

Financial Results

For The Six Months Ended March 31, 2023

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KEY RESULTS



\$4.2B

Net Profit



\$2.1T

Total Assets



\$176B

Equity



\$1.84

Earnings per Share



0.60%

Return on Assets



5.19%

Return on Equity

Second Quarter 2023 Report to Shareholders

Kingston, Jamaica - May 11, 2023

The Board of Directors approved the release of the following financial results for NCB Financial Group Limited (NCBFG) and its subsidiaries for the six months ended March 31, 2023.

NCBFG reports unaudited consolidated net profit of \$6.3 billion for the six months ended March 31, 2023, a 59% or \$8.9 billion decline from the prior year. Consolidated net profit attributable to stockholders of the parent totalled \$4.2 billion, a decrease of \$6.2 billion or 59% from the prior year.

As we continue to expand our capabilities and provide solutions to our clients, transforming our business to ensure long-term sustainability and resilience remains our top priority. Investments in technology, digital solutions and talent are the pillars that will continue to enable our growth within the region. Our business fundamentals are strong and we are well-positioned for future growth and value generation.

We continue to pursue opportunities for our organisation to grow and prosper. Our leadership team continues to navigate the environment by evaluating our operations and processes, improving and optimising service delivery, business models and operational efficiency. Our disciplined approach to strategic execution positions us to withstand the current economic headwinds and augurs well for long-term success allowing us to adapt as needed.

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Update on the adoption of IFRS 17 – Insurance Contracts

The interim consolidated financial statements have been prepared using International Financial Reporting Standards (IFRS) 4 – Insurance Contracts. However, our insurance subsidiary, Guardian Holdings Limited, adopted IFRS 17 – Insurance Contracts effective January 1, 2023. IFRS 17 will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures mainly in the Life, Health and Pension (LHP) segment. The Group, however, will adopt IFRS 17 at the start of the next financial year, on October 1, 2023, as the standard is effective for annual periods beginning on or after January 1, 2023.

Group Performance

Operating income of \$61.2 billion declined from the prior half-year performance of \$69.3 billion, representing a \$8.1 billion or 12% reduction. The performance was mainly impacted by events in our LHP insurance segment, in particular the effects of a one-off actuarial adjustment in the first three months of the financial year.

When compared to the prior year, the reduced revenues resulted in a fall in profitability, which adversely impacted certain of our key performance indicators. Return on assets (ROA) and return on equity (ROE) (annualised) declined to 0.60% down from 1.54% and 5.19% down from 13.13%, respectively. The rolling twelve-month ROA and ROE were 1.48% and 12.69%, respectively. The reduction in revenues also impacted the cost to income ratio, which increased to 79.72% up from 72.21% in the prior year. Despite the increase in the ratio we continue our cost management efforts.

Banking and Investment Activities

Net revenues from banking and investment activities of \$53.5 billion marginally increased by \$98 million over the prior year's result of \$53.4 billion. There was a 6% or \$2.0 billion rise in net interest income coupled with a 6% or \$785 million increase in net fee and commission income resulting from the growth in our loans and investments portfolios and increased transaction volumes. These increases were partially offset by higher credit impairment provisions; the prior year included reversals of provisions due to the improved economic outlook following the re-opening of the economy. There was also a reduction in foreign exchange and investment activities due to lower gains from the sale of debt securities stemming from higher interest rates, which resulted in subdued trading gains in our wealth and asset management segment.

Insurance Activities

The net revenues from insurance activities totalled \$7.7 billion, a 52% or \$8.2 billion decline from the prior year. The segment recorded a decline in premium income as well as increased net insurance costs and higher commission and selling expenses due to sales activities. Increased reserve movements, particularly health claim expenses, during the current period resulted in a decline in our LHP segment primarily due to the resumption of elective procedures previously postponed due to the pandemic. There was also a reduction in reinsurance claim benefits owing to a large general insurance claim in the prior year which was reinsured resulting in a higher reinsurer's share of the claim (claim recovery) in the prior year compared to the current period.

Operating Expenses

Operating expenses totalled \$51.4 billion, decreasing by \$342 million or 1% from the prior year. We are pursuing various cost optimisation measures as we combat the effects of the inflationary pressures and margin compression due to increased interest rates. These initiatives resulted in the booking of lower professional and consultancy charges.

Consolidated Statement of Financial Position

Total assets at March 2023 was \$2.14 trillion, an increase of 4% or \$76.1 billion over the prior year. The growth in the asset base was primarily due to increased loans and investment securities. The growth was mainly funded by increased obligations under securitisation arrangements, other borrowed funds, deposits, and amounts due to banks.

Investment Securities and Reverse Repurchase Agreements

Investment securities, including pledged assets and reverse repurchase agreements, totalled just over \$1.0 trillion, an increase of 7% or \$65.7 billion over the prior year. This continues to be the Group's largest earning asset portfolio.

