

NCB Insurance Company Limited

**Summary Financial Statements
31 December 2016**

NCB Insurance Company Limited

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31 December 2016

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Actuary's Report

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OPINION OF THE APPOINTED ACTUARY

I have examined the financial condition and valued the policy benefit liabilities of NCB Insurance Company (the Company) for its statement of financial position as at 31 December 2016 and the corresponding change in the policy liabilities in the income statement for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and solvency requirements applicable to life insurance companies in Jamaica.

In my opinion:

- (a) the methods and procedures used in the verification of the valuation data are sufficient and reliable and fulfil acceptable standards of care;
- (b) the valuation of actuarial and other policy liabilities has been made in accordance with generally accepted actuarial practice with such changes as determined and directions made by the Financial Services Commission;
- (c) the methods and assumptions used to calculate the actuarial and other policy benefit liabilities are appropriate to the circumstances of the Company and of the said policies.
- (d) the amount of the policy benefit liabilities represented in the statement of financial position of the Company makes proper provision for the future payments under the Company's policies and meet the requirements of the Insurance Act and other appropriate regulations in Jamaica;
- (e) a proper charge on account of these liabilities has been made in the income statement.
- (f) There is sufficient capital available to meet the solvency standards as established by the Financial Services Commission.



Phillip M. Whittaker, F.I.F.A.
Appointed Actuary

21 March 2017



Independent auditor's report on the summary financial statements

To the Members of
NCB Insurance Company Limited

Our opinion

In our opinion, the accompanying summary financial statements of NCB Insurance Company Limited (the Company) are consistent, in all material respects, with the audited financial statements, in accordance with Practice Statement 2016 -1, Summary Financial Statements, issued by the Institute of Chartered Accountants of Jamaica.

The summary financial statements

The Company's summary financial statements derived from the audited financial statements for the year ended 31 December 2016 comprise:

- the statement of financial position as at 31 December 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the related notes to the summary financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The audited financial statements and the summary financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 31 March 2017.

That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the audited financial statements of the current period.

Responsibilities of management for the summary financial statements

Management is responsible for the preparation of the summary financial statements in accordance with Practice Statement 2016 - 1, Summary Financial Statements, issued by the Institute of Chartered Accountants of Jamaica.

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Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), 'Engagements to Report on Summary Financial Statements'.

PricewaterhouseCoopers

Chartered Accountants
10 April 2017
Kingston, Jamaica

NCB Insurance Company Limited

Income Statement

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	2016 \$'000	2015 \$'000
Income		
Premium income, net of reinsurance		
Premium income	2,456,415	3,003,205
Reinsurance ceded	<u>(29,885)</u>	<u>(25,414)</u>
	2,426,530	2,977,791
Fee income and mortality charges	<u>1,507,329</u>	<u>1,160,155</u>
Fee expense	<u>(19,597)</u>	<u>(17,621)</u>
	1,487,732	1,142,534
Net investment income	3,532,800	3,176,344
Other income	<u>6,360</u>	<u>5,402</u>
Total income	<u>7,453,422</u>	<u>7,302,071</u>
Policyholders' and Annuitants' Benefits and Expenses		
Policyholders' and annuitants' benefits and reserves	1,673,530	1,864,757
Policyholders' benefits recovered from re-insurers	(25,103)	(24,682)
Selling and Commission expenses	90,551	113,377
Staff costs	791,756	686,350
Asset tax	79,761	315,838
Premium tax	-	3,396
Administrative expenses	<u>636,624</u>	<u>519,046</u>
Total expenses	<u>3,247,119</u>	<u>3,478,082</u>
Profit before Taxation	4,206,303	3,823,989
Taxation	<u>(1,152,584)</u>	<u>(898,787)</u>
Profit for the Year	<u>3,053,719</u>	<u>2,925,202</u>

