

Annual Report 2016



faster >> simpler >> stronger



faster >> simpler >> stronger

As the pace of banking changes we must adapt to remain relevant. The race to a perfect financial finish is now more critical than ever. Our new reality demands a reliance on digital solutions that enhance customer experience and employee performance; a nimble business strategy with stakeholder-value at its core and maintaining our golden legacy of leadership and philanthropy.



We are the NCB Group
and we are committed to transcending the ordinary
to become faster, simpler, stronger for you.


Vision

TO BE THE PREMIER CARIBBEAN FINANCIAL INSTITUTION 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 - AT NCB, 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.

STRENGTH - SOUND AND PRUDENT MANAGEMENT ARE HALLMARKS OF SUSTAINABILITY FOR NCB. 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.

EXPERTISE - 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.

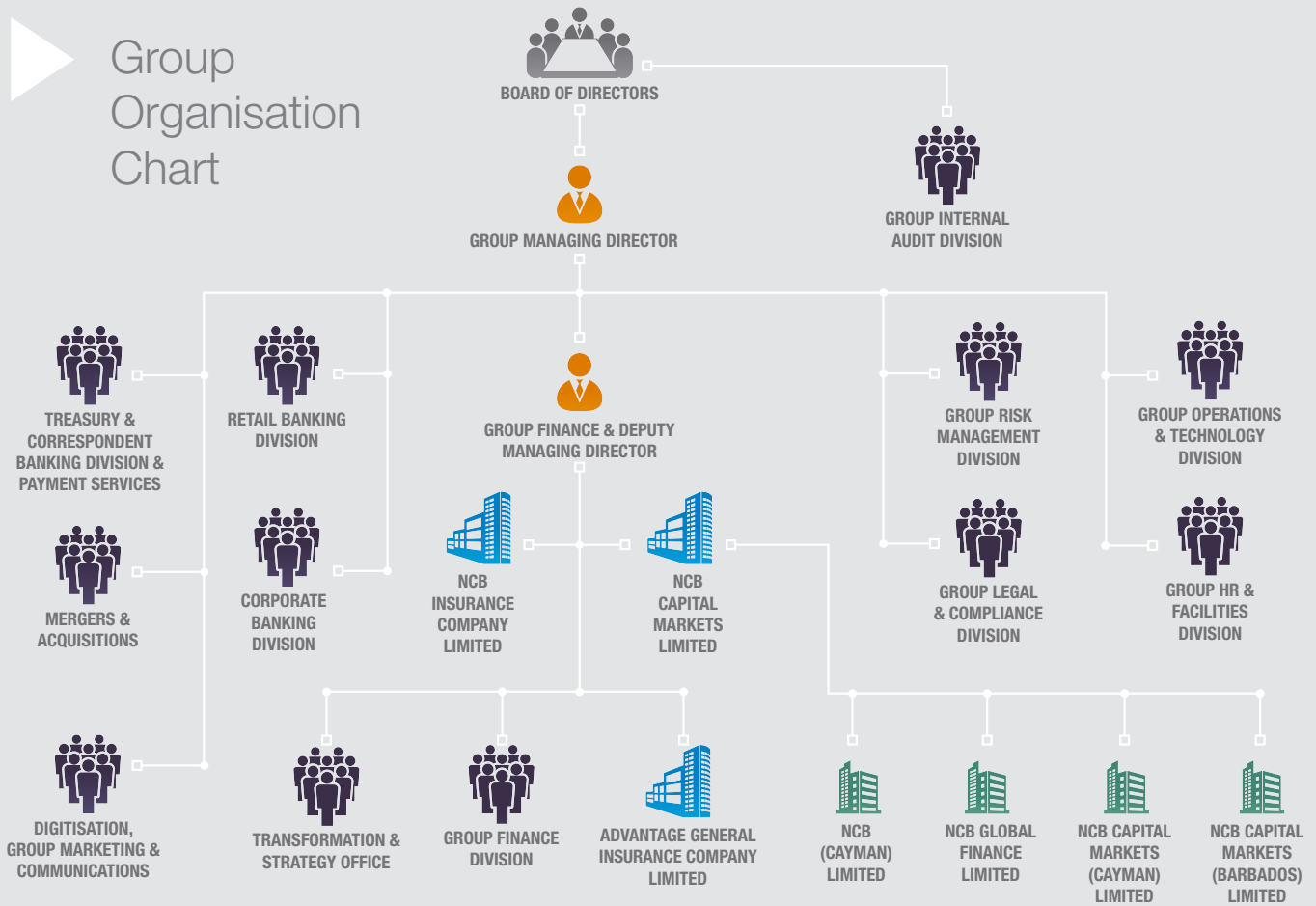
A woman in athletic wear is captured in a dynamic running pose on a track. She is wearing an orange sports bra, black shorts, and blue and orange running shoes. The background shows a blurred stadium with blue seating and a chain-link fence, suggesting an outdoor athletic setting.

Core Values

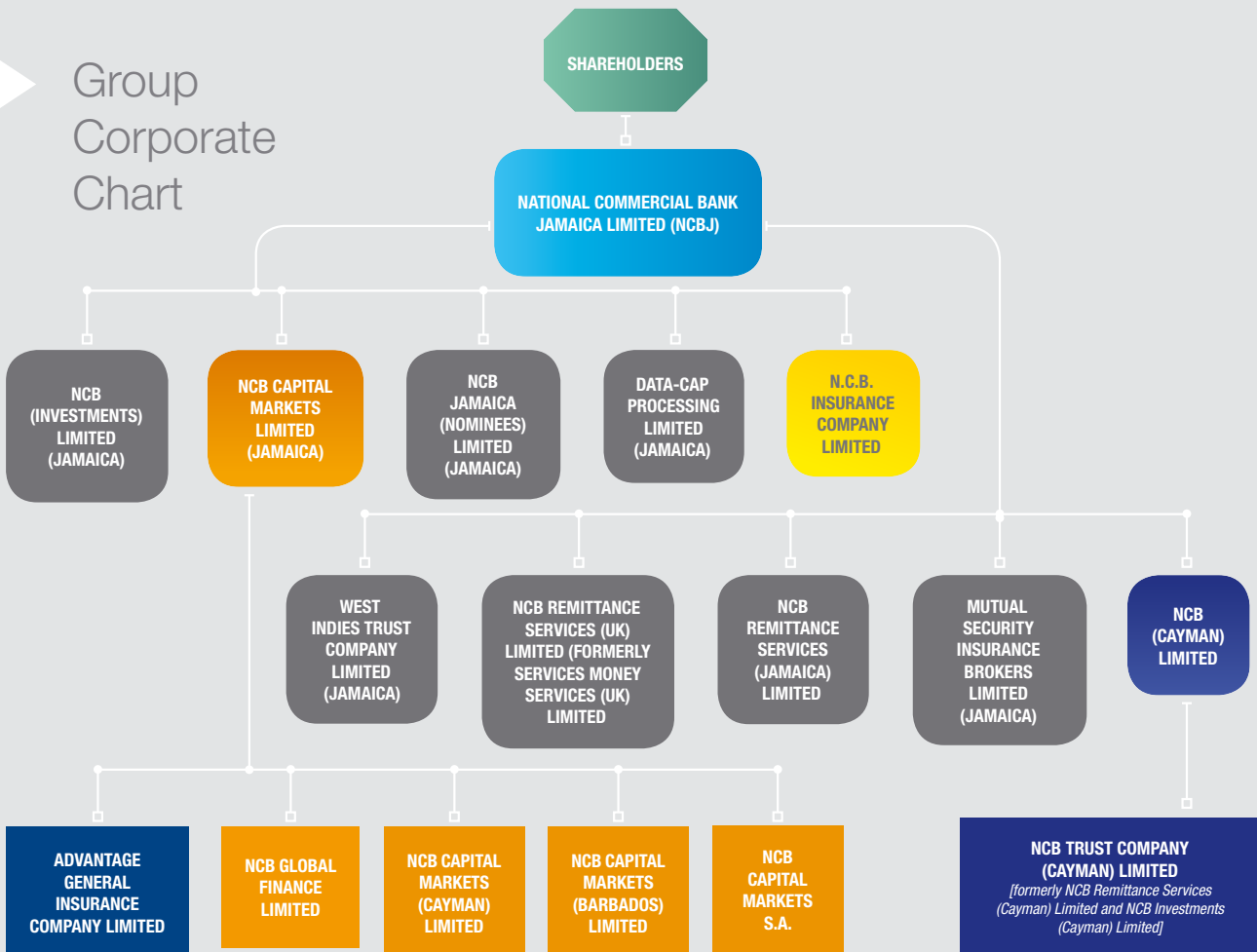
- ▶ WE HOLD A DEEP AND ABIDING RESPECT FOR EACH CUSTOMER, EVERY COLLEAGUE IN OUR COMPANIES, AND ALL OUR SHAREHOLDERS.

- ▶ WE COMMIT TO FIND NEW, PRACTICAL AND INNOVATIVE WAYS TO MAKE THE TERM “EXCELLENT SERVICE” MORE RELEVANT TO EACH CUSTOMER – EVERY DAY.
- ▶ WE COMMIT TO THE RELENTLESS RENEWAL OF OUR ENTERPRISE THROUGH THE CONSTANT TRAINING OF OUR PEOPLE AT ALL LEVELS.
- ▶ IN OUR MERIT-BASED CULTURE, INDIVIDUAL REWARD AND RECOGNITION WILL BE A RESULT OF MEASURED PERFORMANCE.
- ▶ WE TREAT ALL COMPETITORS AS NOBLE, BUT WE WILL COMPETE FAIRLY AND VIGOROUSLY TO WIN.

Group Organisation Chart



Group Corporate Chart



▶ Strategic Focus



 Setting the **BAR**

 in the financial

 services industry.

BUILD

 a world-class

 digital experience




010011

01 **DEVELOP** distinctive digital

 capabilities

ACCELERATE

 regional expansion




02 **EXPAND** in priority

 markets

REINVENT

 our core business



06 **IMPROVE** customer

 experience and optimize

 efficiency

05 **DEVELOP** and engage

 our people

04 **FOCUS** on payments

 innovation

03 **ENHANCE** sales and

 service excellence

B

A

R

Our 2020 Group aspiration will focus on

3 BUSINESS PRIORITIES driven by **6 INITIATIVES**

NCB 2.0 by 2020: Faster | Simpler | Stronger

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We remain committed to performance excellence as this allows us to meet and exceed our stakeholder expectations.

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Proxy Form

▶ Notice of Annual General Meeting

NOTICE IS HEREBY
GIVEN THAT THE ANNUAL
GENERAL MEETING OF
NATIONAL COMMERCIAL
BANK JAMAICA LIMITED
WILL BE HELD AT

the Jamaica Conference Centre, 14-20 Port Royal Street, in the parish of Kingston on Friday, January 27, 2017 at 9:30 a.m. to consider and if thought fit pass the following resolutions:

ORDINARY BUSINESS

Ordinary Resolutions

1. Audited Accounts

“**THAT** the Audited Accounts for the year ended September 30, 2016 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 \$0.50 paid in February 2016, \$0.50 paid in May 2016 and \$0.50 paid in August 2016, and \$0.90 paid in December 2016 be treated on the recommendation of the Directors as the final dividend for the financial year ended September 30, 2016.”

3. Election of Directors

Article 95 of the Company's Articles of Incorporation provides that one-third of the Board (except the Managing Director and Group Finance & Deputy Managing Director) 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, Mr Robert Almeida** and **Mrs Sandra Glasgow**, 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, **MR ROBERT WILFRED ALMEIDA**, retiring pursuant to Article 95 of the Articles of Incorporation be and is hereby re-elected.”
- c) “**THAT** Director, **MRS SANDRA ALICIA CAROL GLASGOW**, 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, 2017, BE AND IS HEREBY fixed at \$24,000,000, 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, continue in office 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.

EXTRAORDINARY BUSINESS

By an Order of the Supreme Court of Judicature made on December 19, 2016 the Court directed that a Meeting be convened of the holders of the issued ordinary shares in the capital of National Commercial Bank Jamaica Limited (“the Company”) for the purpose of considering and if thought fit approving (with or without modification) a Scheme of Arrangement (under section 206 of the Companies Act) proposed to be made among the Company and all the holders of the issued ordinary shares in its capital and NCB Financial Group Limited and all the holders of the issued ordinary shares in its capital. Such Meeting is to be held at the Jamaica Conference Centre, 14-20 Port Royal Street, Kingston on Friday, January 27, 2017 at 9:30 a.m.

By the said Order the Court appointed the Hon. Mr. Michael Lee-Chin O.J. (or an alternate appointed pursuant to the Company’s Articles of Incorporation) to be Chairman of the Meeting and has directed the Chairman to report the results of the said Meeting to the Court.

The Scheme of Arrangement shall be subject to the subsequent approval of the Court.

Scheme Resolution including Special Resolution

“**THAT** pursuant to and in accordance with section 206 of the Companies Act, 2004 the proposed Scheme of Arrangement among the Company and all the holders of the issued ordinary shares

in its capital and NCB Financial Group Limited and all the holders of the issued ordinary shares in its capital, the terms of which are contained and more particularly described in the Scheme Booklet, be and is hereby approved (with or without modification).”

A copy of the Scheme of Arrangement and the Explanatory Statement required to be furnished pursuant to Section 207(1) of the Companies Act, 2004 are included in the Scheme Booklet which is being separately mailed to shareholders and can also be obtained from the head office of the Company located at “The Atrium”, 32 Trafalgar Road, Kingston 10 or can be viewed and/or downloaded at www.jncb.com.

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 **23rd** day of **December 2016**

BY ORDER OF THE BOARD



DAVE L. GARCIA
COMPANY SECRETARY

fast

As the 2016 Olympic Games came to a close last August, Jamaica embraced its new golden goddess. ELAINE THOMPSON finished first in both the 100- and 200-metre female finals.

The girl from Banana Ground, Manchester created history, captured our hearts and sealed her place among the athletic greats. Hers is a feat not easily achieved, one that, though a brief blur of amazement before our eyes, was a culmination of unseen toil, hours of discipline-honing and a constant recommitment to executing better than yesterday's performance. This is a philosophy that holds true for us at the NCB Group; where faster translates into a distinct work ethic dedicated to delivering first-world processing technologies that perform at the highest standards for our customers.

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▶ Our Business in Brief

AN ORGANISATION BUILT ON THE PILLARS OF INNOVATION, EXPERTISE AND STRENGTH, NATIONAL COMMERCIAL BANK JAMAICA LIMITED (NCB) 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 Jamaicans' 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, 250 ABMs and over 14,000 merchants locations, supported by online banking via www.jncb.com, along with telephone banking and a toll-free 24/7 Customer Care Centre at **1-888-NCBFIRST** (622-3477).

Our strategy is to further diversify our business, providing even greater value for our customers, in addition to the end-to-end unique product offerings currently available through the NCB Group of Companies:



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.



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



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



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 Global Finance Limited is a Trinidad & Tobago based Non-bank Financial Institution, also known as a Merchant Bank. Its offerings include deposits; origination of finances, loans and leases; provision of foreign exchange and trustee services.



NCB Capital Markets (Barbados) Limited is a wealth, asset management, and investment banking arm of the NCB Group of Companies.

NCB UK Representative Office & NCB Remittance Services (UK) Limited

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



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.**

▶ Business Highlights



OUR EMPLOYEES > **EGM 2016:** 01 Members of Team NCB came out in their numbers for the Employee General Meeting (EGM), where staff members are engaged around the Group's strategies and are given the opportunity to share their ideas about the initiatives. 02 Team NCB listens intently as Alvin Day gives them a charge at the EGM. < > **GROUP SALES CONVENTION 2015:** 03 Les Brown, Motivational Speaker, (seated, second right) sat with the top performing sales teams and senior managers of the NCB Group, preceding the 2nd annual Group Sales Convention, held at Iberostar. The Convention serves to get our sales team reenergized and excited to start the new financial year with strong performances. 04 Team members participate in an engaging workshop during the Group Sales Convention. < 05 **LONG SERVICE AWARDS:** Over 300 of our most loyal staff members who contributed between 10-40 years of sterling service to the organisation were recognised at our Long Service Awards 2016. 40 year awardee Wayne Murray (centre) shares a moment with (from left) Rickert Allen, Senior General Manager, NCB Group Human Resources and Facilities Division; Michael Lee-Chin, NCB Chairman; Patrick Hylton, NCB Group Managing Director and Dennis Cohen, NCB Group Finance and Deputy Managing Director. 06 **PENSIONERS LUNCHEON:** Rickert Allen greets pensioners Paul Arscott and Faith Brown ahead

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of the start of the annual Pensioners Luncheon. **07 SIGMA:** Team NCB turned up at Sigma Corporate Run 2016 with over 200 participants in the line-up. Our NCB females placed 3rd from a total of 120 teams and our NCB males ranked 18th out of 126 teams. **08** Vernon James, NCB Insurance Managing Director (second right), shares a photo with his team following the Strawberry Hill Brunch he hosted to reward and recognise the 29 members who qualified for the Million Dollar Round Table 2016. **09** Desmond Johnson, NCBIC Group Line Manager (second left), with his outstanding team of qualifiers for the Million Dollar Round Table 2016: (From left) Shaine Taffe with Court of the Table members Tamara Grant and Kirk Palmer. **10 NCB BARBADOS LAUNCH:** NCB Capital Markets team members (left to right) Elizabeth James, Regional Manager; Tracey-Ann Spence, Assistant Vice President, Investments and Kerry-Ann Spencer, Manager, Corporate Clients are all smiles at the launch of NCB Capital Markets (Barbados) Limited. **11 GROUP SALES CONVENTION 2015** - Antonio Spence holds the attention of his team members as he explains the business strategy for the financial year.

Business Highlights

cont'd



OUR RELATIONSHIPS **01 FOROMIC LAUNCH:** Hosted in Jamaica for the first time, FOROMIC is an annual event on microfinance and entrepreneurship and NCB was the only local diamond sponsor of the event. At the launch, Marcia Reid Grant (2nd right), Assistant General Manager, Retail Banking with oversight for Small and Medium Enterprises (SMEs), looks quite pleased as Marco Macias (left), Partnership & Communication Senior Specialist at the Multilateral Investment Fund (MIF) greets Hugh Johnson, President of the Small Business Association of Jamaica. Kevin Ingram, Senior Assistant General Manager, Retail Banking is at 2nd left. **> JMA/NCB PATRNSHIP:** Over 400 micro, small and medium-sized enterprises (MSMEs) are benefiting from an exclusive business solution designed by NCB to comprehensively meet financing needs, while providing cost saving and superior benefits to Jamaica Manufacturers' Association (JMA) members. **02** Septimus "Bob" Blake (left), Senior General Manager, Treasury & Correspondent Banking, NCB, symbolically hands over the Business Edge Credit Card to Metry Seaga, President of the Jamaica Manufacturers' Association (JMA). **03** Metry Seaga has the rapt attention of (l-r): Septimus "Bob" Blake; Audrey Tugwell Henry, Senior General Manager, Retail Banking, NCB; Howard Mitchell, Director of the JMA and Brian Boothe, General Manager, Corporate Banking at NCB. **<** **04** From (left) Stacey Mignott, HEART Trust NTA and Ethnie Miller-Simpson, owner of Zinergy International, WEN Caribbean member and Marketing trainer, greet Marcia Reid-Grant at the 2016 HEART Trust NTA/Nation Builder Awards Training Session for SMEs. The two-day training session designed to help develop and build SME capacity was held at the Knutsford Court Hotel. **05 INNOVATION INTERNSHIP:** NCB hosted Jamaica's first Innovation Internship programme where undergraduates spanning the areas of technology, sciences, business and other related fields were tasked with coming up with improved products and services that will change customer and efficiency experiences in the financial services sector. At the launch, Ricardo Allen (2nd left), CEO of One on One Educational Services enjoys a hearty laugh with Daniel Ottey (left), a mechanical engineering student from Worcester Polytechnic Institute in the United States and Jaciane

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Ellis (right), a marketing student of the University of the West Indies. Sharing in the moment is Rickert Allen. **06 FAIRVIEW GROUND BREAKING:** Rickert Allen (2nd left) makes a signal during the recent ground-breaking exercise in the Fairview Shopping Village in Montego Bay, St. James for the construction of a 20,000 square feet one-stop banking and financial services centre. Looking on (from left) are Mayor of Montego Bay, Councillor Glendon Harris; Minister of Finance, Audley Shaw and Patrick Hylton. **> JAMAICA BROILERS GROUP (JBG) TOUR:** **07** A team from NCB including Patrick Hylton and Dennis Cohen recently got a first-hand tour of the JBG following the recent signing of a Strategic Financing Programme between both entities. NCB Corporate Banking Division structured this programme which will allow JBG to gain some administrative efficiency in terms of management of its loan portfolio. **08** John Carberry, AVP, Energy at JBG has the attention of (from left to right), Andrew Simpson, Assistant General Manager, NCB Corporate Banking Division; Christopher Levy, President & CEO of JBG; Patrick Hylton, and Dennis Cohen. **< 09 ADDRESS TO ATTORNEYS:** Patrick Hylton gave some insights on new trends and developments in the areas of digitization and innovation during a presentation to the Myers Fletcher and Gordon team prior to their strategic planning retreat. (From left to right) Peter Goldson, Managing Partner; Norman Minott, Partner; Dorothy Pine McLarty, Consultant Attorney and Ethan Sinclair, Consultant Attorney. **10 #EXCELLENCEJA:** NCB hosted a Viewing Party to cheer on its Brand Ambassador, Elaine Thompson, in her hometown of Banana Ground, Manchester, during the Rio Olympics 2016. Banana Ground: Stuart Barnes (2nd left), NCB Mandeville Branch Manager joins the celebration. **11 DIGITAL TECH SYMPOSIUM:** NCB's Patrick Hylton (right) and Nadeen Matthews, NCB Chief Digital and Marketing Officer acknowledge the panellists from the inaugural Digital Tech Symposium. **12 DIGITAL INNOVATION CHALLENGE 2016 – WELCOME DINNER** – As the host of the NCB Digital Innovation Challenge, Nadeen Matthews (second left) greets (from left) Nexercise Co-Founder and judge, Dwayne Samuels and guest speaker for the evening, Benjamin Young.

Business Highlights

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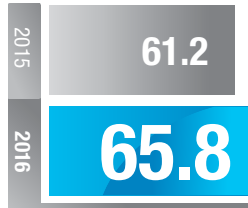
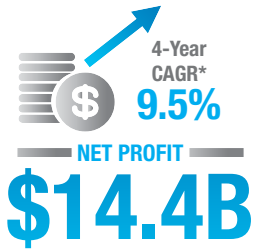
OUR RELATIONSHIPS Cont'd **01** **DIGITAL INNOVATION CHALLENGE 2016:** Team Teleois (3rd & 4th left) are congratulated by the day's judges. **➤** **MERCHANT MIXER:** In show of appreciation for their loyalty, NCB hosted a merchants Mixer to further build on their relationship with this key stakeholder group. **02** From left to right) Christopher Hall, NCB Senior Relationship Officer; Annette Wong-Lee, owner of Wong-Lee's Texaco; Septimus Blake and Claudette Rodriguez, Assistant General Manager, NCB Payment Services Unit pose for a quick photo at the event. **03** Claudette Rodriguez; Sally Gayle-Lovecchio, NCB Relationship Officer; Dave Wilson, NCB Matilda's Corner Branch Manager and Olive McNaughton are engaged in light conversation. **◀** **04** **NCB CAPITAL MARKETS (BARBADOS) Limited Launch:** Senator Jepter Ince (centre) cuts the ribbon to officially open NCB Barbados for business as Warrick Ward, NCB Capital Markets (Barbados) CEO (left) and Steven Gooden, NCB Capital Markets CEO (right) look on. **05** **ECOMMERCE:** NCB hosted the 2nd staging of its eCommerce Summit focused on equipping SMEs with the knowledge to develop, manage and maintain their business' commerce online. Rasheed Girvan, Digital Sales Manager, Global Directories Limited gives some insights on Social Media Pros and Cons. **06** **MONDAY CLUB:** Loren Edwards (left), Senior Assistant General Manager, NCB Retail Banking Division, in discussion with guests during the annual staging of the Monday Club, hosted by NCB at the Half Moon Hotel. The forum brings together business leaders of the western community to network and share ideas. **07** **NCB CAPITAL MARKETS/DBJ PARTNERSHIP:** After NCB Capital Markets Limited

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qualified as an Approved Financial Institution and received more than \$7 billion in funding from the Development Bank of Jamaica (DBJ) earlier this year, Steven Gooden, NCB Capital Markets Limited CEO (left), shared a light discussion with Milverton Reynolds, DBJ Managing Director. ➤ **GROUP LINE MINGLE:** 08 (From left) Don Theoc of Jamaica Public Service Company Limited in animated conversation with Desmond Johnson and Antonio Spence, senior managers at NCBIC. The conversation took place during the annual Group Line Mingle for trustees, clients and brokers. 09 Christopher Vendryes, Sales Manager, NCB Insurance Company Limited, bumps fists with entertainer Tarrus Riley during his performance at the NCBIC Group Line Mingle at 100. Looking on is guest Christopher Blythe of Sarifa Insurance Brokers. < ➤ **FATHER'S DAY BRUNCH:** 10 Najah Peterkin, NCB Capital Markets Private Client Services Manager (second right) greets Sylvester Tulloch and, (from left), Christine Silburn, Billie-Jean and Karl Tulloch with their children, Kennedy and Blaise, during the NCB Father's Day Brunch at Hope Gardens. 11 Steven Gooden, NCB Capital Markets CEO (right) and Maria Beyna, NCB Capital Markets Executive Wealth Advisor with customer Dr Milton Hardie during the NCB Father's Day Brunch at Hope Gardens. < 12 **OUR LADY OF THE ANGEL – START:** Ornella Maragh, Business Development Representative, NCB Washington Boulevard presents the Target Achiever \$70,000 cash prize for the NCB START School Savers Programme to Marcia Meredith, Principal and young savers at Our Lady of the Angel Preparatory School.

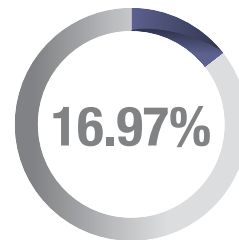
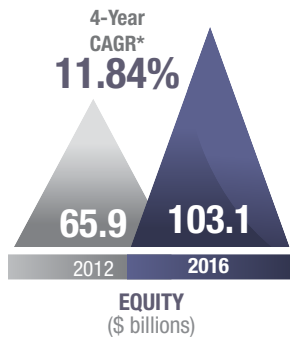
► Performance Highlights



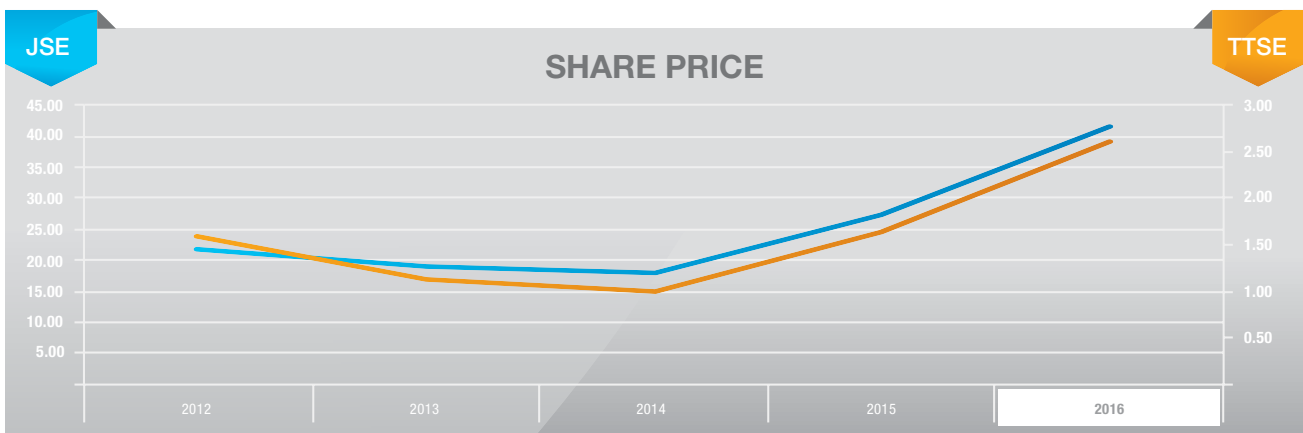
GROSS INCOME (\$ billions)



\$607.

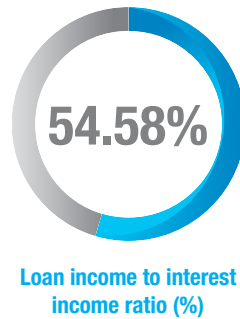
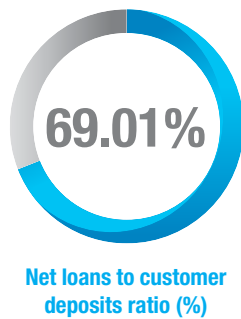


Stockholders' equity to total assets ratio

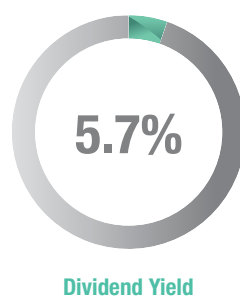
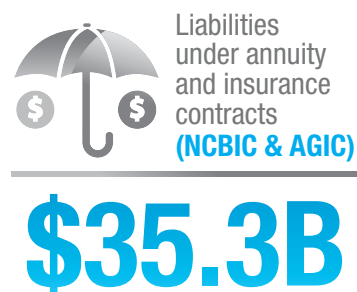
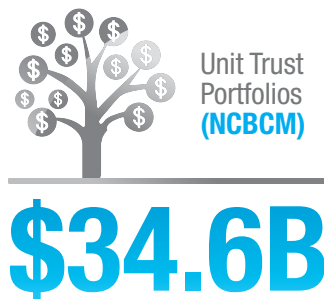


* The Compounded Annual Growth Rate (CAGR) is a measure of growth over multiple time periods.

** PY - Prior Year



7 Billion



Performance Highlights

cont'd



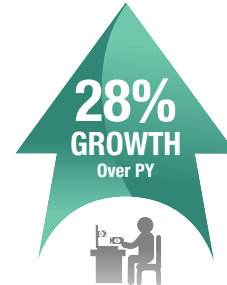
Automated Banking
Machines &
Financial Kiosks

288



POS Terminals

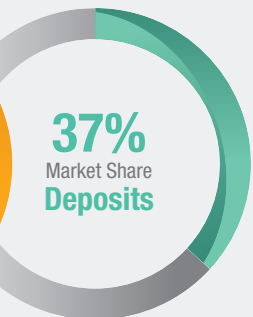
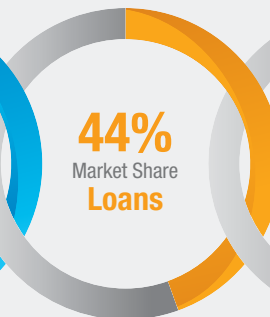
18,026



Total Online Users
4Yr. CAGR: 29%

▼ NATIONAL COMMERCIAL BANK JAMAICA LIMITED

Market
Share
Highlights



Where we
operate



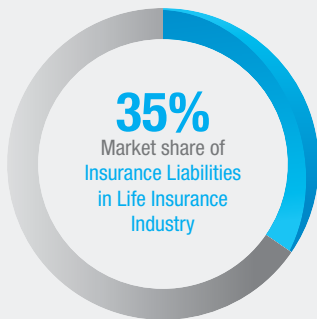
Jamaica



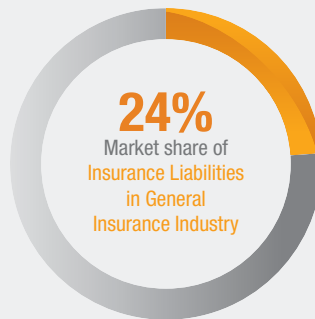
Cayman Islands



▼ NCB INSURANCE COMPANY LIMITED



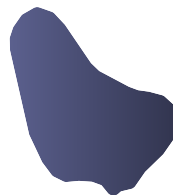
▼ ADVANTAGE GENERAL INSURANCE COMPANY



▼ NCB CAPITAL MARKETS LIMITED



Trinidad & Tobago



Barbados



United Kingdom

10 Year Financial Statistical Review

	2016	2015	2014	2013
Consolidated Income Statement Summary (J\$'000)				
Net profit	14,448,560	12,301,790	12,327,120	8,578,858
Gross operating income	65,753,693	61,183,893	57,422,834	48,941,802
Operating income	52,057,709	47,472,915	43,253,649	37,965,583
Net interest income	28,123,770	25,964,030	24,660,667	23,558,986
Non-interest income	23,933,939	21,508,885	18,592,982	14,406,597
Operating expenses	33,961,637	31,471,734	29,336,942	27,775,657
Staff costs	13,809,023	11,942,482	11,523,930	11,226,597
Provision for credit losses	612,355	1,799,158	2,226,949	2,066,260
Depreciation and amortisation	1,899,414	1,563,551	1,247,403	1,209,971
Taxation expenses	4,479,992	4,082,309	3,142,766	2,472,246

Consolidated Statement of Financial Position Summary (J\$'000)				
Total assets	607,669,433	523,815,161	499,345,092	446,575,055
Loans and advances, net of provision for credit losses	189,055,786	165,404,606	157,630,000	141,150,312
Investment securities	275,669,540	275,987,700	264,170,757	234,437,453
Statutory reserves with Central Banks	29,832,265	23,247,218	22,833,217	20,392,153
Customer deposits	273,965,888	227,850,985	202,162,392	178,411,021
Liabilities under annuity and insurance contracts	35,282,653	34,689,274	34,230,910	33,914,506
Repurchase agreements	105,974,938	100,004,008	134,690,626	117,377,395
Obligations under securitisation arrangements	47,899,756	44,292,064	13,885,577	10,101,032
Equity	103,105,309	88,394,211	81,846,383	72,516,720
Statutory capital base (NCB Jamaica) ⁽¹⁾	42,598,365	33,788,365	32,408,365	31,029,022

Profitability Ratios (%)				
Return on average equity ⁽²⁾	15.09%	14.45%	15.97%	12.40%
Return on average total assets ⁽³⁾	2.55%	2.40%	2.61%	2.08%
Non-interest income to operating income	45.98%	45.31%	42.99%	37.95%
Effective tax rate ⁽⁴⁾	23.67%	24.92%	20.32%	22.37%
Cost to income ratio ⁽⁵⁾	64.06%	62.34%	62.21%	67.49%

Stock Unit Information (J\$)				
Earnings per stock unit ⁽⁶⁾	\$6.35	\$5.01	\$3.49	\$4.08
Dividends paid per stock unit	\$2.35	\$1.18	\$1.11	\$1.10
Book value per stock unit	\$41.89	\$33.25	\$29.46	\$26.77
Share price at September 30 - Jamaica Stock Exchange (JSE)	\$ 41.50	\$ 17.94	\$ 19.00	\$ 21.90
Share price at September 30 - Trinidad & Tobago Stock Exchange (TTSE)	TT\$2.60	TT\$1.00	TT\$1.13	TT\$1.60

(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 equity is calculated as net profit divided by average equity (equity at the end of the financial year plus 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).

	2012	2011	2010	2009	2008	2007
	10,045,862	13,885,301	11,074,798	10,248,185	8,701,173	6,601,426
	44,425,230	44,791,704	43,023,151	44,868,803	39,255,256	33,752,955
	34,546,949	34,672,196	29,423,355	27,272,322	24,806,110	20,551,579
	21,784,090	21,150,860	20,649,643	18,879,974	15,826,304	12,796,777
	12,762,859	13,521,336	8,773,712	8,392,348	9,084,754	7,754,802
	22,366,253	19,184,458	16,135,955	14,100,596	14,162,202	12,128,301
	9,755,916	9,240,116	9,252,662	7,989,772	7,281,304	6,987,550
	2,462,811	768,881	947,962	1,027,634	468,287	277,603
	812,512	580,132	528,333	593,538	725,936	889,246
	3,070,027	3,704,793	2,413,315	2,885,450	2,072,836	1,992,418

	379,435,519	359,618,113	334,970,011	315,096,477	291,153,397	254,183,354
	111,904,854	91,728,138	85,995,102	88,178,270	82,169,396	56,525,564
	210,653,557	204,748,127	200,132,984	167,718,957	154,571,682	142,955,539
	17,727,899	16,068,630	15,084,579	16,181,485	11,724,910	10,314,256
	162,930,350	155,800,401	144,283,158	130,331,351	126,099,896	118,518,051
	25,194,324	23,564,275	20,405,624	19,114,764	16,533,984	14,487,602
	101,890,449	84,075,103	85,292,763	77,374,431	69,619,957	51,305,167
	2,593,201	14,378,119	20,456,162	27,157,180	26,259,740	26,409,833
	65,895,952	61,977,264	48,807,933	41,015,946	31,312,662	28,554,026
	26,992,022	23,881,159	20,541,698	19,703,594	19,004,492	13,592,492

	15.71%	25.07%	24.66%	28.34%	29.07%	24.84%
	2.72%	4.00%	3.41%	3.38%	3.19%	2.77%
	36.94%	39.00%	29.82%	30.77%	36.62%	37.73%
	23.41%	21.06%	17.89%	21.97%	19.49%	23.18%
	56.26%	52.36%	51.53%	47.93%	50.25%	57.27%

	\$5.64	\$4.50	\$4.16	\$3.54	\$2.68	\$2.68
	\$1.36	\$1.90	\$0.88	\$1.14	\$0.73	\$0.73
	\$25.18	\$19.83	\$16.66	\$12.72	\$11.60	\$11.60
	\$ 27.29	\$ 17.51	\$ 13.00	\$ 20.00	\$ 22.40	\$ 22.40
	TT\$2.09	TT\$1.50	TT\$0.95	TT\$1.85	TT\$1.95	TT\$1.95

(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

cont'd

	2016	2015	2014	2013
Stock Unit Information (J\$) cont'd				
Price earnings ratio	6.54	5.50	3.59	5.46
Dividends paid [J\$'000]	5,796,892	5,698,222	2,910,780	2,738,107
Dividend yield (payment date) [%]	5.66%	8.39%	6.58%	5.84%
Dividend payout ratio (payment date) [%]	37.01%	46.20%	23.60%	31.90%
Total annual shareholder return [%]	59.34%	66.28%	0.63%	(8.17%)

Capital Ratios (%)

Risk-based capital adequacy ratio (NCB Jamaica) ⁽⁷⁾	12.69%	12.72%	12.94%	12.58%
Capital to risk weighted assets (NCB Capital Markets) ⁽⁸⁾	33.80%	35.30%	28.60%	20.90%
Minimum continuing capital surplus ratio (NCB Insurance) ⁽⁹⁾	496.69%	610.70%	681.22%	845.00%
Minimum capital test (Advantage General Insurance) ⁽¹⁰⁾	356.82%	341.00%	330.48%	251.71%
Equity to total assets	16.97%	16.88%	16.39%	16.24%

Asset Quality Ratios (%)

Non-performing loans as a percentage of gross loans and advances ⁽¹¹⁾	3.14%	5.05%	5.37%	4.84%
Non-performing loans as a percentage of total assets	0.99%	1.63%	1.74%	1.56%
Non-performing loans as a percentage of equity	5.86%	9.66%	10.62%	9.60%
Total provision for credit losses as a percentage of non-performing loans	136.18%	118.72%	118.32%	120.13%
Total provision for credit losses as a percentage of gross loans and advances	4.28%	5.99%	6.35%	5.82%

Consolidated Statement of Financial Position Ratios (%)

Loans and advances, net of provision for credit losses, as a percentage of total assets	31.11%	31.58%	31.57%	31.61%
Investment securities as a percentage of total assets	45.37%	52.69%	52.90%	52.50%
Fixed and intangible assets as a percentage of total assets	1.96%	2.07%	1.96%	1.85%
Loans and advances, net of provision for credit losses, as a percentage of customer deposits	69.01%	72.59%	77.97%	79.12%
Liquid assets as a percentage of customer deposits ⁽¹²⁾	35.20%	44.29%	37.86%	37.45%

Other Statistics

JSE Index at September 30	164,482.25	96,324.59	72,238.36	84,500.20
JSE Index annual movement (Twelve months ended September 30) [%]	70.76%	33.34%	(14.51%)	(3.08%)
Inflation Rate (Twelve months ended September 30) [%]	1.83%	1.81%	9.03%	10.45%
USD foreign exchange rate at September 30	127.93	118.70	112.53	103.23

* Restated to conform to the 2015 financial statements presentation format.