Loans and Advances

The Group's loans and advances, net of credit impairment losses, totalled \$596.0 billion, an increase of 7% or \$40.1 billion over the prior year. Non-performing loans totalled \$24.6 billion as at March 31, 2023, declining by \$6.5 billion or 21% from the prior year. The reduction in non-performing loans led to an improvement in our non-performing loan ratio, decreasing to 4.1%, from 5.5% in the prior year.

Deposits

Banking customers' continued confidence in the Group is demonstrated by a 1% or \$7.9 billion increase in deposits, to \$714.5 billion, which is our main source of funding.

Policyholders' Liabilities

Liabilities under annuity and insurance contracts decreased to \$444.3 billion, down 4% or \$16.9 billion from the prior year.

Capital and Liquidity

Equity attributable to stockholders of the parent totalled \$176.3 billion, an increase of \$19.7 billion or 13% over the prior year, improving due to retained earnings.

All our regulated entities continue to meet the applicable capital and liquidity regulatory requirements.

Dividends

The Board of Directors, at its meeting on May 11, 2023, decided not to pay an interim dividend.



Environment, Social and Governance (ESG)

As we develop a comprehensive ESG framework, we are taking steps to ensure that our current activities and future business strategies are aligned with our objectives of:

- Engaging in responsible business practices;
- Displaying environmental consciousness; and
- Facilitating social development.

We have embarked on various projects aimed at reducing our carbon footprint in a move to integrate environmental awareness into our organisational culture. These include:

- Expanding our use of renewable energy sources as we deploy solar technologies in selected locations;
- Deploying more energy efficiency devices across the Group; and
- Examining available options for including more energy efficient vehicles within our fleet.

Our product development efforts and activities are also being aligned with our ESG objectives. For example, products and related policies within our banking segment are being updated to facilitate easier access to funding for energy efficiency systems and electric/hybrid motor vehicles for both the business and consumer customer segments.

We remain steadfast in our commitment to empowering people, unlocking dreams and building communities. Through our Foundations, we continue to dedicate funding for various initiatives aimed at improving the well-being of individuals in the communities we serve and the wider society. Of note, we have made significant strides in enhancing the sensitivity of our team to the challenges facing the disabled community. Our objective is to promote inclusivity and equality in the treatment of all groups and communities, and so this important initiative launched in the financial year represents a symbolic step as we embark on more activities aligned with our ESG agenda.

We remain committed to building a world class financial ecosystem, delivering exceptional value to our customers, employees and communities and will do so with due consideration to our core values and the environment. Alignment of our strategies will therefore be crucial as we forge a path towards **Empowering People | Unlocking Dreams | Building Communities**.



ON BEHALF OF THE BOARD

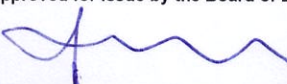
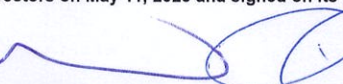



