ANNUAL REPORT 2011

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Building a Better **JAMAICA**

NATIONAL COMMERCIAL BANK
JAMAICA LIMITED

WHAT'S INSIDE

VISION

To be the premier financial institution delivering superior products and services to satisfy the needs of our customers, while developing our employees and building a better Jamaica.

175th

1837 - 2012

Supporting **Financial Independence** from Generation to Generation...

Building
a Better
JAMAICA

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.

BRAND PILLARS

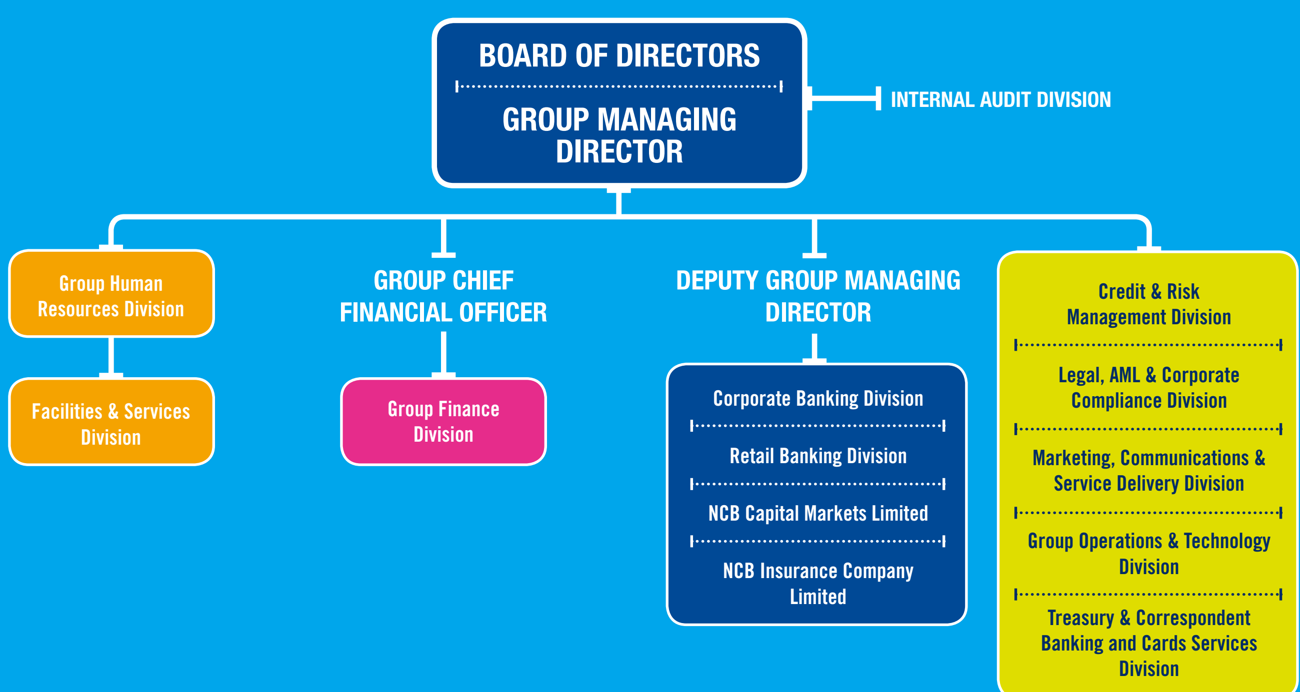
INNOVATION At NCB, we are constantly finding financial solutions to meet the changing needs of our customers. We also drive innovation in our operations by using technology as a key enabler of greater efficiency.

EXPERTISE NCB professionals possess and demonstrate expert knowledge in their respective areas of our business. Equally important, we have superior relationship management skills that build trust and loyalty with those we serve.

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 financially responsible practices, while embracing our role as a leading corporate citizen in Jamaica.

STRATEGIC FOCUS

ORGANIZATIONAL CHART



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 **Wyndham Kingston Hotel, 77 Knutsford Boulevard, Kingston 5**, in the parish of Saint Andrew on **Thursday, February 23, 2012 at 3:00 p.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, 2011 and the Reports of the Directors and Auditors, circulated with the Notice convening the Meeting, be and are hereby adopted."

2. Election of Directors

(a) **Article 95** of the Company's Articles of Incorporation provides that one-third of the Board (except the Managing Director and 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 Michael Anthony Lee-Chin, O.J., Mrs Sandra Alicia Carol Glasgow and Mr Wayne Christopher Chen** and being eligible, offer themselves for re-election.

The proposed resolutions are therefore as follows:

(i) **"THAT** Director, **MR MICHAEL ANTHONY LEE-CHIN**, retiring pursuant to Article 95 of the Articles of Incorporation be and is hereby re-elected."

(ii) **"THAT** Director, **MRS SANDRA ALICIA CAROL GLASGOW**, retiring pursuant to Article 95 of the Articles of Incorporation be and is hereby re-elected."

(iii) **"THAT** Director, **MR WAYNE CHRISTOPHER CHEN**, retiring pursuant to Article 95 of the Articles of Incorporation be and is hereby re-elected."

(b) **Mrs Sanya Melina Goffe** was appointed Director of the Company October 1, 2011. Under **Article 103** of the Company's Articles of Incorporation her appointment expires on the date of this Meeting and being eligible she offers herself for re-election.

The proposed resolution is therefore as follows:

"**THAT** Director, **MRS SANYA MELINA GOFFE**, retiring pursuant to Article 103 of the Articles of Incorporation be and is hereby re-elected."

3. 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, 2012, BE AND IS HEREBY fixed at **$19,479,375**, which remuneration may include such share incentive scheme for directors as may be determined by the Board."

4. 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."

5. Resolutions in respect of any other business which can be transacted at an Annual General Meeting.

A Member of the Company, entitled to attend and vote, is entitled to appoint a Proxy to attend and vote in his stead, and a Proxy need not be a member.

If you are unable to attend the Meeting, a Form of Proxy has been provided 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 11th day of **JANUARY 2012**

BY ORDER OF THE BOARD

Dave L. Garcia
COMPANY SECRETARY

OUR BUSINESS IN BRIEF

WHO ARE WE?

The National Commercial Bank Jamaica Limited (NCB) had its genesis over 174 years ago when in 1837 the Colonial Bank of London, England, opened its doors on Harbour Street in Kingston. Through a series of mergers and acquisitions, the Bank eventually became known, in 1977, as National Commercial Bank Jamaica Limited.

Today trading on both the Jamaica and the Trinidad & Tobago Stock Exchanges, NCB has grown to become Jamaica's number one financial services provider when measured by profitability, assets and branch network. NCB provides a wealth of financial services through its network of 42 locations and over 170 ABMs island-wide. These services include chequing and savings accounts, credit card facilities, personal and commercial loans, insurance and wealth management; supported by internet banking – www.jncb.com along with telephone banking and a toll-free 24/7 Customer Care Centre at 1-888-NCB-FIRST (1-888-622-3477).

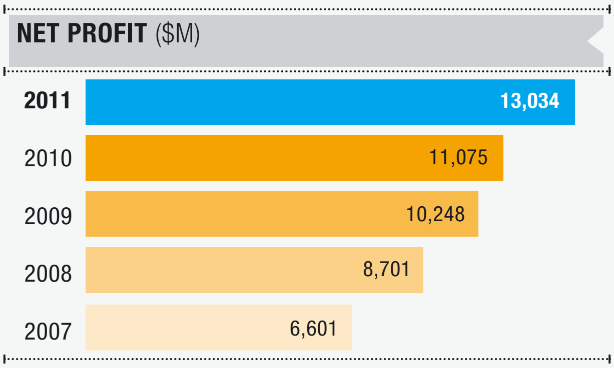
As members of the NCB Group of Companies, our subsidiaries are entities that expand the organization's services through their unique offerings. They are: –

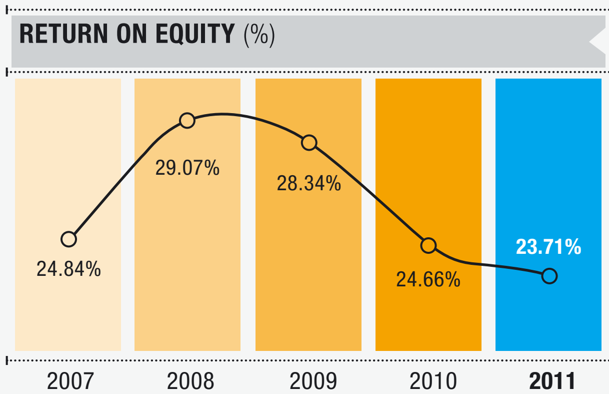
- NCB CAPITAL MARKETS LIMITED
- NCB INSURANCE COMPANY LIMITED
- NCB (CAYMAN) LIMITED
- NCB REMITTANCE SERVICES (CAYMAN) LIMITED
- NCB CAPITAL MARKETS (CAYMAN) LIMITED
- NCB REMITTANCE SERVICES (JAMAICA) LIMITED
- NCB REMITTANCE SERVICES (UK) LIMITED
- N.C.B. JAMAICA (NOMINEES) LIMITED
- MUTUAL SECURITY INSURANCE BROKERS LIMITED
- WEST INDIES TRUST COMPANY LIMITED
- DATA-CAP PROCESSING LIMITED
- N.C.B. (INVESTMENTS) LIMITED

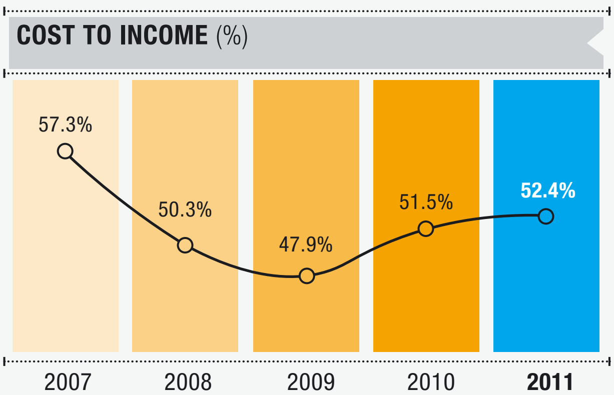
The N.C.B. Foundation serves as the philanthropic arm of the organization.