(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 regulations, the overall minimum required to be maintained is 250%.

	2012	2011	2010	2009	2008	2007
	5.37	4.84	3.89	3.12	5.66	8.35
	2,713,439	3,354,797	4,686,850	2,170,750	2,812,110	1,800,737
	5.02%	4.98%	10.85%	6.77%	5.70%	3.26%
	26.96%	24.11%	42.23%	21.14%	32.24%	27.21%
	(15.72%)	63.62%	49.31%	(30.60%)	(5.62%)	27.02%

	12.96%	15.18%	16.30%	14.61%	14.58%	14.33%
	26.20%	35.71%	97.82%	60.75%	77.88%	99.86%
	988.00%	1282.26%	1028.74%			
	n/a	n/a	n/a	n/a	n/a	n/a
	17.37%	17.23%	14.57%	13.02%	10.75%	11.23%

	7.14%	7.16%	3.45%	2.61%	2.34%	2.56%
	2.18%	1.87%	0.90%	0.74%	0.67%	0.58%
	12.55%	10.87%	6.21%	5.71%	6.25%	5.17%
	113.94%	115.91%	136.29%	147.26%	152.88%	150.99%
	8.14%	8.29%	4.70%	3.84%	3.57%	3.86%

	29.49%	25.51%	25.67%	27.98%	28.22%	22.24%
	55.52%	56.93%	59.75%	53.23%	53.09%	56.24%
	1.68%	1.45%	1.34%	1.35%	1.41%	1.60%
	68.68%	58.88%	59.60%	67.66%	65.16%	47.69%
	32.32%	40.91%	42.40%	33.22%	37.56%	32.72%

	87,188.38	91,731.84	83,613.08	79,928.03	102,018.87	96,299.84
	(4.95%)	9.71%	4.61%	(21.65%)	5.94%	11.72%
	6.65%	8.05%	11.28%	7.18%	25.34%	9.01%
	89.72	86.12	86.02	88.87	72.48	70.22

(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.

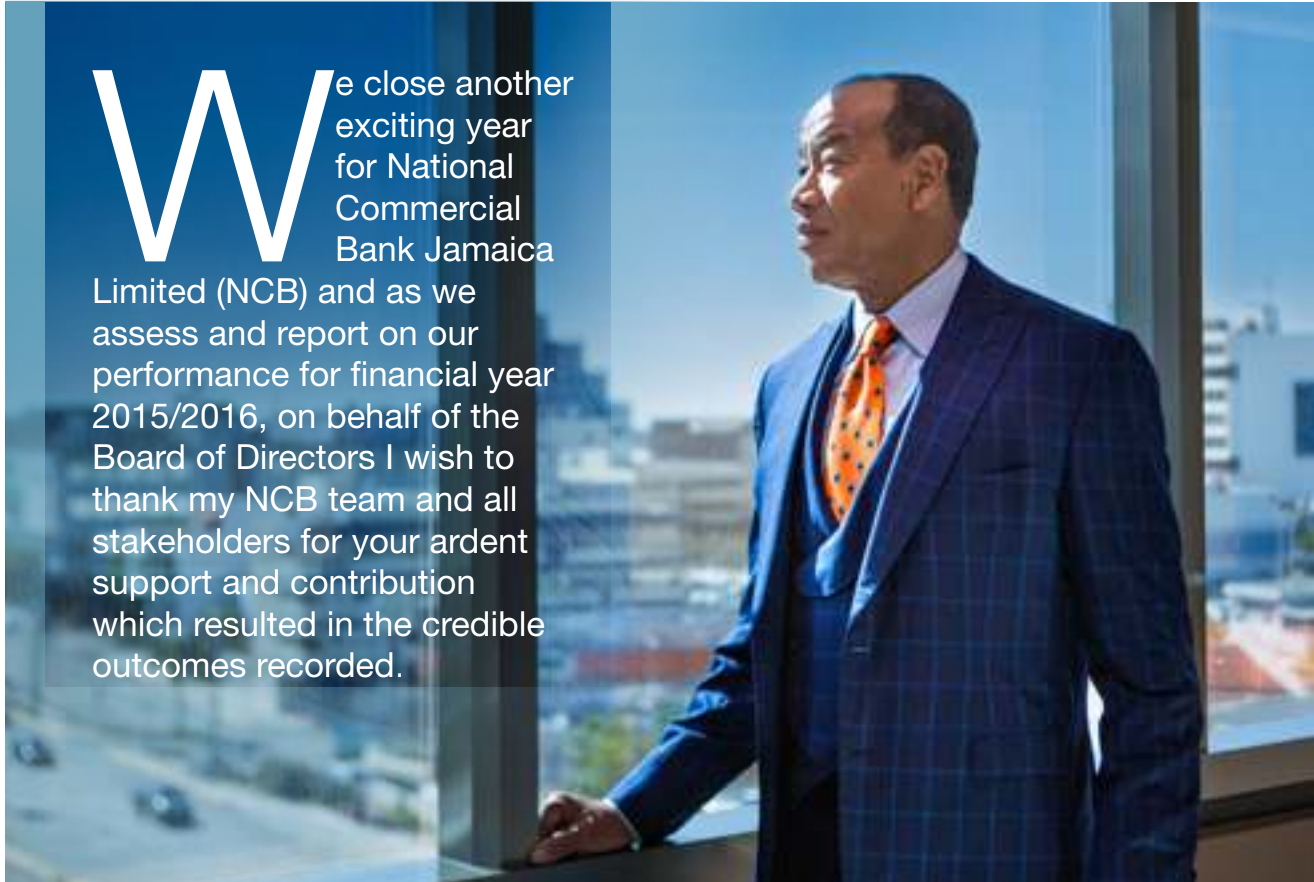
(11) Non-performing loans are loans as to which there have been no payments of principal or interest for 90 days or more.

(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

We close another exciting year for National Commercial Bank Jamaica

Limited (NCB) and as we assess and report on our performance for financial year 2015/2016, on behalf of the Board of Directors I wish to thank my NCB team and all stakeholders for your ardent support and contribution which resulted in the credible outcomes recorded.



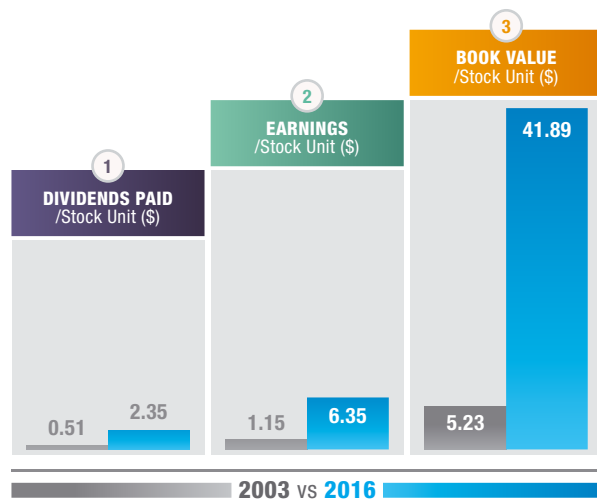
I have a lifelong philosophy about being successful and creating wealth; it speaks to behaviours that once consistently applied over the long term would redound to wealth and success for all. The three key ingredients I encourage businesses and individuals to consider are:

- ▶ **Reputation** - How will my behaviour today advance my reputation?
- ▶ **Differentiation** – How am I going to differentiate myself from the competition and everyone?
- ▶ **Needs** – How am I addressing clients' needs?

Today, I am truly proud to lead an organisation that continues to not only demonstrate but fulfil this philosophy of success and wealth creation where the ultimate end-state is shareholder value consistently applied through a keen observance of the three tenets of success.

The consistent accomplishment of strong business performance by NCB underscores how vision and strategy align to produce desired results. This emphasis on consistent improvement continues to be validated in the enhanced performances realised by NCB year over year and this is not only admirable but encouraged across all facets of our society.

NCB has achieved commendable profits of \$14.45 billion and improvements in shareholders' value seen through key metrics shown below. We have earned numerous local and international recognitions and awards that continue to independently validate the impact of our business strategies.





“ We maintain our passion and determination to provide our stakeholders with the value they have come to expect from us”

We continued to innovate, embracing our role as leaders in the industry. We continued to improve the quality of service experience of our customers, our operations and efficiencies, develop the capabilities and skill sets of our team, build the communities in which we serve; particularly through the concerted efforts of our N.C.B. Foundation; and we managed in a challenging marketplace. We have long been taking this approach but have renewed our commitment as we look to the years ahead, determined to raise the BAR and further build on these characteristics that continue to make us who we are.

We maintain our passion and determination to provide our stakeholders with the value they have come to expect from us along with new and emerging service options and conveniences that underscore our deep drive to transform the way we operate and do business.

As an organisation, NCB joins in the collective vision for Jamaica's economic growth, and looks forward to the country turning the corner on many of the challenges we face in our environment, so that we can realise an ecosystem that fosters economic growth for all sectors.

At year end, NCB continued to demonstrate strong shareholder value. We look forward to the opportunities that the new year brings, and intend to be consistent in our behaviour that fosters growth and development as we seek to maximize wealth for all our shareholders.

We look forward to your continued commitment and support for 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 NATIONAL COMMERCIAL BANK JAMAICA LIMITED (NCB) AND ITS SUBSIDIARIES (THE GROUP).

Hon. Michael Lee-Chin

OJ, Hon. LL.D., B.Sc.

Chairman

MAIN POSITIONS: 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.

Length of Directorship: 14 years

Patrick Hylton

CD, A.C.I.B., BBA

Group Managing Director

MAIN POSITIONS: Patrick is the Chairman of NCB Capital Markets Limited. He also chairs the boards of the Mona School of Business and Management and Harmonisation Limited. He sits on several boards including Massy Holdings Limited (Trinidad & Tobago), Guardian Holdings Limited (Trinidad & Tobago) as well as the Caribbean Information and Credit Rating Services (CariCRIS). He is a member of the Economic Growth Council, which advises the Jamaican Government on proposed growth initiatives.

Length of Directorship: 13 years





Dennis Cohen
FCA, FCCA, B.Sc.

Group Finance and Deputy Managing Director

MAIN POSITIONS: Dennis is the Chairman of Advantage General Insurance Company Limited (AGIC). He serves as a Director of Guardian Holdings Limited (Trinidad and Tobago).

Length of Directorship: 10 years



Robert Almeida
B.Comm., CPA, CA

MAIN POSITIONS: Robert is a Founding Partner of Portland Private Equity and Managing Partner of the AIC Caribbean Fund and Portland Caribbean Fund II. He is a Director, Senior Vice President and Portfolio Manager at Portland Investment Counsel Inc. (Canada).

Length of Directorship: 8 years



Wayne Chen
LL.B (Hons)

MAIN POSITIONS: Wayne is the Chairman of CVM Television Limited, NCB Insurance Company Limited, NCB (Cayman) 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.

Length of Directorship: 14 years

Board of Directors

cont'd

Sandra Glasgow

B.Sc., M.B.A.

MAIN POSITIONS: Sandra is the Founder and Managing Director of BizTactics Limited; Member of the Board of Directors of eMedia Interactive Limited, Medical Disposables and Supplies Limited, YUTE Limited, the National Crime Prevention Fund (Crime Stop), Hillel Academy and DRT Communications Limited. She is Chairman and Trustee of the SMART Retirement Fund, Trustee of the NCB Pension Funds (1986 and 1999). She is a founding member of First Angels Jamaica and is a member of the Global Network Council, Eisenhower Fellowships.

Length of Directorship: 14 years

Sanya M. Goffe

LL.B (Hons)

MAIN POSITIONS: 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. She is an associate Tutor at the Norman Manley Law School and a member of the Jamaican Bar Association Council and serves on some of their Committees.

Length of Directorship: 5 years

Hon. Noel Hylton

OJ, CD, Hon. LL.D., J.P.

MAIN POSITIONS: 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 Services Commission.

Length of Directorship: 14 years





Thalia Lyn
O.D., J.P., B.A.

MAIN POSITIONS: Thalia is the Founder and CEO of the Island Grill chain of restaurants. She sits as Chair of NCB Foundation and CB Group/UWI 5K Fundraiser and is a Trustee of the NCB Pension Funds; a Director of the Mustard Seed Communities and Respect Jamaica.

Length of Directorship: 14 years



Oliver C. Mitchell Jr
B.Sc., M.B.A

MAIN POSITIONS: 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.

Length of Directorship: 1 year



Professor Alvin G. Wint
C.D., B.Sc, M.B.A., D.B.A

MAIN POSITIONS: Alvin is an independent Commissioner of the Electoral Commission of Jamaica. He serves as a Director of the Jamaica Producers Group, the Caribbean Policy Research Institute and the Planning Institute of Jamaica.

Length of Directorship: 14 years

▶ Corporate Governance Statement

THE BOARD OF DIRECTORS OF NATIONAL COMMERCIAL BANK JAMAICA LIMITED (NCB) IS RESPONSIBLE FOR THE GOVERNANCE OF THE BANK AND ITS SUBSIDIARY ENTITIES (THE GROUP). GOOD CORPORATE GOVERNANCE IS FUNDAMENTAL TO THE CORE VALUES, CULTURE AND BUSINESS PRACTICES OF THE GROUP.

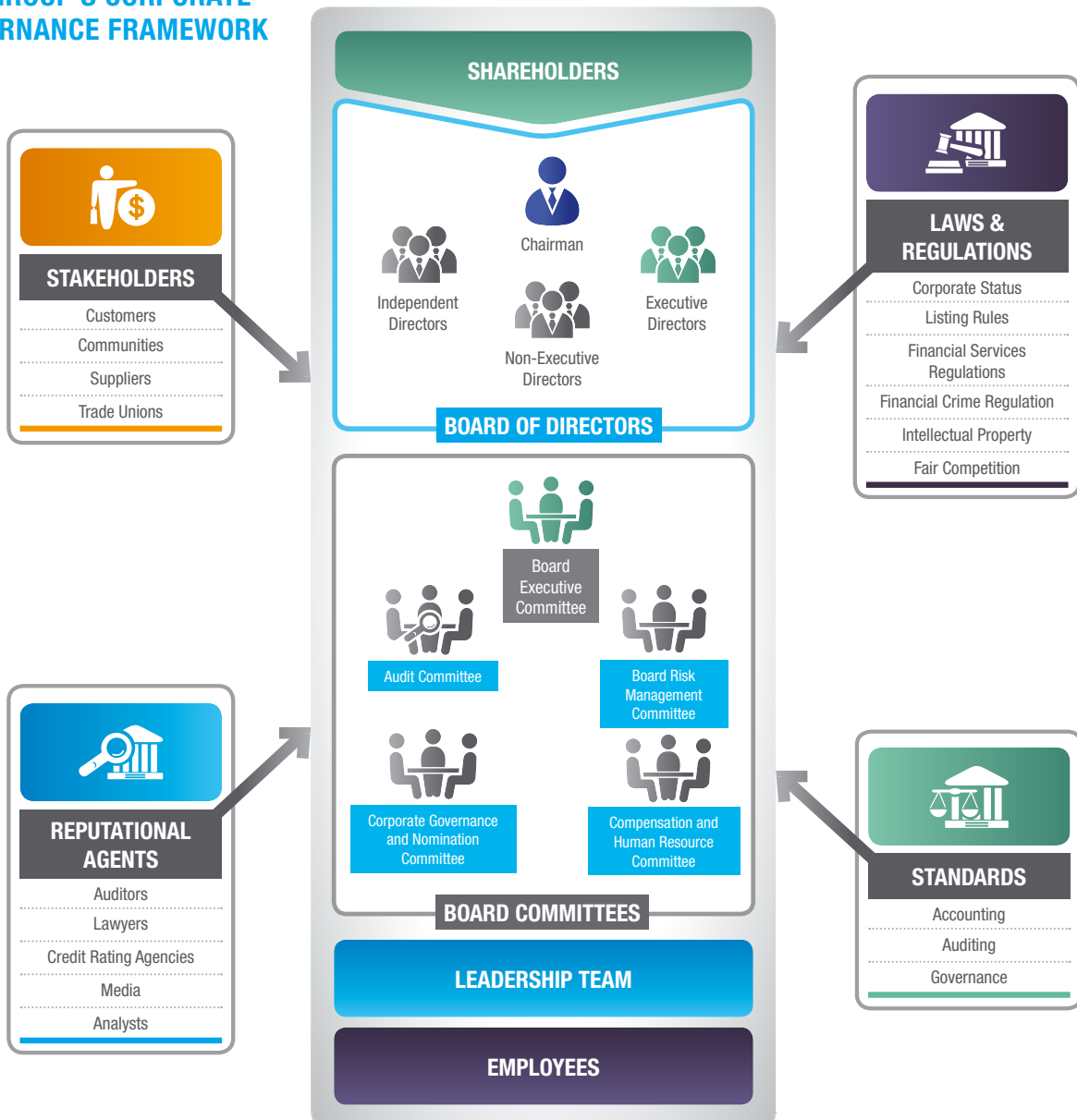
Key aspects of the Group's corporate governance framework and its corporate governance practices for the financial year ended September 30, 2016 are outlined in this Corporate Governance Statement.

THE BOARD OF DIRECTORS

The Role and Responsibilities of the Board

The Board has adopted a formal Charter that details its functions and responsibilities. The Charter is updated biennially and was last reviewed and approved by the Board during the financial year. A copy of the updated Charter is available on the Group's website www.jncb.com.

THE GROUP'S CORPORATE GOVERNANCE FRAMEWORK



During the reporting period, the Board discharged the following of its most significant responsibilities:

Stakeholder Interests

- ▶ Guided the Group with a view to enhancing long-term returns for shareholders, at the same time ensuring that the interests of other stakeholders, such as our customers, regulators, our employees, suppliers and the communities in which the Group operates, were well served.
- ▶ Provided strategic direction to the Group with a focus on consistent business performance, behaviour, transparency and accountability.
- ▶ Reviewed and monitored corporate governance and corporate responsibility throughout the Group.

Strategy

- ▶ Reviewed, approved and monitored the Group's corporate strategy and plans. Throughout the year, the Board engaged the heads of key divisions in robust discussions about short, medium and long term plans.
- ▶ Made decisions regarding the Group's capital structure and considered the dividend policy.
- ▶ Reviewed, approved and monitored major investment and strategic commitments.

Performance Management

- ▶ Reviewed strategic targets and business results at regular meetings of the Board.
- ▶ Monitored performance against budgets.

Integrity of External Reporting

- ▶ Reviewed and monitored, with the guidance of the Audit Committee, the processes, internal controls and procedures that are in place to maintain the integrity of the Group's accounting and financial records and statements.
- ▶ Reviewed and monitored quarterly reporting to shareholders and regulators, including the provision of objective, comprehensive, factual and timely information to the markets in which the Group's securities are listed.
- ▶ Maintained appropriate ongoing dialogue with regulators.

Risk Management and Compliance

Reviewed and monitored, with the guidance of the Board Risk Management and Audit Committees:

- ▶ The Group's risk management, risk profile, and processes for compliance with prudential regulations and standards and other regulatory requirements.
- ▶ Processes for the maintenance of adequate credit quality.

Executive Review, Succession Planning and Culture

- ▶ Considered key executive appointments and remuneration; monitored executive succession planning frameworks.
- ▶ Ensured the review and monitoring of the performance of the Group Managing Director and executive management.
- ▶ Monitored and influenced the Group's culture, reputation and ethical standards.

Board Performance

- ▶ Monitored Board composition, director nomination, Board processes and performance with the guidance of the Corporate Governance and Nomination Committee.

The Board has reserved certain powers for itself and delegated authority and responsibility for day-to-day management to the Group Managing Director. Delegations are subject to certain limits.

COMPOSITION OF THE BOARD

The Company's Articles of Incorporation provide for no fewer than five, nor more than sixteen, directors. The current members of the Board and the period each member has been in office are set out in the Profile of the Directors.

Board composition is driven by the following principles:

- ▶ The Board will be of an appropriate size to allow for efficient decision making.
- ▶ The Chairman must not have been an executive officer of the Company ("NCB") or the Group Managing Director in the last three years.
- ▶ The Board must comprise a majority of non-executive directors, with most of these being independent.
- ▶ The Board should consist of directors with a broad range of expertise, skills and experience from a diverse range of backgrounds, including sufficient skills and experience appropriate to the Group's business.

Corporate Governance Statement

cont'd

- ▶ The roles of the Chairman and Group Managing Director should not be performed by the same individual.

At the date of this Statement, the Board consisted of eleven directors, comprising:

- ▶ Nine non-executive directors of which six were independent.
- ▶ Two executive directors, being the Group Managing Director and the Group Finance and Deputy Managing Director.

There were no changes to the composition of the Board during the year ended September 30, 2016.

The Board requires that each of its directors possess unquestioned integrity and good character. The Corporate Governance and Nomination Committee identifies the appropriate skills and characteristics that are required by the Board and individual directors in order for NCBJ to fulfil its goals and its responsibilities to shareholders and other key stakeholders.

All NCB directors must be approved as 'Fit and Proper' by the Bank of Jamaica, meeting the requirements of the Banking Services Act 2014. All directors, officers, key employees and substantial shareholders are assessed on an annual basis to determine whether or not they have the appropriate skills, experience and knowledge to perform their role and that they have acted with honesty and integrity.

CHAIRMAN

The Chairman of NCB is responsible for leading the Board and ensuring that it is operating to the appropriate governance standards.

NCB's Chairman is the Hon. Michael Lee-Chin, OJ and he has been Chairman and a non-executive director since 2002. He has skills and experience across a broad portfolio of industries and companies, including financial services, real estate, hospitality, health care, investment banking, and general banking. Despite being the controlling shareholder of NCB, the Board considers that neither his significant interest in the Bank nor any of Mr Lee-Chin's positions held outside NCB interfere with his ability to execute and fulfil all of his obligations and responsibilities to the Board and NCB.

INDEPENDENCE OF DIRECTORS

Directors are expected to bring independent views and judgement to Board deliberations. An independent director

must be independent of management and able to exercise unfettered judgement, free of any business or other association that could materially interfere with the exercise of the director's ability to act in the best interests of NCB.

Directors' material interests are documented and if a director is involved with another company or professional firm that may have dealings with NCB, such dealings are at arm's length and on normal commercial terms. In assessing whether a director is independent, the Board has regard to the standards it has adopted that reflect the independence requirements of applicable laws, rules and regulations. To assist the Board in determining independence, each non-executive director is required to disclose all relevant information to the Board.

Independent Directors

NCB recognises the important role that independent directors play in the company's governance. Of the nine non-executive Directors serving during the year, a majority (six) were deemed to be independent. The Board considers a director to have met the criteria for independence if he or she:

- ▶ does not represent a substantial shareholding;
- ▶ is not a close relative of a significant shareholder;
- ▶ does not have an employment relationship with the Bank or its parent companies.

The independence of directors is kept under constant review and all independent directors are required to disclose whether they have any interests or relationships that could impact on their ability to act in the best interests of the company.

The Board, having undertaken an assessment in the period under review, has determined that the following non-executive directors met the criteria for independence during the period under review:

- ◇ Sandra A. C. Glasgow
- ◇ Sanya M. Goffe
- ◇ Hon. Noel Hylton, OJ
- ◇ Thalia Lyn, OD
- ◇ Oliver C. Mitchell Jr.
- ◇ Professor Alvin G. Wint, CD

More information on NCB's independent directors (including the period they have been in office) is provided in the Profile of the Board of Directors ([Page 36](#)).

CONFLICTS OF INTEREST

Directors are expected to avoid any action, position or interest that conflicts or may conflict with an interest of the Group. This is a matter for ongoing consideration by all directors, and any decisions to enter into transactions, under which NCB's directors would have conflicts of interest that are material, must be approved by the Board

and the director must leave the room during the Board's discussion or voting on the resolutions with respect to the transaction. Unless otherwise prohibited by law from doing so, directors must inform the entire Board of actual or potential conflicts of interest in their activities with, and commitments to other organisations as they arise. This disclosure must include all material facts in the case of a contract or transaction involving the director.

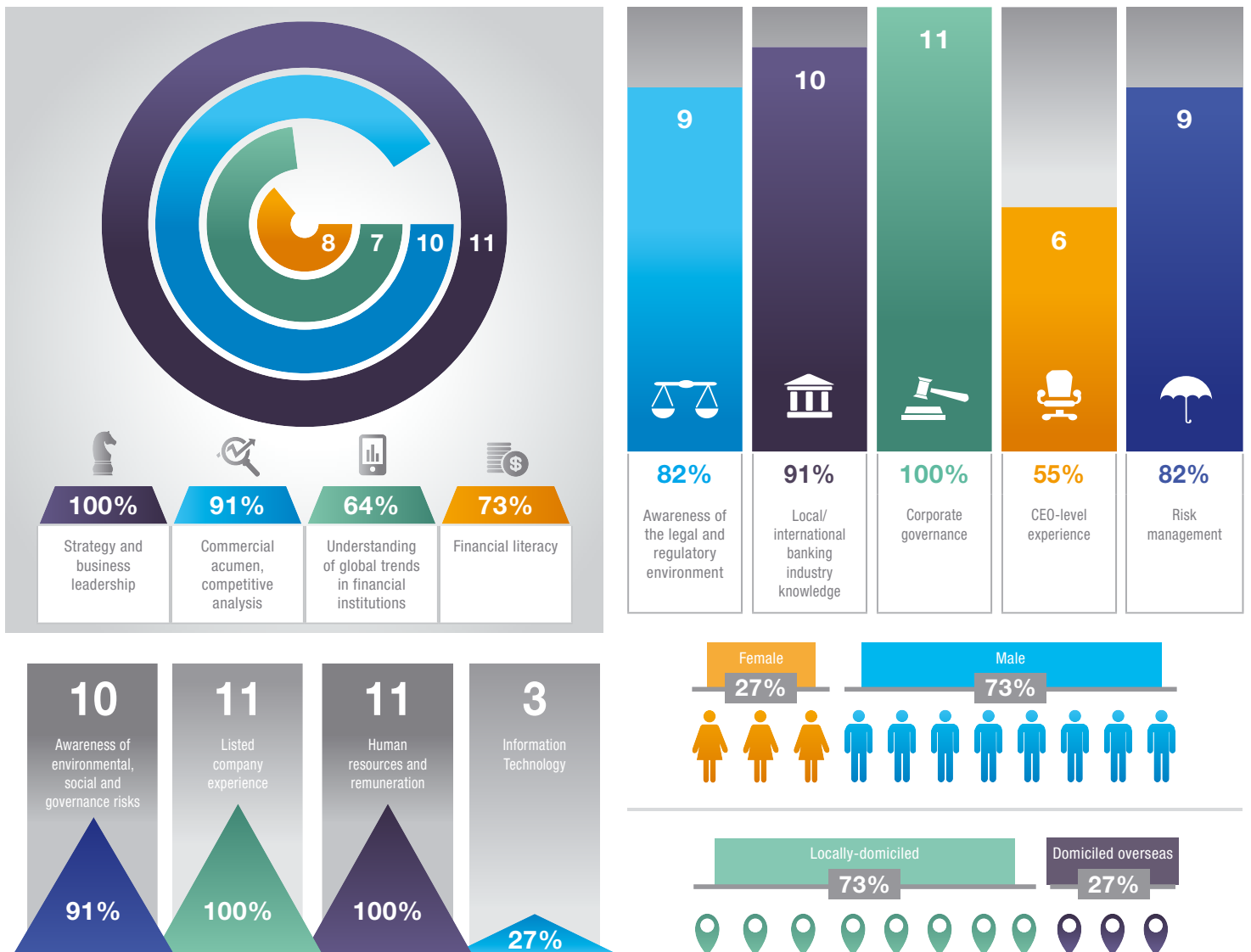
The provision of financial services to directors by NCB is subject to applicable legal or regulatory restrictions. Financial services are provided to directors on arm's length terms and conditions. Further information is provided in **Note 45 - Related Party Transactions and Balances in the Financial Statements (Page 248)**.

TENURE AND SUCCESSION PLANNING

Given the complexity of the Group's portfolio and the regulatory environment, it is important to retain a core of directors with longstanding knowledge of the Group while implementing appropriate succession plans. While there were no changes to the composition of the Board during the year, the Board is actively considering its succession plans in order to bring fresh perspectives to the Board while retaining directors with a deep understanding of the business.

The tenure of a director is a factor taken into account by the Board in assessing the independence of a director; however, it is only one of the factors considered. The Board is of the view that its long-serving directors continue to bring valuable expertise, independent judgement and the

THE KEY SKILLS, EXPERIENCE AND DIVERSITY OF THE BOARD



Corporate Governance Statement

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ability to act in the best interests of NCB. The Board is satisfied that, despite their periods of service, the non-executive independent directors who have served on the Board during the period under review have retained independence of character and judgement and have not formed associations with management or others that might compromise their ability to fulfil their role as independent directors.

APPOINTMENT AND RE-ELECTION OF BOARD MEMBERS

The Corporate Governance and Nomination Committee undertakes an annual review of Board composition using a skills matrix to assess the skills and the experience of each director and the combined capabilities of the Board. The results of the annual review are considered in the context of the Group's operations and strategy, and the need for diversity on the Board, and are incorporated into Board succession planning and the selection of new directors.

Board renewal is supported by the matrix on the previous page (43), which the Board believes results in an appropriate mix of skills, experience and expertise and a diverse range of views and perspectives that are most relevant for the governance and oversight of NCB.

When a Board vacancy is anticipated or the Board believes that there should be an increase in the number of directors, the Corporate Governance and Nomination Committee assesses the skills and experience required and then identifies suitable candidates, consulting with external bodies, as appropriate. The most suitable candidate is appointed by the Board after appropriate background checks are undertaken, including an assessment in accordance with Fit and Proper principles. Once the nominated director has received the Bank of Jamaica's approval, the director fills a casual vacancy until the Annual General Meeting (AGM) at which point he or she resigns and may be elected by the shareholders. There were no casual vacancies filled during the year.

Each director receives a letter of appointment, setting out the key terms and conditions of the appointment. The process of election and re-election of directors is carried out in accordance with Articles 95-97 of the Company's Articles of Incorporation which require that at each AGM, one-third of the directors are required to retire from office and are eligible to stand for re-election and election respectively. These Articles do not apply to the Group's Managing Director or Deputy Managing Director.

Each year, the Board formally assesses the performance of each director through a 360-degree evaluation process. This process is able to inform its decision on whether to recommend to shareholders that they vote in favour of the re-election or election of each relevant director.

INDUCTION AND CONTINUING EDUCATION

New directors must participate in an induction programme which is planned by the Corporate Secretary in collaboration with senior management. The programme includes meetings with the Chairman, discussions and briefings with executives and management covering the Group's values, Codes of Conduct, structure of the Group, strategic plans, significant financial, accounting and risk management issues, performance management systems, internal and external audit. Directors also meet with legal counsel and/or compliance personnel to review the Board's role and duties, particularly covering legal and regulatory requirements.

At planned periodic intervals, senior management makes presentations to directors about the Group, and the factors impacting, or likely to impact, its businesses. NCB provides continuing education to the Board through a combination of internal and external presentations and workshops led by management and/or external consultants. These activities assist directors to gain a broader appreciation and understanding of the business carried out by the Group. Directors are also encouraged to keep up-to-date on topical issues and on-line resources are frequently shared outlining best and "next" practices in the industry.

During the period under review audit committee members, other directors and senior managers throughout the Group (including overseas subsidiaries) participated in a workshop on "Audit Committee Best Practices" that addressed the changing regulatory environment, the top issues facing audit committees today and best practices to address these issues. The workshop was delivered by David Richards, CIA, CPA, a former president of the Institute of Internal Auditors and a former chief audit director at FirstEnergy Corp and a former member of the COSO Board of Directors.

Directors and senior managers also participated in a workshop on "Growing Terrorism Threat - Implications for Caribbean Financial Institutions" delivered by Calvin E J Wilson, Executive Director of the Caribbean Financial Action Task Force (CFATF). In addition to addressing the threats of terrorism, the workshop explored the very topical issues of de-risking, loss of correspondent banking relations, high risk regions and high risk jurisdictions, negative listings, the importance of high levels of compliance with the Financial Action Task Force recommendations, the experiences in the Caribbean and the search for solutions.

BOARD MEETINGS

Directors are expected to prepare adequately for, attend and actively participate in Board meetings and meetings of Board Committees. There were nine Board meetings held during the year and each director's attendance at those

meetings is set out below and in the report on each Committee's work during the year.

	Number of meetings attended	% of meetings attended
Hon. Michael Lee-Chin, OJ CHAIRMAN	9	100%
Robert Almeida	9	100%
Wayne Chen	9	100%
Dennis Cohen	9	100%
Sandra A. C Glasgow	9	100%
Sanya Goffe	8	89%
Hon. Noel Hylton, OJ	9	100%
Patrick Hylton, CD	9	100%
Thalia Lyn, OD	8	89%
Oliver C. Mitchell Jr.	9	100%
Professor Alvin Wint, CD	9	100%

PERFORMANCE OF THE BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

The Board conducts an annual assessment of the performance and effectiveness of the Board as a whole and of its Committees and individual directors. The process includes an evaluation of the Group Managing Director as a member of the Board. The evaluation of the Group Managing Director, more broadly, is undertaken by the Chairman of the Board.

External experts are engaged, as required, to review aspects of the Board's activities and to assist in a continuous improvement process to enhance the overall effectiveness of the Board. The process generally involves individual interviews with directors and completion of an online questionnaire. The results of the performance evaluation are compiled to produce a quantitative and qualitative analysis, with a written report and a presentation being provided to the Board. The external expert's report discloses the overall results, various issues for discussion by the Board and recommendations for improvements.

Again this year, McKinsey & Company was engaged to carry out the evaluation process which was designed using a three-pronged framework to measure board team effectiveness along three pillars: a) the Board's platform, b) the Board's activities and c) the Board's performance. The purpose of the survey was to provide transparency on the Board's own perception of its performance vis-à-vis its responsibilities; compare some areas, in particular Board activities, to global benchmarks (determined by a global

sample of over 1,000 companies), compare the Board's performance with that of other striving boards – the best rounded global boards that exhibit high effectiveness in their activities as well as how they operate.

The evaluation process is designed to assist the Board in fulfilling its functions and ensuring that it remains an effective oversight and decision-making body. The results and the ensuing discussion generally identify the strengths of the Board and provide room for the Board to discuss the areas that will improve its performance. The Board ideally jointly identifies 2-3 areas for improvement on which it will focus in the ensuing year.

REMUNERATION OF DIRECTORS AND EXECUTIVES

The remuneration of directors and key management are set out in Note 45 - *Related Party Transactions and Balances in the Financial Statements* (Page 248).

Members of the Board of Directors

The fees paid to non-executive directors are based on advice and market data that takes into account the level of fees paid to board members of other listed companies, the size and complexity of the Group's operations, the activities of the Group and the responsibilities and workload requirements of Board members. Non-executive director fees are not related to the performance of the Group. A special committee of the Board periodically reviews the fees payable to non-executive directors which are set to attract and retain the best talent. The Committee is chaired by the Board Chairman and its membership is drawn from those directors who do not receive fees as non-executive directors. Fees are paid as cash payments only, where applicable, for participation on Board committees and for serving on the boards of controlled entities.

The fee structure was last adjusted in 2014 and comprises:

1. A retainer for the Chairman of \$2 million per annum (not actually paid) and a retainer for other Board members of J\$843,754;
2. Directors who chair the Audit, Corporate Governance and Nomination and the Board Risk Management Committees receive instead a retainer of J\$1,476,570;
3. A fee payable to directors, of \$62,500 per Board Meeting and \$50,000 for each Committee meeting attended;
4. The retainers payable by NCB Capital Markets Limited, NCB Insurance Company Limited and Advantage General Insurance Company Limited is 75% of that for the NCB Board and the retainer for other subsidiaries is 75% of that for the above listed subsidiaries.