Hon. Patrick Hylton, OJ, CD, President and Group Chief Executive Officer

	CURRENT YEAR			PRIOR YEAR	
	Quarter ended March 31 2023 \$'000	Quarter ended December 31 2022 \$'000	Year to date March 31 2023 \$'000	Quarter ended March 31 2022 \$'000	Year to date March 31 2022 \$'000
Operating income					
Banking and investment activities					
Interest income	26,100,776	25,852,034	51,952,810	22,407,138	44,512,909
Interest expense	(8,753,641)	(8,814,257)	(17,567,898)	(6,302,429)	(12,130,362)
Net interest income	17,347,135	17,037,777	34,384,912	16,104,709	32,382,547
Fee and commission income	9,664,413	9,459,308	19,123,721	8,796,104	17,183,947
Fee and commission expense	(2,919,413)	(2,464,632)	(5,384,045)	(2,267,089)	(4,229,579)
Net fee and commission income	6,745,000	6,994,676	13,739,676	6,529,015	12,954,368
Gain on foreign currency and investment activities	2,410,543	2,135,430	4,545,973	3,778,712	5,401,660
Credit impairment losses	(1,427,541)	(1,827,577)	(3,255,118)	(463,692)	(2,297,787)
Dividend income	488,019	849,343	1,337,362	421,634	1,365,882
Other operating income	957,177	1,798,430	2,755,607	2,330,478	3,604,208
	2,428,198	2,955,626	5,383,824	6,067,132	8,073,963
Net revenues from banking and investment activities	26,520,333	26,988,079	53,508,412	28,700,856	53,410,878
Insurance activities					
Premium income	41,022,772	41,644,748	82,667,520	41,682,337	84,053,692
Insurance premium ceded to insurers	(13,268,940)	(14,334,347)	(27,603,287)	(13,074,684)	(26,213,883)
Reinsurance commission income	2,611,289	2,823,871	5,435,160	2,859,375	5,709,429
Net underwriting income	30,365,121	30,134,272	60,499,393	31,467,028	63,549,238
Net insurance benefits and claims	(20,818,162)	(22,209,137)	(43,027,299)	(20,684,734)	(38,897,883)
Commission and other selling expenses	(4,509,801)	(5,265,556)	(9,775,357)	(4,159,314)	(8,725,530)
Net revenues from insurance activities	5,037,158	2,659,579	7,696,737	6,622,980	15,925,825
Net operating income	31,557,491	29,647,658	61,205,149	35,323,836	69,336,703
Operating expenses					
Staff costs	14,201,858	13,031,399	27,233,257	12,628,712	24,559,002
Depreciation and amortisation	2,193,563	1,215,101	3,408,664	2,406,042	4,848,166
Finance cost	553,376	566,978	1,120,354	486,659	949,727
Other operating expenses	8,160,709	11,465,275	19,625,984	9,234,244	21,373,460
	25,109,506	26,278,753	51,388,259	24,755,657	51,730,355
Operating profit	6,447,985	3,368,905	9,816,890	10,568,179	17,606,348
Share of profit/(loss) of associates	166,060	(9,123)	156,937	199,357	488,410
Profit before taxation	6,614,045	3,359,782	9,973,827	10,767,536	18,094,758
Taxation	(1,630,023)	(2,005,300)	(3,635,323)	(860,259)	(2,809,268)
NET PROFIT	4,984,022	1,354,482	6,338,504	9,907,277	15,285,490
Attributable to:					
Stockholders of parent	3,391,449	835,792	4,227,241	7,794,479	10,434,524
Non-controlling interest	1,592,573	518,690	2,111,263	2,112,798	4,850,966
	4,984,022	1,354,482	6,338,504	9,907,277	15,285,490
Earnings per stock unit					
Basic and diluted (expressed in \$)	1.48	0.36	1.84	3.39	4.54

	Quarter ended March 31 2023 \$'000	Quarter ended December 31 2022 \$'000	Year to date March 31 2023 \$'000	Quarter ended March 31 2022 \$'000	Year to date March 31 2022 \$'000
Net Profit	4,984,022	1,354,482	6,338,504	9,907,277	15,285,490
Other comprehensive income, net of tax-					
Items that will not be reclassified to profit or loss					
Remeasurements of post-employment benefit obligations	(12)	(25,626)	(25,638)	36,068	409,049
	(12)	(25,626)	(25,638)	36,068	409,049
Items that may be subsequently reclassified to profit or loss					
Currency translation gains/(losses)	574,261	410,238	984,499	(1,412,534)	265,855
Expected credit reversals/(losses) on debt instruments at fair value through other comprehensive income (FVOCI)	542,004	559,594	1,101,598	(402,221)	(180,182)
Unrealised gains/(losses) on securities designated as FVOCI	3,105,558	20,558,275	23,663,833	(17,111,565)	(18,676,019)
Realised fair value losses/(gains) on securities designated as FVOCI	331,215	(355,734)	(24,519)	1,150,084	(1,231,680)
	4,553,038	21,172,373	25,725,411	(17,776,236)	(19,822,026)
Total other comprehensive income/(loss)	4,553,026	21,146,747	25,699,773	(17,740,168)	(19,412,977)
TOTAL COMPREHENSIVE INCOME/(LOSS)	9,537,048	22,501,229	32,038,277	(7,832,891)	(4,127,487)
Total comprehensive income/(loss) attributable to:					
Stockholders of the parent	4,039,095	22,694,726	26,733,821	(7,338,417)	(5,381,837)
Non-controlling interest	5,497,953	(193,497)	5,304,456	(494,474)	1,254,350
	9,537,048	22,501,229	32,038,277	(7,832,891)	(4,127,487)

