9,471,146	3,249,875	379,650	1,026,059	2,348,932	2,659,167	4,987,665	76,144	(423,136)	23,775,502
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	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

National Commercial Bank Jamaica Limited

Segment Report

Year ended September 30, 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	14,665,200	9,496,483	5,774,109	9,558,547	8,629,700	6,747,868	6,211,680	100,306	-	61,183,893
Revenue from other segments	2,490,566	-	49,985	3,944,406	742,663	116,678	187,082	59,146	(7,590,526)	-
Total revenue	17,155,766	9,496,483	5,824,094	13,502,953	9,372,363	6,864,546	6,398,762	159,452	(7,590,526)	61,183,893
Interest income	13,583,980	3,625,573	5,160,030	11,257,827	7,250,593	2,976,973	730,558	26,297	(7,112,294)	37,499,537
Interest expense	(1,966,938)	(1,410,852)	(3,107,205)	(7,290,983)	(3,936,088)	(904,874)	-	(263)	7,112,294	(11,504,909)
Net interest income	11,617,042	2,214,721	2,052,825	3,966,844	3,314,505	2,072,099	730,558	26,034	-	25,994,628
Net fee and commission income	3,277,190	3,623,318	606,616	292,293	569,936	1,129,933	187,643	18,388	(45,748)	9,659,569
Gain on foreign currency and investment activities	163,522	18,672	39,976	1,785,626	1,469,833	188,220	67,668	54,034	(46,216)	3,741,335
Premium income	-	-	-	-	-	2,495,771	5,367,961	-	(222,111)	7,641,621
Other income	10,858	5,353	699	158,153	79,733	73,649	44,932	60,735	(233,409)	200,703
Total operating income	15,068,612	5,862,064	2,700,116	6,202,916	5,434,007	5,959,672	6,398,762	159,191	(547,484)	47,237,856
Staff costs	5,128,981	465,143	154,839	148,561	629,457	711,055	832,581	73,821	(34,468)	8,109,970
Provision for credit losses	861,777	902,937	7,203	-	3,520	-	-	-	-	1,775,437
Depreciation and amortisation	196,012	208,167	7,611	41,493	32,942	54,837	73,711	1,096	71,642	687,511
Impairment losses on securities	-	-	-	-	38,319	41,446	-	-	-	79,765
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	733,280	3,142,039	-	-	3,875,319
Other operating expenses	2,785,072	1,902,475	529,186	849,737	1,062,752	882,138	816,778	33,784	(315,325)	8,546,597
Total operating expense	8,971,842	3,478,722	698,839	1,039,791	1,766,990	2,422,756	4,865,109	108,701	(278,151)	23,074,599
Operating profit before allocated costs	6,096,770	2,383,342	2,001,277	5,163,125	3,667,017	3,536,916	1,533,653	50,490	(269,333)	24,163,257
Allocated costs	(4,203,436)	(1,025,031)	(558,988)	(270,689)	-	-	-	-	-	(6,058,144)
Operating profit	1,893,334	1,358,311	1,442,289	4,892,436	3,667,017	3,536,916	1,533,653	50,490	(269,333)	18,105,113
Unallocated corporate expenses										(2,103,932)
Loss dilution of investment in associate										(50,748)
Share of profit of associates										433,666
Profit before taxation										16,384,099
Taxation										(4,082,309)
Net Profit										12,301,790
Segment assets	187,552,392	15,934,230	68,618,715	169,490,979	142,934,629	40,550,379	13,275,472	1,002,285	(124,477,454)	514,881,627
Associates										6,307,220
Unallocated assets										2,626,314
Total assets										523,815,161
Segment liabilities	167,379,411	9,179,603	56,457,970	159,502,976	120,704,477	27,828,069	8,455,060	153,526	(116,553,648)	433,107,444
Unallocated liabilities										2,313,506
Total liabilities										435,420,950
Capital expenditure	1,361,916	747,434	100,422	35,192	156,803	163,060	88,894	13,919	-	2,667,641

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2016

(expressed in Jamaican dollars unless otherwise indicated)

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 50.98% (2015 – 51.82%) 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" are as follows:

	Principal Activities	Percentage Ownership by The Group	
		2016	2015
Data-Cap Processing Limited	Security Services	100	100
Mutual Security Insurance Brokers Limited	Dormant	100	100
NCB Capital Markets Limited	Securities Dealer and Stock Brokerage Services	100	100
Advantage General Insurance Company Limited	General Insurance	100	100
NCB Capital Markets (Cayman) Limited	Securities Dealer	100	100
NCB Global Finance Limited	Merchant Banking	100	100
NCB Capital Markets (Barbados) Limited	Brokerage Services	100	Nil
NCB Capital Markets SA	Inactive	100	Nil
NCB (Cayman) Limited	Commercial Banking	100	100
NCB Trust Company (Cayman) Limited (formerly NCB Investments (Cayman) Limited)	Dormant	100	100
NCB Insurance Company Limited	Life Insurance, Investment and Pension Fund Management Services	100	100
N.C.B. (Investments) Limited	Dormant	100	100
N.C.B. Jamaica (Nominees) Limited	Dormant	100	100
NCB Remittance Services (Jamaica) Limited	Dormant	100	100
NCB Remittance Services (UK) Limited	Money Remittance Services	100	100
West Indies Trust Company Limited	Trust and Estate Management Services	100	100
NCB Employee Share Scheme	Dormant	100	100
NCB Financial Group Limited	Financial Holding Company	Nil	Nil

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.