Corporate Governance Statement

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

The total fees paid by NCB to non-executive members of the Board, including fees paid for their involvement on (a) the Board and (b) Board committees are kept within the global sum approved by the shareholders at the last AGM in accordance with Article 80 of NCB's Articles of Incorporation. The Chairman, the Hon. Michael Lee-Chin, OJ and Mr Robert Almeida, by virtue of their connection to companies controlled by the Chairman, do not receive Board fees.

NAME OF DIRECTOR	TOTAL NET FEES FOR FINANCIAL YEAR ENDED SEPT 2016 (\$)
WAYNE CHEN	
Board	1,101,566
TOTAL	1,101,566

NAME OF DIRECTOR	TOTAL NET FEES FOR FINANCIAL YEAR ENDED SEPT 2016 (\$)
SANDRA A. C. GLASGOW	
Board	1,576,177
Audit	187,500
Compensation & HR	37,500
Corporate Governance	150,000
Board Risk	150,000
Executive Committee	37,500
TOTAL	2,138,677

NAME OF DIRECTOR	TOTAL NET FEES FOR FINANCIAL YEAR ENDED SEPT 2016 (\$)
SANYA GOFFE	
Board	1,007,816
Corporate Governance	150,000
Board Risk	112,500
TOTAL	1,270,316

NAME OF DIRECTOR	TOTAL NET FEES FOR FINANCIAL YEAR ENDED SEPT 2016 (\$)
HON. NOEL HYLTON, OJ	
Board	1,101,566
Audit	225,000
Compensation & HR	112,500
Board Risk	112,500
TOTAL	1,551,566

NAME OF DIRECTOR	TOTAL NET FEES FOR FINANCIAL YEAR ENDED SEPT 2016 (\$)
THALIA LYN, OD	
Board	1,054,691
Corporate Governance	150,000
TOTAL	1,204,691

NAME OF DIRECTOR	TOTAL NET FEES FOR FINANCIAL YEAR ENDED SEPT 2016 (\$)
OLIVER MITCHELL JR.	
Board	1,468,754
Corporate Governance	200,000
TOTAL	1,668,754

NAME OF DIRECTOR	TOTAL NET FEES FOR FINANCIAL YEAR ENDED SEPT 2016 (\$)
PROFESSOR ALVIN WINT, CD	
Board	1,576,177
Audit	225,000
Compensation & HR	75,000
Corporate Governance	150,000
Board Risk	150,000
Executive Committee	37,500
TOTAL	2,213,677

Executive Directors and Senior Management

The Board, through its Compensation and Human Resource Committee, has approved a compensation framework for executive directors and senior managers that supports a performance culture in the Group based on merit and differentiates and rewards excellent performance, taking into consideration the core values of the Group. The framework is designed to enable the Group to retain and attract the best leadership, and motivate them to achieve results with integrity and fairness. Remuneration for executive directors balances fixed and variable compensation in a way that appropriately reflects the value and responsibility of the role performed day to day. It is also aimed at influencing appropriate behaviours and actions; ensuring consistent and effective risk management practices in keeping with the Group's compliance and control culture; fostering teamwork and collaboration across the Group and taking into account the ongoing performance of the Group in order to create sustainable value for shareholders.

ACCESS TO MANAGEMENT

Board members have complete and open access to management through the Chairman, the Group Managing Director, the Group Finance and Deputy Managing Director or the Company Secretary at any time. In addition to regular presentations by management to Board and Board Committee meetings, directors may seek briefings from management on specific matters. The Board also consults with other Group employees and advisers and seeks additional information, where appropriate.

The Company Secretary provides advice and support to the Board, is responsible for managing the Group's day-to-day governance framework.

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

Directors are entitled to obtain independent professional advice relating to the affairs of the Bank or to their individual responsibilities as Directors, subject to approval by the Board if payment is to be by the Company.

COMPANY SECRETARY

The Company Secretary is appointed and removed by the Board. The Company Secretary, Mr Dave L. Garcia, is accountable directly to the Board on all matters relating to the proper functioning of the Board, including providing support in maintaining the highest standards of probity and corporate governance. The Company Secretary is

also responsible for communicating with shareholders as appropriate and ensuring that due regard is paid to their interests. All Directors, including Non-Executive Directors, have access to the services of the Company Secretary in relation to the discharge of their duties.

The Office of the Company Secretary provides secretariat support for the Board and each of the Committees, throughout the Group. The Company Secretary is responsible for advising the Board on governance matters and ensuring compliance with Board and Board Committee procedures.

BOARD COMMITTEES

To assist it in carrying out its responsibilities, the Board has established the following Committees:

- ▶ Board Executive Committee;
- ▶ Audit Committee;
- ▶ Board Risk Management Committee;
- ▶ Compensation and Human Resource Committee;
- ▶ Corporate Governance and Nomination Committee.

The Board has adopted charters for each Committee setting out the matters relevant to the composition, responsibilities and administration of each Committee.

Following each Committee meeting, the Board receives a copy of the minutes of meeting from the relevant Committee. Further, on an annual basis, the Corporate Governance and Nomination Committee Chair is entitled to receive a report from each Committee on its activities undertaken during the year. The qualifications of each Committee's members and the number of meetings they attended during the reporting period are set out below.

Board Executive Committee

The Board Executive Committee exercises some or all of the powers of the Board between regularly scheduled meetings and is authorised by the Board to take final action on certain matters, reporting the Committee's decisions at the next regular Board meeting.

The Committee's role, responsibilities, composition and membership requirements are documented in its Charter approved by the Board, which is available on the Group's website at www.jncb.com.

The Committee met once formally during the period under review to discuss a potential investment but made several other decisions by Round Robin Resolutions.

Corporate Governance Statement

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MEMBERS	NO. OF MEETINGS ATTENDED	(%) MEETINGS ATTENDED
CHAIR Hon. Michael Lee-Chin, OJ	0	0
Dennis Cohen	1	100
Sandra Glasgow	1	100
Hon. Noel Hylton, OJ	1	100
Patrick Hylton, CD	1	100
Professor Alvin Wint, CD	1	100

Audit Committee

The Audit Committee assists the Board in carrying out its responsibility to exercise due care, diligence and skill in respect of the:

- ▶ Integrity of the accounting and financial statements, and the financial and statutory reporting processes of the Group.
- ▶ Group's external audit.
- ▶ Group's internal audit.
- ▶ Compliance with applicable accounting standards to give a true and fair view of the financial position and performance of the Group.
- ▶ Oversight of management in the preparation of the Group's financial statements and financial disclosures.
- ▶ Oversight of the work of the external auditor.
- ▶ Setting and approving the annual fees for each type of audit or non-audit service to be provided by the external auditor.

The Audit Committee's role, responsibilities, composition and membership requirements are documented in the Audit Committee Charter approved by the Board, which is available on the Group's website at www.jncb.com/corporategovernance. The Charter was last reviewed and approved by the Board in July 2016.

All members of the Audit Committee must be independent, non-executive directors. Independence for these purposes is determined in accordance with the standard adopted by the Board, which reflects the independence requirements of the Board's Charter, applicable laws, rules and regulations, including the PSOJ's Code on Corporate Governance and the JSE's Corporate Governance Guidelines.

It is a requirement that all members of the Audit Committee be able to read and understand fundamental financial statements, including a statement of financial position, income statement and cash flow statement. At least one

member of the Committee must have had past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

The Audit Committee has the authority to institute and oversee special investigations as are needed to fulfil its responsibilities and has the ability to retain, at NCB's expense, such legal, accounting or other advisers, consultants or experts as it considers necessary from time-to-time in the performance of its duties.

The Audit Committee relies on the information provided by management and the external auditor. The Audit Committee does not plan or conduct audits, or make determinations that the Group's financial statements and disclosures are complete and accurate.

Access to the Audit Committee

To ensure that appropriate matters are brought to the attention of the Audit Committee, the Company's Group Finance and Deputy Managing Director and other financial, accounting, internal audit personnel and compliance personnel, and other members of management, have full access to the Audit Committee. Other employees of the Group have access to the Audit Committee through the Chief Internal Auditor and relevant policies and procedures (e.g., the Group's Whistle Blower Policy, the Audit Committee Complaints Procedures and the Fraud Reporting and Investigation Policy).

Audit Committee Finance Professional

Although the Board has determined that Professor Alvin Wint, CD (as the Chairman of the Audit Committee) has the requisite attributes defined under applicable governance principles and recommendations, his responsibilities as Chairman of the Audit Committee are the same as those of the other Audit Committee members. The Chairman of the Audit Committee is not an auditor or accountant for NCB, does not perform field work and is not an employee of NCB.

Activities during the year

Key activities undertaken by the Audit Committee during the year included:

- ◆ Review of the scope of the annual audit plans for the year ending September 30, 2016 of the external auditor and internal auditor, and oversight of the work performed by the auditors throughout the year.

- ◆ Recommendation to the Board for the approval of fees to be paid to the external auditor.
- ◆ Approval of the budget and headcount of the Group internal audit function.
- ◆ Review of significant accounting, financial reporting and other issues raised by management, the internal and external auditors.
- ◆ Receiving presentations from the external auditor on new international financial reporting standards – IFRS 9 and 16.
- ◆ Consideration of and recommendations to the Board on significant accounting policies and areas of accounting judgement.
- ◆ Review of other key policies and recommendations to the Board for its approval, including whistle blower, fraud reporting and investigation policies and audit committee complaints procedures.
- ◆ Assessing the performance and independence of the external auditor and internal auditor, together with their assurances that all applicable independence requirements were met.
- ◆ Review of reports from the Fraud Prevention Unit.
- ◆ Review quarterly reports on regulatory compliance and annual reports on the management of legal and regulatory compliance, including anti-money laundering/counter-financing of terrorism.
- ◆ Review of plans for the continuing education of Audit Committee members.
- ◆ Holding of separate meetings, without the presence of management, with Internal Audit and with key personnel (including the Engagement Partner) from the external auditor, PricewaterhouseCoopers.
- ◆ Review of and recommendations to the Board for the adoption of the Group's quarterly and annual financial statements and releases to shareholders.
- ◆ Regular review of minutes and updates from subsidiary board audit committee meetings.

The Audit Committee met six times during the period under review. The number of meetings attended by each Committee member is set out below. Senior representatives from the Bank's external auditor, PricewaterhouseCoopers, the Chief Internal Auditor attended every scheduled meeting of the Audit Committee throughout the period. The Group Finance and Deputy Managing Director was in attendance at 5 of the 6 meetings held.

MEMBERS		NO. OF MEETINGS ATTENDED	(%) MEETINGS ATTENDED
CHAIR	Professor Alvin Wint	6	100
	Sandra A. C. Glasgow	5	83
	Hon. Noel Hylton, OJ	6	100

External auditor

The Audit Committee is responsible for the selection, evaluation, compensation and, where appropriate, replacement of the external auditor, subject to shareholder approval.

During the year, the Audit Committee met with the external auditor, PricewaterhouseCoopers, throughout the year to review the adequacy of the existing external audit arrangements with particular emphasis on the effectiveness, performance and independence of the audit.

The Audit Committee received assurances from the external auditor that they met all applicable independence requirements in accordance with the Companies Act 2004 and the rules of relevant professional accounting bodies.

The external auditor attended the Group's Annual General Meeting and was available to answer shareholder questions regarding aspects of the external audit and their report. Details of all services provided by PricewaterhouseCoopers to the Group and the fees paid or due and payable for those services are set out in **Note 14 – Other Operating Expenses – Auditors' Remuneration in the Financial Statements (Page 200)**.

Internal Audit

The internal audit function carries out the analysis and independent appraisal of the adequacy and effectiveness of NCB's risk management framework and internal control environment.

The Audit Committee is responsible for assessing whether the internal audit function is independent of management and is adequately resourced and funded. The Audit Committee Chairman also assesses the performance of the Chief Internal Auditor and the Committee may recommend to the Board the appointment and dismissal of this officer. Internal audit and external audit operate, perform and report as separate, independent functions.

Corporate Governance Statement

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Board Risk Management Committee

The Committee's purpose is to assist the Board in fulfilling its responsibility with respect to the oversight of the Group's risk management framework including:

- ▶ its risk appetite
- ▶ the policies and major procedures related to managing credit, market, liquidity, capital, operational and other risks as determined from time to time

The Committee regularly considers reports regarding the Group's risk profile, its risk management framework, including the significant policies and practices employed to manage risks in NCB's businesses and the overall adequacy of the risk management function, making recommendations to the Board, where appropriate. The Committee also plays a role in the decision making process around significant risks that are to be undertaken by the Group. The Committee's role, responsibilities, composition and membership requirements are documented in the Committee charter approved by the Board, which is available on the Group's website www.jncb.com.

Activities during the year

At each regularly scheduled meeting, the Board Risk Management Committee received a report from the head of the Group Risk Management Division which included updates on material risk categories identified by the Group. The Group's capital and liquidity positions were also reviewed on a regular basis. Additionally, presentations were made by senior management on topical issues as required.

Key activities undertaken by the Board Risk Management Committee during the year included:

- ◆ Review of the Group's key risks and risk management framework and strategy developed by management
- ◆ Ongoing critical review of the credit portfolio, asset quality, provisioning and capital adequacy
- ◆ Approval of major credits
- ◆ Review and approval of local and foreign counterparty and connected/related party exposures
- ◆ Review of the Group's risk appetite statements
- ◆ Review of key policies and recommendations to the Board for its approval, including a revised Enterprise Risk Management Policy
- ◆ Review of plans for the continuing education of Board Risk Management Committee members.

The Board Risk Management Committee met four times during the reporting period. The number of meetings attended by each Committee member is set out below.

The head of the Group Risk Management Division attended every Committee meeting.

MEMBERS		NO. OF MEETINGS ATTENDED	(%) MEETINGS ATTENDED
CHAIR	Professor Alvin Wint, CD	4	100
	Robert Almeida	3	75
	Dennis Cohen	4	100
	Sandra A. C. Glasgow	4	100
	Sanya Goffe	3	75
	Hon. Noel Hylton, OJ	3*	100
	Patrick Hylton, CD	2	50

* The Hon Noel Hylton, OJ was appointed to the Committee in January 2016 and was only eligible to attend three of the four meetings held during the year.

Compensation and Human Resource Committee

The Committee reviews and recommends the Group's compensation and benefit programmes, ensures the competitiveness of these programmes; and advises the Board on human resources issues and the development of and succession for senior management. The Committee supports the Board's oversight of:

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

The Committee's role, responsibilities, composition and membership requirements are documented in the Compensation and Human Resource Committee Charter approved by the Board, which is available on the Group's website www.jncb.com.

Information in relation to the Group's remuneration framework (including information regarding the remuneration strategy and policies and their relationship to Group performance) can be found in this Statement under the section Remuneration of Directors and Executives, with reference being made to information in the financial statements on the remuneration paid to NCB's non-executive directors during the reporting period.

Activities during the year

Key activities undertaken by the Compensation and Human Resource Committee during the year included:

- ◆ Review of and recommendation to the Board on the remuneration package for executives, senior managers and executive secretaries.
- ◆ Review of and recommendation to the Board on the incentives payable to executives based on performance and risk criteria structured to increase shareholder value.
- ◆ Review of and recommendation to the Board on remuneration structures for categories of employees across the Group.
- ◆ Review of and recommendation to the Board for the approval of the revised charter for the Committee.
- ◆ Review of various policies related to human resources.

The Compensation and Human Resource Committee met twice during the reporting period. The number of meetings attended by each Committee member is set out below. The head of the Group Human Resources and Facilities Division attended every meeting.

	MEMBERS	NO. OF MEETINGS ATTENDED	(%) MEETINGS ATTENDED
CHAIR	Hon. Michael Lee-Chin, OJ	2	100
	Sandra A. C. Glasgow	1	50
	Hon. Noel Hylton, OJ	2	100
	Patrick Hylton, CD	2	100
	Professor Alvin Wint, CD	2	100

Corporate Governance and Nomination Committee

The Committee assists the Board in ensuring that its composition, structure, policies and processes meet all relevant legal and regulatory requirements, to strive to achieve global corporate governance best practice standards and to facilitate the Board and management's objective of increasing the long-term value of the Bank.

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.jncb.com.

Activities during the year

Key activities undertaken by the Committee during the year included:

- ◆ Assessment of the appropriate size and composition of the Board.
- ◆ Making recommendations to the Board on the appointment of new directors.
- ◆ Consideration of the skills of directors and senior management to determine whether collectively they have the full range of skills needed for the effective and prudent management of the Group.
- ◆ Consideration of diversity, including gender diversity, in director succession planning.
- ◆ Review of the methodology for the annual Board performance review and ensuring issues raised, during the performance review, were addressed.
- ◆ Review of the policy framework for the Group.
- ◆ Review of and recommendation to the Board for the approval of a revised Charter for the Committee.
- ◆ Review of the Board Charter and Securities Trading Policy and making recommendations to the Board in relation to updates made to them.

The Committee met four times during the reporting period. The number of meetings attended by each Committee member is set out below:

	MEMBERS	NO. OF MEETINGS ATTENDED	(%) MEETINGS ATTENDED
CHAIR	Sandra A. C. Glasgow	4	100
	Sanya Goffe	4	100
	Thalia Lyn, OD	4	100
	Oliver Mitchell Jr.	4	100
	Professor Alvin Wint, CD	4	100

CONTROLLED ENTITIES

The activities of each company in the Group are overseen by its own respective board of directors. The Board's confidence in the activities of its controlled entities stems from the quality of the chairpersons and directors on each of its subsidiary boards and their commitment to the Group's objectives.

Corporate Governance Statement

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COMMUNICATING WITH SHAREHOLDERS

The Group aims to be open and transparent with all stakeholders, including shareholders. Information is communicated to shareholders regularly through a range of forums and publications. These include:

- ▶ The Annual General Meeting
- ▶ The Annual Report
- ▶ Financial Results Announcements and market/investor briefings
- ▶ The Group's website
- ▶ Traditional and social media

The Investor Relations section of the Group's website at www.jncb.com provides access to company announcements, media releases, financial statements, previous years' financial results and investor presentations.

The Group employs a range of communication approaches, including direct written communication with shareholders and webcasting of market/investor briefings and meetings, including the Annual General Meeting. The Group is committed to maintaining a level of disclosure that provides all investors with timely and equal access to information. To allow as many shareholders as possible to participate in the Annual General Meeting, the venue is carefully selected to ensure that all shareholders may be comfortably accommodated and reasonable proximity to the Company's registered office is maintained.

THE GROUP'S APPROACH TO CORPORATE SOCIAL RESPONSIBILITY

The Group's approach to corporate social responsibility (CSR) seeks to ensure that

- a) Our Mission is realised
- b) Our Core Values are reinforced
- c) The Group will enjoy long term success, providing appropriate benefits for our key stakeholders: our employees, investors, consumers, 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

- f) We rigorously manage, measure and evaluate our progress against our values and policies in addressing our impact in the countries and regions in which we operate, to the benefit of the economy, society and the environment.

Our values, beliefs and behaviours are embedded in everyday decision-making and long-term planning in order to deliver sustainable, satisfactory returns to our shareholders. This approach is based on the principles of creating shared value – that is, creating economic value through the Group as a financial institution whilst also creating value for society by understanding and addressing key social needs and challenges. This approach is centred on:

- ▶ **Our customers** - getting the fundamentals right, so we will be their preferred institution to deliver financial services.
- ▶ **Our employees** - being a good employer, by investing in the skills and capabilities of employees so that we will be the employer of first choice and achieve high levels of engagement.
- ▶ **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 maximizing shareholder returns.
- ▶ **Regulators and the Government** – practising excellence in corporate governance.
- ▶ **The media** – being an information facilitator.

CSR is embedded across the Group by:

- ▶ Engaging with stakeholders to inform them of current and emerging material issues and helping the Group develop mutually beneficial solutions and defining our strategic direction.
- ▶ Developing a CSR strategy that sets clear objectives, establishes appropriate policies, procedures and activities and includes measuring and reporting on progress.
- ▶ Integrating CSR management and reporting into governance structures and internal communications to ensure that CSR is understood by the Board, the Leadership Team and employees.

Engagement with stakeholders is pivotal to the Group's success. 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.

CODE OF CONDUCT

The Group has developed and the Board has approved, Codes of Conduct for directors and employees, which require the observance of strict ethical guidelines. The Codes of Conduct apply to all employees and directors of the Group, and impact contractors and consultants, based on contractual relationships. The conduct of the Board and each director is also governed by the Board Charter.

The Codes of Conduct cover, amongst other things:

- ▶ Personal conduct.
- ▶ Honesty, integrity and fairness.
- ▶ Prevention of fraud and corruption.
- ▶ Conflicts of interest and relations with customers and/or third party providers.
- ▶ Confidentiality, access and disclosure.

The Group's Codes of Conduct, together with its Core Values, take into account NCB's legal obligations and the reasonable expectations of the Group's stakeholders, and emphasise the practices necessary to maintain confidence in the Group's integrity. The Group's Values Statement can be found at www.jncb.com.

ESCALATION

The Group has clear procedures that encourage the escalation of complaints and notification of incidents to management and the Board. This ranges from escalation of daily business or management concerns, to serious financial, cultural or reputational matters. Employees are provided with various avenues for escalation of complaints or concerns, including general and confidential email alert addresses, as well as Whistle Blower procedures.

WHISTLE BLOWER PROTECTION

NCB has a Whistle Blower Policy for confidential reporting of unacceptable or undesirable conduct. The system enables disclosures to be made to a protected disclosure officer by the Group's employees, or, where applicable, if the matter is highly sensitive and the employee believes it more appropriate, directly to the Compliance Officer. The Group does not tolerate incidents of fraud, corrupt conduct, bribery, adverse behaviour, legal or regulatory noncompliance, or questionable accounting and auditing matters by its employees.

The Whistle Blower Policy complements normal communication channels between management and employees to address questions, concerns, or complaints. Where an employee feels these channels are not appropriate for raising significant concerns the Whistle Blower Protection Programme provides established procedures for the receipt, retention and independent treatment of all disclosures.

Employees are encouraged to raise any issue involving illegal, unacceptable or inappropriate behaviour or any issue they believe could have a material impact on the Group's profitability, reputation, governance or regulatory compliance. NCB will take all reasonable steps to protect a person who discloses unacceptable or undesirable conduct, including disciplinary action, up to possible dismissal, for any person taking reprisals against them.

RESTRICTIONS ON DEALING IN SECURITIES

Directors, managers, employees and immediate relatives or partners of directors or managers of NCB and certain subsidiaries are subject to the Group's Securities Trading Policy which restricts them from applying for, acquiring and disposing of securities in NCB (or procuring another person to do so) if they are in possession of inside information. Inside information is information which is not generally available, and which if it were generally available a reasonable person would expect it to have a material effect on the price or value of the securities in, or other relevant financial products of, the Group. There are also legal restrictions on insider trading imposed by the local laws and laws of other jurisdictions that apply to the Group and its directors, officers and employees.

Where a director contravenes the provisions of the policy, the matter may be brought to the Board for appropriate attention. Employees of the Group who contravene the provisions of the policy may be subject to the Group's disciplinary policy and procedures. The Securities Trading Policy is available on the Group's website www.jncb.com.



Sandra A. C. Glasgow
Chairperson
Corporate Governance Committee

► Our Policies & 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



NATIONAL COMMERCIAL BANK JAMAICA LIMITED AND ITS SUBSIDIARIES (NCB), HAVE A CORPORATE DISCLOSURE POLICY.

The policy regulates the disclosure of information by NCB about NCB and its business activities. It stipulates that NCB companies shall be responsible to make any disclosure that they are required, respectively, 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
4. Parties and rules for the disclosure of information
5. NCB companies listed on a stock exchange /annual report to stockholders
 - a. General stipulations for disclosure by NCB Companies Listed on a Stock Exchange 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). The MD&A provides an analysis, by the company's management, of the operations of the past financial year, including an assessment of the key activities and future plans which impact the company's performance.

6. In addition to the means of disclosure required by law, NCB's Listed Companies will:-
- conduct meetings
 - disclose information on NCB's website and
 - 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 National Commercial Bank Jamaica Limited (NCB) 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. 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



NATIONAL COMMERCIAL BANK JAMAICA LIMITED (NCB) 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 new mechanical sewage systems are being monitored by NEPA.

The use of green technology has also been implemented at our newest locations at 29 Trafalgar Road and 124-126 Constant Spring Road. This includes LED lighting, rainwater collection and distribution system and an inverter air-conditioning system; as well as use of solar energy panels, within all new and remodelled facilities.

HUMAN RESOURCE DEVELOPMENT POLICIES AND PRACTICES



NATIONAL COMMERCIAL BANK JAMAICA LIMITED (NCB) 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 HR 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

Our Policies & Practices

cont'd

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, including, succession planning, promotion, rotation and cross-training interventions and thereby assist in the increase of performance and productivity levels.

Talent Management

NCB is committed to implementing talent management strategies which enable capacity and capability building for operational excellence to enhance the sustainability and profitability of 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

NCB recognises that succession management is critical to business continuity and has therefore implemented strategies and programmes which ensures 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

NCB 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

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

Diversity Management

NCB 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 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

NCB is committed to the maintenance of a work environment which fosters respect and dignity and is free from sexual harassment. NCB 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.

Supply Chain Management

NCB 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.

BUSINESS CONTINUITY POLICY & PLAN



NCB'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 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 data bases and system facilities. A Chief Command team is responsible for monitoring the effective execution of the Plan in the event of business disruption.

The Policies may be viewed in their entirety on the Bank's website at www.jncb.com

faster >> simpler >> stronger

simpler



p l e a s e

Watch athlete **JULIAN FORTE dash to the finish line and immediately one understands the ease and tenacity with which he approaches his craft.**

An heir-apparent to the Jamaican sprint legacy, Julian proved himself a tour de force during the September staging of the Diamond League in Brussels, winning the Men's 200m. Ask him and he'll tell you that his success comes from having a linear focus – to visualise himself as the winner. Life, not unlike the frenzy of a crowded stadium, is already full of competing distractions. That's why we remain vigilant, offering easy and convenient business solutions with one common goal insight – delighting our customers by taking the hassle out of banking.

▶ Group Managing Director's Message

The NCB Group achieved a record net profit performance for the 2015/2016 financial year. This accomplishment was made possible through the contribution of all our stakeholders – customers, staff, partners, media, shareholders, regulators and we are thankful to you all.



The 2015/2016 year ends the five year period of our top 5 in 5 strategy, which was focused on becoming a top 5 financial institution in the English and Spanish speaking Caribbean as measured by net profit after tax. At last measure, we were in 7th position. At the time of this writing, we still await the results for the 2016 financial year for financial institutions across the region to determine if we achieved this goal. In the event that we remain at 7th position, we are confident that we would not have been a contender for this position if we did not embark upon our bold aspiration in 2011, when we were a top twenty institution. There have been challenges over the five year period, but the destination was always clear and guided our strategies even when we had to adjust to various factors.

The essence of what we embarked upon is captured in one of my favourite quotes:

"Make no little plans. They have no magic to stir men's blood and probably themselves will not be realized. Make big plans; aim high in hope and work, remembering that a noble, logical diagram once recorded will never die, but long after we are gone will be a living thing, asserting itself with ever-growing insistency."
- Daniel Burnham

I highlight some of our key achievements between 2011 and 2016 below:

Our accomplishments

- ▶ Record net profit of \$14.4 billion, up 17% over the prior year
- ▶ Regional expansion to Trinidad and Barbados culminating with acquisition of a 29.99% stake in Guardian Holdings Limited
- ▶ Retained our position as #1 financial institution in Jamaica (as measured by assets and net profit after tax)
- ▶ Ranked among the top 10 financial institutions in the English and Spanish speaking Caribbean as measured by net profit
- ▶ Surpassed the \$500B mark in assets & \$200B in deposits – a first in Jamaica
- ▶ First to market with a suite of solutions to enhance the customer experience
 - ◆ Bank on the Go self service area intelligent ABMs and Kiosks
 - ◆ Online Account Opening
 - ◆ Mobile Money (Quisk)

It is within the context of these achievements that we turn our focus toward the year 2020.

Our New Strategy

We are concentrating on three key drivers developed to address our current and projected future context

1. How do we keep and expand momentum in our core business?
2. How do we further expand our presence in markets outside of Jamaica?
3. How do we leverage digitization to transform our customer experience and financial performance?

Our new strategic theme is simple:

**NCB 2.0 by 2020:
Faster | Simpler |
Stronger**

- Setting the BAR
(in the financial services industry)

But what does this mean?

- ▶ **FASTER:** Enhanced operational efficiency affording us faster processing times
- ▶ **SIMPLER:** The ease with which our customers do business with us and in which we operate
- ▶ **STRONGER:** Maintenance of high levels of performance as it relates to productivity and profitability

NCB 2.0 will focus on three priorities, each driven by specific initiatives:

- ▶ Building a world-class digital experience
 - ◆ By developing distinctive digital capabilities
- ▶ Accelerating regional expansion
 - ◆ By expanding in priority markets
- ▶ Reinventing our core business
 - ◆ By continuing to enhance sales and service excellence;

- ◆ Increasing our focus on payments innovation;
- ◆ Continuing to develop and engage our people;
- ◆ Continuously improving the customer experience and
- ◆ Optimising efficiency in all areas of our operations

Confidence In Our Future

As we advance toward 2020, we remain confident and bullish about our ability to perform even within the context of challenges. We remain committed to performance excellence as this allows us to meet and exceed our stakeholder expectations. In closing, I will take another opportunity to thank our esteemed stakeholders for their continued loyalty and support and I thank you in advance for continuing on this journey with us.



Patrick A. Hylton, CD
Group Managing Director



“ We remain confident and bullish about our ability to perform even within the context of challenges.”

▶ 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/leadershipteam](http://www.jncb.com/leadershipteam)

Allison WYNTER

General Manager
Group Risk Management Division

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.

Audrey TUGWELL HENRY

Senior General Manager
Retail Banking Division

Audrey is charged with responsibility for leadership of the Retail Banking Division. She implements initiatives allowing the business to achieve its targeted growth and profitability, as well as evaluates market trends, both locally and internationally, in order to develop a wide array of banking solutions to meet consumer needs. Her focus includes improving efficiency and customer experience.

Brian BOOTHE

General Manager
Corporate Banking Division

Brian is responsible to strategically guide, grow and manage the Bank's Corporate Banking portfolio. He is also responsible for the delivery and management of an asset portfolio of high-value corporate clients with significant loan and deposit bases important to the Bank's profitability and growth.

Dave L. GARCIA

Company Secretary & General Manager
Group Legal & Compliance Division

Dave is responsible for leading the team that provides the Bank and its subsidiaries with general advice, leadership and direction on all legal, regulatory, compliance 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. His role also encompasses ensuring the effective management of relationships with external counsel acting on behalf of the NCB Group.



Dennis COHEN
Group Finance and
Deputy Managing Director

Dennis is responsible for the Group's financial planning and reporting as well as the monitoring of the performance of the Group against strategy and budget. He oversees the Group's Transformation Office and Investor Relations functions and also gives oversight to the Group's Insurance (both general and life) and Wealth Management business segments.

Howard GORDON
Senior General Manager
Group Operations and Technology Division

Howard is charged with leading the implementation and maintenance of a robust technology environment and creation of an operations environment consistent with international financial services practices to support the Group's risk, sales and service strategies. He has responsibilities for re-engineering the operating processes and practices to support the Group's customer service and digitisation strategies.

Mark THOMPSON
President & CEO

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



Leadership Team

cont'd

Mukisa RICKETTS

Chief Internal Auditor
Group Internal Audit Division

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.

Nadeen MATTHEWS

Chief Digital & Marketing Officer and
Chief Executive Officer - NCB Foundation

Nadeen has responsibility for driving the digital transformation across the NCB Group and leads the Group's Marketing and Communications and Enterprise Information Management functions. She is also the CEO of the NCB Foundation and leads the operations and execution of various Corporate Social Responsibility initiatives undertaken by the NCB Group, particularly through the N.C.B Foundation.

Patrick HYLTON

Group Managing Director
National Commercial Bank Jamaica Limited

As the most senior executive with the NCB Group, Patrick provides strategic leadership to all divisions and subsidiaries. He is responsible for the strategic development of the organisation so that its sales, service and risk management goals are appropriately set and achieved.



Rickert ALLEN
Senior General Manager
Group Human Resources and
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 Group's Facilities and Services, which includes real estate management as well as safety, security, environment and procurement.

Septimus 'Bob' BLAKE
Senior General Manager
Treasury & Correspondent Banking
and Payment Services

Bob provides overall strategic direction and management of the Bank's interest rate risk, liquidity, investment portfolio, currency and financial institutions relationship management functions, and foreign exchange trading. He also oversees the Bank's card issuing and acquiring business as well as the Group's Channels portfolio, including the Customer Care Centre, ABMs and all alternative channels.

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. He oversees subsidiaries in the Cayman Islands, Trinidad & Tobago and Barbados. His strategic focus is to drive product penetration throughout the Group and to expand the reach across the region, including Spanish and Dutch speaking territories.

Vernon JAMES
Managing Director & CEO

NCB Insurance Company Limited
Vernon has overall responsibility for the strategic leadership of NCB Insurance Company Limited (NCBIC). He has portfolio responsibility for over \$50 billion in Pension Funds under management and is charged with growing NCBIC's market share.





▶ Management's Discussion

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Executive Summary

MD&A cont'd

THE MANAGEMENT OF NATIONAL COMMERCIAL BANK JAMAICA LIMITED AND ITS SUBSIDIARIES (HEREAFTER REFERRED TO AS THE "NCB GROUP", "GROUP", "WE", "OUR" AND "OUR COMPANY") 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, 2016 ("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, 2016, compared with prior years. The MD&A should be read

in conjunction with our financial statements presented. 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 are subject to risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Forward-looking statements include, but are not limited to, our 2017 outlook and our expectations related to general economic conditions, market trends and their anticipated impact on business segments.

CORPORATE OVERVIEW

Our organisation operates within the commercial banking and financial services industry in the Caribbean.

We provide retail consumers, small- and medium-sized enterprises ("SMEs"), large corporations and government institutions with banking, wealth management, life & general insurance and pension fund management products & services. Founded more than 175 years ago, we provide banking, insurance, investments, structured & trade finance, wealth management, pension fund management, and trust services through more than 40 branches and locations. We also offer selected transactions such as bill payments, transfers, and enquiries at over 250 automated banking machines (ABMs). In addition, there are self-service options at financial kiosks

and intelligent ABMs in our Bank on the Go locations and on the Internet (www.jncb.com).

We are Jamaica's largest banking and financial services group, based on consolidated total assets at September 30, 2016. National Commercial Bank Jamaica Limited (NCBJ) is a licensed commercial bank, which is regulated and supervised by the Bank of Jamaica. NCB Capital Markets Limited (NCBCM) is a licensed securities dealer, investment advisor and unit trust management company regulated and supervised by the Financial Services Commission. NCB Insurance Company Limited (NCBIC) is a licensed life insurance company, and an investment manager and pension administrator regulated and supervised by the Financial Services Commission. Advantage General Insurance Company Limited (AGIC) is a licensed general insurance company regulated and supervised by the Financial Services Commission.

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.

Extract from the Jamaican financial services industry

Financial system structure ⁽¹⁾

(in billions, except percentages and number of institutions)

COMMERCIAL BANKS - AT JUNE 30, 2016 ⁽²⁾

Number of institutions - commercial banks ⁽³⁾	6
Total assets	1,014.4
Commercial banks percentage market share of total BOJ licensees included in annual prudential indicators	77.3%

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	42.3%	1,014.4
Market share by deposits	36.8%	642.1
Market share by loans, advances & discounts (net)	44.5%	459.8

INSURANCE REGULATED INDUSTRY - AT MARCH 31, 2016 ⁽⁵⁾

Number of registered and operational institutions - Life Insurance Industry	6
Total assets	287.6
NCBIC percentage market share of assets in Life Insurance Industry	14.6%
Insurance liabilities	83.2
NCBIC percentage market share of insurance liabilities in Life Insurance Industry	34.6%
Number of registered institutions - General Insurance Industry	11
Number of operational institutions - General Insurance Industry ⁽⁶⁾	9
Total assets	67.9
AGIC percentage market share of assets in General Insurance Industry	20.5%
Insurance liabilities	36.4
AGIC percentage market share of insurance liabilities in General Insurance Industry	23.9%

LICENSED DEALERS/SECURITIES FIRMS INDUSTRY - AT MARCH 31, 2016 ⁽⁷⁾

Number of licensed institutions - Securities Dealers	42
Number of licensed institutions - Securities Dealers with core business dealing in securities	32
Total assets	545.7
NCBCM percentage market share of assets in Securities Dealers Industry	19.7%
Total funds under management (FUM)	928.5
NCBCM percentage market share of FUM in Securities Dealers Industry	9.0%

Total funds under management (FUM) - Unit trust Management Companies ⁽⁸⁾	146.6
NCBCM percentage market share of unit trusts	16.5%

(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, 2016

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

(4) Bank of Jamaica - Unaudited Assets & Liabilities of Commercial Banks as at June 30, 2016

(5) Financial Services Commission of Jamaica - Industry Statistics as at March 2016 published in FSC Compass volume 8 - issue 1 - August 2016

(6) Financial Services Commission of Jamaica - Industry Statistics as at December 2015 published in FSC Compass volume 7 - issue 4

(7) Licensed dealers are regulated and supervised by the Financial Services Commission of Jamaica - Industry Statistics as at March 2016 published in FSC Compass volume 8 - issue 1 - August 2016

(8) Unit Trust industry statistics at March 31, 2016 - Financial Services Commission of Jamaica - Industry Statistics as at March 2016 published in FSC Compass volume 8 - issue 1 - August 2016

Executive Summary

cont'd

REGIONAL PRESENCE

NCB (Cayman) Limited is a wholly-owned subsidiary of National Commercial Bank Jamaica Limited, which was established in 1992 to offer banking and trust services from the Cayman Islands. 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 non-bank 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.