	March 31 2023 \$'000	September 30 2022 \$'000	March 31 2022 \$'000
ASSETS			
Cash in hand and balances at Central Banks	79,402,649	70,856,440	70,108,606
Due from banks	159,650,476	185,806,679	204,169,524
Derivative financial instruments	759,251	874,471	916,323
Reverse repurchase agreements	6,791,456	8,300,133	10,025,213
Loans and advances, net of credit impairment losses	595,969,641	580,987,814	555,889,246
Investment securities	761,979,335	711,734,420	728,982,164
Pledged assets	265,516,262	256,614,981	229,589,740
Investment in associates	6,760,422	7,051,463	6,953,284
Investment properties	36,338,319	38,713,587	38,453,248
Intangible assets	54,745,574	54,690,029	53,520,563
Property, plant and equipment	29,956,152	29,077,875	30,170,373
Right-of-use assets	5,079,529	5,111,594	5,365,107
Properties for development and sale	2,199,423	2,008,010	2,237,153
Deferred income tax assets	17,258,547	25,469,940	15,890,949
Income tax recoverable	4,912,573	2,558,641	7,502,125
Reinsurance assets	32,453,756	30,312,857	31,030,567
Letters of credit and undertaking	3,487,531	6,451,165	6,138,710
Other assets	71,920,846	62,068,502	62,106,844
Total assets	2,135,181,742	2,078,688,601	2,059,049,739
LIABILITIES			
Due to banks	39,916,626	37,501,992	34,473,066
Customer deposits	714,535,700	715,276,682	706,635,735
Repurchase agreements	243,704,747	247,676,853	249,219,264
Obligations under securitisation arrangements	96,962,163	99,085,658	60,361,598
Derivative financial instruments	44,018	-	-
Other borrowed funds	173,196,661	153,272,229	155,992,930
Deferred income tax liabilities	7,782,343	9,126,008	7,785,614
Third party interests in mutual funds	35,595,081	33,587,741	35,476,523
Liabilities under annuity and insurance contracts	444,280,375	437,175,410	461,192,795
Segregated fund liabilities	14,711,712	14,436,764	14,845,472
Investment contract liabilities	45,276,446	46,176,282	46,120,940
Post-employment benefit obligations	4,358,692	4,091,822	9,656,101
Letters of credit and undertaking	3,487,531	6,451,165	6,138,710
Lease liabilities	5,202,050	5,173,159	6,390,504
Other liabilities	77,127,523	71,657,387	62,859,617
Total liabilities	1,906,181,668	1,880,689,152	1,857,148,869
STOCKHOLDERS' EQUITY			
Share capital	153,827,330	153,827,330	153,827,330
Treasury shares	(26,652,675)	(26,652,675)	(26,652,675)
Reserve from the scheme of arrangement	(147,034,858)	(147,034,858)	(147,034,858)
Fair value and capital reserves	(4,412,864)	(26,945,082)	1,135,997
Loan loss reserve	5,966,772	6,349,934	4,195,618
Statutory reserve fund	6,897,231	6,897,231	6,824,472
Retained earnings reserve	75,270,000	67,170,000	67,170,000
Retained earnings	112,400,880	115,916,115	97,071,745
Equity attributable to stockholders of the parent	176,261,816	149,527,995	156,537,629
Non-controlling interest	52,738,258	48,471,454	45,363,241
Total stockholders' equity	229,000,074	197,999,449	201,900,870
Total stockholders' equity and liabilities	2,135,181,742	2,078,688,601	2,059,049,739

Approved for issue by the Board of Directors on May 11, 2023 and signed on its behalf by:

		
Hon. Patrick Hylton, OJ, CD	President and Group Chief Executive Officer	Dennis Cohen Group Chief Financial Officer and Deputy Chief Executive Officer
		
Professor, the Hon. Alvin Wint, OJ, CD	Lead Independent Director	Dave Garcia Corporate Secretary

	Share capital	Treasury shares	Reserve from the Scheme of Arrangement	Fair value and capital reserves	Loan loss reserve	Statutory reserve fund	Retained earnings reserve	Retained earnings	Non-controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at October 1, 2021	153,827,330	(27,198,690)	(147,034,858)	17,361,407	2,269,374	6,795,733	65,320,000	90,115,895	45,208,835	206,665,026
Total comprehensive income										
Net profit	-	-	-	-	-	-	-	10,434,524	4,850,966	15,285,490
Other comprehensive (loss)/income	-	-	-	(16,225,410)	-	-	-	409,049	(3,596,616)	(19,412,977)
Transfer to loan loss reserve	-	-	-	-	1,926,244	-	-	(1,926,244)	-	-
Transfer to statutory reserve	-	-	-	-	-	28,739	-	(28,739)	-	-
Transfer to retained earnings reserve	-	-	-	-	-	-	1,850,000	(1,850,000)	-	-
Disposal of treasury shares	-	546,015	-	-	-	-	-	(82,740)	-	463,275
Dividends paid non-controlling interest	-	-	-	-	-	-	-	-	(1,099,944)	(1,099,944)
Balance at March 31, 2022	153,827,330	(26,652,675)	(147,034,858)	1,135,997	4,195,618	6,824,472	67,170,000	97,071,745	45,363,241	201,900,870
Balance as at October 1, 2022	153,827,330	(26,652,675)	(147,034,858)	(26,945,082)	6,349,934	6,897,231	67,170,000	115,916,115	48,471,454	197,999,449
Total comprehensive income										
Net profit	-	-	-	-	-	-	-	4,227,241	2,111,263	6,338,504
Other comprehensive income	-	-	-	22,532,218	-	-	-	(25,638)	3,193,193	25,699,773
Transfer from loan loss reserve	-	-	-	-	(383,162)	-	-	383,162	-	-
Transfer to retained earnings reserve	-	-	-	-	-	-	8,100,000	(8,100,000)	-	-
Dividends paid non-controlling interest	-	-	-	-	-	-	-	-	(1,037,652)	(1,037,652)
Balance at March 31, 2023	153,827,330	(26,652,675)	(147,034,858)	(4,412,864)	5,966,772	6,897,231	75,270,000	112,400,880	52,738,258	229,000,074