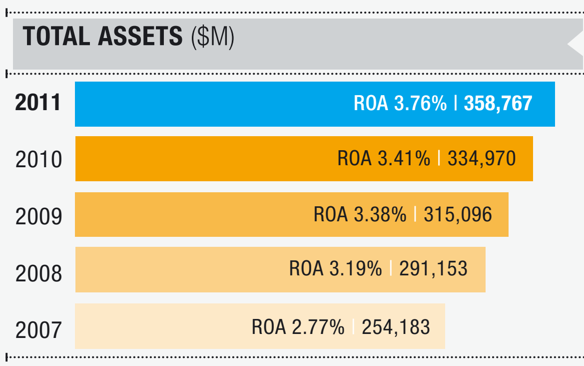
THE GROUP AT A GLANCE

PERFORMANCE HIGHLIGHTS









NCBJ Total Shareholder Return

For The Year Ended September 30	**2011**	**2010**	**2009**	**2008**	**2007**
Closing Price of Common Shares ($ per share)	27.29	17.51	13.00	20.00	22.40
Dividend Paid ($ per share)	1.36	1.90	0.88	1.14	0.73
NCBJ Shareholder Return (%)	64%	49%	(31%)	(6%)	27%
JSE Index Annual Movement (%)	10%	5%	(22%)	6%	12%

BUSINESS HIGHLIGHTS
CELEBRATING OUR PEOPLE

NCB LONG SERVICE AWARDS 2011: The Long Service Awards Reception Cocktail was held to recognize and reward employees who have dedicated 10 years and more to the organization. Angella Spencer, stands in amusement next to her recruitment pic taken 40 years ago when she first joined the bank.

SIGMA CORPORATE RUN 2011: Members of Team NCB celebrate as they walked away with the coveted "Best Corporate Run Team" award at the 13th Annual Sigma Corporate Run; 167 employees participated in support of the Victoria Jubilee Neo-Natal Clinic.

NCB EMPLOYEES' GENERAL MEETING: Maxine McKenzie and members of the Sales and Service Effectiveness Team 'STEPping IT up' at the Bank's Employees' General Meeting as they showcase their strategy in an animated way.

NCB PINNACLE AWARDS celebrate the successful performances of our Sales and Service employees. Fitzroy Coleman, Teller of the Year (center) and Andrea Allen-Phillips, Business Support Officer of the Year (2nd right) proudly share stage with NCB executives (l-r) Patrick Hylton , Group Managing Director, Audrey Tugwell Henry Senior General Manager, Retail Banking and Dennis Cohen, Deputy Group Managing Director.

NCB LONG SERVICE AWARDS: (l-r) MCs Oliver Tomlinson, Business Development Manager, NCB Insurance Company Limited and Bernadette Barrow, Assistant General Manager, Retail Banking kept the 70's styled theme of the Long Service Awards alive.

BUSINESS HIGHLIGHTS CONT'D

ENHANCING OUR BUSINESS

JAMAICA MANUFACTURERS' ASSOCIATION BUY JAMAICAN: BUILD JAMAICA INITIATIVE "Superior, Unique and Irie" were the choice words used to describe both the National Commercial Bank and products of Jamaica on the Hall of Fame plaque mounted in NCB's honour at the Jamaica Manufacturers Association's offices in downtown Kingston on June 29, 2011. NCB has been a longstanding partner of the JMA's Buy Jamaican; Build Jamaica initiative since 2004, contributing $12M to the current campaign. NCB Group Managing Director Patrick Hylton (right) observes the words while outgoing JMA President Omar Azan (left) and Incoming President Brian Pengelley (centre) look on.

A BIG BABY SHOWER: NCB Capital Markets Regional Manager Najah Peterkin (second left) embraces this newborn at the NCB Capital Markets-branded event "A Big Baby Shower" hosted by Michelle Jackson-Gordon (right). Sharing in the moment are expectant mums Aliya Leslie (left) and Shikima Hinds.

SIMPLY RED: Winston Barrett (right), Vice Chairman of the Heart Foundation, is being presented with a Kai Watson painting as a donation for the NCB Insurance's Silent Auction Prize at "Simply Red" by Joseph Montaque, NCB Promotions Ofiicer. Simply Red is a fundraising event for the Heart Foundation and the proceeds are used to purchase much needed equipment for the facility.

WOMEN IN BUSINESS PRESS LAUNCH: NCB's SME Unit signed a Memorandum of Understanding (MOU) in partnership with the Women Business Owners of Jamaica Ltd (WBO) for a 3 year project to develop businesses owned and operated by women islandwide. Audrey Tugwell Henry (centre), Snr. General Manager, Retail Banking signs the 13 million dollar commitment while Assistant General Manager, Small & Medium Enterprises (SME) Bernadette Barrow (left); WBO president, Dorothea Gordon-Smith (right) and Pamela Jolly,(standing) Business Consultant look on.

NCB VISA CLASSIC BELL/ZAIDIE MEMORIAL CELEBRITY CHARITY FOOTBALL MATCH: Organisers of the event Deane Shepherd (second left) and Clive "Busy" Campbell (right) express their appreciation for NCB's support of the initiative to Claudette Rodriquez, Assistant General Manager, Cards (second right) and Christopher Vendryes, Marketing Officer.

NCB NATION BUILDERS' AWARD: The NCB Nation Builder Awardee for 2011, John Minott (center) of Jamaica Standard Products Company Limited accepts his award from NCB Chairman Michael Lee-Chin (left) and Group Managing Director Patrick Hylton. Jamaica Standard Products Company Limited is a Manchester-based firm which was launched in 1942 as a trader in produce such as goat skin, cola nut (bissy), sarsaparilla, pimento, ginger and honey.

AUTO DEALERS' COCKTAILS: Crichton Automotive Limited's Managing Director, Kirk Crichton (left) and team proudly beam as they receive the award for Top Used Car Dealer of the Year at the NCB Auto Dealers' Cocktail Reception.

CORPORATE MINGLE : Igor Dorofeev, Country Manager, Rusal Global Management (second left) and wife Elena Boytsova (left) share a moment with; (center-right) Dr Wesley Hughes, Financial Secretary, Ministry of Finance; Patrick Hylton, NCB Group Managing Director and Milton Samuda, President, Jamaica Chamber of Commerce at the NCB Corporate and Treasury and Correspondent Banking Mingle.

NCB CAPITAL MARKETS SPORTING CLAYS OPEN: (left-right) NCB Captial Markets VP, Sales and Client Services, Vernon James and Kerry Spencer, Corpoate Client Services Manager with winners Andrew Azan (center), Stephanie Gregg (right) and Coach of Jamaica's Skeet Club, Khaleel Azan (second right).

NCBIC'S PROCARE "LIFESAVER" TEAM WALKS IN SOLIDARITY AT RELAY FOR LIFE : NCB Insurance Company celebrated with the Jamaica Cancer Society for the seventh annual Relay for Life charity event, in an effort to raise $13M towards cancer screening, education, advocacy and support programmes for families dealing with cancer.

10 YEARS FINANCIAL STATISTICAL REVIEW

CONSOLIDATED INCOME STATEMENT SUMMARY (J$'000)

	2011	2010	2009	2008
Net profit	**13,034,429**	**11,074,798**	10,248,185	8,701,173
Gross operating income	**44,791,704**	**43,023,151**	44,868,803	39,255,256
Net interest income	**21,150,860**	**20,649,643**	18,879,974	15,826,304
Other operating income	**13,521,336**	**8,773,712**	8,392,348	8,979,806
Operating income	**34,672,196**	**29,423,355**	27,272,322	24,806,110
Operating expenses	**19,184,458**	**16,135,955**	14,100,596	14,162,202
Staff costs	**9,240,116**	**9,252,662**	7,989,772	7,281,304
Provision for credit losses	**768,881**	**947,962**	1,027,634	468,287
Depreciation and amortisation	**580,132**	**528,333**	593,538	725,936

CONSOLIDATED STATEMENT OF FINANCIAL POSITION SUMMARY (J$'000)

	2011	2010	2009	2008
Total assets	**358,767,241**	**334,970,011**	315,096,477	291,153,397
Loans and advances, net of provision for credit losses	**91,728,138**	**85,995,102**	88,178,270	82,169,396
Investment securities	**204,748,127**	**200,132,984**	167,718,957	154,571,682
Customer deposits	**155,800,401**	**144,283,158**	130,331,351	126,099,896
Liabilities under annuity and insurance contracts	**23,564,275**	**20,405,624**	19,114,764	16,533,984
Repurchase agreements	**84,075,103**	**85,292,763**	77,374,431	69,619,957
Obligations under securitisation arrangements	**14,378,119**	**20,456,162**	27,157,180	26,259,740
Stockholders' equity	**61,126,392**	**48,807,933**	41,015,946	31,312,662

PROFITABILITY RATIOS

	2011	2010	2009	2008
Return on average stockholders' equity (1)	**23.71%**	**24.66%**	28.34%	29.07%
Return on average total assets (2)	**3.76%**	**3.41%**	3.38%	3.19%
Non-interest income to operating income	**39.00%**	**29.82%**	30.77%	36.20%
Effective tax rate (3)	**22.13%**	**17.89%**	21.97%	19.49%
Cost to income ratio (4)	**52.36%**	**51.53%**	47.93%	50.25%

PER SHARE INFORMATION

	2011	2010	2009	2008
Earnings per share (5)	**$5.30**	**$4.50**	$4.16	$3.54
Dividends paid per share	**$1.36**	**$1.90**	$0.88	$1.14
Book value per share	**$24.83**	**$19.83**	$16.66	$12.72

1. For financial years ended September 30, return on average stockholders' equity is calculated as net profit divided by average stockholders' equity (stockholders' equity at the end of the fiscal year plus stockholders' equity at the end of the prior financial year, divided by two).