Incorporation of NCB Capital Markets SA

NCB Capital Markets SA was incorporated in December 2015 and has not yet started trading.

Incorporation and consolidation of NCB Financial Group Limited (NCBFG)

NCB Financial Group Limited, an affiliate of the Bank, was incorporated in April 2016 and is the beneficial owner of the investment held in Guardian Holdings Limited. NCBFG is owned by a related party. The Bank owns no shares in NCBFG, but controls NCBFG through the holding of all Board positions by a subset of the directors of the Bank. NCBFG, by virtue of its being controlled by the Bank, is consolidated in these financial statements.

The Group's associates are as follows:

	Principal Activities	Percentage Ownership by The Group	
		2016	2015
Dyoll Group Limited	In Liquidation	44.47	44.47
Elite Diagnostics Imaging Services Limited	Medical Imaging Services	29.61	29.61
Guardian Holdings Limited	Life Insurance, Investment and Pension Fund Management Services	29.99	-
Jamaica Money Market Brokers Limited	Securities Dealer and Stock Brokerage Services	26.30	26.30

The investment in Guardian Holdings Limited was acquired in May 2016 by NCB Financial Group Limited.

All of the Group's associates are incorporated in Jamaica, except for Guardian Holdings Limited which is incorporated in Trinidad and Tobago.

2. Basis of preparation

The condensed consolidated financial statements for the quarter ended September 30, 2016 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2015 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, 2015.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2016

(expressed in Jamaican dollars unless otherwise indicated)

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. Acquisition

The acquisition of 29.99% shareholding in Guardian Holdings Limited (GHL) was completed in May 2016. The total number of shares acquired was 69,547,241 ordinary shares and the beneficial owner is the Bank’s nominee and affiliate, NCBFG. The Group has accounted for this investment as an associated company and will apply the equity method based on a three month lag. The purchase price allocation and the identification and valuation of the net assets acquired were done on a provisional basis, as allowed under IFRS 3. Finalisation of the purchase price allocation and the identification and valuation of the net assets in the upcoming financial year may require an adjustment to the financial statements, which, if material, may result in a prior year restatement.

5. Non-Controlling Interest

The results and equity attributable to non-controlling interest arise from NCB Financial Group Limited, the company which beneficially holds the shares in GHL. The Bank does not own NCB Financial Group Limited; however, the company is controlled by the Bank by virtue of the composition of that company’s Board, which gives the Bank the ability to direct the operational, financial and strategic activities of the company.

**Interest/Ownership of Securities by Directors and Senior Managers in National Commercial Bank Jamaica
Limited as at September 30, 2016**

Directors	Total	Direct	Connected Parties
Robert Almeida	192,012	192,012	0
Wayne Chen	1,296,656,249	14,044	1,296,642,205
Dennis Cohen *	90,907,613	86,480	90,821,133
Sandra Glasgow *	73,025,026	75,049	72,949,977
Sanya Goffe	4,340	4,340	0
Hon. Noel Hylton, OJ, CD	354,074	14,044	340,030
Patrick Hylton, CD	18,799,058	930,902	17,868,156
Hon. Michael Lee-Chin, OJ	1,615,291,544	2,324,000	1,612,967,544
Thalia Lyn, OD *	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
Senior Managers	Total	Direct	Connected Parties
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 *	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
Peter Higgins	0	0	0
Andre Ho Lung	0	0	0
Patrick Hylton, CD	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	940	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	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 *	73,050,766	100,789	72,949,977
Angus Young	0	0	0

* 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.

10 Largest Shareholders of National Commercial Bank Jamaica Limited as at September 30, 2016

Name of Shareholder	Units	Percentage Ownership
AIC (Barbados) Limited	1,257,624,844	50.98%
Harprop Limited	222,372,000	9.01%
Sagicor PIF Equity Fund	73,377,785	2.97%
NCB Insurance Co. Ltd WT 109	62,989,156	2.55%
Ideal Portfolio Services Company Limited	54,343,993	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%
Beta SPV Limited	21,000,000	0.85%
Neon Liberty Lorikeet Master Fund LP	19,321,560	0.78%

Shareholder Profile of National Commercial Bank Jamaica Limited as at September 30, 2016

Number of Shareholders	Ownership of Each Shareholder	Percentage Ownership	Number of Units
(1) shareholder with 4 accounts	50.98%	50.98%	1,257,624,844
1	6 - 10%	9.01%	222,372,000
6	1 - 4%	13.04%	321,709,259
34,936	Less than 1%	26.96%	665,056,725
34,944		100.00%	2,466,762,828