	March 31 2023 \$'000	March 31 2022 \$'000
Cash Flows from Operating Activities		
Net profit	6,338,504	15,285,490
Adjustments to reconcile net profit to net cash provided by operating activities	<u>(17,074,254)</u>	<u>53,879,619</u>
Net cash (used in)/provided by operating activities	<u>(10,735,750)</u>	<u>69,165,109</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(1,343,720)	(4,015,624)
Acquisition of intangible asset - computer software	(3,022,682)	(3,094,742)
Proceeds from disposal of property, plant and equipment	1,283,797	2,769,431
Purchase of investment property	(693,542)	(510,060)
Proceeds from disposal of investment property	4,753,692	-
Purchases of investment securities	(206,066,249)	(358,357,916)
Sales/maturities of investment securities	<u>176,440,021</u>	<u>287,035,009</u>
Net cash used in investing activities	<u>(28,648,683)</u>	<u>(76,173,902)</u>
Cash Flows from Financing Activities		
Repayments under securitisation arrangements	(1,353,454)	(4,479,279)
Proceeds from other borrowed funds	27,083,319	41,301,931
Repayments of other borrowed funds	(6,682,974)	(24,924,353)
Proceeds from disposal of treasury shares	-	463,275
Due to banks	(9,977,066)	806,698
Lease repayment	<u>(694,777)</u>	<u>(913,951)</u>
Net cash provided by financing activities	<u>8,375,048</u>	<u>12,254,321</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(2,866,199)</u>	<u>2,847,064</u>
Net (decrease)/increase in cash and cash equivalents	<u>(33,875,584)</u>	<u>8,092,592</u>
Cash and cash equivalents at beginning of period	<u>202,491,841</u>	<u>195,743,140</u>
Cash and cash equivalents at end of period	<u>168,616,257</u>	<u>203,835,732</u>
Comprising:		
Cash in hand and balances at Central Banks	35,757,975	24,394,716
Due from banks	155,994,083	200,246,265
Reverse repurchase agreements	267,510	1,511,149
Investment securities	8,991,404	2,498,395
Due to banks	<u>(32,394,715)</u>	<u>(24,814,794)</u>
	<u>168,616,257</u>	<u>203,835,731</u>

	Banking and Investment Activities					Insurance Activities			Total
	Consumer & SME Banking	Payment Services	Corporate & Commercial Banking	Treasury & Correspondent Banking	Wealth, Asset Management & Investment Banking	Life and Health Insurance & Pension Fund Management	General Insurance	Other & Consolidation Adjustments	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	18,306,926	9,329,982	7,504,936	10,582,409	10,663,843	64,816,230	42,890,565	3,723,262	167,818,153
Revenue from other segments	2,359,233	11,145	1,836,234	5,260,336	2,696,906	357,097	108,093	(12,629,044)	-
Total Revenue	20,666,159	9,341,127	9,341,170	15,842,745	13,360,749	65,173,327	42,998,658	(8,905,782)	167,818,153
Net interest income	14,408,878	3,607,848	4,808,411	1,956,817	3,092,831	11,684,028	634,425	(5,838,992)	34,354,246
Net fee and commission income	2,540,029	4,765,727	475,936	304,829	1,691,801	2,003,178	2,422,227	(1,226,837)	12,976,890
Gain/(loss) on foreign currency and investment activities	20,267	200,490	(578)	4,305,652	1,346,687	434,125	(115,512)	(1,645,158)	4,545,973
Net result from insurance activities	-	-	-	-	-	245,997	7,197,301	253,439	7,696,737
Credit impairment (losses)/reversals	(1,847,322)	(595,781)	43,338	(11,397)	59,043	(1,117,608)	149,812	64,797	(3,255,118)
Other operating income and dividend income	86,538	54	(4,058)	9	917,646	1,961,910	46,620	1,570,671	4,579,390
Total operating income	15,208,390	7,978,338	5,323,049	6,555,910	7,108,008	15,211,630	10,334,873	(6,822,080)	60,898,118
Staff costs	4,881,657	861,112	399,519	194,277	1,914,883	4,570,689	3,240,082	3,857,067	19,919,286
Depreciation and amortisation	681,801	419,793	104	(6,405)	58,948	609,560	459,559	937,905	3,161,265
Finance cost	266,208	5,829	10,069	3,321	22,926	32,764	14,992	349,985	706,094
Other operating expense	3,663,233	3,309,678	770,105	1,379,788	1,633,821	4,023,295	2,380,529	(2,171,823)	14,988,626
Total operating expense	9,492,899	4,596,412	1,179,797	1,570,981	3,630,578	9,236,308	6,095,162	2,973,134	38,775,271
Operating profit before allocated cost	5,715,491	3,381,926	4,143,252	4,984,929	3,477,430	5,975,322	4,239,711	(9,795,214)	22,122,847
Allocated costs	(6,255,368)	(3,014,574)	(988,125)	(536,657)	-	-	-	-	(10,794,724)
Operating (loss)/profit	(539,877)	367,352	3,155,127	4,448,272	3,477,430	5,975,322	4,239,711	(9,795,214)	11,328,123
Unallocated corporate expenses									(1,511,233)
Share of profit of associates									156,937
Profit before taxation									9,973,827
Taxation									(3,635,323)
Net Profit									6,338,504
Segment assets	499,305,863	51,187,809	181,288,253	316,367,976	438,549,990	618,198,053	128,304,679	(126,952,423)	2,106,250,200
Associates									6,760,422
Unallocated assets									22,171,120
Total assets									2,135,181,742
Segment liabilities	463,977,012	8,737,437	51,523,421	408,847,691	389,134,457	465,819,513	87,761,473	22,598,321	1,898,399,325
Unallocated liabilities									7,782,343
Total liabilities									1,906,181,668
Capital expenditure	1,978,473	1,018,148	102,843	159,403	308,891	402,798	178,305	217,541	4,366,402