2. For financial years ended September 30, return on average total assets is calculated as net profit divided by average total assets (total assets at the end of the fiscal year plus total assets at the end of the prior financial year, divided by two).

2007	2006	2005	2004	2003	2002
6,601,426	5,486,625	4,468,542	2,978,045	2,830,499	1,478,407
33,752,955	30,004,702	27,460,769	25,175,497	22,138,992	14,264,469
12,796,777	11,778,136	10,713,444	9,603,098	6,757,882	4,282,614
7,754,802	6,198,817	5,815,035	3,344,801	4,271,679	2,349,312
20,551,579	17,976,953	16,528,479	12,947,899	11,012,147	6,631,926
12,128,301	11,164,384	10,522,418	9,155,015	7,548,897	4,920,249
6,987,550	5,955,835	5,664,701	4,639,585	4,212,281	2,928,332
277,603	155,786	(28,071)	367,869	189,147	(172,499)
889,246	1,028,085	1,071,135	976,029	494,910	290,997
254,183,354	223,138,804	190,341,294	174,852,385	145,886,165	115,220,390
56,525,564	42,219,840	36,064,342	34,007,614	26,400,147	15,282,721
142,955,539	123,765,437	94,960,438	78,219,804	80,444,730	67,293,256
118,518,051	99,026,503	85,067,749	79,861,826	69,688,968	63,365,179
14,487,602	12,010,182	9,117,241	6,912,610	4,287,658	3,217,521
51,305,167	50,344,707	49,407,220	37,496,253	29,624,741	11,897,440
26,409,833	21,398,964	10,798,517	9,427,736	4,576,979	4,848,691
28,554,026	24,589,987	21,213,463	17,145,003	12,871,832	11,971,477
24.84%	23.96%	23.30%	19.84%	22.79%	12.93%
2.77%	2.65%	2.45%	1.86%	2.17%	1.34%
37.73%	34.48%	35.18%	25.83%	38.79%	35.42%
23.18%	20.83%	23.45%	16.67%	19.02%	9.94%
57.27%	59.88%	62.40%	67.87%	66.83%	76.79%
$2.68	$2.23	$1.82	$1.21	$1.15	$0.60
$0.73	$0.71	$0.48	$0.54	$0.51	$0.16
$11.60	$9.99	$8.62	$6.97	$5.23	$4.87

3. For financial years ended September 30, effective tax rate is calculated as taxation expenses divided by operating profit.

4. For financial years ended September 30, cost to income ratio is calculated as staff costs, depreciation and other operating expenses divided by total operating income.

5. Earnings per share is calculated as net profit divided by weighted average shares outstanding for the relevant fiscal period or year.

10 YEARS FINANCIAL STATISTICAL REVIEW CONT'D

	2011	2010	2009	2008
CAPITAL RATIOS				
Risk-based capital adequacy ratio (NCB Jamaica) (6)	**15.13%**	**16.47%**	14.63%	14.63%
Capital to risk weighted assets (NCB Capital Markets) (7)	**35.71%**	**97.82%**	60.75%	77.88%
Solvency ratio (NCB Insurance) (8)	**34.73%**	**27.10%**	23.20%	16.20%
Stockholders' equity to total assets	**17.04%**	**14.57%**	13.02%	10.75%
ASSET QUALITY RATIOS				
Non-performing loans as a percentage of gross loans and advances (9)	**7.16%**	**3.45%**	2.61%	2.34%
Non-performing loans as a percentage of total assets	**1.88%**	**0.90%**	0.74%	0.67%
Non-performing loans as a percentage of stockholders' equity	**11.02%**	**6.21%**	5.71%	6.25%
Total provision for credit losses as a percentage of non-performing loans	**115.91%**	**136.29%**	147.26%	152.88%
Total provision for credit losses as a percentage of gross loans and advances	**8.29%**	**4.70%**	3.84%	3.57%
STATEMENT OF FINANCIAL POSITION RATIOS				
Loans and advances, net of provision for credit losses, as a percentage of total assets	**25.57%**	**25.67%**	27.98%	28.22%
Investment securities as a percentage of total assets	**57.07%**	**59.75%**	53.23%	53.09%
Fixed assets as a percentage of total assets	**1.46%**	**1.34%**	1.35%	1.41%
Loans and advances, net of provision for credit losses, as a percentage of customer deposits	**58.88%**	**59.60%**	67.66%	65.16%
Liquid assets as a percentage of customer deposits (10)	**40.91%**	**42.40%**	33.22%	37.56%
OTHER STATISTICS				
Share price at September 30 (JSE)	**$ 27.29**	**$ 17.51**	$ 13.00	$ 20.00
Share price at September 30 (TTSE)	**TT$2.09**	**TT$1.50**	TT$0.95	TT$1.85
Price earnings ratio	**5.15**	**3.89**	3.12	5.66
Dividends paid (J$'000)	**3,354,797**	**4,686,850**	2,170,750	2,812,110
Dividend yield	**4.98%**	**10.85%**	6.77%	5.70%
Dividend payout ratio	**25.68%**	**42.23%**	21.14%	32.24%
JSE Index at September 30	**91,731.84**	**83,613.08**	79,928.03	102,018.87
Inflation Rate (Twelve months ended September 30)	**8.05%**	**11.28%**	7.18%	25.34%

6. 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 regulations, the overall minimum capital to be maintained in relation to risk weighted assets is 10%.

7. 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%.

2007	2006	2005	2004	2003	2002
14.50%	17.28%	19.08%	15.77%	16.70%	29.64%
99.86%					
14.00%	13.40%	10.20%	10.10%	10.00%	9.00%
11.23%	11.02%	11.14%	9.81%	8.82%	10.39%
2.56%	3.66%	4.27%	4.08%	5.26%	8.84%
0.58%	0.72%	0.85%	0.84%	1.03%	1.32%
5.17%	6.51%	7.58%	8.61%	11.68%	12.75%
150.99%	144.72%	135.42%	154.27%	148.77%	134.74%
3.86%	5.29%	5.78%	4.08%	5.26%	8.84%
22.24%	18.92%	18.95%	19.45%	18.10%	13.26%
56.24%	55.47%	49.89%	44.73%	55.14%	58.40%
1.60%	1.89%	2.30%	2.53%	2.68%	2.14%
47.69%	42.63%	42.39%	42.58%	37.88%	24.12%
32.72%	42.35%	37.94%	38.02%	27.56%	22.82%
$ 22.40	$ 18.21	$ 18.00	$ 25.20	$ 13.30	$ 5.70
TT$1.95	TT$1.65	TT$1.90	TT$2.50		
8.35	8.17	9.91	20.82	11.56	9.49
1,800,737	1,751,402	1,184,046	1,332,052	1,258,049	340,413
3.26%	3.91%	2.67%	2.15%	3.84%	2.81%
27.21%	31.84%	26.50%	44.73%	44.45%	23.03%
96,299.84	86,195.99	103,332.63	99,819.82	57,769.13	39,219.55
9.01%	6.50%	18.73%	10.49%	12.78%	5.91%

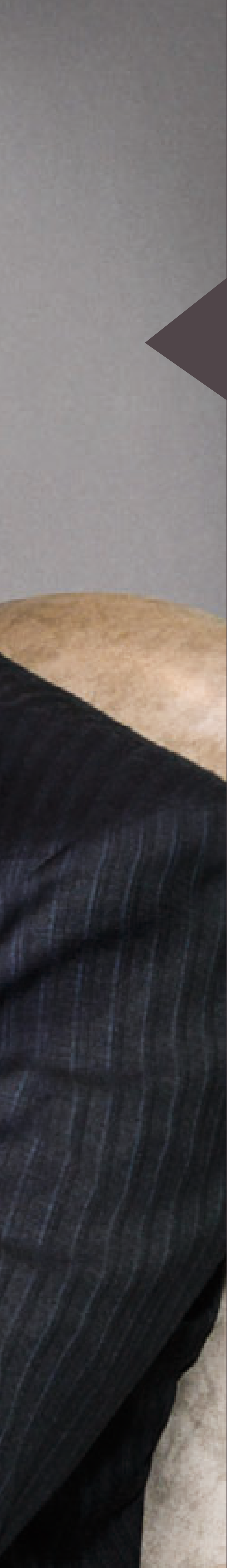
8. Solvency ratio (NCB Insurance only) is calculated as stockholders' equity relative to the risks (total liabilities) it faces. Under Financial Services Commission regulations, the overall minimum capital to be maintained in relation to total liabilities is 10%.

9. Non-performing loans as a percentage of gross loans and advances is calculated as total non-performing loans divided by gross loans and advances. Non-performing loans are loans as to which there have been no payments of principal or interest for 90 days or more.

10. 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 due from other banks.