NCB Insurance Company Limited

Statement of Comprehensive Income

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	2016 \$'000	2015 \$'000
Profit for the Year	<u>3,053,719</u>	<u>2,925,202</u>
Other comprehensive income, net of tax:		
Items that may be reclassified subsequently to profit or loss		
Realised fair value (gains)/ losses on sale and maturity of available-for-sale securities, net of taxes, transferred to income	(170,280)	29,879
Unrealised gains/(losses) on available-for-sale securities, net of taxes	<u>250,940</u>	<u>(39,083)</u>
Total other comprehensive income for the year	<u>80,660</u>	<u>(9,204)</u>
Total comprehensive income for the year	<u><u>3,134,379</u></u>	<u><u>2,915,998</u></u>

NCB Insurance Company Limited

Statement of Financial Position

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	2016 \$'000	2015 \$'000
ASSETS		
Cash and deposits	381,054	421,056
Investment securities classified as available for sale and loans and receivables	39,937,244	38,529,271
Reverse repurchase agreements	1,480,422	1,919,716
Taxation recoverable	247,859	768,754
Other receivables	421,544	306,730
Property, plant and equipment	13,452	16,528
Intangible asset – computer software	315,397	252,366
	<u>42,796,972</u>	<u>42,214,421</u>
LIABILITIES		
Liabilities under insurance and annuity contracts	28,168,072	27,747,291
Obligation under repurchase agreement	-	300,088
Deferred tax liabilities	266,273	196,122
Other liabilities	445,644	325,989
Finance lease obligations	14,111	13,213
	<u>28,894,100</u>	<u>28,582,703</u>
SHAREHOLDERS' EQUITY		
Share capital	400,000	400,000
Fair value reserve	105,498	24,838
Retained earnings	13,397,374	13,206,880
	<u>13,902,872</u>	<u>13,631,718</u>
	<u>42,796,972</u>	<u>42,214,421</u>

NCB Insurance Company Limited

Statement of Changes in Equity

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Fair Value Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 31 December 2014	400,000	34,042	11,668,222	12,102,264
Total comprehensive income	-	(9,204)	2,925,202	2,915,998
Dividends	-	-	(1,386,544)	(1,386,544)
Balance at 31 December 2015	400,000	24,838	13,206,880	13,631,718
Total comprehensive income	-	80,660	3,053,719	3,134,379
Dividends	-	-	(2,863,225)	(2,863,225)
Balance at 31 December 2016	400,000	105,498	13,397,374	13,902,872

NCB Insurance Company Limited

Statement of Cash Flows

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	2016 \$'000	2015 \$'000
Cash Flows from Operating Activities		
Profit for the year	3,053,719	2,925,202
Adjustments to reconcile net profit to cash flow provided by operating activities:		
Interest income	(3,080,139)	(2,967,128)
Interest expense	4,584	5,621
Income tax charge	1,152,584	898,787
Foreign exchange gain	(176,945)	(117,922)
Interest credited to policyholders	880,566	907,901
Depreciation	9,810	9,677
Amortisation	43,507	63,142
Gain on disposal of property, plant and equipment	207	-
Transfer from actuarial reserves	(639,560)	(105,947)
Fair value loss on investment property	(1,300)	-
Changes in operating assets and liabilities:		
Reverse repurchase agreements	499,643	(957,492)
Liabilities under insurance and annuity contracts, net	179,775	(119,328)
Other liabilities	119,655	111,709
Other receivables	(114,814)	(75,785)
Cash provided by operating activities	1,931,292	578,437
Income tax paid	(582,855)	(613,708)
Interest paid	(4,568)	(5,605)
Interest received, net	2,983,785	2,898,240
Net cash provided by operating activities	4,327,654	2,857,364
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(6,942)	(5,370)
Purchase of intangible asset - computer software	(106,538)	(68,337)
Investment securities, net	(938,617)	(4,578,228)
Net cash used in investing activities	(1,052,097)	(4,651,935)
Cash Flows from Financing Activities		
Repayment of finance lease obligations	898	735
Proceeds from issue of repurchase agreement	(16)	(16)
Dividends paid	(2,863,225)	(1,386,544)
Net cash used in financing activities	(2,862,343)	(1,385,825)
Net increase/(decrease) in cash and cash equivalents	413,214	(3,180,396)
Effect of exchange rate changes on cash and cash equivalents	421	420
Cash and cash equivalents at beginning of year	1,481,668	4,661,644
CASH AND CASH EQUIVALENTS AT END OF YEAR (Page 6)	1,895,303	1,481,668