	Banking and Investment Activities					Insurance Activities			Total
	Consumer & SME Banking	Payment Services	Corporate & Commercial Banking	Treasury & Correspondent Banking	Wealth, Asset Management & Investment Banking	Life and Health Insurance & Pension Fund Management	General Insurance	Other & Consolidation Adjustments	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	17,982,100	12,008,196	7,096,601	8,530,915	10,268,108	65,443,578	40,559,726	(57,497)	161,831,727
Revenue from other segments	1,315,651	607	96,176	2,308,261	2,149,410	614,928	175,918	(6,660,951)	-
Total Revenue	19,297,751	12,008,803	7,192,777	10,839,176	12,417,518	66,058,506	40,735,644	(6,718,448)	161,831,727
Net interest income	12,853,931	2,932,564	4,322,759	2,022,319	3,948,614	11,139,465	456,271	(5,245,243)	32,430,680
Net fee and commission income	2,317,577	4,108,307	718,146	277,052	2,265,326	1,546,283	1,036,237	61,781	12,330,709
Gain/(loss) on foreign currency and investment activities	27,992	48,023	385	3,959,996	1,817,660	831,463	321,196	(1,605,055)	5,401,660
Net result from insurance activities	-	-	-	-	-	9,201,437	6,770,500	(46,112)	15,925,825
Credit impairment (losses)/reversals	(1,091,329)	225,430	(1,199)	78,019	409,863	(1,627,623)	(102,468)	(188,480)	(2,297,787)
Other operating income and dividend income	1,905,554	499	144	8	384,090	1,259,840	38,719	1,535,042	5,123,896
Total operating income	16,013,725	7,314,823	5,040,235	6,337,394	8,825,553	22,350,865	8,520,455	(5,488,067)	68,914,983
Staff costs	4,888,347	775,961	335,173	152,715	1,553,021	4,272,097	3,051,983	2,987,889	18,017,186
Depreciation and amortisation	897,647	190,816	1,039	4,058	59,020	459,831	347,325	1,223,446	3,183,182
Finance cost	263,671	5,337	12,473	3,872	30,576	89,063	66,233	225,442	696,667
Other operating expense	3,174,803	2,714,141	855,588	1,106,055	2,083,225	4,234,532	3,507,622	(2,547,274)	15,128,692
Total operating expense	9,224,468	3,686,255	1,204,273	1,266,700	3,725,842	9,055,523	6,973,163	1,889,503	37,025,727
Operating profit before allocated cost	6,789,257	3,628,568	3,835,962	5,070,694	5,099,711	13,295,342	1,547,292	(7,377,570)	31,889,256
Allocated costs	(6,153,673)	(1,914,107)	(786,439)	(376,454)	-	-	-	-	(9,230,673)
Operating (loss)/profit	635,584	1,714,461	3,049,523	4,694,240	5,099,711	13,295,342	1,547,292	(7,377,570)	22,658,583
Unallocated corporate expenses									(5,052,235)
Share of profit of associates									488,410
Profit before taxation									18,094,758
Taxation									(2,809,268)
Net Profit									15,285,490
Segment assets	433,827,312	39,630,690	184,499,896	431,555,525	415,926,963	518,758,451	123,746,212	(119,241,668)	2,028,703,381
Associates									6,953,284
Unallocated assets									23,393,074
Total assets									2,059,049,739
Segment liabilities	428,652,412	15,912,694	172,913,716	384,271,931	360,499,011	466,489,281	78,392,912	(57,768,703)	1,849,363,254
Unallocated liabilities									7,785,614
Total liabilities									1,857,148,868
Capital expenditure	2,386,688	2,440,423	61,618	72,518	229,258	556,936	974,103	388,822	7,110,366