Chairman's Message

Hon. Michael **Lee-Chin OJ**
Chairman



My fellow shareholders,

I invite you to join me in celebrating the fact that during the past year NCB continued to lead the local financial services sector by recording world-class performances in key areas of its operations. We welcomed the accolades that came from prestigious organizations such as “The Banker” magazine which recognized us not only in respect of our outstanding performance regionally, but internationally as well. Being named as one of the top performing banks in the world is a highly commendable achievement!

Despite the challenging local and global financial market environment, the consistent growth in many of our key performance indicators deserves special mention. I continue to credit much of our success to the fact that our operations are guided by sound strategic planning and effective policies which provide a standard against which stakeholders can measure our performance. These are also testimony to the strength of our ongoing commitment to deliver sustainable shareholder value, through innovative financial products and services, secure technology and a talented and well-trained team of employees who have kept customer satisfaction as a foremost consideration in all their activities.

Recognizing our employees as a critical link in our service value chain, our organisation continues to invest substantially in capacity building programmes at all levels of the NCB Group – all designed to enhance their skills and performance, while enriching both the customer experience and other professional relationships. Initiatives such as the new employee coaching and professional development programmes were introduced this year to help us optimize our overall performance.

The corporate social responsibility/community development programmes spearheaded by the NCB Foundation also help our organisation to support the national goal of making Jamaica the “place of choice to live, work, raise families and do business.” I am especially pleased about our focus on Youth Development which is seeking, among other things, to develop a talented pool of potential entrepreneurs and provide an unparalleled opportunity to mould a new generation of citizens to tackle the vital task of social and economic transformation in our nation. These initiatives and our ongoing support for various business segments provide a platform for sustained national growth.

In this regard we were also delighted to provide critical training for small and medium-sized businesses, as well as for important niche segments such as women-owned businesses. Such activities make it clear that indeed NCB has been paying keen attention to identifying and providing strategic support for areas of the business community that have demonstrated the potential to be major contributors to national development.

In the year ahead, we intend to maintain our position not only as market leaders in the financial services sector, but also as an award-worthy financial institution internationally. Despite the challenges in the local and global economy, there are many exciting new prospects for our group. We will therefore leverage our talent and operational efficiencies and aggressively identify and seize new opportunities for growth, particularly in emerging market segments.

As we say thanks for your commitment to NCB over the years, we look forward to your continued support as shareholders and stakeholders in sustaining and advancing NCB’s performance and success.

BOARD OF DIRECTORS

A sound corporate governance framework, regulatory compliance, stakeholder transparency and robust risk management are enablers and hallmark of a successful and healthy organisation. Our Board of Directors has oversight for the corporate governance of the Bank and its subsidiaries.

Hon. Michael LEE-CHIN
OJ, Hon. LL.D., B.Sc.
CHAIRMAN

MAIN POSITIONS: Chairman and President of Portland Holdings Inc. a privately held company with ownership interests in a collection of diversified businesses operating in sectors that include public equity, private equity, media, tourism, health care, telecommunications and financial services. Director, ROM Foundation, a Canadian charitable foundation; Patron of Grand Jamaica Homecoming, a campaign to bring home Jamaicans living abroad to celebrate 50 years of independence.

SPECIAL ACHIEVEMENTS: Bachelor's degree in Civil Engineering, McMaster University in Canada; Recipient of honorary Doctor of Laws degrees, Northern Caribbean University, Jamaica; McMaster University; University of Toronto; Wilfrid Laurier University School of Business & Economics; and York University. Chancellor of Wilfrid Laurier University in Ontario, Canada. Recipient of Order of Jamaica (O.J.), for outstanding service in business and philanthropy and several prestigious awards in the areas of business and community service including the 2004 International Humanitarian Award from the American Friends of Jamaica.

LENGTH OF DIRECTORSHIP: 9 years

Wayne CHEN
LL.B (Hons)

MAIN POSITIONS: Chief Executive Officer, Super Plus Food Stores; President, Jamaica Employers' Federation and the Caribbean Employers' Confederation; Chairman, NCB Insurance Company Limited and West Indies Trust Company Limited; Director of NCB (Cayman) Limited, AIC (Barbados) Limited; Chairman of the Urban Development Corporation and The National Gallery of Jamaica

SPECIAL ACHIEVEMENTS: Bachelor of Laws (Hons) Degree, University of the West Indies. Recipient of several national awards including the Jamaican Institute of Management Young Entrepreneur for 1997 and the Jamaica Observer Business Leader of the Year 1998.

LENGTH OF DIRECTORSHIP: 9 years

Sandra GLASGOW
B.Sc., M.B.A.

MAIN POSITIONS: Chief Executive Officer, The Private Sector Organisation of Jamaica (PSOJ); Member of the Board of Directors of the National Export-Import Bank of Jamaica (Ex-IM), the Planning Institute of Jamaica and the GraceKennedy Foundation. Mentor to Caribbean Producers Jamaica Limited

SPECIAL ACHIEVEMENTS: Bachelor of Science Degree in Applied Zoology and Applied Botany and a Master of Business Administration from the University of the West Indies, Mona; certified as a Director by the Commonwealth Association for Corporate Governance (CACG), a Trainer of Trainers in Corporate Governance Board Leadership by the International Finance Corporation (IFC) and a Trainer of Trainers in Business Ethics by the Inter-American Investment Corporation and the US Department of Commerce; Jamaica's Eisenhower Fellow in 2000.

LENGTH OF DIRECTORSHIP: 9 years

Patrick HYLTON
A.C.I.B., B.B.A., CD

GROUP MANAGING DIRECTOR

MAIN POSITIONS: Chairman of Harmonisation Limited and sits on several boards including the Caribbean Information and Credit Rating Services (CariCRIS).

SPECIAL ACHIEVEMENTS: Honours Graduate in Business Administration and as an Associate of the Chartered Institute of Bankers (ACIB) London. Past President of the Jamaica Bankers Association. Mr Hylton led the organisation to achieve record growth in profitability as well as numerous awards locally and internationally. Order of Distinction, Commander Class (C.D.) in 2002.

LENGTH OF DIRECTORSHIP: 8 years

Dennis COHEN
FCA., FCCA., B.Sc.

DEPUTY GROUP MANAGING DIRECTOR

MAIN POSITIONS: CEO of NCB Capital Markets Limited; Director of NCB (Cayman) Limited; NCB Insurance Company Limited, West Indies Trust Company Limited; the Jamaica Stock Exchange and Chairman for Mutual Security Insurance Brokers Limited. He is also a member of the Institute of Chartered Accountants of Jamaica (ICAJ).

SPECIAL ACHIEVEMENTS: Mr Cohen joined NCB in 2004 as Group Chief Financial Officer and after a decade of experience gained at Citibank N.A. Jamaica, including serving as Country Treasurer for the local branch and its affiliates. He also served as head of Citibank's Relationship Management Group. Prior to commencing his career in banking, Mr Cohen was employed to PricewaterhouseCoopers as a Senior Accountant.

LENGTH OF DIRECTORSHIP: 5 years

Robert ALMEIDA
B.Comm., CA

MAIN POSITIONS: Executive Director - AIC Global Holdings Inc. Founding Partner of Portland Private Equity; Managing Partner of the AIC Caribbean Fund, a private equity fund with capital commitments from institutional investors in Europe, the U.S.A., Canada and the Caribbean. Served as an executive at Canadian Imperial Bank of Commerce, one of Canada's largest banks and at Loblaw Companies Limited, Canada's largest retailer where he was responsible for strategy and development which was integral in Loblaw's successful entry into financial services.

SPECIAL ACHIEVEMENTS: Chartered Accountant with over 25 years of experience as an investor and a business professional, having worked in Canada, the USA and the Caribbean, Co-manager of the Manulife Advantage Fund. Recently launched Portland India Select Business Portfolio.

LENGTH OF DIRECTORSHIP: 3 years

Sanya M. GOFFE
LL.B (Hons)

MAIN POSITIONS: Attorney-at-Law and partner of the firm Hart Muirhead Fatta. Main areas of practice include Commercial, Pensions and Intellectual Property Law as well as consumer competition and general corporate law. Member of the Jamaican Bar Association, Convenor of the Intellectual Property Committee, Member and former Chairperson of the Social Affairs Committee of the Bar. Director of the Pension Funds Association of Jamaica as well as a co-founder of the Adult Learning Centres of Jamaica, a non-profit organisation committed to improving the literacy and numeracy of adults in Jamaica.

SPECIAL ACHIEVEMENTS: Former Commissioner of the Fair Trading Commission. Lecturer of subjects including the protection and enforcement of intellectual property rights, anti-counterfeiting, brand protection as well as consumer and pension law issues.

LENGTH OF DIRECTORSHIP: 3 months

BOARD OF DIRECTORS CONT'D

Hon. Noel HYLTON
O.J. Hon. LL.D., CD, J.P

MAIN POSITIONS: Chairman, President & Chief Executive Officer, The Port Authority of Jamaica. 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 Service Commission.

SPECIAL ACHIEVEMENTS: Recipient of various awards, including conferment of the Honorary Degree of Doctor of Laws (Hon. LLD) by the University of the West Indies and the designation of "Caribbean Luminary" by the American Foundation for the University of the West Indies, for outstanding contribution to the Caribbean. Recipient of the national awards of Commander Class of the Order of Distinction (C.D.) and the Order of Jamaica (O.J.) for service to the growth and development of the shipping industry. Previously served for 10 years in various administrative posts with the Eastern Regional Government of Nigeria.

LENGTH OF DIRECTORSHIP: 9 years

Thalia LYN
B.A.