Following the establishment of NCB Global Finance Limited in Trinidad and Tobago, NCBCM incorporated a new 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 Commissions on September 22, 2015. NCB Capital Markets (Barbados) Limited is our investment banking hub for the eastern Caribbean.

These subsidiaries are reported as part of the wealth, asset management and investment banking segment.

The acquisition of a 29.99% shareholding in Guardian Holdings Limited (GHL) was completed in May 2016. The total number of shares acquired was 65,547,241 ordinary shares and the acquisition was completed in Trinidad and Tobago. The beneficial owner of the GHL shareholding is the Bank's nominee and affiliate, NCB Financial Group Limited. We have accounted for this investment as an associated company. Guardian Group is the largest indigenous financial services and insurance group in the Caribbean, serving markets in 21 countries, including the English and Dutch Caribbean, Trinidad & Tobago, Barbados, Jamaica, Curacao, Aruba, St. Maarten and Bonaire. GHL provides services in life and health insurance, asset management, trust services and general insurance.

NCB Financial Group Limited (NCBFG), 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 Bank, was consolidated in the financial statements as a non-controlling interest. We have proposed a corporate restructuring exercise under which the NCB Financial Group Limited would become the holding company of the Bank and its subsidiaries. The Bank of Jamaica has indicated it has no

objection and we are proceeding with this activity pending other required approvals. Details on NCBFG can be found in **Note 52** (page 293) of financial statements.

The National Commercial Bank Jamaica Limited trades under the symbol "NCBJ" on the Jamaica Stock Exchange and Trinidad & Tobago Stock Exchange.

CREDIT RATINGS

On an annual basis we invite ratings agencies to provide independent and objective assessments of the credit worthiness of our organisation.

On February 26, 2016, Fitch Ratings (Fitch) upgraded NCBJ's long-term foreign currency and local currency Issuer Default Ratings (IDRs) and Support Rating Floor (SRF) to 'B' from 'B-', our Viability Rating (VR) to 'b' from 'b-' and our Support Rating (SR) to '4' from '5'. Short-term foreign and local currency IDRs were affirmed at 'B'. Fitch noted that the IDRs and VR have been upgraded to reflect the improving operating environment, following the Government's continued adherence to targets agreed with the IMF.

S&P Global Ratings, on October 21, 2016, affirmed its 'B' long-term and 'B' short-term issuer credit ratings on NCB. The stand-alone credit profile (SACP) is 'b' and the outlook remains stable.

Caribbean Information and Credit Rating Services Limited (CariCRIS) on October 13, 2016 reaffirmed the assigned ratings of **CariBBB**

(Foreign Currency Rating) and *CariBBB+* (Local Currency Rating) on its regional rating scale, and *jmAA-* on the Jamaica national scale to the US\$75 million debt issue (notional) for NCB with a positive outlook. CariCRIS noted that the regional scale ratings indicate that the level of creditworthiness of this obligation, adjudged in relation to other obligations in the Caribbean is adequate and the national scale rating indicates that the level of creditworthiness of the obligation, adjudged in relation to other local currency debt obligations in Jamaica is high.

The opinions expressed by rating agencies on our creditworthiness and that of our obligations or securities, including long-term debt, short-term borrowings, including asset securitisations are based on independent analyses and financial modelling which results in credit ratings and outlooks. 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; 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. Our organisation maintains active discourse with these major rating agencies, as it is our objective to maintain high-quality credit ratings. 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 Financial Snapshot

MD&A cont'd

PERFORMANCE MEASUREMENT

We continue to actively measure our key performance indicators against local and international benchmarks and internal targets. 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.

Our financial measures include quantitative targets for net profit, revenue, core balance sheet

portfolios, return on assets, return on equity, market share, capital management and strength, risk management, and operating efficiency. Our non-financial targets include objectives in the areas of sales effectiveness, customer service, innovation, product penetration, customer satisfaction, customer loyalty, employee satisfaction, employee engagement, efficiency improvements, optimising our branch network, regional expansion, corporate social responsibility, community involvement, and corporate governance.

We monitor our 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.

TABLE 1: SIX-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(in millions, except per stock unit amounts)	2011	2012	2013	2014	2015	2016	% Change Financial Year 2016 vs. Financial Year 2015	Five-year compounded annual growth rate (CAGR)
Consolidated Income Statement								
Net interest income	21,151	21,784	23,559	24,661	25,964	28,124	8%	6%
Non-interest income	13,521	12,763	14,407	18,593	21,509	23,934	11%	12%
Operating income	34,672	34,547	37,966	43,254	47,473	52,058	10%	8%
Staff Costs	9,240	9,756	11,227	11,524	11,942	13,809	16%	8%
Provision for credit losses	769	2,463	2,066	2,227	1,799	612	(66%)	(4%)
Non-interest expenses	9,175	10,148	14,483	15,586	17,730	19,540	10%	16%
Net profit	13,885	10,046	8,579	12,327	12,302	14,449	17%	1%
Earnings per stock unit (\$)	5.64	4.08	3.49	5.01	5.00	6.35	27%	2%
Dividends paid per stock unit (\$)	1.36	1.10	1.11	1.18	2.31	2.35	2%	12%
Consolidated Statement of Financial Position (at year end)								
Investment securities	204,748	210,654	234,437	264,171	275,988	275,670	(0%)	6%
Net loans	91,728	111,905	141,150	157,630	165,405	189,056	14%	16%
Total assets	359,618	379,436	446,575	499,345	523,815	607,669	16%	11%
Customer deposits	155,800	162,930	178,411	202,162	227,851	273,966	20%	12%
Repurchase agreements	84,075	101,890	117,377	134,691	100,004	105,975	6%	5%
Liabilities under annuity and insurance contracts	23,564	25,194	33,915	34,231	34,689	35,283	2%	8%
Equity	61,977	65,896	72,517	81,846	88,394	103,105	17%	11%

TABLE 2: KEY RATIOS AND PER STOCK UNIT DATA

	Year ended September 30,		
	2014	2015	2016
Profitability ratios			
Return on average total assets	2.61%	2.40%	2.55%
Return on average equity	15.97%	14.45%	15.09%
Cost to income ratio	62.21%	62.34%	64.06%
Capital ratios			
Risk-based capital adequacy ratio (Bank)	12.94%	12.72%	12.69%
Capital to risk weighted assets (NCB Capital Markets)	28.60%	35.30%	33.80%
Minimum continuing capital surplus ratio (NCB Insurance)	681.22%	610.70%	496.69%
Minimum capital test (Advantage General Insurance)	330.48%	341.00%	356.82%
Capital to risk weighted assets (NCB (Cayman))	20.56%	18.93%	18.07%
Capital to risk weighted assets (NCB Global Finance)	33.43%	39.49%	29.97%
Equity to total assets	16.39%	16.88%	16.97%
Per stock unit data			
Dividend payout ratio (based on payment date)	24.95%	46.20%	39.97%
Dividend yield	6.58%	8.39%	5.66%
Book value	33.25	35.91	41.89
Market Price - Jamaica Stock Exchange (JSE)			
High	J\$19.50	J\$31.02	J\$45.00
Low	J\$15.55	J\$17.00	J\$27.72
Year end	J\$17.94	J\$27.52	J\$41.50
Market Price - Trinidad and Tobago (TTSE)			
High	TT\$1.18	TT\$1.95	TT\$2.85
Low	TT\$0.97	TT\$0.98	TT\$1.67
Year end	TT\$1.00	TT\$1.63	TT\$2.60

PERFORMANCE OVERVIEW

For the financial year our primary focus remained on the transformation of our business model to ably navigate through the changing global and regional context.

Our strategic focus continued to be concentrated on the following priorities:

- ▶ **Sales and service effectiveness** - Strengthening customer relationships through innovative product offerings and service excellence,
- ▶ **Lending expansion** – increasing our market share and share of wallet,
- ▶ **Payments innovation** - Improving our distribution network and improving our payment services and channel solutions,
- ▶ **Efficiency optimisation** - Improving efficiency through

core operations and technology integration,

- ▶ **Local and regional expansion**, and
- ▶ **Enhancing the customer experience** as we believe this gives us a competitive advantage.

This was the final year in the execution of our five year strategy to become a leading financial institution in the English and Spanish speaking Caribbean by 2016. This journey has allowed us to streamline our operations, simplify processes for our customers, strengthen our presence in the market and improve our market share. It has also advanced into our new 2020 strategy, where we aim to be faster, simpler and stronger by setting the BAR in the financial services industry.

We have been continually searching for opportunities regionally in those markets we have identified as a priority. To this end, we completed the

purchase of a 29.99% shareholding in Guardian Holdings Limited. This share purchase is consistent with the Group's strategic priority of expanding its regional presence in order to drive continued growth and shareholder value. The financial year also marked the first full year of operations in Barbados through our wholly owned subsidiary, NCB Capital Markets Barbados Limited. Barbados presents favourable possibilities, as the economic climate showed increased investor appetite for new products and services.

Our strategic focus has enabled us to deliver record profits and commendable growth in our asset base for the financial year. For the year ended September 30, 2016 we recorded net profits of \$14.4 billion while our assets grew to \$607.7 billion. We achieved a return on average equity of 15.1%, up from 14.5% in the prior year and a return on average total assets of 2.6% compared to 2.4% at September 30, 2015.

LOCAL MACROECONOMIC FUNDAMENTALS SHOWED BROAD IMPROVEMENT THROUGHOUT THE FINANCIAL YEAR DRIVEN MAINLY BY CONTINUED STRENGTHENING IN THE ECONOMIES OF OUR MAIN TRADING PARTNERS.

In particular, positive trends in the US such as increasing consumer activity and lower unemployment levels have flowed through to sectors such as Tourism and lifted remittance inflows. In addition, lower commodity prices have helped to reduce production costs, temper local inflation levels and led to a significant improvement in the country's external position. Further, low interest rates have stimulated the stock market and the demand for credit. The latter has helped to temper the impact of declining spreads on our net interest revenues.

The Government of Jamaica's (GOJ's) fiscal position shows that it outperformed both its revenue and expenditure targets for the fiscal year to September. This has resulted in shrinking fiscal balances, strong performance under the Extended Fund Facility (EFF) with the International Monetary Fund (IMF) and improving investor sentiments towards GOJ debt offers. The Government has reached a staff level agreement on a new economic programme for Jamaica which will be supported by a 36-month Precautionary Stand-By Arrangement (SBA) with the IMF. This will provide access to Special Drawing Rights (SDR) 1.2 billion (equivalent to 312% of quota or about US\$1.7 billion) over the three years. The underlying

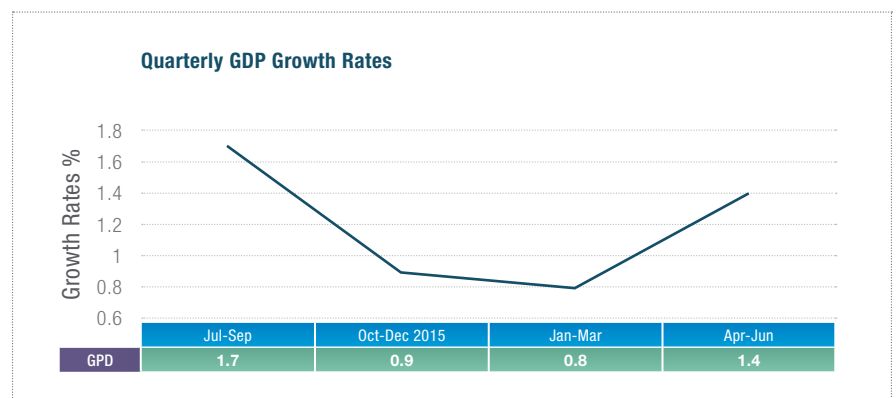
objectives of the programme have a strong growth focus as the Government tries to increase efforts to boost economic activity. The establishment of an Economic Growth Council (EGC), to develop and drive initiatives that will strengthen economic growth outcomes, also supports these efforts.

That said, Britain's vote to leave the European Union (EU) - Brexit - on June 23rd remains a threat to growth in the light of the potential impact on international trade and remittance flows to Caribbean countries including Jamaica. While the full extent of this will become apparent over the next two years, growing uncertainty surrounding the exit terms that Britain will be able to negotiate with the EU is expected to negatively impact economic activity in Britain and elsewhere in the near term. To counter this risk, central banks have vowed to maintain their accommodative policy stance which has helped to sustain flows to

Emerging Markets (EM) Debt. With the continued high levels of global liquidity, EM bonds rallied to peak levels despite expectations that the US will begin to normalise monetary policy by increasing interest rates in as early as December 2016.

/// ECONOMIC GROWTH

Local economic activity remains weak but positive and continues to show signs of a gradual pick up. In the first quarter of the financial year (October to December 2015), real Gross Domestic Product (GDP) grew by 0.9%, but dipped slightly to 0.8% in the January to March 2016 period. There was a strong rebound in the April to June 2016 quarter when growth was recorded at 1.4%. This was propelled by the "Agriculture, Forestry and Fishing" Industry (+9.4% in Q3) which benefitted from an improvement in weather conditions relative to the prior year when there was extreme water shortage. Better weather conditions also contributed



to growth in the “Electricity and Water Supply” sector which was the second best performer in the second quarter (+5.0%). Of note, with the exception of Mining and Quarrying and Producers of Government Services, all industries recorded growth throughout the first three quarters of the year.

Short term prospects are favourable with the Planning Institute of Jamaica (PIOJ) projecting growth of 2.2% in the September 2016 quarter. Continued strengthening in the performance of most industries is expected, and will be supported by improved investment prospects and increased confidence indicators, which are at all-time highs. Further, low interest rates and higher disposable incomes should continue to drive credit expansion.

Despite this progress, risks to sustained macroeconomic performance remain as unemployment rates, though declining, are still high. Further, tourism earnings are being threatened by the increase in criminal activity in Western Jamaica. The new Precautionary SBA with the IMF is aimed at mitigating some of these risks to economic performance. Among the primary objectives of the programme will be the re-orientation of public resource allocation toward infrastructure, social protection, and security-related spending and working with the EGC to implement initiatives that will unlock Jamaica’s growth potential and promote private sector job creation.

/// FISCAL PERFORMANCE

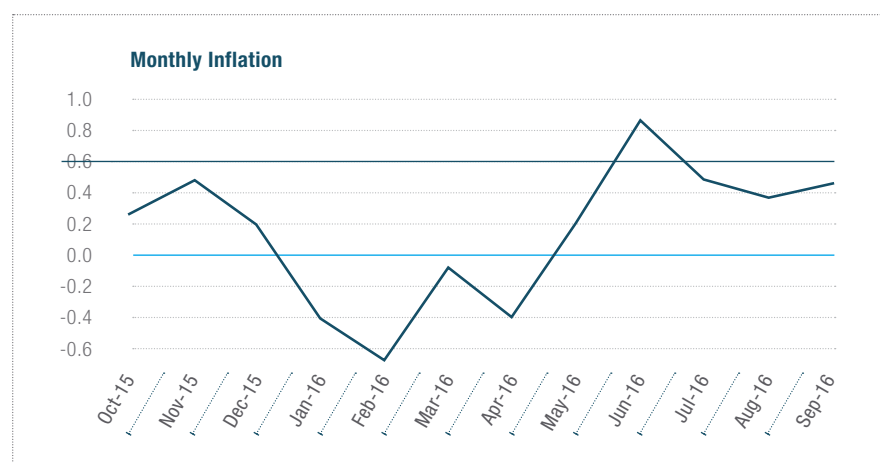
After a 0.3% fiscal deficit and 7.4% primary balance for 2015/16, the government is aiming for a 0.4% deficit and 7.0% primary balance target in the current fiscal year (April to March 2016/17). FY 2016/17 coincides with the fourth and final year of the EFF with the IMF. Thus far the key quantitative performance criteria and structural benchmarks

under the programme have been met and fiscal discipline remains strong. Of note, revenue receipts have now begun to outperform target while the Government continues to actively reduce its interest cost and extend the maturity profile of its debt. It has executed on several transactions which include bond issues and tender offers in order to take advantage of the current low interest rate environment ahead of the impending increase in US interest rates. The latest of these is the tender offer for the 2017 and 2019 bonds, which was financed by re-tapping the GOJ 2039 bonds. Highlighting these efforts and the overall commitment to fiscal progress, S&P affirmed its B rating on Jamaica on September 26, 2016. The outlook remains stable.

For the fiscal year to September, central government activity produced a primary surplus of \$53.55 billion, which was significantly higher than its budgeted target of \$33.00 billion and the fiscal deficit was 51.9% better than the target at \$37.31 billion. The out-performance reflected higher than expected tax receipts and lower than budgeted expenditure. Revenues and Grants for the period stood at \$235.31 billion and were ahead of budget by \$12.94 billion or 5.8%. This was largely as a result of tax revenues exceeding budget by \$8.8 billion, or 4.2%. The “Income & Profits” category was the best performer

driven by higher PAYE receipts, corporate taxes and other sub-categories which all outperformed budget. Improving macroeconomic conditions should trigger stronger demand for goods and services while low inflation should help to drive efficiencies. This will help to increase corporate earnings and hiring. As such, corporate taxes and PAYE should benefit from these factors. Expenditure for the same period was \$253.26 billion, 2.5% better than the budgeted outturn. Capital Expenditure was 26.4% below budget, while Recurrent Expenditure was 0.2% lower than expected.

In a bold move towards indirect taxation, the Government sought to put more money in the hands of most local households by reducing income tax while increasing taxes on consumption. On July 1, the income tax threshold was increased to \$1,000,272 (and will be further increased to \$1,500,000 in April 1, 2017). At the same time, the excise taxes on fuel and cigarettes as well as departure tax were increased. So far there has not been any negative fallout on government revenue yields. That said, the Government may need to implement another round of tax measures in order to fund the second leg of the tax threshold. Of note too, there are still challenges in the global economy, the most recent being the uncertainty in financial markets arising



Operating Environment

cont'd

from Brexit as well as the volatility in the movement of some commodity prices such as oil and alumina which impose certain risks on the GOJ's fiscal operations.

Despite fiscal improvement, high debt levels remain the proverbial thorn and have limited prospects for growth over the medium term. This is exacerbated by the fact that more than 60% of the debt is denominated in US dollars (USD) and underscores the negative impact depreciation in the local currency has on the debt stock. The Government is aiming to reduce the stock of outstanding debt to GDP to 96% by the end of FY2019/20.

/// INFLATION

Twelve-month inflation was 1.9% in September 2016, a slight increase relative to the 1.8% recorded in the prior year. This reflects modest movements in the heavy-weight category "Food and Non-Alcoholic Beverages", which continue to benefit from favourable weather conditions and improving crop yields. The "Housing, Water, Electricity, Gas and Other Fuels" and "Transport" Indexes also saw relatively modest increases throughout the year on the back of subdued commodity prices.

The BOJ estimates that inflation during the current fiscal year will fall

within the range of 4.5% to 6.5%. According to the BOJ, this target assumes that international commodity prices will gradually increase and that there will be continued improvements in domestic demand. There has been a little more than a gradual increase in major commodity prices such as oil which moved from a low of \$27 in February 2016 to above \$47 per barrel in September. That coupled with effects of the additional \$7 increase in SCT on fuel and introduction of SCT on LNG will have second round effects on the cost of electricity, transportation and food costs. Despite these factors and the accelerated pace of depreciation in the currency, low domestic demand continue to temper inflationary impulses.

/// FOREIGN EXCHANGE MARKET

During our financial year, the pace of depreciation increased to 7.7% relative to 5.7% in the previous financial year. This was driven by strong demand from both dealers and end-users particularly in the final quarter as merchants prepared to purchase goods for the holiday season and tourism receipts dried up. There were also a few capital market transactions which increased the demand for USD. Aided by adequate Net International Reserves levels which were US\$2,463 million (sufficient to cover 20.61 weeks of

goods and services imports) as at end September 2016, the Bank of Jamaica intervened on numerous occasions to augment the supply of USD.

There has been a narrowing of the trade deficit which moved to 2.4% of GDP in fiscal year 2015/16 (April 1, 2015 to March 30, 2016) driven primarily by the reduction in imports. This is the lowest deficit on record since FY1996/97. This improvement on the external front bodes well for reduced demand for hard currency.

According to their quarterly press briefing (November 16, 2016), the BOJ believes that the Jamaican dollar is now fairly valued. As such, the exchange rate can be expected to move in line with the difference between Jamaica's inflation rate and that of its main trading partners.

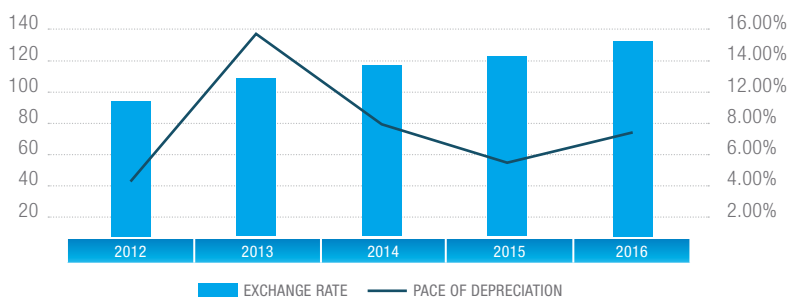
/// INTEREST RATES

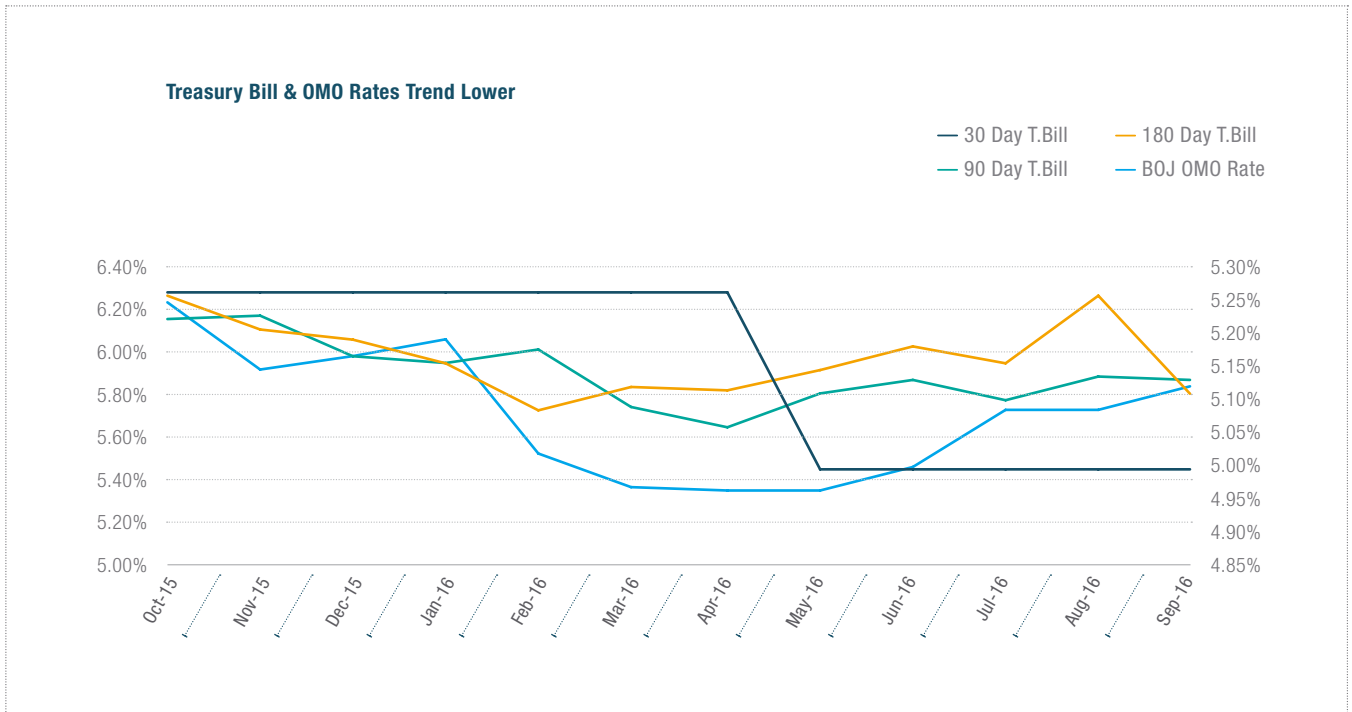
The Bank of Jamaica has maintained an accommodative monetary policy stance in an effort to stimulate economic activity. On May 31st, the BOJ cut its benchmark rate by 25 basis points to 5.00% following two similar rate reductions in the previous year. This is the lowest policy rate on record. The move to lower the benchmark rate was predicated on several factors including the continuation of subdued international oil prices and reduced inflation expectations.

Treasury Bill (T-Bill) yields also declined throughout our financial year, with the average yields on the 30, 91 and 182 day Treasury Bills declining by 39, 34 and 54 basis points, respectively. Of note, the 5.81% yield on the 182-day instrument as at September 2016 is lower than the 30-day T-Bill rate of 5.84% which may be indicative of the market's expectation of lower interest rates.

The BOJ has taken steps to strengthen the monetary policy

Exchange Rate Movement Over Last 5 Years





transmission process. To this end, it has established foundations for adopting an Interest Rate Corridor (IRC) over the medium term which is intended to provide a clearer guide for short term market interest rates. The BOJ has also made certain operational changes to the monetary policy framework in order to provide liquidity certainty to deposit taking institutions. This has helped to stabilize short-term money market interest rates.

BOJ's motivation is to strengthen the relationship between the policy rates and money market interest rates and effect more direct linkage to inflation. Similar to several other central banks, BOJ will move to using the overnight interest rate to signal its monetary policy stance.

/// GOJ GLOBAL BOND PERFORMANCE

Investors' bet that central banks in developed countries will respond to post-referendum volatility with

monetary stimulus, including the expansion of Europe's asset-purchase program and the Federal Reserve putting its plans to raise interest rates on hold until 2017, helped to buoy emerging bond prices including GOJ globals (JAMAN).

In addition to the broad market rally, JAMAN bonds have benefited from the fact that investor sentiments toward the credit remain positive given the improved economic prospects and continued success under the IMF programme. Since the start of the financial year, the JAMAN 7.625% 2025s have increased by 7.6% to \$118.875, while the 2028s and 2036s have increased by 13.8% and 9.3%, respectively, to \$115.750 and \$123.800.

Leveraging the continued low interest rates in the international capital market and the positive sentiment arising from a solid performance under the IMF programme, GOJ raised US\$743.24 million by re-tapping its 8.00% 2039 bond. The

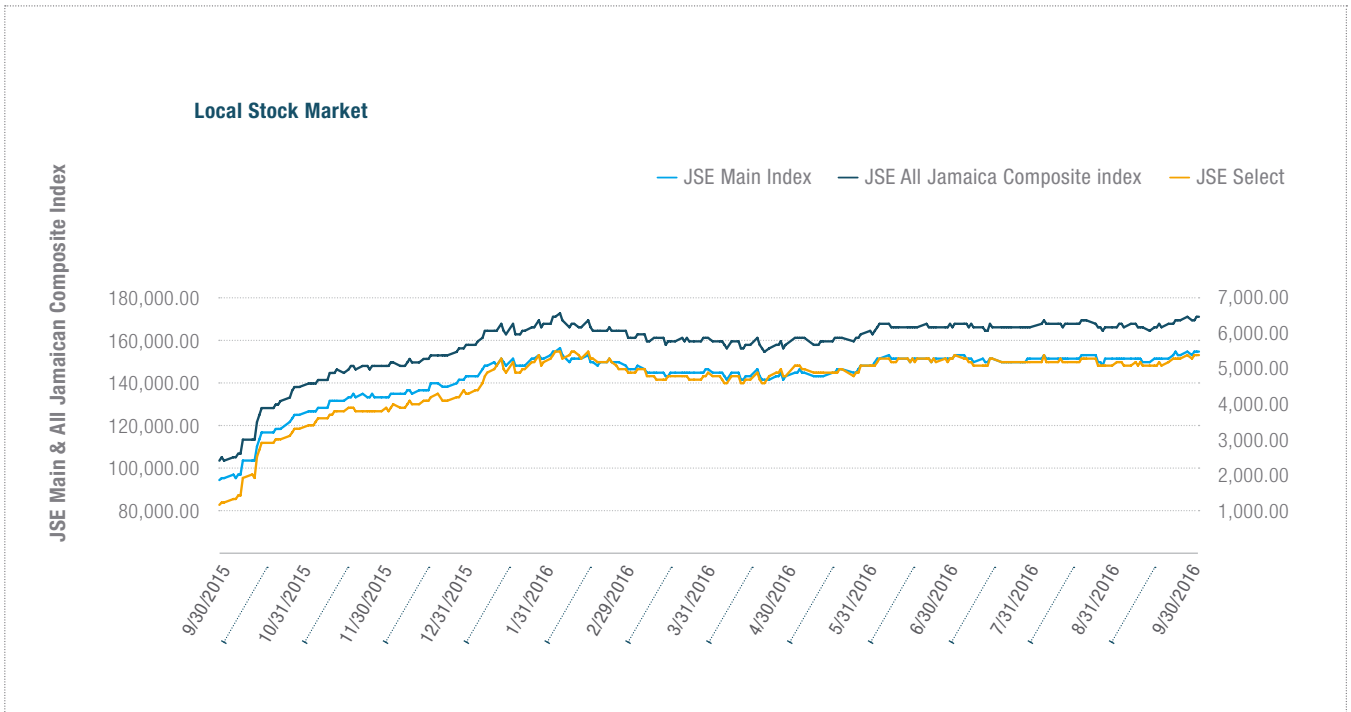
proceeds from the bond issue were used to pay for the tender offer of the 10.625% 2017 and 8.00% 2019 bonds with a tender price of 108.0 and 110.5, respectively. GOJ repurchased \$317.8 million of the \$425 million original face value of the 2017s, and \$467.4 million of the \$750 million face value of the 2019 bonds. GOJ is effectively refinancing a portion of its total debt ahead of a pending rate hike by the US Federal Reserve and the expiration of the IMF's EFF with Jamaica in March 2017. The transactions provided an opportunity for the Government to improve its maturity profile and replace higher coupon debt with lower cost funding.

/// STOCK MARKET PERFORMANCE

Following a strong performance in the local equity indices last financial year, growth across all major indices remained robust. During the financial year, the JSE Main Index increased by 68%, while the Junior Market Index surged 144% and the Jamaica Select Index was 90% higher. This

Operating Environment

cont'd



occurred as increased liquidity following maturity of certain GOJ bonds and low interest rates on fixed income investments fueled demand for assets with higher return potential. M&A activities, including the takeover of Diageo by Heineken in our first quarter, also added to the buzz in market activity. Growing business confidence and investment which allowed firms to expand and to report greater profits also increased the attractiveness of listed companies.

The implementation of several stock splits and bonus issues contributed to increased market activity and these initiatives ultimately contributed to higher liquidity. GraceKennedy Ltd, Jamaica Producers Group Ltd and Honey Bun (1982) Ltd all effected stock splits.

There were six new listings on the Junior Market during the review period while there was one addition to the main market. The Junior Market additions were Ttech Ltd, CAC2000 Ltd, Key Insurance Ltd, ISP Finance Services Ltd, IronRock Insurance Company Ltd and Jetcon Corporation Ltd while Portland JSX Ltd was listed on the main market.

The outlook for the stock market remains positive given improving prospects for corporate earnings. A number of companies stand to benefit from reduced borrowing costs as a result of the low interest rate environment. In addition low oil prices should benefit energy intensive companies such as manufacturers. This bodes well for increased company profits and higher valuations. Continued decline in

local interest rates and improvement on the economic front also bode well for increased interest in local equities. In addition amendments to key legislation related to the equity market should help to incentivize small listings. In October 2016, the House of Representatives approved a Bill to amend the Income Tax Act, to allow for the tax benefits to continue for those companies listed on the Junior Market of the stock exchange. The benefits include a 10-year tax break, where no corporate tax is paid for the first five years and 50% of the prevailing rate is paid in the next five years. This reverses the previous amendment to the Bill which removed the 50% tax relief during the latter five years.

/// CONCLUSION

The headwinds to global growth have increased in the light of the outcome of the UK referendum, and political risks in the US. The IMF has once again reduced its forecast for global growth and the impact of a possible UK Brexit recession is likely to be felt in Jamaica. There is also the issue of tempered domestic demand which may persist despite increases in the tax threshold given the eroding impact of the additional consumption taxes. Nevertheless we expect economic growth to remain positive, interest rates to be flat, while inflation and depreciation will increase relative to the previous financial year.

That said, on the home stretch of the EFF, Jamaica is in a better position relative to a few years ago. Continued progress will hinge on the Government's ability to maintain commitment to growth and apply the disciplines from the EFF to the Precautionary SBA. The Government will also have to manage the delicate balance of switching to a growth focus without derailing the progress made on the fiscal front.

Our Financial Performance

MD&A cont'd

Results of Consolidated Operations

WE ARE PLEASED TO REPORT OUR HIGHEST NET PROFIT TO DATE OF \$14.4 BILLION, AN INCREASE OF 17.5% OR \$2.1 BILLION OVER THE PREVIOUS FINANCIAL YEAR.

The increase in profitability was driven by solid sales performance which led to growth in our core

earning assets portfolio, coupled with improved credit quality. Additionally, the execution of our strategy and the focus on our diversified business model has improved our efficiency while increasing our various revenue streams.

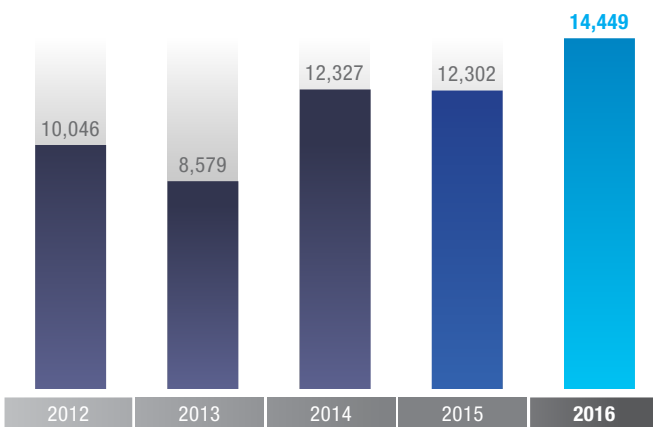
Operating income (net interest income and non-interest income) totalled \$52.1 billion for the financial year ended September 30, 2016; an increase of \$4.6 billion, or 9.7%, over the previous year. Net interest income of \$28.1 billion, grew by \$2.2 billion, or 8.3%, over the prior financial year. This was as a result of growth in our loan and investment securities portfolios and a decline in funding costs. With the reduction of rates in the market we have prudently managed our portfolios, liquidity and

net interest margins to ensure growth within our key business lines. Our non-interest income has benefited from improved sales, volume growth of transactions and expansion of our unit trust portfolios.

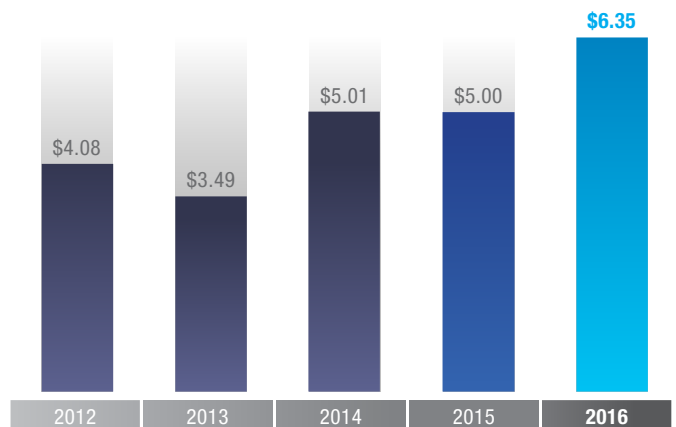
Operating expenses totalled \$34.0 billion, a \$2.5 billion, or 8%, increase over the 2015 financial year. In order to adapt to the needs of our customers and changes in the market, we continue to invest in various initiatives which will ultimately improve our customers' experience, as well as our productivity and efficiency. We also continue to develop our team's skills and competencies to ensure that we possess expert knowledge in the execution of our business activities.

Net Profit (\$'M)

4 YR CAGR*: 10%



Earnings Per Stock Unit



*CAGR - Compounded Annual Growth Rate⁽¹⁾

⁽¹⁾ The Compounded Annual Growth Rate (CAGR) is a measure of growth over multiple time periods.

OUTLOOK

In 2015, we embarked on a digital transformation journey aimed at further enhancing customer experience, optimising operational processes and continuously improving our business model. As the digitisation agenda is executed for the upcoming years, we anticipate revamping the interaction with our customers. We are confident that a continued focus on our strategic objectives and digital agenda will accelerate the realignment of key processes to meet the demands of our customers while improving their service experience. Our digital goals are clear, and will aid in propelling our

future financial performance despite the challenges in the operating environment.

At the heart of our strategic imperatives, is a continual focus on innovation as we believe that improving our suite of financial solutions is vital to meeting the changing needs of our customers. This will also serve as a key enabler of greater efficiency and better service delivery.