NCB Insurance Company Limited

Statement of Cash Flows (Continued)

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	2016	2015
	\$'000	\$'000
CASH AND CASH EQUIVALENTS AT END OF YEAR (Page 5)	<u>1,895,303</u>	<u>1,481,668</u>
Comprising:		
Cash and deposits	381,054	421,056
Investments	654,900	561,700
Reverse repurchase agreements	859,349	799,000
Obligation under repurchase agreement	<u>-</u>	<u>(300,088)</u>
	<u>1,895,303</u>	<u>1,481,668</u>

NCB Insurance Company Limited

Notes to the Summary Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification, Activities and Licence

These are the summary financial statements (the summary financial statements) of NCB Insurance Company Limited (the company) for the year ended 31 December 2016. The summary financial statements are derived from the audited financial statements (the full financial statements) of the company as at and for the year ended 31 December 2016.

The company is owned 79.9% by National Commercial Bank Jamaica Limited (the Bank) and 20.1% by West Indies Trust Company Limited (Witco), a wholly-owned subsidiary of the Bank. These companies are incorporated and domiciled in Jamaica. The ultimate holding company is Portland Holdings Inc., which is incorporated and domiciled in Canada. Portland Holdings Inc. is controlled by Hon. Michael Lee-Chin, OJ. The registered office of the company is located at 32 Trafalgar Road, Kingston 10, Jamaica.

The company is licensed under the Insurance Act and Regulations 2001 and the Pensions (Superannuation Funds and Retirement Schemes) Act 2004. The company also holds a securities dealer's licence.

The main activities of the company are the provision of life insurance, pension administration services, investment management services and retirement products.

All amounts contained in the summary financial statements are presented in Jamaican dollars, unless otherwise stated.

2. Basis of Preparation

The summary financial statements have been extracted from the full financial statements and have been prepared in accordance with Practice Statement 2016 - 1, Summary Financial Statements, issued by the Institute of Chartered Accountants of Jamaica. The full financial statements as at and for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 21 March 2017. Those financial statements have been prepared in accordance with IFRS, and contain an explicit and unreserved statement of compliance with IFRS.

The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements. The full financial statements are available on our website at www.ncbinsurance.com or www.jncb.com.

The full financial statements have been audited by PricewaterhouseCoopers Jamaica who, in their report dated 31 March 2017, expressed an unmodified opinion in relation to those full financial statements.

NCB Insurance Company Limited

Notes to the Summary Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

3. Capital Management

The company maintains a capital structure consisting mainly of shareholders' funds consistent with the company's profile and the regulatory and market requirements. The company is subject to a number of regulatory capital tests and also employs scenario testing on an annual basis to assess the adequacy of capital. The company has met all of these requirements during the year. Capital adequacy is managed at the operational level.

The relevant capital requirement is the Minimum Continuing Capital Surplus Ratio (MCCSR) determined in accordance with the FSC regulations. The FSC currently requires a minimum ratio of 150%. As at 31 December 2016, the MCCSR was measured at 455.2% (December 2015 – 600.3%).

4. Subsequent Events

Ordinary Dividends

On 24 January 2017, the Board declared dividends of \$356,600,118 (\$1.90 per ordinary stock unit). The financial statements for the year ended 31 December 2016 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2017. Dividends paid in 2016 and 2015 were \$2,863,224,737 (\$15.24 per ordinary stock unit) and \$1,386,543,699 (\$7.38 per ordinary stock unit), respectively.