MAIN POSITIONS: Founder and present CEO of the Island Grill chain of restaurants. Chair of the NCB Foundation, and on the Boards of St. Patrick's Foundation and Mustard Seed Communities. Director of Jamaica Macaroni Factory Limited, Consolidated Bakeries Limited, Port Royal Patties (UK) and Jamaica Trade & Invest - JAMPRO.

SPECIAL ACHIEVEMENTS: Bachelor's Degree from Manhattanville College, USA. Previous teacher and a licensed stockbroker and Marketing Manager for one of the largest Mutual Fund companies in Canada. In 2004 she was appointed Jamaica's Honorary Consul General to the Kingdom of Thailand, and was bestowed the honour of Commander Third Class of the Most Noble Order of the Crown of Thailand. Recipient of many awards including Business Leader of the Year (twice) from the Florida International University MBA graduating classes and "Best Fast Food" awards and accolades for the Island Grill chain.

LENGTH OF DIRECTORSHIP: 9 years

Professor Alvin G. WINT
B.Sc., M.B.A., D.B.A

MAIN POSITIONS: Professor of International Business and a Pro Vice Chancellor at the University of the West Indies. Director of Jamaica Producers Group, the Caribbean Policy Research Institute and the Planning Institute of Jamaica.

SPECIAL ACHIEVEMENTS: Former chairman of the Statistical Institute of Jamaica and former director of the Bank of Jamaica, Jamaica Promotions Corporation and the Jamaica Exporters Association.

LENGTH OF DIRECTORSHIP: 9 years

Our first branch on the corner of King and Harbour Streets.
NCB, growing with Jamaica for 175 years. 1837 - 2012.

CORPORATE GOVERNANCE

Our approach to corporate governance: The Board of Directors of National Commercial Bank Jamaica Limited is responsible for the Corporate Governance of the Bank and its subsidiaries (the Group). The Board's approach to corporate governance throughout the 2010/2011 financial year reflected its commitment to good governance in keeping with the Group's Corporate Governance Charter (available on our website at www.jncb.com) and the Core Values of the Group.

The members of the Board understand their legal and governance responsibilities and undertake these with honesty, probity, integrity and compliance and seek to set the "tone at the top" for employees to emulate. The Board monitors the effectiveness of the Group's corporate governance practices and approves changes, as needed. The Corporate Governance Committee keeps abreast of the latest regulatory requirements, trends and guidance in corporate governance and updates the board on these issues periodically.

NCB's shares are listed on the Jamaica Stock Exchange (JSE) and the Trinidad and Tobago Stock Exchange (TTSE). The Group conducts a range of businesses including banking, stock brokerage, securities trading and investment management, insurance and pensions fund management, with businesses in Jamaica and the Cayman Islands. The Board therefore oversees compliance with the prudential and solvency requirements of the Bank of Jamaica, the Financial Services Commission and the Cayman Islands Monetary Authority.

The Group's corporate governance framework is built on a number of governance standards, including the Bank of Jamaica's Standard of Best Practice for Effective Corporate Governance of Deposit-Taking Entities, published in July 2008, and the PSOJ Code of Corporate Governance, 2nd Edition, published in 2009. The Board considers that its governance practices are generally consistent with all applicable legislation, regulations, standards and codes, except that of the independence of the Chairman of the Board as contained in the PSOJ Code on Corporate Governance. The Chairman is, however, non-executive.

Board Oversight

The Board meets most months with additional meetings convened as and when urgent issues and/or important decisions are required to be taken between the scheduled meetings. As at September 30, 2011, the Board met in regular and special sessions sixteen (16) times during the year to consider matters relevant to the operations and performance of the Group. The Board regularly meets with senior management to consider matters of strategic importance to the Group.

During the year the Board fulfilled several of its key functions, including:

- Reviewing and approving the Group's Strategic Plan 2011 - 2013
- Reviewing and approving the Bank's 2011-2012 operational plans and budgets
- Approving the Group Managing Director's and senior executives' performance targets; monitoring their performance and setting remuneration
- Approving capital expenditure
- Approving the following revised policies: Corporate Governance Charter, Audit Committee Charter, Credit Risk Policy, Securities Trading Policy, Property, Plant, Equipment and Computer Software Policy, Risk Management Policy, Investment Policy, Procurement Policy; and a new Environmental Policy.
- Reviewing and approving credit facilities in excess of the limits delegated to management
- Monitoring executive management performance in the implementation and achievement of strategic and business objectives and financial performance
- Monitoring and reviewing the risk management processes, the Group's risk profile; compliance with prudential regulations, standards and other regulatory requirements; reviewing and monitoring credit quality

MEMBERS AND MEETINGS MEMBERSHIP	ATTENDANCE AT MEETINGS
Hon. Michael Lee-Chin, OJ, Chair	16/16
Robert Almeida	13/16
Wayne Chen	13/16
Dennis Cohen	14/16
Sandra A. C. Glasgow	16/16
Hon. Noel Hylton, OJ	12/16

Patrick. A. Hylton, CD	16/16
Donovan Lewis – *Resigned effective January 1, 2011*	
Thalia Lyn	14/16
Professor Alvin Wint	15/16

Management is responsible for the execution of agreed strategy and for all operational matters. The Bank has put in place directors' and officers' liability insurance in respect of legal actions against its directors; this insurance cover does not extend to fraudulent or dishonest behaviour.

Composition of the Board

As at 30 September 2011, the Board comprised seven non-executive directors and two executive directors, (The Group Managing Director and the Deputy Group Managing Director). The names of the directors, including details of the qualifications and experience are set out in the directors' profile section of the 2011 Annual Report.

Independent Directors

NCB recognises the important role that independent directors play in the company's governance. Of the seven non-executive directors serving during the year, four 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 must confirm whether they have any interests or relationships that could impact on their ability to act in the best interests of the company. The directors deemed independent at the date of this statement and the experience and competence that they bring to the Board:

Sandra A. C. Glasgow
Hon. Noel Hylton, OJ
Thalia Lyn
Professor Alvin Wint
Sanya Goffe, who joined the Board on October 1, 2011, has been deemed by the Board to be an independent director.

Internal Controls

The directors acknowledge their overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. Such systems are designed to control, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss. Such losses could arise because of the nature of the Group's business in undertaking a wide range of financial services that inherently involve varying degrees of risk.

The Board, through its Committees, has reviewed the effectiveness of the Group's systems of internal control for the year ended 30 September 2011. This review involved consideration of the reports of internal audit and the risk management functions (including operational risk, regulatory risk and compliance) and establishing that appropriate action is being taken by management to address issues highlighted. In addition, the reports of the internal and external auditors, which contain details of any material control issues identified arising from their work, are reviewed by the Audit Committee. After each meeting of the Audit Committee, its Chairman reports to the Board on all significant issues considered by the Committee, and the minutes of meetings are circulated to all members of the Board.

Conflicts of Interest

In adherence to the Company's Articles of Incorporation and various other statutory requirements on the disclosure of directors' interest, members of the Board who have interest in proposals being considered by the Board, including where such interest arises through close family members, make a declaration to that effect and excuse themselves from being present during the deliberation and final decision.

Nomination of Directors

The Board is satisfied that the current slate of directors have the appropriate skills, experience and capabilities to meet the challenges so far faced by the Group. Each year, at the Annual General Meeting, the Board recommends and the shareholders elect the retiring directors in accordance with Article 97 of the Company's Articles of Incorporation (approved at the Extraordinary General Meeting on August 12, 2011). The Board regularly reviews its own composition, including issues relating to its size, and balances factors such as diversity in relation to age, gender and professional competencies.

Given the resignation in September 2010 and January 2011 of two directors – Dr Nigel Clarke and Mr Donovan Lewis, respectively - the Corporate Governance Committee was mandated by the Board to identify possible candidates to join the Board. In so doing, it invited suggestions from other directors and management, and consulted with professional bodies in order to find appropriate candidates. On the basis of this search, Mrs Sanya Goffe, a practising attorney-at-law, was nominated by the Committee, received "fit and proper" approval of the Bank of Jamaica and was approved by the Board for appointment on October 1, 2011.

CORPORATE GOVERNANCE CONT'D

Information and Professional Development

Each month, the Directors receive detailed financial and operational reports to allow them to effectively monitor the performance of the Group's business. Board and Committee papers are usually issued for review six days in advance of meetings. During the year, directors were provided with computer notebooks and papers are now available for downloading from a secure platform. This is in keeping with the Group's new Environmental Policy to reduce, as much as possible, the use of paper.

At Board meetings, the Group Managing Director presents an update report on all major aspects of the Group's business and the Chief Financial Officer presents a report on the Group's financial performance. From time to time, members of the senior management team provide the Board with detailed presentations on the Group's major business activities.

During the year, directors of the Bank and major subsidiaries, as well as senior managers, participated in several professional development sessions on corporate governance (four sessions) and anti-money laundering and the details of the Proceeds of Crime Act (one session).

Remuneration

Directors' remuneration has been fixed at levels which would continue to attract and retain directors with the requisite skills and experience and commensurate with their responsibilities for the effective governance and management of the Group's operations and comparable with that of companies of similar scope and size.

For the executive directors, the structure of remuneration links rewards to corporate and individual performance. A significant portion of the executive directors' compensation package is variable and dependent on the Group's performance during the year and on the attainment of individual Key Performance Indicators in a scorecard aligned with the corporate objectives, and approved by the Board.

For Non-Executive Directors, the level of remuneration generally reflects the experience and level of responsibilities undertaken. The remuneration policy approved by the Board provides for the payment of a retainer for Directors and a fee for each Board and Committee meeting attended. Fees are paid on a quarterly basis.