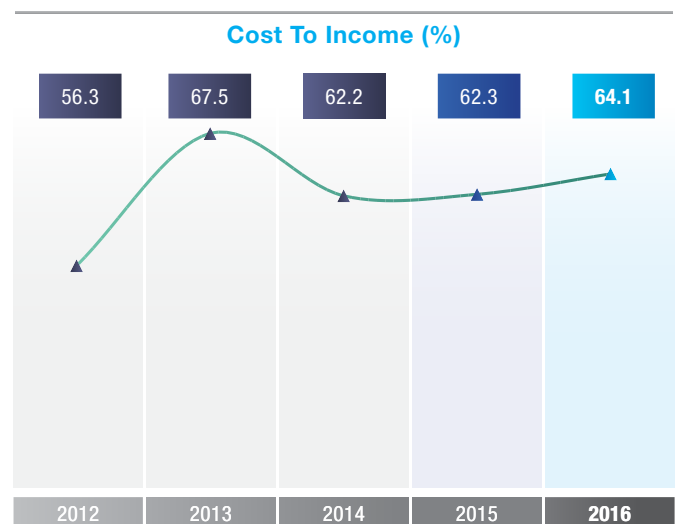
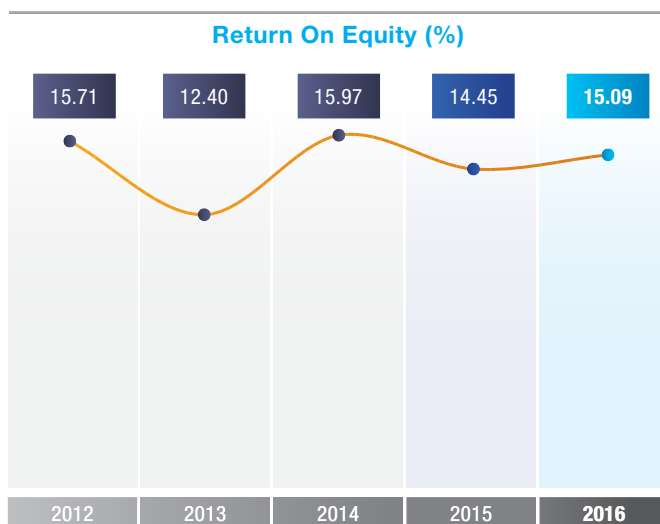
Our new four year strategic plan will focus on:

- ▶ Building a world-class digital experience

- ▶ Accelerating regional expansion
- ▶ Reinventing our core business.

We are positioned as market leaders and will continue to execute initiatives to further this advantage in the upcoming financial year.

We will continue our emphasis on technology and operations as well as customer experience. Our financial services suite of products and services will continue to be enhanced as we expose our customers to greater value-added options at their convenience. We maintain a multi-channel strategy which is constantly upgraded to ensure consistent service delivery within a secured environment.



Our Financial Performance

cont'd

OPERATING SEGMENT RESULTS

Our main business segments comprise commercial banking, life & general insurance and wealth & investment management activities. Our commercial banking segment is

further broken down into consumer and small & medium-sized enterprises (SME), corporate and treasury & correspondent banking operations. Our commercial banking business is

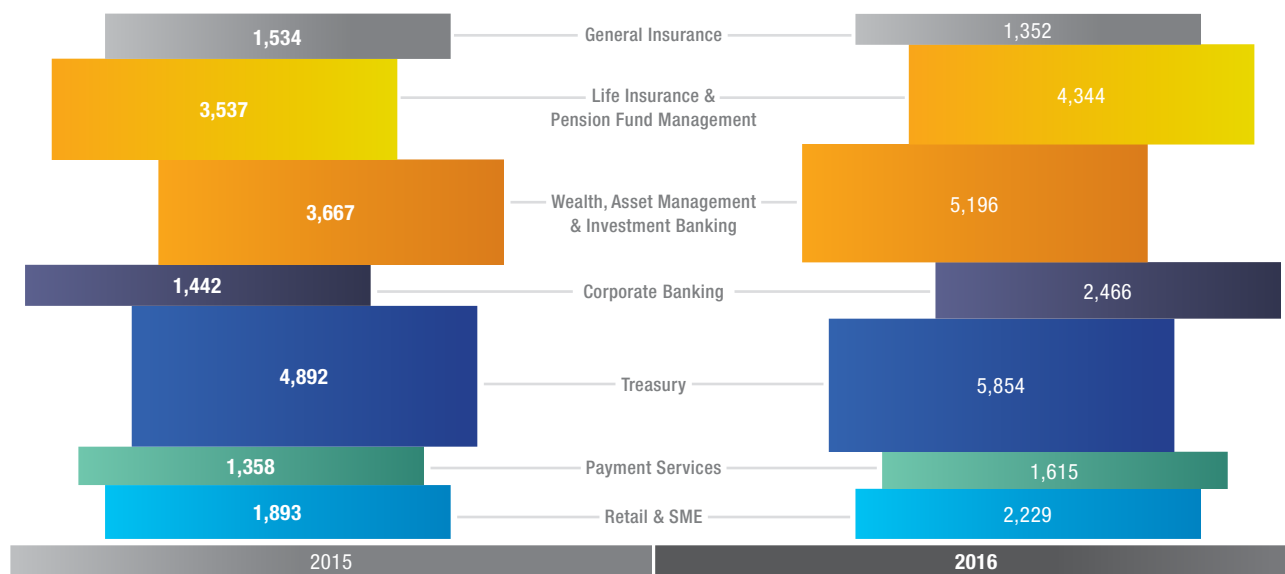
a market leader in profitability, assets, loans and deposits. For the financial year, this segment contributed 58% of operating profit of the Group.

TABLE 3: SEGMENT SELECTED FINANCIAL DATA ⁽¹⁾

Year ended September 30,	Consumer and SME						Corporate Banking		
	Retail & SME			Payment Services			2014	2015	2016
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Segment's Contribution of Performance (%)									
{Segment Result as a percentage of Consolidated Statement Result}									
Total revenue	29.3%	28.0%	28.1%	14.8%	15.5%	15.1%	8.4%	9.5%	9.6%
Net interest income	46.0%	44.7%	45.8%	8.4%	8.5%	8.7%	6.1%	7.9%	9.0%
Total operating income	34.1%	31.7%	32.2%	12.4%	12.3%	11.7%	4.6%	5.7%	6.8%
Total operating expenses	29.0%	28.5%	27.9%	10.0%	11.1%	9.6%	3.6%	2.2%	1.1%
Operating profit	11.9%	11.8%	12.3%	12.4%	8.5%	8.9%	4.1%	9.0%	13.6%
Total assets	31.9%	35.8%	36.2%	3.2%	3.0%	3.0%	13.1%	13.1%	13.1%
Selected Segment Performance Indicators (%)									
Cost to income ratio	82.2%	81.7%	82.5%	51.8%	61.4%	68.8%	51.4%	46.3%	41.5%
Operating profit as a percentage of average assets	1.1%	1.1%	1.1%	12.4%	8.5%	9.5%	0.9%	2.2%	3.3%
Selected Segment Financial Data (in millions)									
Total revenue	16,821	17,156	18,454	8,526	9,496	9,929	4,796	5,824	6,306
Total operating income	14,733	15,069	16,785	5,373	5,862	6,094	1,989	2,700	3,514
Net interest income	11,341	11,617	12,871	2,070	2,215	2,452	1,505	2,053	2,535
Non-interest income	3,392	3,452	3,914	3,302	3,647	3,642	484	647	979
Total operating expenses	8,513	8,972	9,471	2,941	3,479	3,250	1,064	699	380
Staff costs	5,226	5,129	5,763	397	465	544	208	155	259
Operating profit	1,661	1,893	2,229	1,727	1,358	1,615	570	1,442	2,466
Segment assets	159,277	187,552	219,755	16,082	15,934	18,213	65,364	68,619	79,609
Segment liabilities	148,264	167,379	195,277	10,867	9,180	10,693	57,183	56,458	63,103

⁽¹⁾ Segment data do not give effect to the elimination of intersegment transactions.

Segment Operating Profit (\$'M)



	Treasury & Correspondent Banking			Wealth, Asset Management & Investment Banking			Life Insurance & Pension Fund Management			General Insurance		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
	20.1%	22.1%	22.2%	17.5%	15.3%	17.1%	10.8%	11.2%	12.0%	10.8%	10.5%	9.6%
	14.4%	15.3%	14.8%	13.9%	12.8%	13.7%	8.4%	8.0%	7.7%	2.9%	2.8%	2.6%
	11.3%	13.1%	13.8%	12.1%	11.4%	14.5%	12.2%	12.6%	13.5%	14.3%	13.5%	12.2%
	2.6%	3.3%	3.0%	5.1%	5.6%	6.9%	7.5%	7.7%	7.8%	16.7%	15.5%	14.7%
	28.0%	30.6%	32.3%	26.9%	22.9%	28.7%	22.1%	22.1%	24.0%	9.2%	9.6%	7.5%
	33.9%	32.4%	35.3%	26.5%	27.3%	25.8%	7.6%	7.7%	6.9%	2.3%	2.5%	2.3%
	20.6%	21.1%	18.7%	24.8%	31.7%	30.9%	41.7%	40.0%	38.0%	79.2%	76.0%	78.7%
	2.5%	2.9%	3.1%	2.9%	2.7%	3.5%	8.3%	9.0%	10.5%	11.6%	12.3%	9.9%
	11,558	13,503	14,582	10,053	9,372	11,258	6,226	6,865	7,904	6,174	6,399	6,339
	4,900	6,203	7,207	5,233	5,434	7,545	5,283	5,960	7,003	6,174	6,399	6,339
	3,543	3,967	4,162	3,425	3,315	3,841	2,060	2,072	2,153	712	731	730
	1,358	2,236	3,045	1,809	2,120	3,703	3,223	3,888	4,850	5,461	5,668	5,610
	776	1,040	1,026	1,493	1,767	2,349	2,203	2,423	2,659	4,890	4,865	4,988
	135	149	169	567	629	1,002	516	711	759	788	833	954
	3,892	4,892	5,854	3,740	3,667	5,196	3,081	3,537	4,344	1,284	1,534	1,352
	169,366	169,491	214,268	132,483	142,935	156,846	38,000	40,550	42,101	11,641	13,275	14,037
	148,713	159,503	204,533	112,162	120,704	128,838	26,908	27,828	28,230	7,747	8,455	8,478

Our Financial Performance

cont'd

■ Consumer & SME

The Consumer and SME segment includes our Retail and SME Banking as well as Payment Services businesses. This incorporates the provision of banking services to individuals and small & medium-sized (SME) business clients and card related services.

Retail & SME

This segment reported operating profit of \$2.2 billion, an increase of 18%, or \$336 million. This represented a 10% contribution to segment operating profit for the Group. External revenue for this segment was \$14.9 billion growing by 2% or \$260 million over the prior year.

This segment focused on widening the reach of the sales team, improving our product offerings and crafting initiatives to target specific customer segments. The expansion of the retail sales team allowed us to capitalise on sales opportunities, have a broader market footprint, and better attend to underserved customers. We introduced a multi-channel sales team and this provided opportunities to use a variety of channels to serve targeted customer segments and groups with specially designed products and promotions. These initiatives have led to an expansion of our consumer lending business resulting in a 17% or \$14.5 billion increase in the Retail & SME loan portfolio and an increase in the volume of interest and fee and commission income. Our product development team ensured that our Retail clientele were consistently provided with special offers and packages throughout the financial year.

Net interest income grew by 11%, or \$1.3 billion, to \$12.9 billion. Our consumer portfolio recorded

growth of 26%, while our SME/business loan portfolio improved by 4%. The consumer portfolio represents 69% of the Retail & SME portfolio. The higher loan volumes resulted in net fee and commission income growing by 12%, or \$404 million. Total operating expenses grew by 6%, or \$499 million to \$9.5 billion. The main contributors to the increase were staff costs and depreciation expenses, arising from increases in salaries and benefits and investments in infrastructure and technology. Our risk and delinquency management efforts and cost containment strategies resulted in a 17% or \$147 million decline in provisions for loan losses and a 2% reduction in other operating expenses. We focused on improving efficiency while executing our strategy. In terms of efficiency, we introduced our Online Account opening platform where customers are able to open savings or current accounts within a matter of minutes from anywhere and at any time. This will greatly improve accessibility and convenience to any NCB customer, who is Know Your Customer (KYC) compliant and is registered for our internet banking services. Allocated costs from support units increased by 21% or \$881 million.

Payment Services

Our Payment Services segment, which includes our Card Acquiring and Issuing businesses, reported operating profit of \$1.6 billion, an increase of 19%, or \$256 million. This segment contributed 7% to operating profit. This business segment has continued its focus on innovation. During the year we introduced additional credit card products; NCB credit card instalment plan and our NCB/JMA Business Edge proprietary credit card. We also launched our mobile

money solution – NCB Quisk. NCB Quisk is a secure, mobile money account that enables persons to send and receive monies and pay via text messaging. These initiatives have led to an improvement in total revenues of \$433 million or 5%. Total operating expenses of \$3.2 billion declined by \$229 million or 7%, primarily as a result of a reduction in provision from loan losses stemming from more proactive delinquency management as well as greater recoveries.

■ Corporate Banking

Our Corporate Banking segment, which offers banking services to large corporate clients, realised \$2.5 billion in operating profits for the financial year, growing by 71% or \$1.0 billion. This improvement in the Corporate business segment performance has increased its contribution to operating profit to 11%, up from 8% in the prior year. The Corporate Banking segment's loan portfolio grew by 10% over the prior year, which led to net interest income increasing by \$482 million or 23%. The new loans disbursed throughout the year also caused an increase in net fee and commission income of \$323 million or 53% over the 2015 financial year. Interest expenses for this segment declined by 10% stemming from our strategy to manage interest spreads and grow core deposits to enable greater self-funding of the loan portfolio. Total operating expenses of \$380 million declined by 46% or \$319 million which was mainly due to \$420 million reduction in provision for credit losses. The decrease in loan loss provisions was as a result of the partial recovery of a significant debt.

■ 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 segment continued to be the largest contributor to operating profit with 25%. Operating profit for the year was \$5.9 billion, \$961 million or 20% more than the previous financial year. External revenue earned was \$10.0 billion, an increase of 5% or \$448 million. The improvement was driven by increased gains from foreign currency and investment activities of \$662 million or 37% derived from the management of our balance sheet, currency and liquidity positions. The tight management of margins resulted in net interest income increasing by 5%, or \$195 million despite the general decline in the key indicators of interest rates in the market during the 2016 financial year. Total operating expenses remained relatively flat at \$1.0 billion.

■ Wealth, Asset Management and Investment Banking

Our Wealth, Asset Management and Investment Banking segment consists of stock brokerage services, securities trading, investment management and other financial services, including those provided by overseas subsidiaries in the Cayman Islands, Trinidad & Tobago and Barbados. This segment contributed 23% to operating profit recording \$5.2 billion for the year, an increase of 42% or \$1.5 billion over prior year. Our Wealth

segment was the second largest contributor to operating income. External revenue totalled \$10.6 billion, increasing by \$1.9 billion or 23%. Net interest income grew by 16%, or \$527 million, net fee and commission income increased by 54% or \$308 million and gain on foreign currency and investment activities went up by \$717 million or 49%. The growth in fees was due to the growth in our unit trust portfolio. Investment activities were supported by both the global bond and local equity markets rallying on the back of low interest rates and improved investor sentiments. This segment has benefited from the consolidation in existing markets and the roll out of our regional expansion strategy in key markets. We will continue to execute on our regional expansion strategy while focusing on product innovation and improvements in efficiency in the local market. Total operating expenses of \$2.3 billion grew by 33%, or \$582 million.

■ Life Insurance and Pension Fund Management

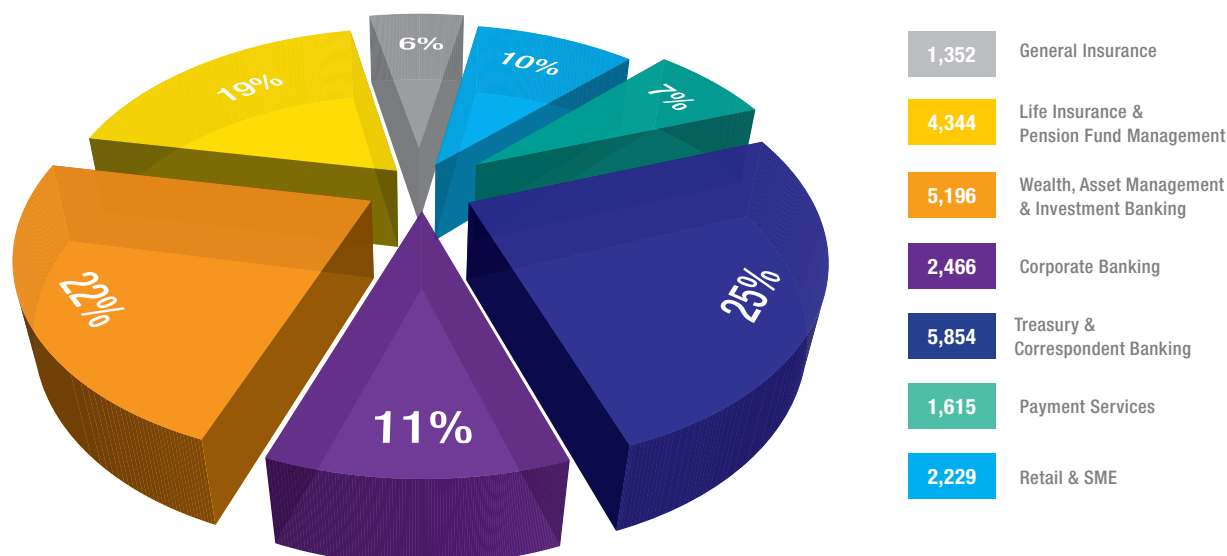
Our Life Insurance and Pension Fund Management segment incorporates the results of the life insurance, pension, and investment management services of the Group. Our Life Insurance segment achieved operating profits of \$4.3 billion, an increase of \$807 million or 23%, representing 19% of operating profit. External revenue increased by 16%,

or \$1.1 billion to \$7.8 billion for the financial year. Premium income grew by \$649 million or 26%, due to growth in individual and group life insurance contracts. The enhancements to our critical illness product offerings during the year, which was well received by the market, contributed to the increased income. Total operating expenses of \$2.7 billion increased by \$236 million or 10% over the prior year. Policyholders' and annuitants' benefits and reserves was the main source of the increase, growing by 48% or \$352 million resulting from claims and annuity withdrawals.

■ General Insurance

Our General Insurance business segment incorporates the results of general insurance, which includes property and casualty insurance. This segment achieved operating profits of \$1.4 billion, a decrease of 12% or \$182 million from the prior year. External revenue earned of \$6.1 billion, marginally declined by 1% or \$72 million. Operating income decreased by \$59 million or 1%. There has been a compression of the margins in the industry, especially the non-motor market; accordingly we have embarked on a strategy of de-risking the portfolio. Total operating expenses were \$5.0 billion, which represented an increase of 3% or \$123 million.

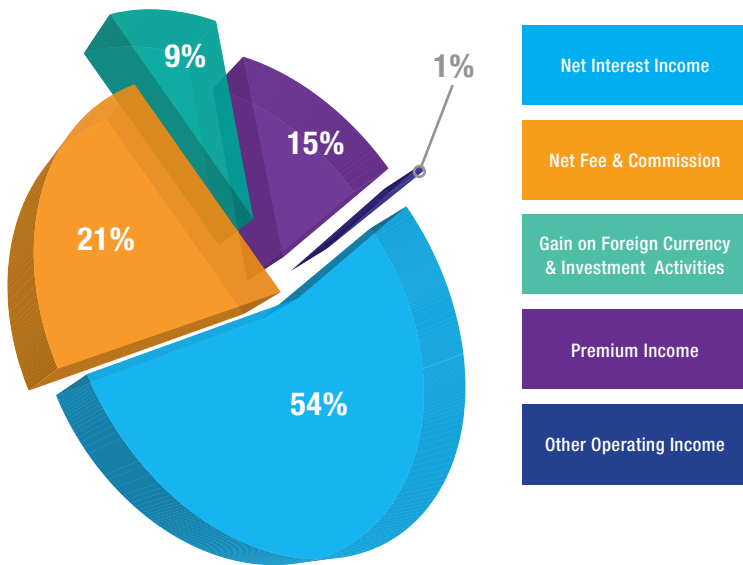
Segment Performance 2016: Operating Profit (\$'M)



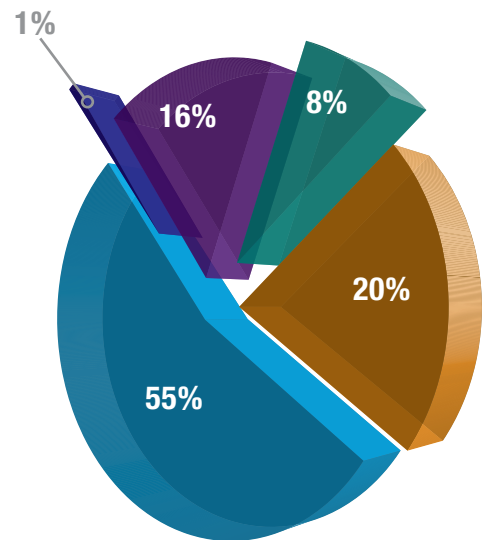
Our Financial Performance

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Income Mix FY 2016



Income Mix FY 2015



OPERATING INCOME

Operating income is comprised mainly of net interest income, net fees & commissions, gains on foreign currency and investment activities, insurance premium income and dividends. Total operating income totalled \$52.1 billion representing an increase of 10% or \$4.6 billion over the prior financial year. Gross income, which consists of operating income excluding interest and fee and commission expenses, was \$65.8 billion, an increase of \$4.6 billion or 7%.

Net interest income continued to be the largest contributor to operating income, accounting for 54%, slightly down from 55% in

the previous financial year. Net fee and commission income accounted for 21% of operating income while premium income accounted for 15%, these combined income items accounted for 90% of the revenues earned by the Group.

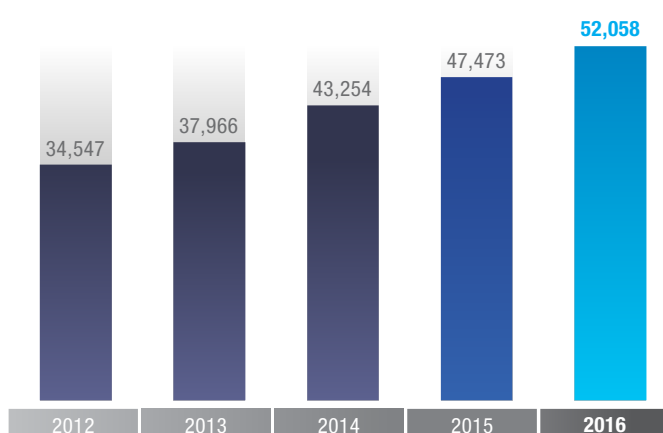
NET INTEREST INCOME

Net interest income for the financial year amounted to \$28.1 billion, an increase of \$2.2 billion, or 8%. The improvement was due to growth in our portfolio of interest earning assets and a decline in funding costs. We have managed our interest spreads to maintain a flat net interest margin with the prior year.

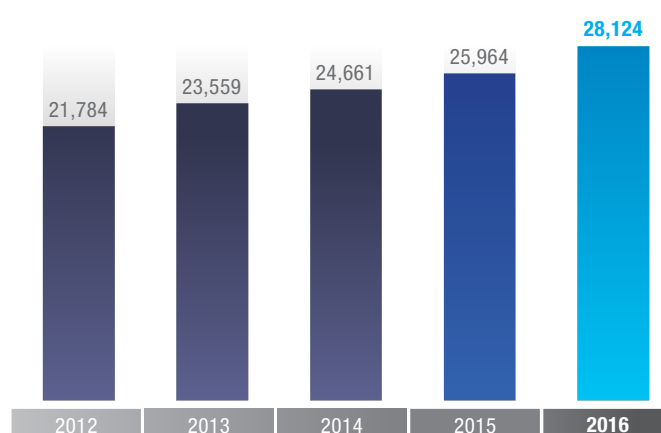
- ▶ Interest income from loans grew by \$1.2 billion, or 6% which was due to the growth in our loan portfolio. We had strong growth across all business segments with Retail & SME accounting for 61% of the increase over the prior year. There was a reduction of 36 basis points in loan yields. During the financial year, we had special promotions, formed alliances/partnerships with parties such as automobile dealers as well as designed product offers to appeal to specific customer segments which not only improved our sales performance but offered reduced rates on some loan products.

Operating Income (\$'M)

4 YR CAGR: 11%

**Net Interest Income (\$'M)**

4 YR CAGR: 7%



- ▶ Interest income from investment securities grew by \$453 million or 3%. The volume growth in the portfolio contributed to the increase. The average yield on our investment portfolio declined by 27 basis points for the 2016 financial year.
- ▶ Our interest expenses decreased by \$489 million, or 4%, which was due to a reduction in the average costs paid on interest-bearing liabilities. As part of the strategy to manage interest spreads we sought to find more attractive funding during the financial year.

We will remain focused on our strategic initiatives to expand our

core business and lending through improved sales. With our efforts to grow our balance sheet, consideration is also given to managing our net interest margins while mitigating risks. As part of our strategy, we will continue to monitor the management of capital, liquidity, currency and balance sheet positions. Additionally, we will assess changes in the operating environment, trends and markets risks to ensure adherence to regulations and procedures.

NON-INTEREST INCOME

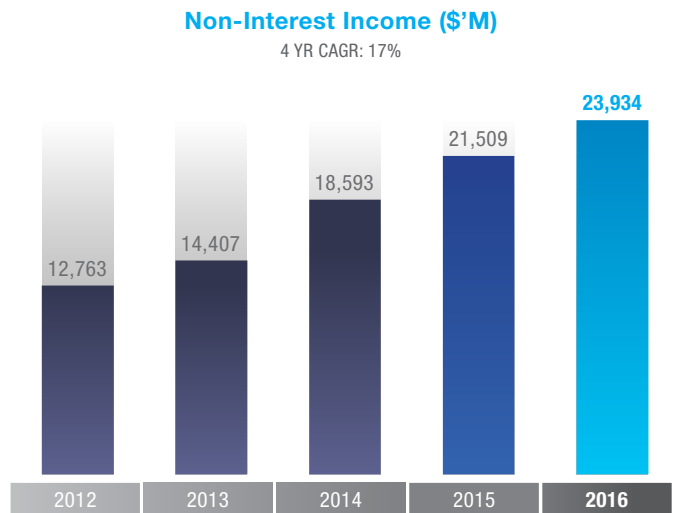
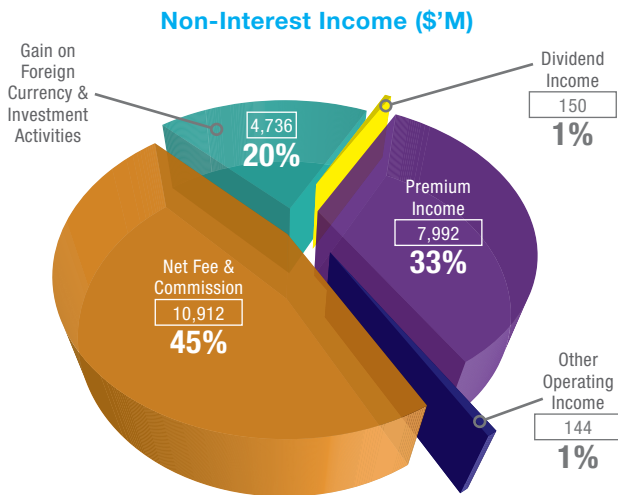
Our non-interest income totalled \$23.9 billion for the financial year, increasing by \$2.4 billion, or 11%, over the prior year. As we have

expanded our business model over the past few years, non-interest income has steadily improved and recorded a 4 year compounded annual growth rate (CAGR) of 17%.

- ▶ Net fee and commission income of \$10.9 billion, grew by 11%, or \$1.1 billion. The improvement in this income source was attributable to the growth in our loan portfolio which positively impacted credit related fees. POS, e-commerce and other electronic channels continued to record increases resulting from the on-boarding of new merchants, higher valued transactions processed through these channels and a 21% growth in the volumes

Our Financial Performance

cont'd



of transactions processed by our Card Acquiring business. To meet our customers' needs for convenience and fast transaction execution times we have encouraged the migration to electronic channels as part of our efforts to increase the efficiency of our operations and improve service experience. Additionally, our unit trust portfolio continues to grow resulting in increased fees from this business.

- ▶ Gains on foreign currency and investment activities increased by \$983 million or 26%, largely due to

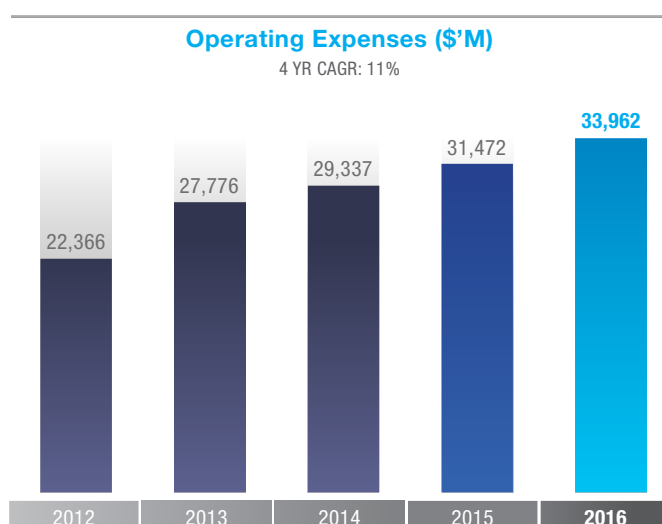
foreign exchange trading, foreign exchange positioning and the sale of investment debt and equity securities.

- ▶ Insurance premium income went up by \$350 million or 5%. The increase was driven by growth in group life insurance, critical illness policies, individual life policies and commercial property insurance contracts.

Net fees and commissions continued to be the largest contributor to non-interest income accounting for 45% of the total, with premium income being the next largest contributor with 33%.

TABLE 4: NON-INTEREST INCOME	2016 \$'M	% of Total %	2015 \$'M	% of Total %
Net Fee and Commission	10,912	45.59%	9,787	45.50%
Premium Income	7,992	33.39%	7,642	35.53%
Gain on Foreign Currency and Investment Activities	4,736	19.79%	3,753	17.45%
Dividend Income	150	0.63%	126	0.59%
Other Operating Income	144	0.60%	201	0.93%
Total	23,934	100.00%	21,509	100.00%

TABLE 5: FEE AND COMMISSION INCOME	2016 \$'M	% of Total %	2015 \$'M	% of Total %
Payment Services fees	6,290	46.33%	5,830	48.67%
Retail and SME fees	3,674	27.06%	3,333	27.83%
Life Insurance and Pension Management fees	1,259	9.28%	1,130	9.43%
Corporate Banking fees	934	6.88%	615	5.14%
Wealth Management fees	877	6.46%	570	4.76%
Treasury & Correspondent Banking fees	362	2.67%	257	2.15%
General Insurance	148	1.09%	188	1.57%
Other	31	0.23%	54	0.45%
Total	13,576	100.00%	11,977	100.00%



OPERATING EXPENSES

Operating expenses totalled \$34.0 billion, an increase of 8%, or \$2.5 billion over the 2015 financial year.

- ▶ Staff costs increased by \$1.9 million, or 16%, due to the payment of negotiated increases in staff salaries and benefits. We have also continued investments

in our team as we recognise this is a key component to enhance our business and increase shareholder value. We delivered courses dedicated to leadership, sales and wealth management which are part of our succession planning activities aimed at ensuring continuity within the organisation. The talent development covered

both customer facing and non-customer facing areas to improve our level of expertise as well as simplify how we work to provide more efficient support for sales and service, superior customer focus and improved business processes. Fifty-three percent (53%) of our staff were trained at our Corporate Learning Campus, additionally all staff benefited from a variety of online and e-learning courses.

- ▶ Other operating expenses increased by \$1.1 billion or 9%. Our focus on investment and maintenance of our technology and physical infrastructure to better serve our growing customer base contributed to the increase. Additionally, the initiatives being pursued under our digital agenda impacted this area along with the devaluation of the Jamaican dollar, as a large segment of our technology partners are based overseas.
- ◆ License and transaction processing fees increased by \$389 million or 38%. We have incurred additional

TABLE 6: EXPENSE BY TYPE	2016	% of Total	2015	% of Total
	\$'M	%	\$'M	%
Property, vehicle and ABM maintenance and utilities	2,689	20.15%	2,476	20.28%
Irrecoverable general consumption tax and asset tax	2,617	19.61%	2,557	20.94%
Marketing, customer care, advertising and donations	1,534	11.50%	1,472	12.06%
License and transaction processing fees	1,411	10.57%	1,022	8.37%
Technical, consultancy and professional fees	1,356	10.16%	1,419	11.62%
Travelling, courier and telecommunication	979	7.33%	894	7.32%
Other	900	6.74%	653	5.35%
Credit card rebates	777	5.82%	611	5.00%
Insurance premium and commissions	249	1.86%	248	2.03%
Commission to insurance brokers	246	1.84%	243	1.99%
Operating lease rentals	219	1.64%	193	1.58%
Stationery	149	1.12%	214	1.75%
Receivership expenses	117	0.87%	110	0.90%
Auditors' remuneration	105	0.79%	73	0.60%
Premium tax on life insurance contracts	-	0.00%	26	0.21%
Total	13,348	100.00%	12,211	100.00%

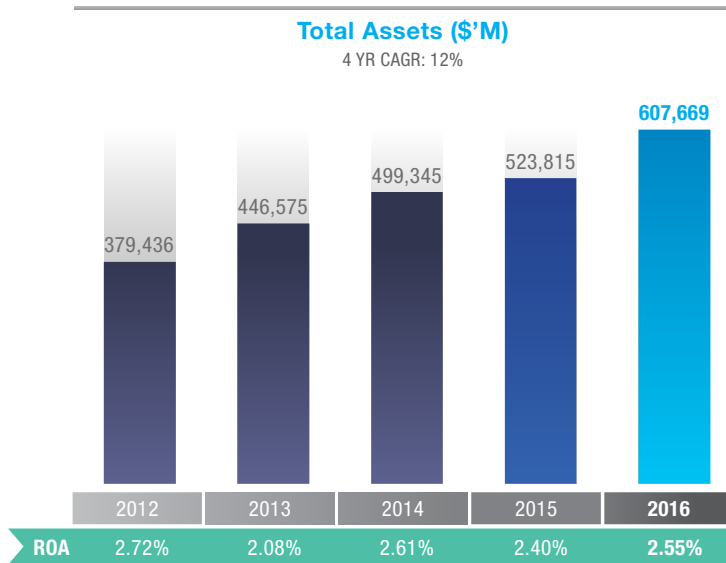
Our Financial Performance

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licensing charges from the expansion of our operations in the region coupled with an increase in the volume of transactions processed.

- ◆ Property, vehicle and ABM maintenance and utilities grew by \$213 million or 9%. These costs were impacted by the expansion of our technological offerings as part of our digitisation strategy.
- ◆ Credit card rebates increased by \$166 million or 27%, as a result of the increase in value and volume of card usage during the financial year.
- ◆ Travelling, courier and telecommunication costs grew by 9% or \$85 million.
- ▶ Policyholders' and annuitants' benefits and reserves increased by \$417 million or 11%. The increase was driven by annuity withdrawals, general and life insurance claims.
- ▶ Provisions for credit losses decreased by 66%, or \$1.2 billion, due to a reduction in portfolio default rates and increased recoveries in the 2016 financial year.

Financial Position Performance



TOTAL ASSETS

Total assets at September 2016 were \$607.7 billion, an increase of \$83.9 billion or 16% over September 2015. The increased asset base was driven by growth in our investment in associates, loans and advances and deposits with other financial institutions portfolios. This growth

was funded primarily by increased customer deposits and other structured funding arrangements. We have maintained a strong financial position as this will provide financial flexibility to support the execution of our business strategy.

Our return on average total assets was 2.55% for the 2016 financial year,

up from 2.40% in the prior year. The improvement in the ratio was due to the increase in profitability of the Group. This ratio is one of our key performance metrics, the increase indicates better asset utilisation year over year.

Cash in Hand & Balances at the Bank of Jamaica (BOJ)

This consists primarily of cash reserves and operating balances. These balances stood at \$35.4 billion at September 30, 2016, an increase of 23%, or \$6.5 billion. The increase was primarily due to statutory reserves growing by \$6.6 billion or 28% which is connected to the growth in customer deposit balances. At the end of the financial year we met all regulatory statutory reserve and liquidity requirements. *Details of the portfolio can be found in note 17 of the financial statements (See page 203).*

Reserve and Liquidity Requirements – Bank of Jamaica

The following table shows certain additional financial ratios of the Bank

at September 30, 2016 and the applicable minimum standards under Bank of Jamaica regulations:

26% respectively. The local currency cash reserve requirements and liquid assets ratio remained unchanged.

	Minimum required by Bank of Jamaica regulations	The Bank at September 30, 2016
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	27% of Jamaican dollar-denominated deposits
Foreign currency cash reserve	9% of specified foreign currency-denominated deposits	9% for each of U.S. dollars, British pounds sterling and Canadian dollars
Foreign currency liquid asset reserve	23% of specified foreign currency-denominated deposits	43% for U.S. dollars; 95% for British pounds sterling; and 75% for Canadian dollars

In September 2016, BOJ adjusted the foreign currency cash reserve and liquid assets ratios. Effective October 3, 2016 the cash reserve requirement of commercial banks with respect to foreign currency prescribed liabilities was increased to 10% and foreign currency liquid assets ratio increased to 24%.

Subsequent to that announcement, the BOJ in October 2016 announced that effective November 1, 2016 there will be a further percentage point increase in the foreign currency cash reserve requirement and foreign currency liquid assets ratio to 25% and 11%, respectively.

Following that announcement, in November 2016, BOJ announced that effective December 1, 2016 the cash reserve requirement and liquid assets ratio of commercial banks with respect to foreign currency prescribed liabilities will be further increased by another 1 percentage point, making the minimum required 12% and

includes equity securities (quoted and unquoted) carried at fair value through profit or loss and classified as available-for-sale through equity. For the purpose of this analysis, debt securities which were pledged at September 30, 2016 and September 30, 2015 were included in this balance. This asset group continues to be the largest asset balance in the statement of financial position, accounting for 45% of total assets. Our investment securities portfolio remained relatively flat at \$276 billion at the end of the financial year. There was a shift in composition of the portfolio as the investment securities at fair value through profit or loss and securities classified as loans and receivables at amortised cost increased by \$2.2 billion and \$3.4 billion, respectively, which was offset by a reduction in investment securities classified as available-for-sale at fair value of \$5.9 billion.