1. Identification and Principal Activities

NCB Financial Group Limited ("the Company") is a financial holding company, incorporated and domiciled in Jamaica. The Company is 52.72% (March 31, 2022 - 52.68%) owned by AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael A. Lee-Chin, O.J., Chairman of the Company.

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

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

2. Basis of preparation

The condensed consolidated interim financial statements (interim financial statements) for the six months ended March 31, 2023 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2022 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

3. Segment reporting

The Group is organised into the following business segments:

- Consumer & SME banking – This incorporates the provision of banking services to individual and small and medium business
- Payment services – This incorporates the provision of card related and digital/electronic payment
- Corporate and commercial banking – This incorporates the provision of banking services to large corporate clients.
- Treasury & correspondent banking – This incorporates the Group's liquidity and investment management function, management of correspondent bank relationships, and relationships with other financial institutions as well as foreign currency
- Wealth, asset management and investment banking – This incorporates stock brokerage, securities trading, investment management and other financial services provided by certain overseas subsidiaries.
- Life and health insurance & pension fund management – This incorporates life and health insurance, investment and pension fund management services.
- General insurance - This incorporates property and casualty insurance services.
- Other/Consolidation Adjustments - The Group's trustee services, property development, certain inactive subsidiaries and the parent company are classified as Other for segment reporting. Eliminations comprise inter-segment transactions and adjustments on consolidation of the financial statements are also included in this segment.

4. Macro-environment update

While more recent data indicates that global growth surpassed initial estimates in 2022, given the prevailing economic and geopolitical uncertainties, growth is projected to slow in 2023. New IMF estimates show that the global economy expanded by 3.4% in 2022. However, global economic activity is forecast to slow to 2.8% and 3.0% for 2023 and 2024^[1], respectively. With the ongoing effects of high inflation and elevated commodity prices, global central banks' continued tightening of monetary policy to tame inflation, has increased the risks to the growth trajectory. Furthermore, the uncertainty plaguing the US banking system is adding fresh risks, which may tighten financial conditions more than originally projected. This downturn in economic activity is also expected to be felt in the Latin America and Caribbean region, which is expected to expand by 1.6% in 2023 down from an initial projection of 1.8% in January (4.0% in 2022).

Our operating territories are still expected to grow in 2023, though some projections have been revised downwards. Guyana, our newest operating territory, is expected to lead with robust growth of 37.2% in 2023 on the back of its burgeoning oil industry. While growth projections for Bermuda and the Cayman Islands are largely unchanged, Barbados is expected to see a faster pace of growth relative to the update^[2] in our first quarter release. Buoyed by robust recoveries in tourism and stellar 2023 winter seasons, the economies of Barbados (4.9%), Trinidad and Tobago (3.2%), Bermuda (2.81%), Jamaica (2.2%) and Cayman (1.03%)^[3] will continue to expand this year. Tourism is set to continue benefitting from a rebound in demand and robust 2023 winter season, with international tourist arrivals expected to reach 80% to 95% of pre-pandemic levels this year. This is expected to have spillover effects on other sectors, supporting the recovery. However, the biggest driver of the forecasted expansion in Trinidad & Tobago and Guyana is elevated gas and oil prices. Although energy prices are expected to soften this year owing to weaker economic conditions, they are expected to remain elevated, which will incentivise energy production and drive growth. Freshly announced production cuts by the Organization of the Petroleum Exporting Countries Plus (OPEC+) will bolster prices. While OPEC+ decision to cut production by 1 million barrels per day starting May 1, will add to inflationary pressures and create headwind for most markets, the development augurs well for export growth particularly for Guyana. The Non-energy sector in these two territories is also expected to benefit from increased business activity due to spillover effects from the energy sector and recovery of consumer demand. Jamaica's growth rate on the other hand is projected to be lower at 2.2% relative to our previous projection of 2.9%.

^[1] In its previous World Economic Outlook (October 2022), global growth was initially projected at 2.9% for 2023 and 3.1% for 2024

^[2] In our Q1 update, Barbados and Trinidad and Tobago were previously projected to grow by 2.4% and 1.9%, respectively.