The Chairman, the Hon. Michael Lee Chin and Director Robert Almeida do not receive Director fees by virtue of their connection with the controlling shareholder, Portland Holdings Inc. During the year, Committee Chairs received a gross retainer of $562,500.00 and directors $421,875.00 in addition to a fee of $50,000.00 for each Committee meeting attended and $40,000.00 for each Board meeting attended.

Non-executive directors' fees for the Bank and its significant subsidiaries are reviewed periodically by a special Committee of the Board comprising directors who do not receive Board fees and the Senior General Manager – Group Human Resources Division. This Committee makes a recommendation on any changes to the global sum, and in accordance with Article 82 of the Company's Articles of Association, the recommendation is approved at the Annual General Meeting.

Board Evaluation

The Board annually evaluates its effectiveness and that of its Chairman, its Committees and their chairs and individual directors. The Board has determined that the Corporate Governance Committee, comprised entirely of independent directors, should be responsible for establishing an effective process, including the design of the appraisal instrument. The evaluation process provides directors with an opportunity to opine on the degree of fulfilment of the Board's responsibilities, the quality of the Board-management relationship, the effectiveness of Board processes and meetings, individual directors' own contributions and the value of the evaluation process itself.

The questions on the evaluation instrument relate, among others, to the following:

- Size, composition and independence of the Board
- Time devoted to in-depth discussion of issues related to strategy and long-term competitiveness
- Directors' appreciation of the vision, strategies and plans of the Group in discussions and decisions
- Monitoring of business and financial risk factors
- Peer performance and benchmarking of best-in-class companies
- Succession planning for executive and senior management
- Role of the Board vis-à-vis that of management
- Ethics
- Effectiveness of the Chairman of the Board
- Board and Committee meeting effectiveness
- Teamwork and management relationships
- Communication with stakeholders
- Implementation of recommendations from previous evaluations

Individual directors' responses are submitted to the Company Secretary on a confidential basis and provided to the Committee which then reviews them and prepares a written evaluation report summarising the results. This report is submitted to the Board. The report provides a basis for discussion on how the Board's effectiveness may be enhanced and includes Directors' views of the priorities of the Board for the ensuing period. The agreements arising from this discussion are monitored for implementation by the Corporate Governance Committee members during the year.

Board Committees

In order to provide adequate time for the Board to concentrate on strategy, planning and performance enhancement, the Board has delegated specific duties to Board Committees.

Each Committee has its own Terms of Reference, which has been approved by the Board and which defines the respective Committees' roles and responsibilities. Copies of these terms of reference are available on the Bank's website, www.jncb.com under "**Corporate Governance**".

Executive Committee

The Executive Committee has the full powers of the Board vested in it from time to time and ordinarily exercises those powers only in exceptional cases (usually due to the need for an urgent decision). The Committee met formally once during the year. However, by round robin resolution, the Committee approved other matters mainly relating to credit facilities that were over the limit of the Credit Committee.

MEMBERS AND MEETINGS MEMBERSHIP	ATTENDANCE AT MEETINGS
Hon. Michael Lee-Chin, OJ, Chair	1/1
Dennis Cohen	1/1
Sandra A. C. Glasgow	1/1
Patrick. A. Hylton, CD	1/1
Professor Alvin Wint	1/1

Audit Committee

The Board has determined that each member of the Audit Committee is independent and that the membership meets the requirements of the Bank of Jamaica's Corporate Governance Standard, the Jamaica Stock Exchange Listing Agreement and The PSOJ's Code on Corporate Governance. Professor Alvin Wint is identified as having relevant experience based on his over twenty years of experience as an auditor and lecturer in accounting and finance and his current professional positions and affiliations.

MEMBERS AND MEETINGS MEMBERSHIP	ATTENDANCE AT MEETINGS
Professor Alvin Wint, Chair	5/5
Hon. Noel Hylton, OJ	4/5
Sandra A. C. Glasgow	5/5
Donovan Lewis - Resigned effective January 1, 2011	

The Group Managing Director, Deputy Group Managing Director, Group Chief Financial Officer, Chief Internal Auditor and the external Auditors normally attend and report at Audit Committee meetings. Other senior managers are invited from time to time to present reports and discuss issues of importance. As is customary during the year, the Committee met privately with the external Auditors and the Chairman met separately with the Chief Internal Auditor.

The Committee has unrestricted access to Group documents and information as well as to management and the external Auditors. Minutes of Audit Committee meetings are included in the papers for meetings of the Board and the Chairman of the Audit Committee makes an oral report on significant issues arising in Committee meetings, to the Board.

Role

The Audit Committee assists the Board in fulfilling the effective discharge of its responsibilities for financial reporting and internal control, together with the procedures for identification, assessment and reporting of risks. The Audit Committee's responsibilities, which are set out in its Charter, include:

- ensuring that the Group's financial statements and formal announcements represent an accurate, clear and balanced assessment of the Group's position and prospects;
- monitoring and reviewing the objectivity, effectiveness and independence of the external Auditors; approving their scope of work, reports and fees paid for audit services;
- monitoring and reviewing the effectiveness of the Group's accounting systems, internal control policies and procedures, compliance and risk management systems;
- monitoring and reviewing the effectiveness of the Group's internal audit function, including audit plans and reports;
- fulfilling the Group's obligations under applicable laws and regulations.

Significant Activities in 2010/11

The Audit Committee had five meetings during the year. The key activities of the Committee are set out below.

CORPORATE GOVERNANCE CONT'D

Financial statements
The Committee reviewed the financial statements published in the 2010 Annual Report and quarterly financial statements as well as quarterly releases to the Jamaica Stock Exchange. As part of these reviews, the Committee received from the external Auditors reports on their audit of the final accounts.

External audit independence and process
The Committee satisfied itself of the independence of the Group's external Auditors and agreed on the terms of appointment, areas of responsibility, associated duties and scope of the audit and fees, as set out in the engagement letter for the ensuing year.

The Committee also received internal control memoranda from the external auditors on accounting and key risk areas of the Group's business, including credit and Information Technology risks and reviewed their recommendations and the adequacy of management's responses.

Control environment and risk management
The Committee reviewed and agreed on the Group's Audit Plan for the year ending September 30, 2012, including the internal control risk assessment, risk map and residual risk map.

The Committee received quarterly reports from the Group's Chief Internal Auditor setting out the audit programme, the progress in achieving the audit milestones, the summary results of key audit findings, the adequacy of management's responses and the timeliness in resolving audit recommendations. In between meetings, Committee members received detailed reports of each audit.

Regulatory compliance
Paragraph 28(d) of the Bank of Jamaica's Corporate Governance Standard of Best Practice stipulates: "…The Audit Committee should ensure continued compliance with the legal and regulatory framework, including Standards and Guidance issued by the Supervisory Authority and with the licensee's own internal policies. Additionally, the Audit Committee should undertake the comprehensive review of all related party transactions ensuring that these are subject to approval by the board…"

During the year the Audit Committee finalised and implemented a framework that will facilitate the review of all related party transactions in compliance with the Standard.

Credit Committee
The Credit Committee met fifteen (15) times for the year. In pursuit of its mandate to assess, identify and mitigate the Bank's credit risk, the Committee undertook the following during the 2010/2011 financial year:

- Approval of facilities within limits set by the Board of Directors;
- Reviewing and making recommendations to the Board of Directors and to the Executive Committee of the Board of Directors in respect of facilities over its limit and to the Board of Directors in respect of connected parties;
- Reporting to the Board on credit portfolio reviews and risk related issues within the Group;
- Assessment, identification and mitigation of risks and reviews of the portfolio by business, product, obligor limits, industries, aggregate exposure to major borrowers and adversely classified and troubled debt exposure;
- Discussion of major credit risk exposures; and
- Recommendation to the Board for approval of major changes in credit policies.

MEMBERS AND MEETINGS MEMBERSHIP	ATTENDANCE AT MEETINGS
Professor Alvin Wint, Co-Chair	13/15
Sandra A. C. Glasgow, Co-Chair	12/15
Dennis Cohen	12/15
Patrick A. Hylton, CD	10/15
Donovan Lewis - Resigned effective January 1, 2011	1/15

Corporate Governance Committee
The Committee met three (3) times during the year to consider the following matters:

- Identifying possible conflicts of interest of directors and related party transactions in order to make proposals to the Board in accordance with the Group's Corporate Governance Charter
- Development of the annual Board evaluation questionnaire and coordinating the process for the annual effectiveness appraisal
- Arranging for professional development of directors
- Preparing the criteria for selecting new Board members; identifying and approaching potential new directors and proposing candidates to the Board for approval.
- Commencing a review of the broad slate of Group policies and identifying those requiring review and Board approval
- Reviewing and revising the Bank's Securities Trading Policy.

MEMBERS AND MEETINGS MEMBERSHIP	ATTENDANCE AT MEETINGS
Sandra A. C. Glasgow, Co-Chair	3/3
Thalia Lyn	3/3
Professor Alvin Wint	3/3

Sandra A. C. Glasgow
Chair, Corporate Governance Committee

NCB **Stands Out** on the International Stage

Jamaica's largest and most profitable home-grown financial institution, National Commercial Bank Jamaica Limited (NCB) achieved the following international awards for 2011:

- The Banker Magazine for Best Bank of the Year – Jamaica
- Euromoney's Award for Excellence
- Global Banking and Finance Award for Best Bank in Jamaica 2011
- World Finance 2011 Awards' Best Pension Fund of the Year for the Caribbean
- World Finance 2011 Awards' Best Banking Group, Jamaica
- Latin Finance Bank of the Year 2011, Jamaica

We owe our success to our customers, employees, and other stakeholders who continue to invest their confidence in the strength of our institution.