Our reverse repurchase agreement portfolio grew by \$662 million or 31%, to \$2.8 billion at September 2016. Our investment securities and reverse repurchase agreement portfolios are the main interest-bearing assets that gave rise to interest income from securities. *Details of the portfolio can be found in notes 20, 21, 23 and 24 of the financial statements (See pages 205, 206, 207 and 209 respectively).*

■ Investment Securities and Reverse Repurchase Agreements

Our investment securities portfolio mainly comprises debt (Government of Jamaica, foreign governments and corporate bonds) carried at fair value through profit or loss and classified as available-for-sale through equity and amortised cost. The portfolio also

TABLE 7: INVESTMENT SECURITIES ⁽¹⁾	2016	2015
	\$'M	\$'M
Investment securities at fair value through profit or loss	3,093	931
Investment securities classified as available-for-sale at fair value	211,914	217,841
Investment securities classified as loans and receivables at amortised cost	56,925	53,541
Interest receivable	3,737	3,674
Total	275,670	275,988

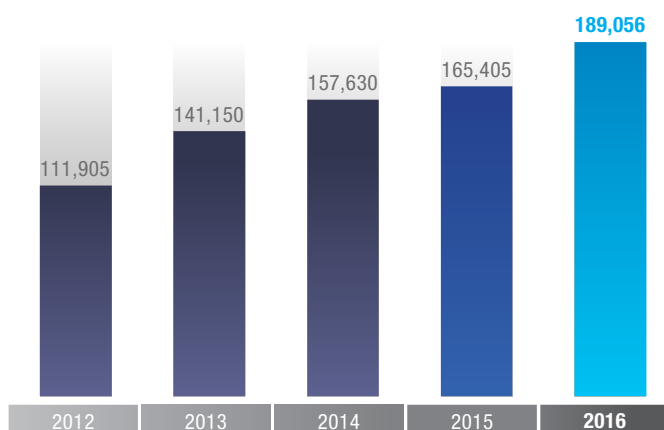
⁽¹⁾ \$106.3 billion (September 2015: \$109.0 billion) in investment securities was pledged as collateral in the normal course of conducting business for the Group.

Our Financial Performance

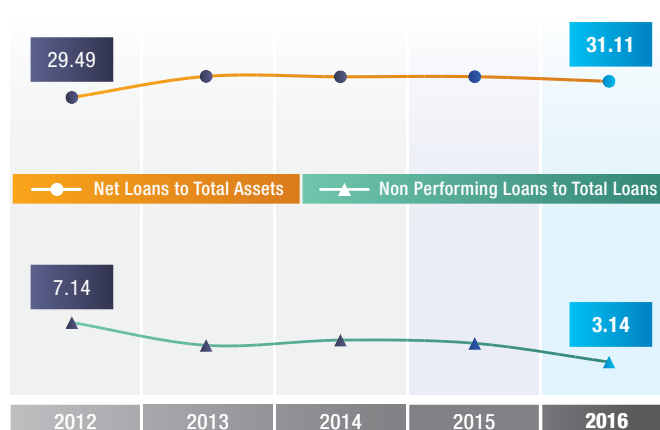
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Net Loans (\$'M)

4 YR CAGR: 14%



Loans To Assets (%)



Net Loans

Our loans and advances, net of provisions for credit losses, increased to \$189.1 billion at September 2016, an increase of \$23.7 billion, or 14%. The growth in loans was mainly attributable to retail consumers but also spanned increased credit to the tourism, utilities, energy and agricultural sectors. Our Retail & SME portfolio grew by 17% or \$14.5 billion; Corporate Banking net loans grew by \$6.5 billion or 10%; loans booked through our overseas entities increased by \$1.4 billion or 51% and our credit card receivables portfolio increased by 9% or \$1.3 billion. The Retail and SME segment accounted for 53% of the total loan portfolio at September 2016, slightly up from 52% in the prior year.

The non-performing loan portfolio declined by 29% or \$2.5 billion to \$6.0 billion at September 2016. The reduction in our non-performing loan portfolio resulted primarily from the partial recovery of a significant debt. The regulatory provision coverage stood at 136.2% at September 30, 2016 (September 2015 – 118.7%). 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 \$4.4 billion at September 2016. The Bank's provisioning policy is in compliance with Bank of Jamaica requirements.

Our specific loan provisions to non-performing loans ratio was 101.1% at September 2016 (September

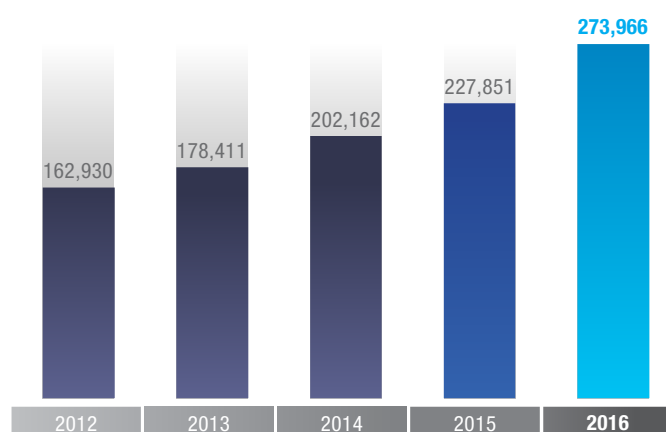
2015 – 100.2%), which indicates that we have adequately provided for classified loans. Our non-performing loans to gross loans ratio was 3.1% at September 2016, while non-performing loans to total assets ratio was 1.0% (September 2015 – non-performing loans to gross loans ratio: 5.0% and non-performing loans to total assets ratio: 1.6%). The initiatives undertaken in the previous financial years to manage delinquency have resulted in increased recoveries on previously classified loans and also a general reduction in portfolio default rates. Our risk and delinquency management functions, as well as risk based assessments and proactive monitoring, will remain focused on maintaining the credit quality of our portfolio. *Details of the portfolio can be found in note 22 of the financial statements (See page 206).*

TABLE 8: LOAN PORTFOLIO DETAILS

	2016 \$'M	% of Total %	2015 \$'M	% of Total %
Retail and SME	100,537	53.18%	85,997	51.99%
Corporate	69,831	36.94%	63,377	38.32%
Credit Cards	14,544	7.69%	13,290	8.03%
Overseas subsidiaries	4,144	2.19%	2,740	1.66%
Total	189,056	100.00%	165,405	100.00%

Customer Deposits (\$'M)

4 YR CAGR: 14%



Investment in Associates

Investment in associates increased by \$28.5 billion to \$34.8 billion at September 2016. The increase was due to the acquisition of 29.99% shareholding in Guardian Holdings Limited completed in May 2016. The total number of shares acquired was 69,547,241 ordinary shares. *Details of the portfolio can be found in note 25 of the financial statements. (See page 210).*

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 other banks, other borrowed funds and liabilities under annuity and insurance contracts. At September 30, 2016, our funding portfolio was \$488.5 billion compared to \$421.6 billion at September 2015.

Customer Deposits

Our customer deposits portfolio grew to \$274.0 billion at September 2016, an increase of \$46.1 billion or 20%. Deposits are our largest source of funding, representing 54% of total liabilities. The improvement in this portfolio was bolstered by the strengthening of the relationships with SMEs, government and our top tier Retail clients. We had strong growth in our deposit products: our savings account portfolio increased by \$20.8

billion or 19%; fixed deposit balances went up by \$19.6 billion or 32% and current account portfolios grew by \$5.7 billion or 9% as customers continue to reflect confidence in the strength of the Group.

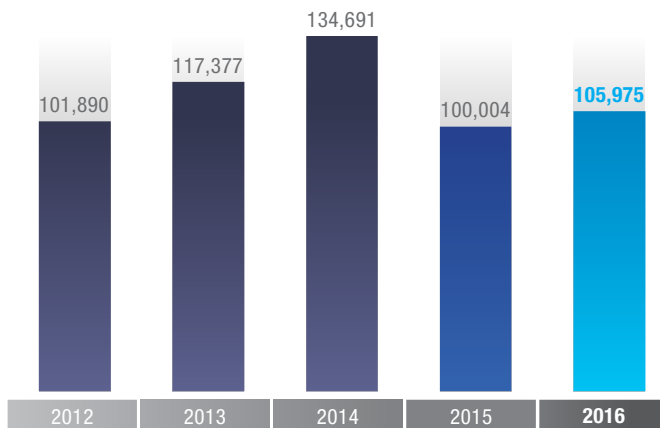
TABLE 9: CUSTOMER DEPOSITS DETAILS	2016	% of Total	2015	% of Total
	\$'M	%	\$'M	%
Non-interest bearing current accounts	45,836	16.73%	41,490	18.21%
Interest bearing current accounts	19,662	7.18%	18,343	8.05%
Savings and other deposit accounts	128,005	46.72%	107,204	47.05%
Time deposits	80,463	29.37%	60,814	26.69%
Total	273,966	100.00%	227,851	100.00%

Our Financial Performance

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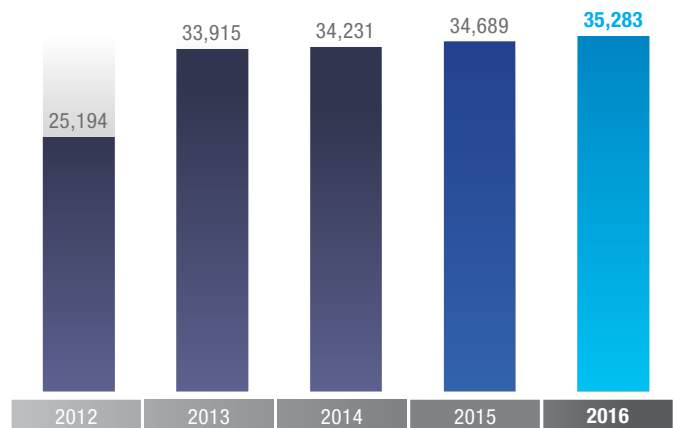
Repurchase Agreements (\$'M)

4 YR CAGR: 1%



Liabilities Under Annuity & Insurance Contracts (\$'M)

4 YR CAGR: 9%



■ Repurchase Agreements & Unit Trust Scheme

Repurchase agreement funding arrangements are used primarily by the Bank as short-term funding and by NCBCM as a product for corporate and individual clients. At September 2016, repurchase agreements were \$106.0 billion, an increase of \$6.0 billion, or 6%, over the prior year.

NCB Capital Markets Unit Trust Scheme (Unit Trust) was formed to provide retail clients with suitable investment opportunities, given the changes being implemented under the retail repo reform programme. The Unit Trust scheme has an independent trustee and NCBCM as the investment manager for the scheme is entitled to receive fees based on the funds under management. The net asset value of our JMD unit trust portfolio totalled \$18.3 billion at September 2016, an increase of 32% or \$4.4 billion over the prior year. Our USD unit trust portfolio closed the year with a net asset value of US\$128.0 million, an increase of 67% or \$51.4 million. The total value of both unit trust portfolios was \$34.6 billion at September 30, 2016, growing by 51%. With the growth in the assets

under management of our unit trust portfolios, NCBCM has moved from third to the second largest fund manager in the industry. *Details of the Unit Trust can be found in note 34 of the financial statements (Page 227).*

■ Liabilities Under Annuity and Insurance Contracts

Liabilities under annuity and insurance contracts arise from operations in life and general insurance industry. Our 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 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.

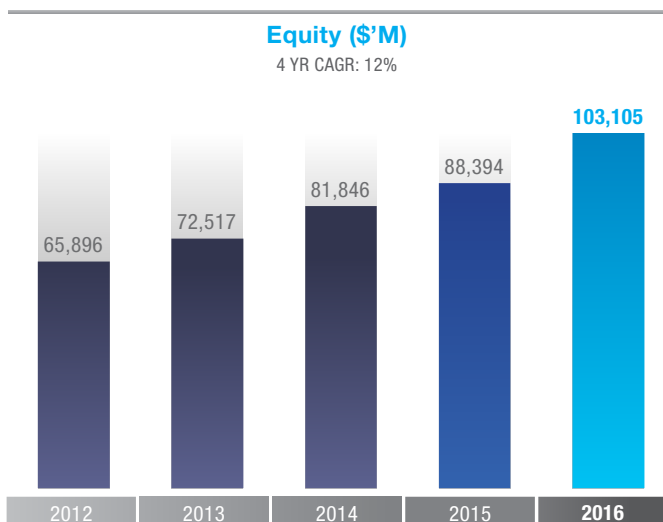
Liabilities under annuity and insurance contracts were \$35.3 billion at September 30, 2016, having increased by \$593 million, or 2%. Liabilities under life insurance and annuity contracts accounted for the

growth in the portfolio. *Details of the Group's liabilities under annuity and insurance contracts can be found in note 35 of the financial statements (Page 229).*

■ Obligations under Securitisation Arrangements

In May 2015, the Bank raised US\$250 million through a Merchant Voucher Receivables securitisation transaction. 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 NCB merchant.

This arrangement is in addition to the Diversified Payment Rights (DPR) securitisation arrangement. In May 2013, the Bank raised funds under the 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. An additional amount was negotiated under the DPR facility 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. Obligations under securitisation arrangements totalled \$47.9 billion at September 2016, increasing by \$3.6 billion or 8%, due to the depreciation of the Jamaica dollar against the US dollar. The principal outstanding on the DPR and Merchant Voucher Receivables securitisation arrangements were US\$125 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 32 of the financial statements (Page 223).*

On May 12, 2016, Fitch Ratings affirmed the ratings assigned to the future flow transactions. The Rating Outlook is Stable. Fitch affirmed the ratings as follows:

- ◇ Jamaica Merchant Voucher Receivables Limited
--USD\$250 million series 2015-1 notes at '**BB+**'; Outlook Stable.
- ◇ Jamaica Diversified Payment Rights Company
--USD\$125 million series 2013-1 notes at '**BB**'; Outlook Stable.

Fitch based the rating on the originator credit quality, strength of the Merchant Voucher Program, composition of the DPR flows, level of future flow debt and partially-mitigated sovereign risk. In addition Fitch assessed NCB's importance as a top-tier financial institution representing more than 30% of system assets and market-leading and embedded credit card franchise. Fitch noted that a large portion of DPRs consists of government-related flows and/or capital flows, which was considered more volatile than export related payments and family remittances. It was also noted that the level of future flow debt is a limiting factor to the transaction ratings. Fitch went on to mention that the transaction mitigated certain sovereign risks by keeping cash flows offshore until collection of the periodic debt service, allowing the future flow transactions to be rated over the sovereign country ceiling. It was

noted that the ratings are linked to the credit quality of NCB and the ability of the securitised business lines to continue operating.

■ Other Funding

Other funding arrangements totalled \$25.3 billion at September 2016, which consists of due to other banks and other borrowed funds balances. Amounts due to other banks totalled \$13.3 billion at September 2016, which increased by \$7.1 billion, or 116%. Other borrowed funds of \$12.1 billion, grew by \$3.5 billion, or 40%, over the prior year, primarily due to the issuance of corporate notes (both unsecured and secured variable and fixed rate) repayable between 2017 and 2018. *Notes 31 and 33 to the Financial Statements provide further details on the nature of these contracts (See pages 222 & 225).*

CONSOLIDATED EQUITY

The Group's Equity grew to \$103.1 billion at the end of the financial year, which represented an increase of \$14.7 billion, or 17%, over the September 2015 balance. The return on average equity for the Group was 15.1% an increase over the prior year 14.5%.

Our Financial Performance

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■ Capital

The statutory capital base (share capital, retained earnings reserve and banking reserve) for the Bank (on a stand-alone basis) was \$42.6 billion at September 30, 2016, an increase of \$8.8 billion or 26% over the previous financial year. This increase was as a result of transfers from retained earnings to the retained earnings reserve. These reserves are required to meet the statutory capital to risk-weighted assets ratios, as well as determining the maximum level of deposit liabilities and lending to customers. Our banking reserve fund is in accordance with the Banking Act 1992, and currently exceeds the paid-up capital of the Bank.

Investors have long looked to NCB to provide consistent, high quality returns on their investments. In endeavouring to meet these expectations we will continue to achieve strong earnings and also maintain a solid capital position. We continue to actively engage our capital management plan to ensure we protect the interests of all stakeholders. This will inevitably enable us to manage regulatory capital requirements and take advantage of future growth opportunities. This augurs well for us as we continue to explore value accretive local and regional opportunities for expansion, by way of acquisitions, joint ventures, or partnerships.

■ Dividends & Shareholders' Return

The dividends paid during the 2016 financial year were \$2.35 per share or \$5.8 billion, up from \$2.31 per share or \$5.7 billion in the prior financial year.

The dividend pay-out ratio (dividends per share divided by earnings per share) for the financial year was 37.0% compared to 46.2% at September 2015. The dividend yield (dividends paid as a percentage of share price) was 5.7% compared to 8.4% in the 2015 financial year.

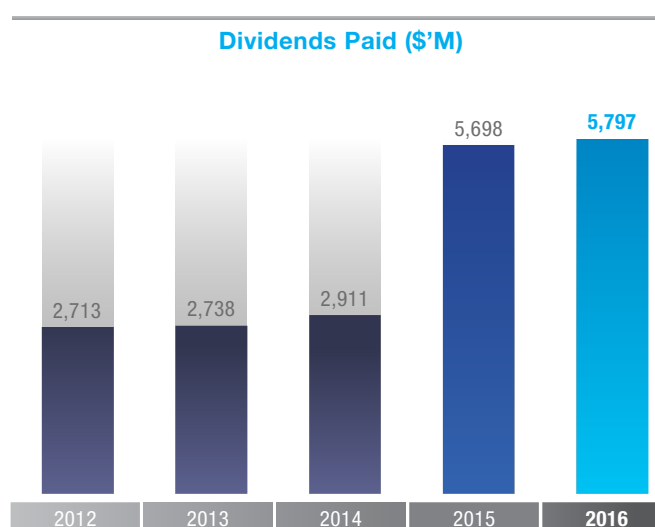
The share price on the Jamaica Stock Exchange as at September 30, 2016 was J\$41.50 per share

AS AT SEPTEMBER 30, 2016

National Commercial Bank Jamaica Limited		NCB Capital Markets Limited	
Regulated by the Bank of Jamaica		Regulated by the Financial Services Commission	
Regulatory Capital to Risk Weighted Assets	12.7%	Regulatory Capital to Risk Weighted Assets	33.8%
Regulatory Requirement	12.5%	Regulatory Requirement	10%
NCB Insurance Company Limited		Advantage General Insurance Company Limited	
Regulated by the Financial Services Commission		Regulated by the Financial Services Commission	
Minimum Continuing Capital Surplus	496.7%	Minimum Capital Test	356.8%
Regulatory Requirement	150%	Regulatory Requirement	250%

(September 30, 2015: J\$27.52) which has resulted in a price earnings ratio (current share price as a percentage of per share earnings) of 6.54 (September 2015: 5.50). The share price on the Trinidad & Tobago Stock Exchange as at September 30, 2016 was TT\$2.60 per share (September 30, 2015 – TT\$1.63).

Our total shareholder return⁽²⁾ which combines share price appreciation and dividends paid to show the total amount returned to the investor was 59.3% for the financial year compared to 66.3% in the prior year. At the close of business on 30 September 2016, the JSE All Jamaican Composite Index stood at 164,482.25, a 71% increase over the prior year.



NCBJ TOTAL SHAREHOLDER RETURN

	2011	2012	2013	2014	2015	2016	Three Year CAGR ⁽¹⁾ (%)	Five Year CAGR ⁽¹⁾ (%)
For The Year Ended September 30								
Closing Price of Common Shares (\$ per share)	27.29	21.90	19.00	17.94	27.52	41.50	30%	9%
Dividend Paid (\$ per share)	1.36	1.10	1.11	1.18	2.31	2.35	28%	12%
							Three Year Shareholder Return	Five Year Shareholder Return
NCBJ Shareholder Return (%)	64%	(16%)	(8%)	1%	66%	59%	149%	82%
JSE Index Annual Movement (%)	10%	(5%)	(3%)	(15%)	33%	71%		

⁽¹⁾ Compound Annual Growth Rate expressed as a percentage

⁽²⁾ Total shareholder return represents the annual total return earned on an investment in NCB 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 NCB shares (share appreciation plus dividends).

THE RISK CONTEXT

THIS FINANCIAL YEAR WAS AN INTERESTING ONE AS THE POLITICAL REGIME WHICH NEGOTIATED THE FOUR YEAR IMF EXTENDED FUND FACILITY WAS UNSUCCESSFUL AT THE POLLS.

Uncertainty regarding the incoming Government's commitment to the programme, was however, quickly dispelled as the new regime announced its plan to continue with the reform programme, which is scheduled to come to an end in 2017. Despite the political changes, the financial markets remained relatively stable in 2016, when considering the market variables such as interest rates and foreign exchange rates.

Internally, the Group remained focused on the transformation of the business (as highlighted in the Strategic Outlook on page 134), while ensuring that the management of risk was a core responsibility for the business and indeed for all employees.

With the Group's transformation strategy placing significant emphasis on business automation and increased customer migration to our electronic channels, credit, market, operational and liquidity risks continued to be the subject of close oversight during the financial year.

MANAGING RISK

The Group takes an enterprise-wide approach to risk management, which is intended to ensure that

the significant risks it undertakes in executing its strategic initiatives are adequately identified and managed. The effectiveness of the Group's risk management framework is driven by the following organisational and governance principles:

- The business lines must act as the first line of defence, for managing risks inherent in their businesses and all employees must be accountable for identifying, assessing and managing the risks within the scope of their assigned responsibilities.
- There must be independent risk and compliance functions (the second line of defence) and an independent audit function (the third line of defence).
- A risk governance framework must be in place to provide a comprehensive set of controls and on-going management of the major risks assumed in the Group's business activities.

The Group's organisational structure and governance framework are critical to guiding the risk management process.

Although NCB's Board of Directors (the "Parent Company Board") has ultimate responsibility for oversight of the Group's risks, several committees of the Bank and its subsidiaries support the board in this regard, chief of which is the Board Risk

Management Committee (BRMC). The BRMC, which typically meets four times annually, provides oversight of the Group's risk management framework. This includes assessing risk appetite; the effectiveness of its risk systems; review and approval of risk policies and major risk procedures; and the monitoring of compliance with risk limits and benchmarks.

The other committees, which support the Board and the BRMC, are the following Group management committees:

- ▶ Group Asset and Liability Committee
- ▶ Group Operational Risk Management Committee
- ▶ Group Capital Management Committee
- ▶ Fraud Prevention Management Oversight Committee
- ▶ Group Information Technology Steering Committee
- ▶ Compliance Management Committee

Additionally, oversight for risk management in the subsidiary companies is carried out by:

- ▶ Subsidiary Audit Committees
- ▶ Risk Management Committees

Significant Risks

The NCB Group is exposed to several significant risks that could have 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 NCB must terminate the trade or replace the counterparty at a loss. In the banking business, credit risk arises primarily from the making of loans, financing of trade transactions, leasing activities, reverse repurchase arrangements and off balance sheet transactions such as guarantees to a variety of customers (ranging from large corporate and institutional clients to individual consumers). Credit risk attracts the largest regulatory capital requirement.

The Group's credit-risk governance structure is concretised by a Credit Risk policy that provides a set of guiding principles and control framework intended to identify, assess, measure and monitor credit risk exposure. The Credit Risk policy was reviewed by the BRMC during the 2015/2016 financial year and revisions were recommended to the Board and approval received.

Given the size of the Group's exposure to credit risk, the BRMC continued its review of the following significant credit risk issues during this financial year:

- ▶ The Government of Jamaica's quarterly performance under the four-year IMF Extended Fund Facility, as well as the country's projected debt sustainability trends derived from our in-house model.

- ▶ Key Loan Portfolio metrics, emerging trends as well as actions being pursued to mitigate any negative trends which would affect the Group's credit risk exposure.
- ▶ Cross border exposures, which were monitored against established risk benchmarks in the light of the Group's regional expansion vision.

■ LIQUIDITY RISK

Liquidity risk is the potential for loss if the Group is unable to meet its obligations as 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.

One such risk is Market Liquidity risk - the risk of being unable to unwind a position in the face of inadequate market activities or unavailable market prices.

The Group's 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 the Group is maintaining diverse and stable sources of funding. Accordingly, the Group's liquidity funding providers include diverse retail customers and corporate customers, as well as repurchase agreements and long-term secured funding sources such as "Diversified Payment Sources".

The BRMC closely monitors the Group's liquidity risk positions, and the Group Asset & Liability committee reviews all the relevant information with respect to the following key liquidity risk matters:

- ▶ Factors affecting liquidity in the domestic market
- ▶ Key liquidity metrics, their trends and comparisons with established limits and benchmarks
- ▶ Liquidity scenarios and strategies to manage various scenarios
- ▶ Strategies being employed to manage liquidity risk issues across the Group

■ MARKET RISK

The Group addresses exposure to market risk - 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.

Our market risk management infrastructure 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 the Group's businesses and support activities, including the risk of fraud by employees or others, unauthorised transactions by employees, and operational or human error. Due to the high volume of transactions being processed, we are also subject to errors that may go unnoticed over an extended period of time, despite our best efforts at efficiency and accuracy.

Deficiencies or failures in our various systems (whether computerised, telecommunications, data processing or vendor-supplied) and in our internal processes could result in financial loss and/or reputational damage.

Risk Management

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Despite our contingency procedures, the aforementioned deficiencies, in addition to business disruptions caused by natural disasters, or other factors, may still negatively impact our ability to conduct our business, thereby resulting in damage to the Group's business and brand.

The Group Operational Risk Management Committee (GORMC) provides oversight of and guidance to the Group's operational risk framework.

Areas addressed in reports to the BRMC included risk assessment findings for business initiatives, which introduced new processes or changed existing processes and high risk business units, defined in accordance with the operational risk framework.

During the 2015/2016 financial year, the BRMC 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).

Life Insurance - We operate an integrated model that provides wealth and protection insurance products and we issue contracts that transfer insurance risk, financial risk or both, including through bancassurance arrangements. Insurance contracts transfer significant insurance risk and may also transfer financial risk. As a general guideline, we define significant 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 payables, if the insured event did not occur.

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

Principal risks associated with the general insurance business, includes pricing risk. Inadequate pricing of insurance contracts could result in claims honoured exceeding premium income. Over pricing of the business could also diminish NCB'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 NCB'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

The Group is also subject to regulatory risk and legal risk that could have an adverse impact on its 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, including 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 requirements, ethical practices and other legal requirements not only pose 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, providing advice, guidance, oversight and the framework for managing these risks.

■ 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 BRMC as well as 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, interactions with our stakeholders are positive, and that we comply with applicable policies, legislation and regulations.

The responsibilities of the Group committees are described below:

▼ Board Risk Management Committee

The purpose of this committee is to assist the Parent Company Board in fulfilling its responsibility with respect to oversight of the Group's risk management framework. This includes defining the risk appetite, and recommending the policies and major procedures related to managing credit, market, liquidity, capital, operational risks and certain other risks determined from time

to time. The BRMC reports to the Parent Company Board with respect to the Group's risk profile and its risk management framework. This includes the significant policies and practices employed to manage risks in the Group's businesses and the overall adequacy of the Group Risk Management function. The BRMC also plays a role in the decision-making process with respect to significant risks which will be undertaken by the Group. The duties of the BRMC are captured in its charter document.

▼ The Audit Committee

This committee assists the Parent Company Board in fulfilling its oversight responsibilities for the financial and operational reporting processes, the internal control systems, the audit process and NCB's process for monitoring compliance with laws and regulations as well as the code of conduct. Details of its responsibilities are in its charter document. NCB's Audit committee does not have oversight of the significant subsidiaries which have their own audit committees.

▼ 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 NCB and its Subsidiaries.

▼ The Capital Management Committee

This committee sets and monitors overall capital management principles in line with the Group's enterprise-wide risk framework and appetite.

▼ The Group Operational Risk Management Committee

This committee is responsible for providing oversight and guidance on the process of measuring, prioritising and mitigating operational risks throughout the Group.

▼ The Compliance Management Committee

This committee's purpose is to monitor the status of legal and regulatory compliance within the Group.

▼ 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 Group, including an effective risk organisation structure and effective governance processes.

▼ The Fraud Prevention Management Oversight Committee

This committee provides oversight for the Fraud Prevention Unit which is responsible for managing the Group's fraud risk.

▼ The Business Transformation Committee

The mandate of this committee is to provide oversight for the execution of the Group's strategic aspirations. The committee also facilitates alignment with and transparency of the Group's priorities to enable efficient allocation of resources and investments and prioritisation of effort at the business unit levels.

► Our Operations

GROUP OPERATIONS & TECHNOLOGY DIVISION (GOTD) IS DEDICATED TO SUPPORTING INCREASED TECHNICAL AND SECURITY FUNCTIONALITIES FOR NCB AND OUR CUSTOMERS.



Our initiatives bolster an increase in customer convenience, productivity and shareholder value.

For this financial year, GOTD continued to undertake and execute on four major initiatives, with the objectives of heightening risk management and enhancing value across the NCB Group.

- Our cyber security efforts achieved their target of providing increased security while generating customer and employee confidence in online services. The importance of this initiative is driven by NCB's increased digital footprint and the continued acceptance and utilisation of digital channels by our customers.
- Our on-going technology refresh has lowered infrastructure cost, increased efficiency, capacity, technical resilience and security.
- Project LEAN continues to identify and eliminate inefficiencies and deliver business value.
- Expansion of our digital footprint to maximise customer convenience and digital capabilities also continues. With

upgraded applications becoming even more intuitive, this will lead to easier adoption by customers, increased customer and employee confidence in our electronic platforms and lowered costs; shorter execution times will lead to positive business value.

For the new financial year, the main areas of focus will continue to be on these initiatives, with increased focus on customer satisfaction and employee development; these are critical to the fulfilment of the Group's mission.



ENVIRONMENT

NCB 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 governed our undertaking of energy efficiency and space management projects.

ENERGY EFFICIENCY

The Group Human Resources and Facilities Division (GHRFD) continued to promote energy efficiency with the upgrade of our equipment and improvements to our real estate portfolio. Through the installation of Photo Voltaic Plants at our 29 Trafalgar Road and 126 Constant Spring Road locations, we were able to generate 182 Mega Watt Hours (MWH) of electricity and reduce our carbon foot print by 92 tons or 39 barrels of oil over the past financial year resulting in a cost saving of \$6.5 million.

We replaced four major air conditioning systems with high efficiency units that utilise environmentally-friendly refrigerant at the following locations:

- NCB Savanna-la-mar
- NCB Lucea
- NCB Cross Roads
- Advantage General Insurance, Montego Bay

We have embarked on a project to reconfigure our lighting strategy across the enterprise by utilising LED technology which is expected to reduce our lighting energy consumption by 53%.

SPACE MANAGEMENT

GHRFD continues to assess 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 assets have been identified for disposal, of which a total of 83,467 square feet has so far been earmarked.

Fairview Banking and Financial Services Centre

The 2015/2016 financial year saw the ground-breaking ceremony for the establishment of our new Banking & Financial Services Centre in Fairview, Montego Bay, St. James. NCB recently acquired approximately 20,400 square feet of land in Fairview that will house Retail Banking and operations such as NCB Capital Markets Limited, NCB Insurance Company Limited, Corporate Banking and Private Banking. This new contemporary design will provide the unique opportunity to avail of all the financial services of the Group in one location, enabling greater convenience for 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. One such major initiative was the transformation of our archiving operations. We also completed renovation projects for the following locations:

- NCB Spaulding
- NCB Half Moon
- AGIC Head Office
- Corporate Banking Division, NCB Atrium

SUPPLY CHAIN MANAGEMENT

We continue to make significant strides in the transformation of our procurement process as we transition from a Category Management to a Supply Chain Model. It is our intention to implement an effective and efficient supply chain that enhances productivity and assures quality delivery of goods and services. In operationalising 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** – more efficient procurement processing and negotiations which for the 2016 financial year resulted in an 8% reduction in addressable spend

3. Digitising our Operations

– digitising our operations to improve turnaround time and impact costs



In the financial year 2015/2016 we redoubled our efforts in moving beyond customer satisfaction to managing our customers' overall experience in doing business with us. As such, the activities undertaken by the Service Quality Unit were aimed at:

- 1. Enhancing our customers' service experience through improved banking facilities**
- 2. Providing customers with a holistic service experience, through our centralised account servicing model**
- 3. Empowering and motivating our team members to deliver a consistently high quality of service, during all service interactions**

Having worked with our branch, division and subsidiary team members to implement a number of initiatives throughout the year, we were pleased that our efforts were recognised, when the NCB Group was awarded the Top Prize in the Large Business Category, by the Private Sector Organisation of Jamaica (PSOJ) and the Jamaica Customer Service Association (JaCSA) Service Excellence Award. We also won the Category Awards for i) Reward & Recognition and ii) Training & Capacity Building.



Our Operations

cont'd

Some of the initiatives which would have contributed to us being recognised as National Service Champions were:

- Execution of our Customer Service Week of activities in October 2015 under the theme **“Service Excellence: Engaging Our Workforce, Building Jamaica”** to reinforce our commitment to service excellence. Activities included:
 - ▼ Branch visits by Managers/ Executives to interact with staff and customers
 - ▼ Luncheon for Top Service Stars hosted by our Group Managing Director
 - ▼ Daily customer service quotations
 - ▼ Distribution of tokens for all staff members

The Bank was also named one of the Service Ambassadors for Customer Service Week – 2nd to 8th October 2016.

- Implementation of two other elements of our centralised account-servicing model through:
 - i. Establishing a central retail credit queries team, thereby allowing branches to use a direct channel to submit and get responses to customer service requests and queries, such as releasing the lien on a title, rescheduling a loan, adjusting the interest rate on a loan, or verifying the status of a credit card.
 - ii. The roll out of our online account opening option. To support a seamless online banking experience and reduce customers' wait time when they visited our branches to complete the account opening process, we centralized the reference verification to ensure that

most of the activities would be completed prior to the prospective customer coming into the branch.

As a result of these changes, our in-branch team members were able to primarily focus on strengthening relationships with customers, through in-depth discussions aimed at identifying the needs of customers, thus creating opportunities to cross-sell our products and services.

- For additional convenience to our customers and to make it very easy for them to bank on their own time, we extended customer access to 24 hours per day 7 days per week at all our “Bank on the Go” areas. We are also adding new services to our NCB Kiosks. We are currently piloting the processing of requests for manager's cheques and drafts at the NCB Kiosks and we intend to roll this out across the entire network by the end of our new financial year, 2016/2017. This significant enhancement will further empower our customers, as they will have greater control in selecting when they conduct their banking transactions, based on their schedule and availability. Currently, 74 per cent of all routine branch transactions, such as bill payments and cheque deposits, have been migrated to our Intelligent ABMs and Kiosks.

The empowerment, training and development of our NCB team members play an important part of improving our customers' experience. During the year we executed on a number of initiatives to develop our team. We:

- Conducted branch service audits geared towards ensuring that critical service elements are being observed by staff on a daily basis and, where inconsistencies were identified, developed action plans

to remedy them. At present, 94 per cent of our branches scored 89 per cent or higher.

- Developed monthly and mandatory quarterly service tutorials, aimed at building the knowledge base of our staff and reinforcing customer-centric behaviour.
- Administered our bi-annual Customer Satisfaction, Mystery Shopper, and Internal Satisfaction surveys, which provide useful information on the experience of our internal and external customers, in their interactions with our staff and electronic channels.
- Continued our “Fact Friday” series aimed at improving staff know-how about our main processes and procedures that guide customer service. The series enabled us to identify inconsistencies in our practices, which were subsequently addressed, resulting in improved customer service.
- Maintained our focus on the “Kudos Wednesday” programme which recognizes staff who have been commended for high-quality service by customers and/or their peers.

Our Business Lines



RETAIL BANKING DIVISION

DURING THE FINANCIAL YEAR, THE RETAIL BANKING DIVISION (RBD) MAINTAINED ITS FOCUS ON ENHANCING THE OVERALL QUALITY OF SERVICE PROVIDED TO OUR CUSTOMERS,

by strengthening customer relationships and enabling more flexible banking for our customers, through increased access to our electronic channels. This strategy was supported by a greater effort to provide our staff members with the necessary tools and training to better serve our customers while achieving their own professional aspirations.

As such, during the course of the year we implemented the following initiatives:

- Our new Sales & Service Effectiveness programme, which allowed us to improve our key sales process and made it easier to satisfy the needs of our customers in a timely manner. An important part of this programme was the introduction of a new **sales management tool**, which enabled us to track customer transactions at all points during the sales process. It also allowed our team members to better assess customer needs and recommend appropriate solutions while optimising sales opportunities. As a result, our customers experienced easier access to banking solutions across the NCB Group and faster turnaround time.
- We delivered **targeted training** in customer service and professional development to almost 400 tellers, customer

service representatives, relationship officers and managers across the branch network.

- We established a distinct **Multi-Channel Sales Team**, which allowed us to use our customer data to provide them with tailored products and services and, in the process, increase the level of new business generated.
- We increased the number of team members dedicated to customer sales and relationship management and equipped them with the necessary resources to effectively fulfil their roles of providing financial services to our customers.
- Another successful initiative this year was to provide 24-hour access to our Bank on the Go self-service locations in all our branches. This has broadened the various channels through which customers can access our services, at their convenience. This approach also allowed our staff to focus their efforts on building and strengthening customer relationships and the feedback from our customers indicates that they are happy with this change.

The implementation of these initiatives has not only enhanced how we serve our customers across all channels but also resulted in improved business fundamentals for the financial year. For example:

- We were able to meet the general borrowing needs of a larger group of customers as well as provide specialised funding solutions to specific customer segments.

- An increased number of our customers have become more empowered and are now conducting larger volumes of transactions outside the traditional branch channel and banking hours.
- The increase in the amount of time our relationship officers are able to spend with customers discussing and identifying appropriate financial solutions has contributed to the year over year growth in the Division's portfolio of business.



TREASURY & CORRESPONDENT BANKING DIVISION

The Treasury and Correspondent Banking Division (TCBD) has responsibility for the management of liquidity, interest rate and foreign exchange risk, as well as the management of relationships with financial institution clients and foreign correspondent banks. During the 2015/2016 financial year, TCBD contributed 25% of NCB's operating profit.

RELATIONSHIP MANAGEMENT

TCBD's dedicated relationship management team provides commercial banking products and services, including cash management, international trade solutions, deposits, credit facilities as well as domestic and cross-border payments.