^[3] IMF, Fitch Solutions

4. Macro-environment update (continued)

However, there are risks to the forecasts. Recession concerns have risen, even as worries about stubbornly high inflation persist. There is also a risk that the recent banking system turbulence in the US could result in a sharper and more persistent tightening of global financial conditions, which would contribute to a further deterioration in business and consumer confidence. An escalation of geopolitical tensions could adversely impact the economic performance of our operating markets and by extension business activity. The softening in global natural prices is also a risk for the Trinidad & Tobago economy.

Despite the risks, our operating territories are expected to experience growth this year, with continued recovery in key sectors. Given higher interest rates, the banking sector is expected to benefit from higher net interest income and fees and commissions. However, loan demand may soften further if economic conditions deteriorate more than we expect. The elevated interest rate environment should reduce life insurers' assets and liabilities, but the net effect is expected to be positive as the impact on the value of liabilities is expected to be greater. With interest rates still elevated trading gains could remain below historical highs for securities dealers and the primary debt market should remain subdued. However, the demand for new alternative investments and structured products should drive fee and commission income. For the second half of the financial year the Group will continue to take advantage of emerging opportunities, while trying to mitigate the existing and emerging risks.

Interest/Ownership of Stock Units by Directors of NCB Financial Group Limited as at March 31, 2023

<u>Directors</u> ¹	Total	Direct	Connected Parties
Robert Almeida	65,990,231	171,750	65,818,481
Dennis Cohen ²	139,474,284	2,267,344	137,206,940
Sandra Glasgow ²	137,557,516	188,126	137,369,390
Sanya Goffe	65,890,481	72,000	65,818,481
Hon. Patrick Hylton, OJ, CD	75,324,136	9,505,655	65,818,481
Hon. Michael Lee-Chin, OJ	1,506,353,835	146,698	1,506,207,137
Thalia Lyn, OD ²	137,663,486	413,984	137,249,502
Prof., the Hon. Alvin Wint, OJ, CD	65,906,625	88,144	65,818,481

Interest/Ownership of Stock Units by Executives/Senior Managers of NCB Financial Group Limited as at March 31, 2023

<u>Executives</u>	Total	Direct	Connected Parties
Dennis Cohen ^{1,2}	139,474,284	2,267,344	137,206,940
Dave Garcia (Corporate Secretary)	175,027	175,027	0
Hon. Patrick Hylton, OJ, CD ¹	75,324,136	9,505,655	65,818,481
Misheca Seymour-Senior	27,195	27,195	0
Mukisa Wilson Ricketts	87,552	87,552	0
Allison Wynter ²	71,716,696	191,237	71,525,459

Interest/Ownership of Stock Units by Executives/Senior Managers of subsidiaries of NCB Financial Group Limited as at March 31, 2023

<u>Executives</u>	Total	Direct	Connected Parties
Gabrielle Banbury-Kelly	95,508	95,508	0
Septimus Blake	211,144	211,144	0
Danielle Cameron Duncan	92,854	92,854	0
Ian Chinapoo	0	0	0
Euton Cummings	10	10	0
Raymond Donaldson	0	0	0
Steven Gooden	4,293	4,293	0
Vernon James	0	0	0
Desmond Johnson	0	0	0
Ramon Lewis	57,215	57,215	0
Sheree Martin	6,713	6,713	0
Nadeen Matthews Blair	94,000	94,000	0
Anne McMorris Cover	8,735	8,735	0
Malcolm Sadler	58,827	28,774	30,053
Ian Truran	0	0	0
Tanya Watson Francis	156,323	156,323	0

1. Connected parties for all directors include shares of 65,818,481 held by subsidiaries of Guardian Holdings Limited.

2. Connected parties for Dennis Cohen, Sandra Glasgow, Thalia Lyn and Allison Wynter include shares of 71,385,459 held as trustees of the N.C.B. Staff Pension Fund.

10 Largest Shareholders of NCB Financial Group Limited as at March 31, 2023

Name of Shareholder	Units	Percentage Ownership
AIC (Barbados) Limited	1,300,439,642	52.72%
MF&G Asset Management Limited - NCB Share Scheme	101,406,205	4.11%
Sagicor PIF Equity Fund	76,617,428	3.11%
NCB Insurance Agency & Fund Managers Limited WT 109	61,424,638	2.49%
Harprop Limited	46,434,102	1.88%
AIC Global Holdings Inc.	45,449,690	1.84%
National Insurance Fund	33,139,232	1.34%
Ideal Portfolio Services Company Limited	32,900,998	1.33%
SJIML A/C 3119	32,539,032	1.32%
Guardian Life of the Caribbean	30,206,368	1.22%

Shareholder Profile of NCB Financial Group Limited as at March 31, 2023

Number of Shareholders	Ownership of Each Shareholder	Percentage Ownership	Number of Units
One shareholder with five accounts	52.72%	52.72%	1,300,439,642
10	1 - 5%	19.71%	486,247,660
44,033	Less than 1%	27.57%	680,075,526
44,044		100.00%	2,466,762,828