A heartfelt 'thank you' to all who support us as we make it happen.

CORPORATE DISCLOSURE POLICY

National Commercial Bank Jamaica Limited and its subsidiaries (NCB), have a Corporate Disclosure Policy which has been communicated to the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange.

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. A Media Communication Protocol
3. Details of the Persons Generally Authorized to Make Disclosures on Behalf of NCB
4. Rules for the Disclosure of Information
5. 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.

The Policy may be viewed in its entirety on the Bank's website at **www.jncb.com**

DIVIDEND POLICY

Dividends, which are paid out of the profits of an organisation, influence shareholders' and potential investors' perception 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 recognizes 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 ordinary realised profit earned each year and will be applied after taking account of all transfers. 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 any and all 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 or less frequently as determined by the Board of Directors.

BUSINESS CONTINUITY HIGHLIGHTS

NCB's Business Continuity Plan has 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 subplan 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 at the point of business disruption.

Patrick A. Hylton, CD
Group Managing Director

GROUP MANAGING DIRECTOR'S MESSAGE

During the 2010/2011 financial year, NCB focused on solidifying its position as the premier financial services institution in Jamaica even as we experienced continued local and global uncertainty. We were successful in this endeavour in a number of dimensions.

The growth in revenues and profitability of the organization have remained strong. We have maintained or achieved leading market share in key areas such as loans and deposits, while maintaining a strong capital base and strong liquidity. NCB was recognized by The Banker Magazine as Bank of the Year – Jamaica and as one of the top performing banks in the world. Our organization ranked 3rd and 14th, respectively, in the world among the contenders on returns on capital and return on assets and number one for both metrics among Central American banks.

We continue our focus on maintaining a well-governed financial fortress and a high-performance financial institution. This enables NCB to better deliver on its mandate for all stakeholders: shareholders, customers, employees, our strategic partners and our nation.

Across the globe shareholders experienced losses in personal wealth in 2011 and potentially could continue to do so in months to come as a result of underperforming financial institutions. It is our aspiration that the experience for NCB shareholders will continue to be quite different. We continue to ensure that proper governance and management is in place at NCB to deliver sustainable long-term shareholder value.

Several customers experienced economic fallout from the global crisis in 2011. In many instances, banks became increasingly reluctant to lend and introduced new bank charges. NCB on the other hand has continued to focus on identifying better ways to serve our customers and meet their financial needs, and we have sought to rely as little as possible on new charges. Some of the initiatives we undertook during the year to add value to our customers' lives included:

- Leading the market in reducing interest rates in select product areas such as auto loans
- Reducing commitment fees, offering principal payment moratoriums and providing up to 100% financing to make vehicle purchases more affordable for our customers
- Educating our customers about the opportunity to reduce or eliminate banking fees by utilising our Automated Banking Machines (ABMs), Customer Care Centre, Internet Banking site or their web-enabled mobile phones to conduct certain transactions.
- Suspending dormant charges on local and foreign currency accounts
- Collaborating with ActionCOACH to provide training to over 40 small and medium enterprises island-wide to help them build stronger businesses
- Partnering with Women Business Owners of Jamaica Limited and the IDB to develop women owned businesses nationwide

Our employees are the engine behind the successful year that we have had. It is because of this that we continue to invest heavily in talent management, capability building, and employee engagement initiatives. This year we delivered over 5011 hours in training to employees. We initiated a new focus on employee coaching, a critical mechanism in improving performance and capabilities of staff. We launched a professional development programme to facilitate enhanced talent management and mobility across the organisation. Meanwhile, our Employee General Meeting, Sports Day, talent shows, internal prize competitions, and roadshows helped to build camaraderie, engagement, and alignment among our employees.

As we have set new targets over the years, our employees have risen to the challenge each time. This year we launched our NCB Apprentice competition, where employees submitted ideas to help NCB achieve its strategic objectives. Based on the quality and innovativeness of the submissions, I know we have a team at NCB that can take us to new levels of success.

Nation building is a responsibility that NCB takes seriously. As a major private sector employer and contributor to fiscal revenues, we recognize our role in the country's economic landscape. Through the NCB Foundation, we continue to expand our contribution to education, community development, youth leadership and entrepreneurship initiatives. We have this year awarded over $20M in scholarships to over 200 Jamaican students at the primary, secondary and tertiary levels. We continue to do significant capability building and investing in our Small and Medium Enterprises (SMEs), which is a critical sector for the future development of the nation. To foster the entrepreneurial spirit among our country's youth, we recently launched our Vision Award in partnership with the University of the West Indies ("UWI"), which provides up to $250,000 in seed capital to a student with the best business plan. Also in partnership with UWI, we launched the Youth Leadership Series, focused on mentorship of tertiary students with the aim of creating future leaders who desire to give back to the nation.

As you can see, the 2010/2011 financial year has been tremendous on many fronts. I would like to thank our directors, staff members, customers and other stakeholders for helping to make it an exciting year. While we are proud of our successes, our focus remains on reaching higher heights. In this way, each of you can be confident that your financial fortunes will grow as NCB grows.

OUR LEADERSHIP TEAM

Sustainable business excellence in all aspects of our performance is achieved through a multinational view of the health and success of our organization.

To this end our leadership is critical in enabling our people and processes by effectively utilizing and marshalling resources through clear policy and strategy.

L-R: Audrey Tugwell Henry, Howard Gordon, Rickert Allen, Allison Wynter, Ann Marie Hamilton, Dennis Cohen, Patrick Hylton, Sheree Martin, Septimus 'Bob' Blake, Ffrench Campbell, Mukisa Wilson Ricketts, Dave Garcia, Yvonne Clarke

MISSING Marjorie Seeberan

PROFILES

OUR LEADERSHIP TEAM

Rickert Allen
SENIOR GENERAL MANAGER
GROUP HUMAN RESOURCES

Rickert Allen's core mandates are 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 in order to create a work environment conducive to high levels of employee productivity, engagement and customer service excellence. He also has overall responsibility for the Facilities and Services Division of the Group.

In addition to serving on several boards, he is a Chartered Fellow of the Chartered Institute of Personnel Development and 2nd Vice President of the Jamaica Employers Federation (JEF).

Septimus 'Bob' Blake
SENIOR GENERAL MANAGER
TREASURY & CORRESPONDENT BANKING AND CARD SERVICES

Bob Blake provides overall direction and management of the interest rate risk management, liquidity management, investment portfolio management, currency management, financial institutions relationship management functions, foreign exchange trading for the Bank and the Bank's Card Issuing and Acquiring business.

Bob serves as director on the boards of NCB Remittance Services (Jamaica) Limited, NCB Remittance Services (UK) Limited and NCB Capital Markets Limited. Currently, he is the Jamaica Bankers Association (JBA) representative to the Bank of Jamaica Bankers Sub-Committee.

Major Ffrench Campbell
SENIOR ASSISTANT GENERAL MANAGER
FACILITIES & SERVICES

Major Ffrench Campbell is charged with the management of all facilities, which includes all construction projects, the acquisition and disposal of buildings, lands and equipment; the ongoing maintenance of all buildings and equipment that support the business and the mechanical and electrical systems.He also has portfolio responsibility for the security, safety, environmental and centralized purchasing portfolios for the Group.

Ffrench also serves as a Board Member of the Private Security Regulatory Authority (PSRA) and is Director for the Data Cap subsidiary.

Yvonne Clarke
GROUP CHIEF FINANCIAL OFFICER

Yvonne Clarke provides leadership and oversight for all Financial Reporting, Taxation and Regulatory Reporting activities for NCB and its subsidiaries. She is also responsible for investor relations and monitoring the performance of the organization against strategy and budget.

Yvonne is a member of the Accounting Standards Committee of the Institute of Chartered Accountants of Jamaica; Chair of Data-Cap Processing Limited and NCB Jamaica (Nominees) Limited; and serves as a Director of NCB Capital Markets Limited, NCB Insurance Co. Limited, NCB Remittance Services (Ja.) Limited, NCB Remittance Services (UK) Limited and NCB Foundation.

Dennis Cohen
DEPUTY GROUP MANAGING DIRECTOR
& CEO NCB CAPITAL MARKETS LIMITED

Dennis Cohen is charged with oversight of a number of the Group's business segments including retail, corporate and wealth management. As CEO of NCB Capital Markets Limited, he has responsibility for the day to day management of the Group's securities dealership and stock brokerage business, which forms a major part of the wealth management segment.

He is a director of NCB (Cayman) Limited, National Commercial Bank Jamaica Limited, NCB Capital Markets Limited, NCB Insurance Company Limited, West Indies Trust Company Limited, the Jamaica Stock Exchange and Chairman for Mutual Security Insurance Brokers Limited. He is also a member of the Institute of Chartered Accountants of Jamaica (ICAJ).

Dave Garcia
COMPANY SECRETARY & GENERAL MANAGER
LEGAL, AML & CORPORATE COMPLIANCE

Dave Garcia is responsible for providing 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 towards becoming the most dominant financial institution in the region. His role also encompasses interaction and communication with external counsel acting on behalf of the NCB enterprise.

Dave is an Attorney-at-Law and a Certified Anti-Money Laundering Specialist. He is Co-Chairperson of the Jamaica Bankers Association's Compliance Committee. He is also a member of the Jamaica Bar Association's Commercial Law Committee, and has previously served as its Convenor.

Howard Gordon
SENIOR GENERAL MANAGER
GROUP OPERATIONS AND TECHNOLOGY

Howard Gordon is charged with reengineering the operating processes and practices to support the group's customer service strategies, implementing initiatives to promote operational efficiency across the NCB Group and leading the creation of an operations environment consistent with international banking practices to support the group's risk, sales and service strategies.