As de-risking by correspondent banks increased globally, TCBD ensured that NCB's customers had access to cross-border payment products and

Our Business Lines

cont'd

services, through a network of 11 international correspondent banks, which facilitated the settlement of transactions in multiple currencies. Maintenance of these relationships has been achieved by leveraging NCB's Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) framework, while consistently maintaining compliance with international standards; and our swift responses to queries, provide the necessary assurances to our correspondent banking partners.

Aligning with the Group's strategy to transfer paper based transactions to electronic channels; TCBD strengthened the pace of digitisation and intensified efforts to migrate customer transactions to electronic banking platforms; allowing customers to enjoy enhanced efficiency, greater convenience and heightened payment security.

In May 2016, the Bank of Jamaica (BOJ) reduced the threshold for the processing of cheques in Automated Clearing House (ACH) from \$2 million to \$1 million. TCBD has worked closely with NCB's institutional clients to facilitate the moving of their large-value transactions from the ACH to the Real Time Gross Settlement (RTGS) platform, thereby reducing associated risks.

LIQUIDITY AND FUNDING ACTIVITIES

In the 2015/2016 financial year, TCBD strengthened NCB's funding structure by raising appropriate funding to support the growth of NCB's balance sheet. The domestic market conditions improved, resulting in higher levels of liquidity compared to the 2014/2015 financial year.

In keeping with international best practices, the Division also implemented new liquidity risk-management tools, which enhanced NCB's liquidity-management

framework, and was vigilant in ensuring we met all our commercial and prudential obligations.

FOREIGN EXCHANGE SERVICES

NCB's Treasury has maintained a strong presence in the financial market, utilising both sector expertise and product offerings to execute a comprehensive range of foreign exchange (FX) services.

Through the Division, NCB advised on and executed a number of transformational FX transactions, including mergers and acquisitions as well as structured transactions with local, regional and global clients. Even while the Jamaican Dollar was negatively impacted by periods of volatility, NCB was able to satisfy the FX requirements of its customers for over US\$1.4 billion.



PAYMENT SERVICES UNIT

CORE BUSINESS STRATEGY

The primary mandate of the Payment Services Unit is to improve the efficiency of and further expand the range of payment options available to our customers - cardholders and merchants. A fundamental part of this strategy is the introduction of mobile/digital technologies, as we seek to further leverage the use of innovation to enhance our customer experience and provide them with greater value. To achieve this, the Unit has kept current with global technological advances and delivered on its practice of providing cutting-edge digital technology to deliver fast, efficient and affordable payment solutions.

Fundamental to the strategy was the focus on maximising all payments opportunities and the conversion of cash payments to electronic, by providing multiple solutions across convenient electronic channels. Some of the other components of this strategy included: improving terminals acquired by merchants, optimising pricing to merchants, marketing card ownership to NCB customers, streamlining card portfolios, developing co-branded partnerships and establishing customer lifecycle management.

KEY PERFORMANCE INDICATORS

Importantly, we saw positive growth in the key performance drivers of our business, namely, cardholder purchases, merchant sales, new card sales and merchant account receivables, when compared to the 2014/2015 financial year.

KEY SUCCESSES

Some of our key successes include:

1. Launch of Quisk Mobile

Money: Quisk, a first to the Jamaican market, is a Mobile Money solution that enables banking transactions via any mobile phone. This innovative solution integrates with the merchant's existing Point of Sale (POS) system to offer customers an alternative way to pay. Customers are able to pay bills and transfer funds without a debit or credit card.

2. Co-branded Partnerships:

We have forged strategic relationships with organisations to provide sustainable financial solutions, which foster business growth. Our first such partnership resulted in increased sales volumes and continued reflecting strong growth over the 2015/2016 financial year.

For the 2016/2017 financial year, we expect to expand these partnerships in several other areas.

3. NCB Credit Card Instalment Programme:

This solution allows customers to use their credit card to make purchases at selected merchants, and repay in fixed monthly instalments. Each purchase comes with an agreed interest rate and repayment period. The minimum purchase amount is \$100,000.00, with a minimum repayment period of three months. The minimum interest rate being offered is 0%.

4. NCB KeyCard Visa Debit:

Our customers have eagerly been awaiting the launch of our Keycard Visa Debit solution that will provide added convenience and options, while shopping locally or overseas. The Keycard Visa debit card will eventually replace the NCB Midas Card.

Other major initiatives for this year included execution on our direct marketing programmes to further bolster card and merchant acquisition, as well as the introduction of new terminals, which increased efficiency and afforded multiple transaction points for our cardholders. The following campaigns and marketing initiatives were also implemented over the financial year under review: Rio Visa Olympics, Copa America with MasterCard, where cardholders received the opportunity to win trips to enjoy the games. Other initiatives such as Observer Takes Style Out, encouraged card sales. To engage our partners and potential partners, activities such as our Merchant Fraud Seminar and eCommerce Summit were also held.

FINANCIAL YEAR 2016-2017 INITIATIVES

As we move forward, innovation, sales and customer lifecycle management are our major priorities and we have established initiatives that will aid in these efforts:

- **Mobile Point of Sale (MPOS)** will facilitate payments for small ticket, high volume segments via a mobile device.
- **Europay, MasterCard and Visa (EMV) Chip Technology** will improve efficiency and increase customer and merchant protection against fraud.
- **PRIME 4 added functionality** will add functionalities, such as: account level pricing, balance transfers, periodic cash-back management, payment holiday and recurring payments.
- **3-D secure feature** will improve security for cardholders conducting transactions online.
- **Expansion of multi-channel sales** will bolster cards acquisition via e-mail, external sales and other channels.
- **Further build-out of our partnership programme** will expand our relationships with our corporate clients.
- **Integrated POS Solutions** will combine processing of cards with merchant back-end systems.
- **Internet banking upgrades** will provide improved security on our internet banking platform.
- **Cardholder and merchant retention and education programmes** will widen our outreach to customers and merchants.



**CORPORATE
BANKING DIVISION**

During the financial year, the Corporate Banking Division (CBD) reflected good performance in the key areas of loan and deposit growth. Fee income surged as CBD realised significant growth in the volume of corporate syndications, both in local currency and in United States dollars. This growth was against the background of a stable macro-economy, increased investors' confidence and foreign direct investment in the energy and tourism sectors. This uptick in fee income growth, coupled with the expansion in the loan portfolio, were key contributors to the strong growth in operating profitability.

The overall portfolio quality improved as we realized the recovery of a large non-performing asset.

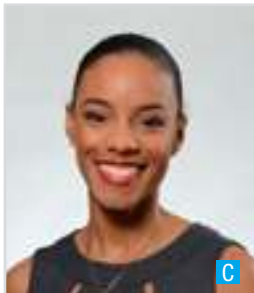
For the next financial year, we will:

- Continue to invest in our people as we strive to leverage, even further, their capability to offer unique financial services to our clients and to improve the efficiency with which we execute transactions;
- Employ additional technology to automate a number of key internal processes; and
- Continue our focus on key sectors such as energy, tourism, agro-industry, logistics, infrastructure & development, which are vital to the overall growth of the local economy.

Our Subsidiaries

MD&A cont'd

NCB Capital Markets Limited



NCB CAPITAL MARKETS LIMITED (NCBCM) CONTINUED TO EXECUTE ON INITIATIVES AIMED AT PROVIDING OUR CUSTOMERS WITH NEW VALUE ADDED PRODUCTS AND SERVICES, IMPROVING OUR PROCESSES, BUILDING OUT OUR PRESENCE IN EXISTING REGIONAL MARKETS AND EXPLORING NEW MARKET OPPORTUNITIES.

To achieve this, a number of initiatives were undertaken:

TECHNOLOGICAL IMPROVEMENT

In December 2015, we upgraded the platform for our core application and migrated the application to NCB's Tier III Data & Disaster Recovery Centre. This has virtually eliminated system downtime and resulted in improved customer experience through reduced wait times. The upgrade was a significant first step in a series of enhancements that are geared towards improving our technological capabilities to increase the efficiency of our operations and enhance customer experience. The benefits of the upgrade include:

- (i) improved performance and stability of the core application,
- (ii) enhanced IT-Architecture which facilitates improved security measures and
- (iii) improved disaster recovery measures.


NEW WEALTH MANAGEMENT PRODUCTS

Improving customer satisfaction through a better service experience and greater variety of investment offerings was a major focus. NCBCM launched CAPLoan, a new asset based loan product secured by investments in our unit trust suite of funds – NCBCAPFunds. Notably, Funds Under Management for NCBCAPFunds grew significantly during the financial year, allowing NCBCM to become the second largest unit trust fund manager, and

A STEVEN GOODEN, CEO **B ANYA WALKER**, AVP, Strategy, Research & Projects **C TRACY-ANN SPENCE**, AVP, Investments **D HERBERT HALL**, AVP, Investment Banking **E PHILLIP HARRISON**, Managing Director, NCB (Cayman) Ltd & NCB Capital Markets (Cayman) Ltd. **F ANGUS YOUNG**, CEO, NCB Global Finance Ltd. **G WARRICK WARD**, CEO, NCB Capital Markets (Barbados) Ltd.

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To provide Small and Medium Enterprise (SME) clients with additional capital financing solutions, NCBCM has partnered with NCB's Retail Banking Division through the Business Banker Initiative. This initiative aims to provide our SMEs with access to non-traditional financing options, such as equity financing via Public Listing through IPOs, as well as Private Equity investment and alternative debt solutions. SMEs will benefit from our expertise in financial analysis by receiving advice on reengineering their balance sheets and improving business performance.

REGIONAL EXPANSION

We continued to build out our wealth management hub in Cayman, roll out our operations in Barbados and add new business lines in Trinidad and Tobago. NCB Capital Markets (Barbados) Limited had its official launch on March 4, 2016. The company has spent the year recruiting key resources, and developing new policies and processes to support the rollout and growth of its business lines. We implemented new systems and processes and hired key resources in NCB Capital Markets (Cayman) as we continued to execute on our strategy to position the company as our offshore wealth management hub. Our clients

can now access a wide range of global assets and asset classes through the company.

In NCB Global Finance (NCBGF), the focus on business development and boosting asset yields bore fruit and the company was able to significantly grow its balance sheet and bottom line earnings. On January 7, 2016, NCBGF obtained approval of its broker dealer license from the Trinidad & Tobago Securities Exchange Commission which allows it to act as underwriter, broker/dealer and investment adviser.

During the 2016-17 financial year, expanding our regional footprint while cementing our position in our existing markets will continue to be one of our main areas of focus. Our customers can expect new service channels and continued product diversity as we seek to improve the efficiency of our operations, help them grow their wealth supported by a unique service experience.

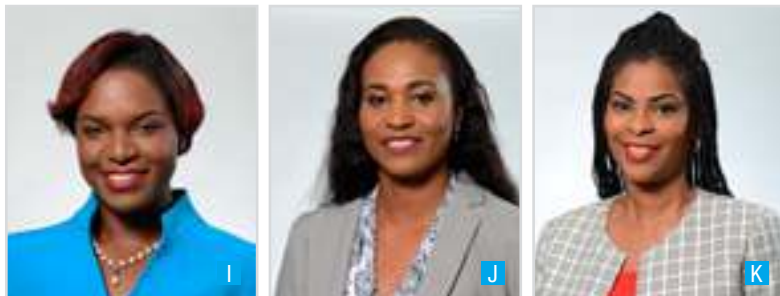
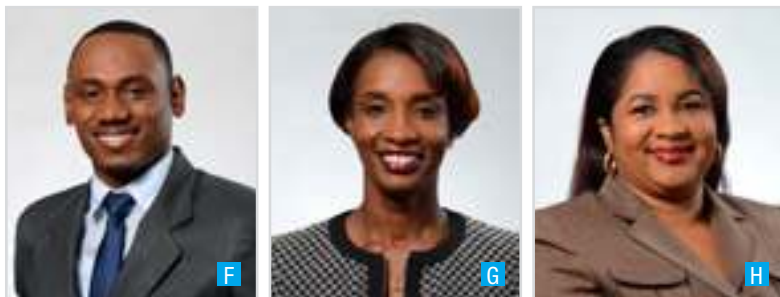
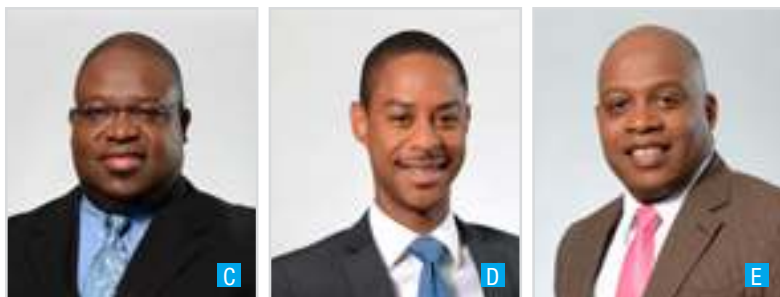
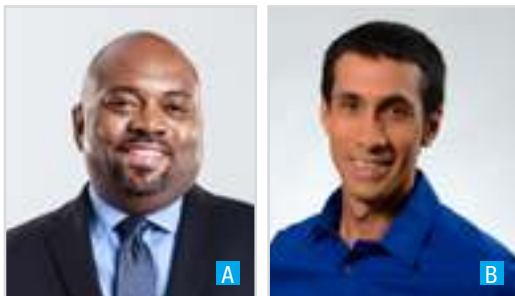
serves as a testament of the value that we are creating for clients through the product. For both our retail and corporate clientele, we provided a variety of new global bond offerings, private placements from issuers across the region, and notes from our structured products desk.

The opening of NCB's Wealth Centre (126 Constant Spring Road) allowed us to centralise our services to our high net worth client segment, while allowing them to access all the services of the NCB Group from a single location. This initiative has allowed us to be more competitive in this client segment, giving our clients a substantially improved service experience. We have created synergies in the Private Clients space for both NCBCM and Private Banking and have taken a more collaborative approach to client visits and on boarding of new clients, which enabled significant growth in both our assets under management and the number of clients in the segment.

Our Subsidiaries

cont'd

NCB Insurance Company Limited



NCB INSURANCE COMPANY LIMITED (NCBIC) IS SET TO ENJOY ITS STRONGEST PROFIT OUT-TURN IN HISTORY.

For the financial year under review, we embarked on various strategies geared towards bringing even greater value to our clients. This included the introduction of new features to existing products, improved internal processes and infrastructure, as well as the strengthening of our sales force capacity and capability.

PRODUCT PORTFOLIO EXPANSION AND GROWTH

- ▶ In October 2015, we upgraded our creditor life product for loans, which saw our customers receiving additional benefits on critical illness coverage and joint coverage options. As at August 2016, Creditor Life on Loans premium increased by approximately 90% over the same period last year. Our revenues via this product have increased by 75%, when compared to the 2014/2015 financial year.
- ▶ We enhanced our ProCare and ProVision products, providing higher coverage via our protection policies. Our critical illness plan, ProCare, was increased from \$3 million to a maximum of \$5 million, while our accident protection plan, ProVision, was increased from \$1 million to \$4 million. Launched in our 3rd quarter, these enhanced products were followed by an increase of 116% in protection policies (after three weeks of

A VERNON JAMES, Managing Director & CEO **B** ANDRE HO LUNG, Senior Assistant General Manager - Group Finance **C** ANTONIO SPENCE, Assistant General Manager - Individual Line Sales & Retention **D** CHRISTOPHER VENDRYES, Sales Manager **E** DESMOND JOHNSON, Business Development Manager - Group Business **F** ANDRE BROWN, Investment Manager **G** GEORGIA WRIGHT, Product Development & Projects Manager **H** MARSHA CLARKE-BRUCE, Regional Manager - Region 2, Individual Line **I** ANNETONETTE COWAN-PALMER, Regional Manager - Region 1, Individual Line **J** NICHOLA KING, Manager - Underwriting and New Business **K** MAXINE CLARKE, Finance Manager

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NCB INSURANCE COMPANY LIMITED



For the 2016/2017 financial year, the conservation rate for the Individual Line is expected to increase to 89%, while the Group Line should remain at 100%. The lapse rate is expected to gradually improve, and ultimately get to 9% within the next three years.

BUILDING SALES TEAM CAPABILITY AND CLOSE PERFORMANCE MANAGEMENT

Our objective to ensure that 80% of our advisors achieved 80% of their target in cases, protection premiums and total premiums, was a primary focus for the Individual Sales team. This effort resulted in 86% of the team achieving in excess of 80% in protection premiums and 57% achieved greater than 80% of target in total premium while 50% achieving 80% of target in cases. Notwithstanding, the advisors performed credibly and this reflected in the number of advisors (25) who qualified for the 2016 Million Dollar Round Table (MDRT) Conference, which was held in Canada.

Similarly, the performance of our Corporate Officers, on the Group Line of the business, was significant, as four of the five officers qualified for the 2016 MDRT Conference, with two officers achieving the even more prestigious Court of the Table.

launch), moving from an average of \$22.2 million per month to approximately \$41 million per month. They are currently the highest coverage instant issue protection products in the industry. Since the launch of the increased coverage, premiums have increased by approximately 85% for both products.

Our new business protection premium revenues jumped 59% when compared to the prior financial year.

JOINT SERVICING TEAM

We introduced a joint servicing team, in the first quarter of the 2015/2016 financial year, which has now been fully integrated into the operations of the company. This has allowed the sales team to maximise its sales efforts by focusing 80% of its time on sales and 20% on servicing; this is in alignment with the Sales and Service Model. In prior years, the sales team's effort was based on a 60% (sales)/ 40% (servicing) split. Our joint servicing team, coupled with our collection agents, prevented 17,812 policies from lapsing; \$183.08 million in premiums were collected, representing 83% of our target, while 1727 policies were reinstated during the period January-August 2016. Collectively, with the efforts of the Joint Servicing and Collection teams as well as the improvement in policies sold, the lapse rate was reduced from 19.07% in October 2015 to 14.80% in August 2016.

INTERNAL PROCESSES AND INFRASTRUCTURE IMPROVEMENTS/UPGRADE

Our PX3000 Pension Portal Installation Project will see our pension fund members having access to current information on their pension accounts. This implementation will improve our administrative processes, as a result of the self-serve feature of the portal which will allow the member to validate information added at the point of entry. This will increase our competitiveness in the pensions market.

INDUSTRY RECOGNITION

This year, NCBIC received the World Finance Pension Funds Award 2016. In addition, the business retained a B-rating from A.M. Best, re-affirming our financial stability within the insurance industry.

OUTLOOK: FUTURE BUSINESS PLANS

During the 2016/2017 financial year, we will continue to pursue initiatives to improve customer experience and optimise efficiency. Regional expansion, to diversify revenue streams, as well as new and enhanced products and services, will continue to be a major theme for this period.

Our Subsidiaries

cont'd

Advantage General Insurance Company Limited

OVER THE PERIOD UNDER REVIEW, THE GENERAL INSURANCE INDUSTRY EXPERIENCED OVERALL NEGATIVE PERFORMANCE COMPARED TO THE PRIOR YEAR.

This can be attributed to a drop in premium rates as well as an increase in claims expense, much of it resulting from fraudulent activity. The Industry Loss Ratio was 63% compared to 55% in the prior year and the Combined Ratio deteriorated to 102% from 98% over the same period.

Advantage General Insurance Company Limited (AGIC), however, continues to be the outlier, producing record profits in an industry with increasingly adverse underwriting performances as well as maintaining our position as the leading motor insurance provider. While industry claims experience deteriorated, AGIC's improved. The Company's solvency remains strong, significantly exceeding regulatory requirements, while actively demonstrating the motto: "Our reliability is your peace of mind".

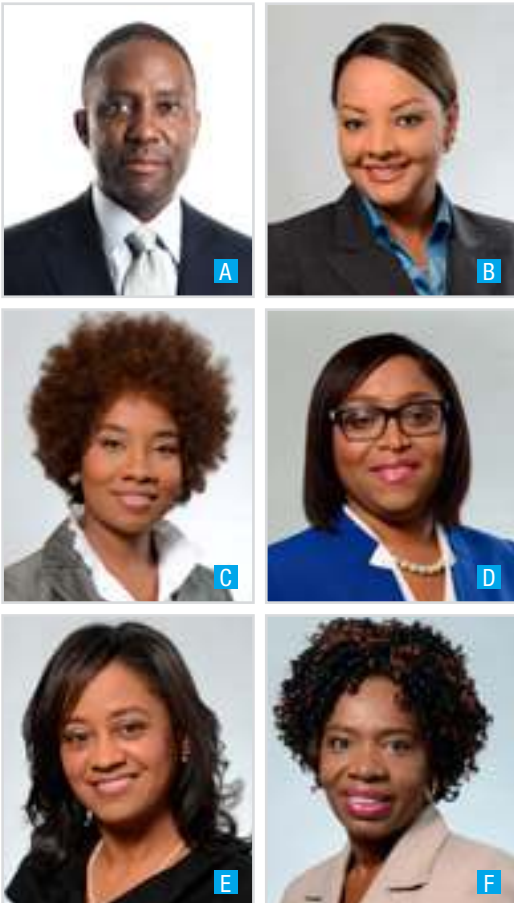
CONTINUED FOCUS ON MOTOR PORTFOLIO

In an effort to sustain profitability, while managing our underwriting margins, we have maintained a focus on personal lines business and continued to rationalise the motor portfolio, reducing exposure to high risk motor segments. Though this has resulted in minimal growth in gross premium, there has been significant decline in incurred claims over the last three years with this trend continuing in the current period.

INCREASING CUSTOMER VALUE

Given that most of our motor portfolio is managed through our branch network and agents, a Referral Discount programme, which was launched in 2015, was retooled to leverage our market position. Under this programme, our direct customers benefit from discounts on their policy, as each new customer referred receives a 5% discount; while the existing customer, who referred the new customer, also receives the dollar value equivalent to 5% discount.

The programme realised a year-over-year volume increase, which we look to maintain in the 2016/2017 financial year.



A MARK THOMPSON, President & CEO **B** RUTH CUMMINGS, Vice-President, Channel Management and Underwriting **C** ODIA REID CLARKE, Vice President, Claims **D** SHALA DINALD, Finance Manager **E** STEPHANIE NEITA, Company Secretary and Compliance Manager **F** ADINA BRYSON, Underwriting Manager

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Black River | Christiana | Duke Street | Mandeville | May Pen | Montego Bay
New Kingston | Ocho Rios | Port Antonio | Portmore | Savanna-La-Mar

National Commercial Bank | NCB Capital Markets Limited | NCB Insurance Company Limited | NCB (Cayman) Limited
Advantage General Insurance Company Limited | NCB Global Finance Limited | N.C.B. Foundation



A member of the NCB Group of Companies

ENHANCED TECHNOLOGICAL INFRASTRUCTURE

During the last quarter of the financial year, we upgraded our core business technology - Underwriter™, in order to improve processing time and to implement a seamless interface with other software initiatives and workflow solutions, scheduled for implementation in the new financial year.

Additionally, we enhanced our online “Quote and Buy” portal to facilitate the online acquisition of motor vehicle policies. We have realised significant traction in quotations done and payments from this channel.

IMPROVED EFFICIENCY

Our on-going restructuring of the claims management framework has improved the quality of our underwritten policies and accelerated the settlement of claims. New claims reduced by 18 per cent while claims expense reduced by 11 per cent because of reduced levels of bodily injury claims. Overall, we experienced a 16 per cent reduction in open claims.

Similarly, a multi-year auto product was launched that is tied to motor loans issued through NCB. The major feature of this product is a flat premium payable over the life of the loan, depending on the value of the vehicle insured. This product provides customers with the option to pay their annual premium in 12 instalments; the result is customers who derive greater value through reduced upfront costs.

DIVERSIFYING OUR OFFERINGS

To continue diversifying our portfolio, however, we have maintained our push to build the non-motor business in a market experiencing material compression in property rates. The decline in rates for commercial property business has been precipitous, in many cases falling at a faster rate than that of the residential property business. Nonetheless, at the end of the current period under review, we realised a 64% increase in property aggregates.

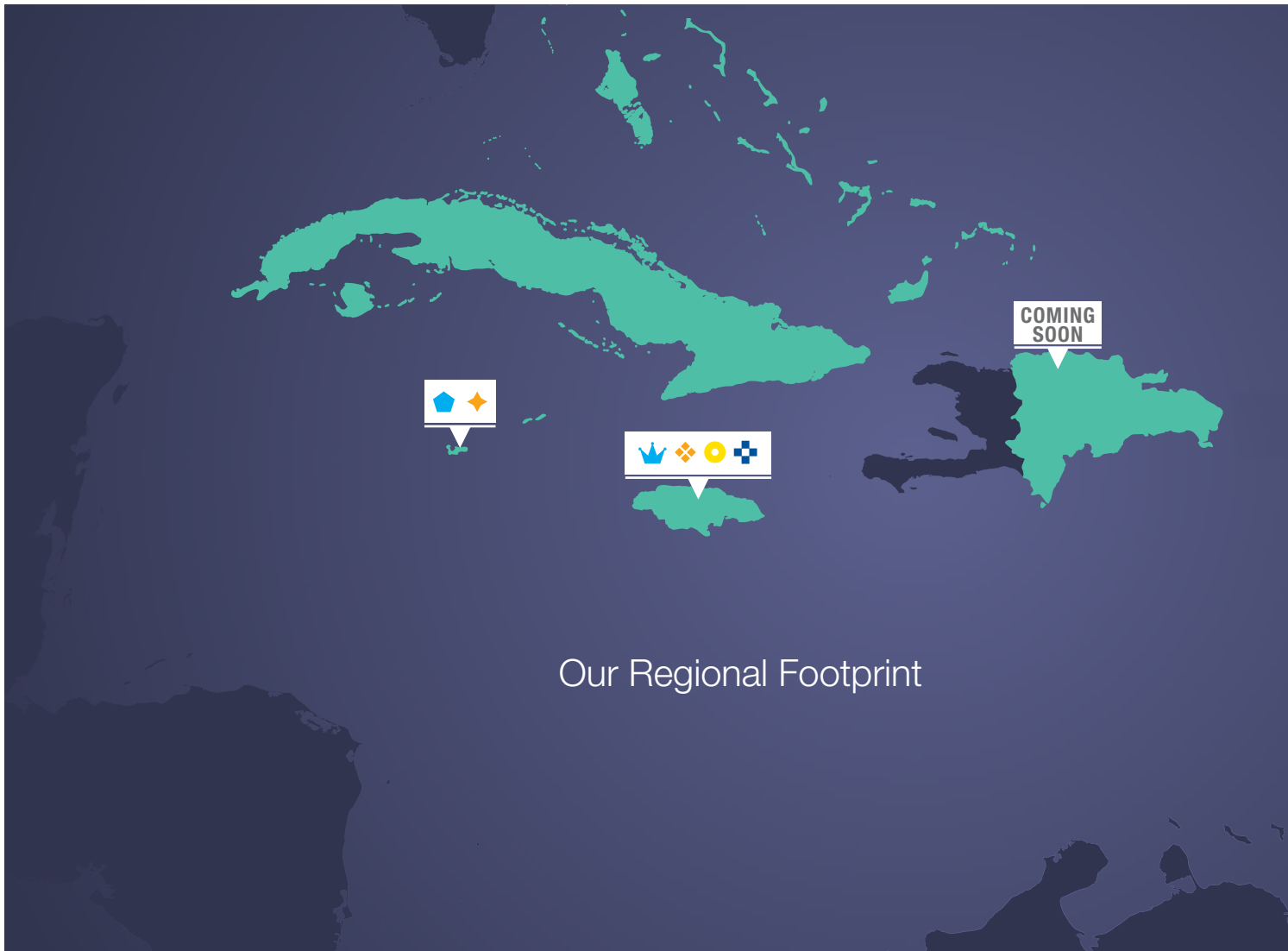
OUTLOOK

In the 2016/2017 financial year, AGIC will focus on a digitisation strategy through which we aim to improve service delivery by enhancing our online and mobile capabilities. We are also determined to improve the customer experience and optimise efficiency, by extending the hours of service and activities of the Telebranch. Additionally, we will implement the automation of many processes.

Similarly, we will focus on optimising Group synergies which will be complemented by the leveraging of the Insured Vehicle Information System (IVIS), an industry database of insured vehicles, which will improve our processing of claims and reduce the number of fraudulent claims. We will also continue our search for innovative options to maximise returns on investments, within the framework of the Insurance Act and Regulations, 2001. Finally, we will maintain our focus on underwriting profitability and providing first class customer service.

▶ Our Regional Offices

MD&A cont'd



Our Regional Footprint

NCB (Cayman) Limited

NCB (CAYMAN) LIMITED PROVIDES INTERNATIONAL BANKING, PRIVATE BANKING AND WEALTH MANAGEMENT SERVICES TO INDIVIDUALS AND CORPORATE CLIENTS. THE ENTITY IS BASED IN THE CAYMAN ISLANDS AND IS REGULATED BY THE CAYMAN ISLANDS MONETARY AUTHORITY.

For the financial year, several initiatives were introduced and implemented, which primarily sought to enhance customer experience.









INTRODUCED INTERNET BANKING SERVICES

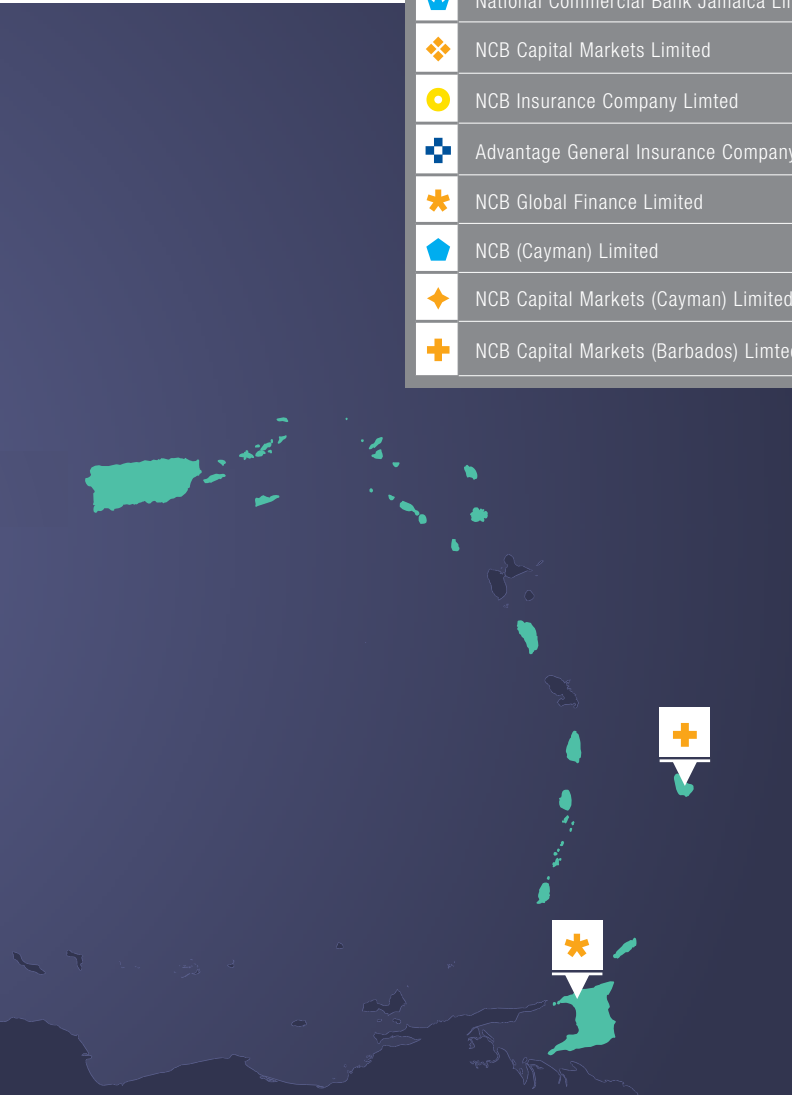
The implementation of our online banking portal allowed us to provide our customers the flexibility to conduct transactions online, at their own convenience. For our employees, this meant more time to focus on value-added activities, which is inextricably linked to customer experience.

EMPLOYEE INCENTIVISED BUSINESS INITIATIVES

Additionally, **Corporate Lending** increased loan revenues giving customers access to lower-cost funding. Employees were also incentivised based on the number of deals closed and the associated revenue inflows.

Investment Advisory Services helped to further enhance NCB Cayman's offerings. The customer base domiciled on the island can now benefit from our expertise in portfolio management and investment

	National Commercial Bank Jamaica Limited
	NCB Capital Markets Limited
	NCB Insurance Company Limited
	Advantage General Insurance Company
	NCB Global Finance Limited
	NCB (Cayman) Limited
	NCB Capital Markets (Cayman) Limited
	NCB Capital Markets (Barbados) Limited



NCB Global Finance Limited

NCB GLOBAL FINANCE LIMITED (NCBGF) IS A NON-BANK FINANCIAL ENTITY BASED IN TRINIDAD AND TOBAGO AND REGULATED BY THE CENTRAL BANK OF TRINIDAD AND TOBAGO.

Its primary offerings include, retail, corporate and investment banking services, in addition to accepting fixed deposits and being a licensed foreign exchange (FX) dealer.

As part of its core mandate, NCBGF maintains its focus on improving shareholder value by asset growth and maximising foreign exchange (FX) opportunities in the market. The financial year also saw greater emphasis being placed on brand recognition and corporate profile building. The following initiatives were undertaken:

INFORMATION TECHNOLOGY UPGRADE

Rounding off a successful year, we ushered in an Information Technology Upgrade on investments and leases. This exercise facilitated efficient service delivery to customers while allowing employees to become even more productive as a result of the automation of processes and job functions becoming more streamlined. Additionally, this led to further improvement in our processing and record keeping, producing improved data management and portfolio knowledge. In so doing, we encouraged better managerial decision-making.

advice. Additionally, our employees received incentives based on targets set under management and fee income.

We brought into action the **Market Making and Arranging Services**, allowing NCB Cayman to receive an increase in trading fees, while customers benefitted from competitive pricing on their bonds. Employees were again rewarded through incentives based on achievement of trading fee targets.

Together these initiatives increased the net profits of NCB Cayman by 63 per cent in year-over-year performance. We anticipate that this trend will continue, resulting in significant growth in wealth management and international banking services.

Additionally, subject to regulatory approval, NCB Cayman expects to roll out Trust and Corporate Services in the new financial year.

Our Regional Offices

cont'd

INCREASING CUSTOMER VALUE

To further increase value to our customers, we developed a FX/Fixed Deposit Cross-Selling Strategy, where access to foreign currency was prioritised, based on the volume of liquidity maintained on a Fixed Deposit account. Customers benefited in two ways, as they received a generous return on their fixed deposit and access to FX.

Similarly, our Promotion of Invoice Factoring was favourably received by our customers. This programme entailed us purchasing invoices from firms which held receivables from the Government of Trinidad and Tobago (GOTT) or bodies of the GOTT, and providing them with immediate access to cash.

These programmes have further positioned us as having a good reputation for providing specialised offerings.

EMPLOYEE DEVELOPMENT

By increasing our staff complement in key areas, we increased our market share and strengthened awareness of our brand, while we improved our customer service. We invested in the career development of our employees.

We also recognised that there was opportunity to establish a new financial relationship with our network of customers by providing them with personalised attention and so we capitalised on this through our Brand Recognition and Corporate Profile Building initiative. In so doing, we reduced the risk of resistance to our marketing objectives and gave our employees reason to be proud of their association with the NCB brand.

These initiatives contributed immensely to NCBGF's increased profitability, widening of our funding base, expansion of our customer base, achievement of brand acceptance and development of our brand identity.

NCBGF will continue to build shareholder value while maximising opportunities in the FX and securities trading markets.

NCB Capital Markets (Barbados) Limited

AS PART OF THE NCB GROUP'S STRATEGY TO DIVERSIFY AND GROW REVENUES THROUGH REGIONAL EXPANSION, NCB CAPITAL MARKETS LIMITED (NCBCM) ESTABLISHED A SUBSIDIARY IN BARBADOS.

NCB Capital Markets (Barbados) Limited (NCBCMBL), which was incorporated in May 2015, was granted a securities broker-dealer license by the Financial Services Commission (FSC) in September 2015.

Our mandate is to build market awareness and derive shareholder value by focusing on growing our asset base while maximising all opportunities in the securities trading, capital markets, wealth and management areas. It is anticipated that we will provide new opportunities to the NCB Group revenue streams.

Through the employment of the "hub and spoke" model NCBCMBL serves as an investment banking hub for the Eastern Caribbean, serving Barbados and the Organisation of Eastern Caribbean States (OECS) countries, targeting central government, government-owned companies, and medium to large corporates. Some of our services include structuring and arranger services, as well as private and public placement of debt and equity securities. Additionally, our plans 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. We will also seek to provide asset management services to institutional clients, such as pension funds.

246-622-1874 | www.ncbcapitalmarkets.com

Expertise TAILORED to your needs

NCB Capital Market (Barbados) Limited is built on over 175 years of performance in investment banking, wealth and asset management.

Reap the benefits of our experience as a well-established wealth-building regional institution. Let our expert team help you position your portfolio and business for growth.

Leveraging our **Expertise & Reach** to serve you.

Vista Complex Worthing, Christ Church Barbados
T. 1 (246) 622-1874 | F. 1 (246) 622-1875 | I. 1 (246) 622-1823

NCB CAPITAL MARKETS
(BARBADOS) LIMITED

NCB Capital Markets Limited | NCB Insurance Company Limited | NCB (Cayman) Limited
NCB Capital Markets (Cayman) Limited | NCB Global Finance Limited

In this financial year, our focus was primarily on developing the largely 'greenfield' operation in the corporate banking 'space', while building the frameworks and navigating the regulatory environment for the asset management and wealth management businesses. This process has largely been focused towards further enhancing the framework for securing investment banking/corporate finance business, and building operations support infrastructure for the various business lines that are necessary to support NCBCMB's projected growth rate towards 2020.

Towards the end of the year, the staff complement was in the process of being boosted by the addition of a Trader and a Business Development Manager, enabling us to more adequately service specific target groups, in the areas of institutional asset and wealth management, and

some aspects of individual wealth management. We are also creating capacity primarily targeting two main areas of activity: (1) Wealth Management and (2) Corporate and Investment Banking; this is while capitalising on the resources and expertise available within the NCB Group to offer asset management services and in so doing, we will offer our customers a greater value proposition largely derived from collaboration with the wider team.

For the period under review, NCBCMB returned a net profit of US\$10.0 million, largely resulting from net interest income (US\$5.6 million) derived from products sold to HNW individuals and institutions.

BUSINESS OUTLOOK

For the 2016/2017 financial year, there will be significant opportunity for NCBCMB to benefit from the ensuing environment. De-risking by traditional international funding sources throughout the region, the removal of the deposit floor in Barbados (which now allows each bank to set the interest rates on deposit accounts based on their own liquidity position and their view of the liquidity within the system) and the need for innovative funding solutions for the Government and parastatals all present key opportunities for the growth of the entity.

Also, given the 'plain vanilla' types of products that are in the market, the newness of NCBCMB and its push to provide diversity to the market may lead to the attainment of the targets at a pace quicker than originally anticipated. Key risks, however, remain in an economic environment that, though improving, has not yet returned to a firm footing. The team will remain focused on boosting brand recognition and corporate profile building; streamlining operations and the attendant frameworks; enhancing corporate and investment banking strategies; seeking out multiple fundraising sources and building out the asset and wealth management offerings. From both an investment banking and wealth management perspective, we will seek to further expand our network throughout the Eastern Caribbean at a solid and measured pace.

THE GROUP HUMAN RESOURCES AND FACILITIES DIVISION CONTINUES TO ENSURE THAT THERE IS SYNERGY BETWEEN THE ORGANISATION'S STRATEGIC IMPERATIVES AND THE HUMAN CAPITAL STRATEGY AND THIS YEAR WE PLACED PARTICULAR EMPHASIS ON ENSURING OUR INITIATIVES SUPPORTED OUR REGIONAL EXPANSION AGENDA.



As part of our fit for purpose human resource strategy, we focused on developing the capacity and the capabilities of our employees through initiatives such as diversity management, talent management, innovation, employee engagement and organisation change management. We enhanced the recruitment and selection process and virtual orientation programme and delivered learning interventions intended to provide the competencies required to execute our business mandate. Recognising the integral role of innovation to business regeneration and sustainability, we launched our inaugural Innovation Internship Programme.

LEARNING & DEVELOPMENT

The Global Human Capital Trends 2016 Report alludes to the fact that high performing organisations are adopting new mind-sets and fundamentally rethinking what “learning” and “development” means in the context of their businesses. Our learning and development platform focuses on building high performance teams through programmes and courses that support an ever-evolving global environment. As a learning organisation, our development initiatives are aligned to the growth pillars of the business and

have strengthened our employee capabilities through the following key areas:

- Continuation of our leadership development programmes which utilise an encompassing suite of practical and engaging methodologies aimed at improving business acumen, critical thinking and analytical skills. Our development efforts extended to partnerships with several external bodies, including the Mona School of Business and Management.
- The hosting of our first Diversity Management Seminar in support of our regional expansion agenda. NCB believes that diversity and inclusion are key drivers of creativity and innovation and that it is important for our people to be equipped with the knowledge required to capitalise on growth and expansion opportunities in the marketplace.
- The development of our sales teams to provide wealth creation opportunities for our customers through the launch of two new cohorts of the Wealth Management Programme, the execution of the Sales Immersion

training and an enhanced Sales Excellence programme for new and existing sales teams.

In keeping with our Digitisation agenda, the Corporate Learning Campus commenced the development of digital learning strategies to enhance the learning experience and provide access to courses across the region. We introduced gamification in our eCourses and will continue this initiative with “On Demand” learning interventions that provide interactive and engaging courses using the digital platform. Our eCampus learning suite was expanded to incorporate product knowledge eCourses and a Payment Services eCourse category intended to support the Payments Innovation strategic imperative and enhance the product/service knowledge of our employees.

TALENT MANAGEMENT

We sought to further deliver on our objective of providing a value-generating and integrated talent management function.

Key initiatives included the enhancement of the on-boarding process to include the integration of job specific training by mapping position competencies to existing

training courses and the introduction of assessments in the recruitment and selection process. These enhancements are geared towards improving talent acquisition and increasing new recruit readiness for their role.

The competency based talent development framework (TalentED) was promulgated across the enterprise, allowing employees to assess their competencies and match them against various jobs in the organisation, thereby supporting:

- a) Identification of current business requirements (competencies)
- b) Identification of our employee talent across the organisation
- c) Identification of talent gaps and cognitive surplus
- d) Creation of strategies to drive our human capital development

This was also integrated into Professional Development Plan (PDP) software that is aligned to the competency framework. This, along with the Performance Improvement Planning (PIP) framework, has been used to further develop our employees and facilitate optimal performance.

INNOVATION

During the year we focused on building an innovation infrastructure that encouraged stakeholder involvement and partnership while continuing to inculcate a culture of innovation across NCB.

During the year we engaged customers across varying backgrounds and business leaders from diverse industries and sectors to generate suggestions on how to improve our service delivery and gain insight on their expectations for the future of financial services. In an effort to improve accessibility to external

stakeholders, a Customer Innovation Portal was recently added to our website - www.jncb.com.

Strategic ideation is important in charting the way forward and to ensure alignment in this regard, Dr. Darin Eich, Global Innovation Culture Facilitator, author and the founder of Innovation Learning LLC, was engaged to conduct a workshop with the senior management/executive team. He also delivered an innovation keynote address, which was streamed live across the enterprise.

In addition, we successfully hosted our inaugural Innovation Internship Programme in which fifteen local and overseas university students were selected from a pool of over 1,000 applicants to participate in a series of sessions aimed at identifying innovative product and service solutions. Ultimately, over 500 ideas were generated which will be evaluated to determine business value and viability.

POSITIVE EMPLOYEE CLIMATE

Our belief is that sustained high performance occurs when an employee is able to balance pursuit of his/her individual interests with the requirements of the job.

During this financial year, our efforts to mobilise our organisational health framework involved:

- Sharing our Transformation Readiness Playbook with key stakeholders for them to cascade to their teams.
- Facilitating an organisational health and engagement workshop targeting all engagement officers and change champions.
- Ensuring that change management plans were developed and operationalised to support each major

organisational initiative so that employees would get the requisite support to adapt to and excel within the change. This was extended to sharing a monthly change management information series and providing staff with a monthly status update on change management initiatives.

- Working with each business line to ensure an understanding of the engagement issues unique to the business line and monitoring the implementation of identified strategies to address the concerns.

As part of our wellness strategy to promote a healthy and engaged workforce while minimising business risk, we conducted two Workplace Wellness Expos to inform and educate our employees on better life options. We continued our partnerships with various health organisations to conduct health and wellness checks and knowledge sessions. We believe that fostering an open and trusting environment, characterised by transformational leadership, collaboration, willingness to take risks and the associated tolerance for failure, is essential for the release of employee discretionary effort - a vital ingredient for generating and maintaining optimal levels of financial and operating business success.

Our Communities

MD&A cont'd

THE DOUBLE BOTTOM-LINE
PHILOSOPHY OF DOING WELL
AND DOING GOOD HAS LONG
BEEN A PRACTISED THINKING
OF NATIONAL COMMERCIAL
BANK JAMAICA LIMITED (NCB).

As the organisation evolves, the recognition of supporting the communities in which we serve has been extended beyond corporate giving for socio-economic development to deploying policies and practices that demonstrate our commitment to environmental and social & economic undertakings. This is seen through:

- ▶ **Environmental and Energy Efficiency Policies and Practices** (pages 55 and 102 of Annual Report 2016): 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** (Visit www.jncb.com). 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.





▲ Mrs Thalia Lyn, NCB Foundation Chairperson (centre), is surrounded by enthusiastic Convent of Mercy Alpha Academy and Kingston Technical High School students who are among the beneficiaries of NCB/CSEC POA/POB Bursaries.

\$109 MILLION

OUR 2016 COMMITMENT TO FUNDING AND ADMINISTERING PROJECTS:

68%
Education

28%
Community Development

4% Youth Leadership & Entrepreneurship

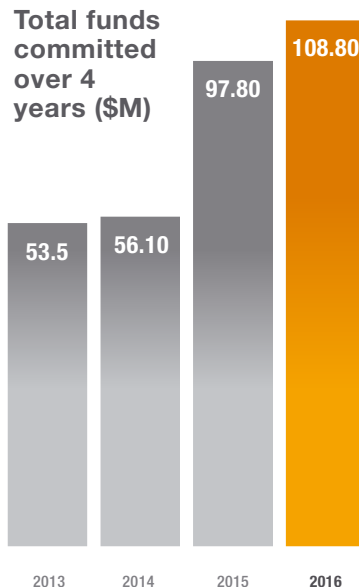


Our Communities

During this financial year, NCB continued supporting nation building through its three key areas of focus: Education; Youth Leadership & Entrepreneurship as well as Sports & Community Development. NCB made good our commitments to CSR through our strategic philanthropic arm, N.C.B. Foundation.

A total of \$108.8 million was committed to funding and administering projects for the year under review. Approximately \$74.1 million was invested in Education, while approximately \$30.0 million was dedicated to Sports & Community Development and over \$4.6 million was spent on Youth Leadership & Entrepreneurship.

To ensure a consistent pipeline of funding, the Jamaican Education Initiative (JEI) again provided 0.5 per cent of personal Keycard sales (at no cost to the cardholders) to match NCB's contribution of 0.5 per cent from the previous year's net profits.



Quarter One



Quarter Two

Publication of a book by a young Jamaican Author

The Foundation partnered with Shaun Brown Jnr, a 10-year-old author, to publish his book called: 'The Candle and The Bear & Other Stories'. This book is a compilation of children's stories with coloring pages and an audio compact disc inside. Publication partnership was with Pelican Publishers.

This partnership is a three-year one of support to young Shaun Brown Jnr as a Youth Ambassador of the Foundation.

>300
PERSONS DIRECTLY
IMPACTED

\$700K
DONATED

> Young author Shaun Brown Jr. autographs a copy of his novel, The Candle & the Bear and Other Stories, with a special message for Belinda Williams, Corporate Brand, Communications and Social Responsibility Manager, at his official book launch made possible by the NCB Foundation.

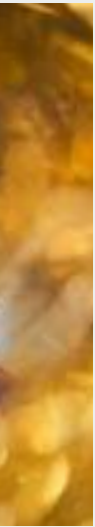
▼ **A NUMBER OF PROJECTS** were undertaken across the four quarters of the 2016 financial year, as shown below

Grant A Wish Campaign

“NCB Grants a Wish for Charities.” Forty six charities were chosen after a call through all Branches of NCB and Advantage General Insurance Company (AGIC) engaging customers to visit any locations as well as social media/online to submit their wishes for a charity of their choice. Each branch evaluated the wishes submitted. Staff members were invited to make wishes and two were selected making a total of 48 charities.

OVER
500,000
PERSONS IMPACTED

\$5.1M
DONATED



Quarter Three

Build-A-Home Project



For the second year NCB lent support to Food For The Poor (FFP) to raise funds to build homes for needy families. N.C.B. Foundation has donated funds to build two homes; one home has been built in Hampstead, St Thomas for a single parent with 5 children and the other location is to be confirmed by the FFP.

OVER
25 Lives
DIRECTLY IMPACTED

APPROXIMATELY
\$1.0M
DONATED

Quarter Four

Back-to-School Partnerships

The Foundation extended support to various initiatives that directly impacted a number of needs across the island and within the region.

1. Alpart Jamaica Back-to-School Programme
2. Lucea United Church Back-to-School Fair 2016
3. Eden Lodge Youth Charitable Trust Annual Back-to-School Programme 2016 (Barbados)
4. West Portland Back-to-School Treat



APPROX.
13,950
STUDENTS IMPACTED

\$1.9M
DONATED

Our Communities

cont'd

EDUCATION

Whilst it is heartening to see our young people excelling academically, it is heart breaking to see that many parents and guardians are unable to find the financial resources needed to secure their children's future through education. In any society, education is at the heart of economic and social growth as educated citizens drive business development and make greater contribution to nation building. With this in mind, the N.C.B. Foundation continues to invest in scholarships at the primary, secondary and tertiary levels as well as fund various educational programmes across the island. Approximately 68% of the project funding was spent on Education.

NCB Adopt a School Programme

Under the NCB Adopt a School programme, 31 schools across Jamaica again benefited from projects administered by NCB branches and offices through treats, training programmes, mentoring and the creation of reading corners and library upgrades, particularly in the second quarter of the 2016 financial year. St. Aloysius Primary School received a refurbished library to serve the school community. The flagship event under this programme was the Read Across Jamaica & Teachers' Days during which NCB staff interacted with students from 31 primary and junior high schools. Over 40 members of NCB staff visited schools, read to students and regaled teachers from a \$2.5 million allocation for Teachers' Day activities.

Scholarships and Grants

To fulfil our obligations under the annual Scholarships and Grants Programme the main projects included our annual tertiary scholarships and grants to primary, secondary and tertiary students; as well as our newly introduced Innovative, Creative, Outstanding, Nationalistic (ICON) Scholarship Awards. The ICON Scholarship was made possible through an increased inflow of \$5 million from N.C.B. Foundation. This increased the total support from N.C.B. Foundation to \$30 million. Those proceeds assisted students in traditional fields of study and the non-traditional/emerging areas of Animation, Logistics and Supply Chain Management, Engineering, Computer Science and Teaching Degrees specialising in Mathematics and Science at the



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A Jamilia Crooks, NCB Programmes Administrator, gives a well needed meal to a homeless man in Cross Roads during the "Day of Care" jointly sponsored by NCB and the **COUNCIL OF VOLUNTARY SOCIAL SERVICES (CVSS)** in December 2015. **B** Joseph Montaque, Senior Marketing Officer, gets fatherly with a baby at the **GLENHOPE NURSERY** under the watchful eye of Deidre Lewis, a summer intern in the Group Marketing and Communications Unit. **C** Members of the **JAMAICA COLLEGE (JC) ROBOTICS CLUB** showcase their award-winning robot to JC alumnus Stuart Reid, N.C.B. Foundation Director (right) and Dave

CSEC and CAPE levels. Over 350 students benefit each year from this programme with scholarships ranging from \$250,000 to \$500,000 for the duration of their undergraduate studies and grants from \$50,000 to \$150,000.

Charitable Partnerships

NCB forms and seeks strategic partnerships to benefit target groups. N.C.B. Foundation partnered with the Alpart Community Council to provide back-to-school assistance for early childhood and tertiary level students from Alpart’s 45 neighbouring communities in South St. Elizabeth and South Manchester.

In addition, we renewed our partnership with the Jamaica Environment Trust to execute the annual Schools’ Environmental

programme, and forged a new partnership with Pelican Publishers to publish “The Candle and the Bear & Other Stories” written by Shaun Brown Jr., a young Jamaican author. In the spirit of maintaining what has worked well, we re-engaged the Jamaica Information Service to host its annual Heritage Essay Competition. The Ministry of Youth and Culture also received assistance aimed at recognising the outstanding results obtained by a significant number of Wards of the State who sat the 2016 Caribbean Secondary Education Certificate (CSEC) examinations and the Caribbean Advanced Proficiency Examinations (CAPE).

N.C.B. Foundation also partnered with The Alpart Jamaica Back-to-School Programme (Cornwall), The

1Jam1Love Foundation (Middlesex), The Susan Foundation Back-to-School Project (Surrey) and The West Portland Back-to-School Treat (Surrey).

As the year progressed, major projects were developed to support and further the advancement of education in the nation. Our collaboration with Health Care Marketing Jamaica Limited in the Clean Hands Save Lives: iWash Initiative project, which reinforces the importance of handwashing, was introduced in 50 Schools across the island, including our 31 adopted schools, and directly impacted over 18,500 students.



D



E



F

Wilson, NCB Matilda’s Corner Branch Manager (second right). **D** NCB volunteers, scholars and members of the Olympic Gardens community share lens time as they worked together to uplift the **OLYMPIC GARDENS HEALTH CENTRE** on Labour Day 2016. **E** NCBCM’s Tracy-Ann Spence (right) and Nurse Watson (second left) watch as U-17 Reggae Boyz Peter-Lee Vassell and Maliek Howell paint the **OLYMPIC GARDENS HEALTH CENTRE** on Labour Day 2016. **F** Mickal Henry, NCB summer intern (left), and Anastasia Whyte, NCB Digital Marketing and Analytics Specialist, dress up a baby girl during the Back to School Treat at the **WALKER’S PLACE OF SAFETY**.

Our Communities

cont'd

For the first time, N.C.B. Foundation extended support to an outreach initiative through NCB Capital Markets (Barbados) Limited, assisting less fortunate children who reside in vulnerable communities to attend school. There were 180 beneficiaries ranging in age from four years to just over 12 years.

COMMUNITY DEVELOPMENT AND SPORTS

At the heart of NCB's business driven focus, developing the communities in which we serve remains a key focus and we continue to find meaningful ways to touch and transform lives across Jamaica. We

dedicated \$30.0 million to sports and community development.

Health was an area of focus used to enhance our community development efforts; N.C.B. Foundation provided medical grants, allowing the Victoria Jubilee Hospital, the Princess Margaret Hospital and the Kingston Public Hospital to upgrade existing units and install new equipment. We also funded the Foundation for International Self-Help Development (FISH) to enable medical screening and eye examinations.

Hospitals and Non-Governmental Organisations (NGOs) received donations:

- ▶ Princess Margaret Hospital and Port Maria Hospital – operating theatre computers

- ▶ Heart Foundation of Jamaica – five Holter devices for cardiac screening
- ▶ Sickle Cell Foundation of Jamaica – for Sickle Cell Awareness Month
- ▶ Missionaries of the Poor – to help them provide homes and basic amenities for the disadvantaged

Several medical grants were approved for numerous individuals, including children. These grants were based on the nature of the need presented.

Other major projects supporting community development were:



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C

A Cooler smiles all around. Glen Shields, NCB Cross Roads Branch Manager (right), along with teachers and students of the **BEAMING BRITE SPARKS BASIC SCHOOL** show-off the new fans donated by N.C.B. Foundation for the school's classrooms. **B** <L-R> Brenna Hinds, Jonathan Wright and Alecia Bramwell of **WEST INDIES COLLEGE PREPARATORY SCHOOL** are presented with the 'most sustainable project' sectional prize from N.C.B. Foundation's Jamilia Crooks for their entry in the **JAMAICA ENVIRONMENT TRUST (JET) SCHOOLS' ENVIRONMENT PROGRAMME (SEP)**. **C** Elated students of the **DOR'S QUICK LEARN BASIC SCHOOL** show their appreciation for the N.C.B. Foundation's donation of a new desktop computer to their school. **D** **THE YOUTH MEDIA LAB PROJECT** (an anti-violence programme) received a donation of two laptop computers from the N.C.B. Foundation. The Project's theme is "Peace and Unity". From left

▶ **Labour Day** – In support of the National Theme, “Keep It Clean For Health’s Sake”, NCB registered 34 projects for Labour Day 2016 at a cost of over \$6 million. Under the guidance of the Ministry of Health, three (3) clinics, one from each county, were selected – Lucea Health Centre (Cornwall), Brown’s Town Health Centre (Middlesex) and Olympic Gardens Health Centre (Surrey) – serving the healthcare needs of over 40,000 Jamaicans. The Olympic Gardens Health Centre in Kingston, however, saw the lion’s share of action as approximately 120 volunteers participated in painting the entire building and carrying out other improvements to the facade. Several projects across the adopted school

network were successfully completed.

▶ **Food for the Poor Jamaica (FFPJ) Build-A-Home Project** – NCB supported the second fundraising 5K Run/Walk to build homes for needy families. Over 15 lives were directly impacted by a donation of approximately \$1.0, to build two homes with NCB’s direct support – one in Hampstead, St Thomas for a single parent family with five children has been built and the other in the western end of the island is to be done.

An overwhelming level of support was given to projects which were planned and executed for the Christmas Season, including Food for the Poor’s Angels of Hope

Christmas Treat and the 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”. The theme of NCB’s Annual Christmas Campaign was “NCB Grants a Wish for Charities” and all branches of NCB and Advantage General Insurance Company Limited (AGIC) invited customers across the island to submit their wishes for a charity of their choice. The gifts were up to \$100,000.00 per charity per branch. Meanwhile, the staff component of the campaign allowed our officers to make a wish online. Overall, a total of 48 charities benefited from the campaign.



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are: Orlando Hamilton, Kira Clarke, Neil Chambers (Project Coordinator), Jamilia Crooks (N.C.B. Foundation’s Programme Administrator), Jahbor Moore, Dashia Symister, Shawdeen Gentles, Teddecia Caine, Steve Smith (partially hidden in the back), and Everton Moore. **E** NCB Volunteer Corps members strike a pose after participating in the **FOOD FOR THE POOR 5K RUN/WALK 2016**. **F** NCB’s Xavier Allen (left) and former Minister of Health, Horace Dalley (second left), share a moment with a patient in the Paediatric Ward of the **SPANISH TOWN HOSPITAL** on a tour of the facility after its renovation by the N.C.B. Foundation. **G** NCB Team members from the Duke Street Branch pose for a photo-op after participating in the **FOOD FOR THE POOR 5K RUN/WALK 2016**.

Our Communities

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A Delighted new home owner, Marvia Walters (centre) along with two of her children, pose for a photo-op with **FOOD FOR THE POOR JAMAICA's** representative, Junior Reid (extreme left), N.C.B. Foundation's Director Majorie Seeberan (fourth left), and the volunteer team. **B** All Smiles <L-R> Mrs Monica Malcolm-McFarlane, Principal joined by NCB Windward Road Branch representatives Kay-Ann Williams-Gayle and Rox-Anne Nugent pose with the delighted students of the **HAPPY VENTURE BASIC SCHOOL** after the N.C.B. Foundation donated a new desktop computer to the school. **C** Jamilya Crooks, N.C.B. Foundation Programmes Administrator, presents a cheque to Andrew Mahfood, **FOOD FOR THE POOR JAMAICA** Chairman (second left). With them are student athletes who participated in the Food for the Poor 5K Run/Walk 2016 fundraiser to build homes for needy families across the island. From left are: Christopher Taylor (Calabar), Akeem Bloomfield (Kingston College), Fabian Hewitt and Warren Barrett, Jr. (Calabar). **D** NCB's Marlon Ennis and Janice Brown share in this **ST. ALOYSIUS PRIMARY SCHOOL** student's joy as he browses on one of the five desktop computers donated to the school's library project as part of N.C.B. Foundation's Adopt-A-School Programme. **E** Students and teachers of



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the **DUHANEY PARK PRIMARY SCHOOL** share a photo-op with representatives from NCB Group Legal & Compliance and Group Risk Management Divisions. The school's bathroom was renovated and fans were donated as part of the N.C.B. Foundation's Adopt-A-School Programme. **F** Senator Ruel Reid (centre), Minister of Education, Youth and Information shares a photo-op with the NCB Foundation's Directors and scholars at the **ANNUAL SCHOLARSHIPS REVEAL EVENT**. **G** Michael Lee Chin, NCB Chairman (centre), shares a photo-op with the outstanding 2016 Parish Champions from the **N.C.B. FOUNDATION'S SCHOLARSHIP & GRANT PROGRAMME**. **H** "CANNED FOOD DRIVE 2015" A Success: Shanice Whyte (left) hands over the items collected from the Drive worth more than \$150,000 on behalf of the NCB Family to Brother John Paul of the **MISSIONARIES OF THE POOR**. **I** All on the same page. Newly installed Minister of Education Ruel Reid (second left) receives directors of the N.C.B. Foundation during their courtesy call at the Ministry's offices. From left are: Thalia Lyn, N.C.B. Foundation Chairperson, Nadeen Matthews, N.C.B. Foundation CEO, Belinda Williams and Andrew Pairman (N.C.B. Foundation Deputy Chairman).

Our Communities

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With regard to Sports, which is another key area of focus through which NCB supports the nation's development, two major projects were undertaken:

1. The MVP Grassroot Athletics Programme, through a partnership with the MVP Track and Field Club, hosted the third annual island-wide athletics training camp which accommodated 750 aspiring athletes between 12 and 18 years old. Earlier in the year, another tranche of the three-year \$30 million donation was made to the Club to provide for the nutritional and training needs of

student athletes from low socio-economic backgrounds.

2. Lucas Cricket Camp, where 50 young cricketers were exposed to the history, theory and practice of the sport. Catering to students between 8 and 14 years old mainly from neighbouring schools in east Kingston, the annual programme supports the development of cricket in Jamaica at club and national levels.

N.C.B. Foundation also provided funding for the Rotary Club of North St. Catherine Under-13 Football Competition and The Shelly-Ann Fraser-Pryce Foundation Six-

A-Side Football Competition. Additionally, new partnerships were cemented with the Jamaica Volleyball Association to support the Venus Volleyball Youth Clinic and the Jamaica Cricket Association's National Under-15 Development Programme as well as a basketball tournament in the Standpipe community. To address our concern for correctional institutions, we provided funding for the Metcalfe Street Juvenile Correctional Facility in the staging of its annual sports day for male inmates between 12 and 17 years old.



A <L-R> Bright smiles all around as NCB's Georgia Crosskill-Johnson and Nicole James-Kerr playfully engage Bob in the arms of Brother Ryan; looking on is Brother John Paul from the **MISSIONARIES OF THE POOR**. **B** Shasanique Powell, a participant in the Literacy and Numeracy for Youth Programme, is embraced by Jhenelle Crawford, Business Development Representative at the NCB UWI Branch, who presents her with the certificate of completion. The programme is organised by the **CHANCELLOR HALL UPLIFTING BROTHERS SOCIETY (CUBS)** and supported by N.C.B. Foundation and the Office of Student Services and Development at the University of the West Indies, Mona Campus. **C** Loyal Johnson (second right) demonstrates his skill to NCB's Garfield Palmer in the proper handling of the new screen-printing machine donated by NCB to his school, **ALPHA BOYS SCHOOL**. Looking on is a Sister and another student of the Alpha family. **D** Tareefe Montague (left), Vice President of **CUBS** and former N.C.B. Foundation Scholar, commends the participants of the four-week **LITERACY AND NUMERACY FOR YOUTH PROGRAMME (LANY)**. Joining them are: (from second left) Elissa Valentine, Adrean Gentles, Shasanique Powell, NCB's Dwight Hyde, and Nick Pusey. **E** Sharon Tate (right), NCB Duke Street Service Quality Manager, interacts with representatives at the **KINGSTON**

YOUTH LEADERSHIP AND ENTREPRENEURSHIP

NCB promotes entrepreneurship and youth leadership as key competencies that can boost competitiveness and growth. There is a need to encourage young people, to instill a spirit of leadership and entrepreneurship from early on in life and to help them transition from school to adulthood.

To advance our focus in this area, NCB partnered with major projects which impact young people:

- ▶ **International Youth Fellowship (IYF) World Youth Camp** – through a partnership with the Ministry of Education, 500 males and females between 14 and 30 years old were introduced to developmental training and team-building activities.
- ▶ **Learn-Fest** – 350 young people were encouraged to optimise their entrepreneurial aspirations through brain training and performance initiatives.
- ▶ **“Talk Up YouT” Edutainment Day 2016** – Over 1,500 youths interacted in frank, passionate, solution-oriented discussions

about issues affecting them during ideation sessions.

- ▶ **RESET Ornamental Aquaculture Training Programme** – 1,200 youths were trained in aquaculture to enhance their entrepreneurial endeavours as ornamental aquaculturists.

Further to those initiatives, N.C.B. Foundation strategically partnered with the Alpha Boys’ School to provide training in screen printing for at-risk youths at the Alpha Institute. Six Kruger four station/ four colour screen-printing machines were purchased for the Screen



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PUBLIC HOSPITAL’S SOCIAL WORK DEPARTMENT after donating a new desktop computer to the department to improve the efficiency of the organisation. **F** Thalia Lyn, N.C.B. Foundation Chairperson (second left), proudly showcases N.C.B. Foundation’s Champion for Youth Award after the **JUNIOR ACHIEVEMENT JAMAICA AWARDS BANQUET AND SILENT AUCTION** held at the Spanish Court Hotel. She is flanked by the Hon. Floyd Green, Minister of State in the Ministry of Education (left), Belinda Williams and Melissa Hendrickson, N.C.B. Foundation Director. **G** Tianna Rose (right) is all smiles after cutting the ribbon to the newly refurbished girls’ bathroom at her school. Sharing in the moment are other students from Grade 4 along with: (left to right) NCB’s Sherida Gooden-Lawrence, Charlene Bent, Nickeshe Hutchinson, John Lobban and the acting Principal Ms. Joan Burke. **H** Kevin McDonald, NCB New Kingston Service Quality Manager (right), joined by Donna Clarke, NCB New Kingston Branch Manager (second right), greets representatives of the **LUPUS FOUNDATION**’s new office space. **I** **MARVIA WALTERS** (left), an excited and grateful home-owner, and Majorie Seeberan, N.C.B. Foundation Director, make final touches to Walters’ new home.

Our Communities

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Printing Trade Training Programme. In addition, N.C.B. Foundation continued funding the University of Technology's annual Business Model Competition Finals to promote innovation and entrepreneurial development. To cap these initiatives, the Central Jamaica Youth Leadership Breakfast hosted by Thekhar Communications Ltd. in western Jamaica provided a partnership platform to develop well-rounded individuals.

AWARDS & RESULTS

NCB still receives recognition for consistent and contextual commitment to nation-building efforts across the island. Among the awards received are:

- ▶ The Golden Triangle Champion For Youth Award from Junior Achievement Jamaica – for consistent commitment to the development of youth through programmes promoting financial literacy.
- ▶ The International Youth Fellowship (IYF) World Youth Camp Award – for continued

support of the IYF World Youth Camp which impacts over 2,500 youths from inner-city communities.

- ▶ The Jamaica Environment Trust Manatee Sponsor Award – in recognition of the Schools' Environment Programme (SEP), the largest environmental programme for 18 years.

Volunteerism and social impact remained high priority objectives as we navigated the 2016 financial year. Over 2,000 hours were spent by the Volunteer Corps (Staff & Scholars) implementing projects while over



A An athletics coach engages a student athlete at one of the five athletics camps as part of the **MVP TRACK CLUB ISLAND WIDE ATHLETICS TRAINING CAMPS** to include student-athletes for youths aged 12 to 18 years old. One of the primary purposes of this innovative grassroots initiative is to provide lifelong developmental guidance to Jamaica's future athletic stars and their coaches. **B** + **C** **GRANT A WISH 2015**. **D** NCB through the N.C.B. Foundation presents

250,000 young and elderly persons from all projects and initiatives benefitted from medical, sports, training and academic assistance provided by N.C.B. Foundation.

NCB continues building the communities where we serve by implementing nation building projects through N.C.B. Foundation. As we progress into the 2017 financial year, we aim to build on the solid base created over the years in our efforts to positively impact nation building. We are proud of our efforts to date having taken on projects which had social and economic impact. 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. Doing well and doing good remain our resolve and we wish to thank everyone for making this a reality.



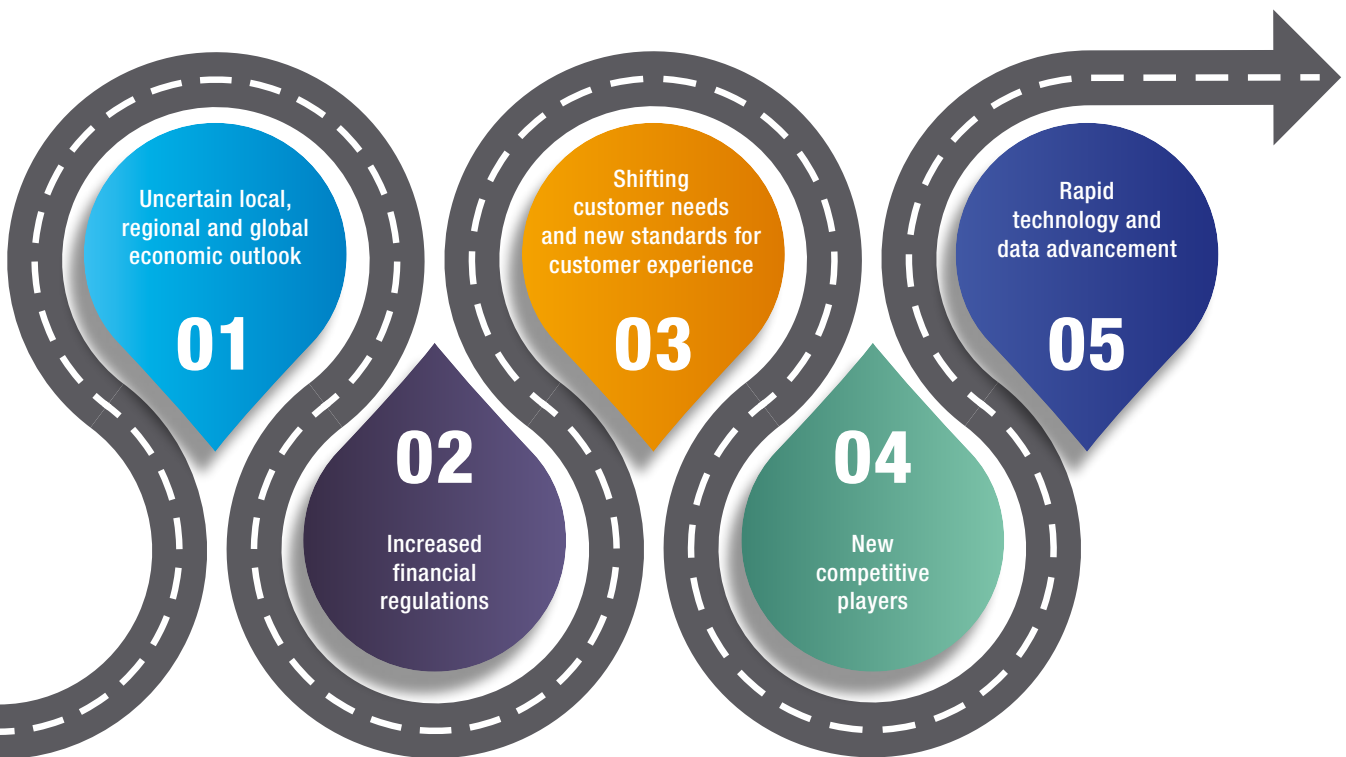
Yadel Home For Children with \$100,000 as part of its 2015 **GRANT A WISH PROGRAMME**. **E** These young participants strategize their next move at the **ST JAGO CHESS OPEN OPEN TOURNAMENT** hosted by the St. Jago Chess Academy at the St. Catherine based school. The six-year-old Tournament is recognized by the International Chess Federation and is a staple for young, upcoming and experienced players in Jamaica.

► Strategic Outlook 2016-2017

MD&A cont'd

OVER THE PAST FIVE YEARS, WE HAVE BEEN ON A TRANSFORMATION JOURNEY TOWARDS BECOMING A LEADING FINANCIAL INSTITUTION IN THE ENGLISH AND SPANISH SPEAKING CARIBBEAN. THE 2016/2017 FINANCIAL YEAR SERVES AS THE LAUNCHING PAD OF OUR NEW 2020 STRATEGY, WHICH CONTINUES THIS TRAJECTORY.

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



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

To accelerate our transformation journey, we will focus on three business priorities at the Group level, driven by six initiatives:

PRIORITY 1: Building a world-class digital experience

1. Develop distinctive digital capabilities



We view digitisation as more than simply automation. Our vision is to transition to a new operating model that will impact our organisational structure, our way of working and how we engage with and serve our customers.

The foundation for our digital transformation has been built over the last 12 months with the launch of our Digital Agenda in 2015/16. With the establishment of our Digital Office, we have begun the digitisation of several core processes and experiences. These include online account opening, cross-bank transfers, remote deposit capture and mobile payments via Quisk. At the core of our 2020 strategy, digital will be a top priority as we seek to create fully digital end-to-end experiences for product and service fulfilment across our customers' most desired channels.

PRIORITY 2: Accelerating regional expansion

2. Expand in priority markets



Over the past five years, we have created a regional footprint through our expansion to Trinidad and Tobago,

Barbados and the Dominican Republic while broadening our offering in the Cayman Islands. Our recently established interest in Guardian Holdings Limited is our largest regional investment to date and is further testament to our goal of diversifying revenue streams by geography and segment to further strengthen the Group. Looking ahead, we will continue to explore value accretive local and regional opportunities for expansion, by way of acquisitions, joint ventures, or partnerships.

PRIORITY 3: Reinventing our core business

Keeping and expanding momentum in our core banking businesses across markets will continue to be an important objective for us at NCB. We will continue to execute on four initiatives in support of this objective:



3. **Enhance sales and service effectiveness:** We will continue to enhance our sales and service model, defined in 2010, to drive increased productivity through existing and new channels.
4. **Focus on payments innovation:** We will be enhancing the value proposition on our existing suite of products (e.g. cards, point of sale, and e-commerce), while introducing new payment options to the market.
5. **Develop and engage our people:** We will focus on nurturing a sales-oriented, high-performance, customer-oriented and collaborative culture.
6. **Improve customer experience and optimize efficiency:** We will continue to make changes to the operating model of the organisation to achieve greater operational excellence, while delivering an unmatched customer experience.

At the heart of NCB's strategy is the continued desire to sustain its high performance over the long term for the benefit of all stakeholders – customers, employees, shareholders and members of the communities we serve. We look forward to another successful financial year in 2016/2017.

faster >> simpler >> stronger



Jamaica has long enjoyed its prowess as the world's track and field mecca.

It is really remarkable, that an island nation could finish third overall in Track and Field at the recent Rio Olympics behind the United States and Kenya; and 16th out of the 206 countries which competed. This is a testament to our fortitude and strength—traits that the National Commercial Bank Jamaica Limited has embodied in its near 180 years of service to this country. Expanding our footprint in the region, establishing ourselves as leaders in innovation and financial expertise, we go further for you, maintaining our strong performance for our customers, shareholders and the communities we serve.

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