Howard possesses a wealth of experience in auditing, risk management, operational management, business process re-engineering and productivity management as well as a working knowledge of information systems.

Ann Marie Hamilton
GENERAL MANAGER
NCB INSURANCE COMPANY LIMITED

As CEO of the Insurance Company, her main responsibilities are to grow revenues and continuously improve the overall performance of the life insurance subsidiary.

Ann Marie is a member of the Board of Directors for NCB Insurance Company Limited and Resorts Beach Limited.

Patrick Hylton, CD
GROUP MANAGING DIRECTOR

Patrick Hylton responsibilities included the Bank's investment and insurance subsidiaries. He has led the organization to achieve record growth in profitability as well as numerous awards locally and internationally.

Patrick is Past President of the Jamaica Bankers Association. He was conferred with an Order of Distinction, Commander Class, in 2002

Sheree Martin
GENERAL MANAGER
MARKETING, COMMUNICATIONS & SERVICE DELIVERY

Sheree Martin is charged with the oversight of all marketing, communications, service delivery and corporate philanthropic policies and functions of the Group, she directs the effective positioning of the Group's corporate image and suite of products. She also oversees non-branch delivery, which includes sales and service via NCB Customer Care Centre, ABM, internet and telephone banking channels.

Sheree is the CEO of the NCB Foundation; an Advisory Board Member of the global Chief Marketing Council, a Director of NCB Insurance, National Crime Prevention Fund "Crime Stop" and RISE Life Management Services.

Marjorie Seeberan
GENERAL MANAGER
CORPORATE BANKING

Marjorie provides overall management for the Division which serves over 200 groups of companies, institutions and government agencies as lender and preferred arranger and underwriter of structured financings.

She serves on the Board of the Jamaica Chamber of Commerce (JCC) and is the Chairperson of JCC Education Committee. She is on the Ministry of Education's Expert Team on Education and is a member of NCB Foundation, NCB Jamaica Limited, Assets & Liabilities Committee (ALCO) and Founder member of the American Foundation of the University of the West Indies (UFUWI).

Audrey Tugwell Henry
SENIOR GENERAL MANAGER
RETAIL BANKING

Audrey Tugwell Henry is responsible for providing strategic leadership to the Retail Banking Sector. She implements initiatives that will allow the business to achieve its targeted growth and profitability as well as evaluate the market trends and needs both locally and internationally in order to develop a wide array of banking solutions to meet consumer needs.

She serves on the boards of NCB Remittance Services (U.K.) Ltd., NCB Insurance Company Ltd. and J.E.T.S. Ltd.

Mukisa Ricketts
CHIEF INTERNAL AUDITOR

Mukisa Ricketts provides strategic direction and oversight of the internal activities of the NCB Group as her role facilitates transparency of the Group's operations through independent and objective assurance on the effectiveness of risk management, internal control and governance processes.

She is a Certified Internal Auditor (CIA) with the Institute of Internal Auditors, a Fellow of the Association of Chartered Certified Accountants (FCCA) and a Fellow of the Institute of Chartered Accountants of Jamaica (FCA). She also serves as Volunteer to the Institute of Internal Auditors Jamaica Chapter.

Allison Wynter
GENERAL MANAGER
CREDIT & RISK MANAGEMENT

Allison Wynter has responsibility for the identification, assessment, measurement, monitoring and shared-management of the principal risks faced by the NCB Group with particular emphasis on Credit risk and market risk.

Allison is a member of the Bank's Credit Committee, Group ALCO and ALCO (Asset & Liability) Committees and serves on various committees of NCB Insurance Company Limited, NCB Capital Markets Limited and NCB Cayman Limited. She is a Chartered Financial Analyst and a member of the Accounting Standards Committee of the Institute of Chartered Accountants of Jamaica.

MANAGEMENT'S DISCUSSION & ANALYSIS MD&A

CONTENTS

MANAGEMENT'S DISCUSSION & ANALYSIS MD&A

The management of National Commercial Bank Jamaica Limited is responsible for the integrity and objectivity of the information contained in the Management's Discussion and Analysis (MD&A). The financial information disclosed in the MD&A is consistent with the financial statements presented. The information conveyed is based on the informed judgment of management with an appropriate consideration to materiality. In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorised and recorded, assets are safeguarded against unauthorised use or disposition 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 procedures.

The MD&A is presented to enable readers to assess the operational results and financial condition of National Commercial Bank Jamaica Limited and its subsidiaries (hereafter referred to as the NCB Group) for the year ended September 30, 2011, compared with the corresponding periods in prior years. The MD&A should be read in conjunction with our audited consolidated financial statements and related notes for the year ended September 30, 2011. Unless otherwise indicated, all amounts are expressed in Jamaican dollars and have been primarily derived from the annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB).

Corporate Overview

We are a leading Caribbean full-service commercial bank that, together with its subsidiaries, provides individual consumers, small- and medium-sized enterprises, or "SMEs", large corporations and government institutions with banking, wealth management, insurance and pension fund management products and services. We provide a wide range of financial products and services to our customers, including loans and investment products, deposits, remittance services, electronic banking, payment services, credit cards, structured finance, trade finance, foreign exchange, wealth management, insurance, pension fund management, annuities, and trust and registrar services. As at September 30, 2011, we had J$359 billion in assets, and recorded net profits of J$13 billion for the year ended September 30, 2011. The National Commercial Bank Jamaica Limited trades under the symbol "NCBJ" on the Jamaica Stock Exchange and Trinidad & Tobago Stock Exchange.

Performance Measurement

We have monitored our strategy using the balanced scorecard, which contains both financial and non-financial measures covering areas that are important to all stakeholders - customers, employees, communities and shareholders.

Our financial measures include quantitative targets for net profit growth, top line revenue growth, growth in key balance sheet lines, return on equity, market share, capital strength, risk management and operational efficiency. Our non-financial targets include objectives in the areas of sales effectiveness, customer service improvement, customer satisfaction, customer loyalty, employee satisfaction, employee engagement, corporate social responsibility, community involvement, and corporate governance.

TABLE 1: SIX-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(in millions, except per share amounts)	2011	2010	2009	2008	2007	2006	% Change 2011/2010	Five-year compound growth rate
CONSOLIDATED INCOME STATEMENT								
Net interest income	**21,151**	20,650	18,880	15,826	12,797	11,778	2%	12%
Non-interest income	**13,521**	8,774	8,392	8,980	7,755	6,199	54%	17%
Operating income	**34,672**	29,423	27,272	24,806	20,552	17,977	18%	14%
Staff Costs	**9,240**	9,253	7,990	7,281	6,988	5,956	(0%)	9%
Provision for credit losses	**769**	948	1,028	468	278	156	(19%)	38%
Non-interest expenses	**9,175**	5,935	5,083	6,413	4,864	5,053	55%	13%
Net profit	**13,034**	11,075	10,248	8,701	6,601	5,487	18%	19%
Earnings per share	**5.30**	4.50	4.16	3.54	2.68	2.23	18%	19%
Dividends declared per share	**1.25**	1.46	1.37	1.27	0.78	0.63	(14%)	15%
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (AT YEAR END)								
Investment securities	**204,748**	200,133	167,719	154,572	142,956	123,765	2%	11%
Net loans	**91,728**	85,995	88,178	82,169	56,526	42,220	7%	17%
Assets	**358,767**	334,970	315,096	291,153	254,183	223,139	7%	10%
Customer deposits	**155,800**	144,283	130,331	126,100	118,518	99,027	8%	9%
Repurchase agreements	**84,075**	85,293	77,374	69,620	51,305	50,345	(1%)	11%
Liabilities under annuity and insurance contracts	**23,564**	20,406	19,115	16,534	14,488	12,010	15%	14%
Stockholders' equity	**61,126**	48,808	41,016	31,313	28,554	24,590	25%	20%

TABLE 2: KEY RATIOS AND PER COMMON SHARE DATA

	Year ended September 30,		
	2011	2010	2009
PROFITABILITY RATIOS			
Return on average total assets	**3.76%**	3.41%	3.38%
Return on average stockholders' equity	**23.71%**	24.66%	28.34%
Cost to income ratio	**52.36%**	51.53%	47.93%
CAPITAL RATIOS			
Risk-based capital adequacy ratio (Bank)	**15.13%**	16.47%	14.63%
Tier 1 capital to risk weighted assets (Bank)	**16.11%**	17.74%	15.77%
Capital to risk weighted assets (NCB Capital Markets)	**35.71%**	97.82%	60.75%
Solvency ratio (NCB Insurance)	**34.73%**	27.10%	23.20%
Stockholders' equity to total assets	**17.04%**	14.57%	13.02%
PER COMMON SHARE DATA			
Dividend payout	**25.68%**	42.23%	21.14%
Book value	**J$24.83**	J$19.83	J$16.66
Market Price - Jamaica Stock Exchange (JSE)			
High	**J$29.49**	J$21.00	J$21.00
Low	**J$16.50**	J$12.93	J$12.00
Year end	**J$27.29**	J$17.51	J$13.00
Market Price - Trinidad and Tobago (TTSE)			
High	**TT$2.30**	TT$1.50	TT$1.75
Low	**TT$1.35**	TT$0.90	TT$0.77
Year end	**TT$2.09**	TT$1.50	TT$0.95

OUR OPERATING ENVIRONMENT

In the 2010/11 financial year, the economy rebounded from thirteen consecutive quarterly declines, recording growth in the last three quarters. Relative stability in the local currency and subdued inflationary pressures facilitated further reductions in domestic interest rates.

Stock prices rallied driven by the strong performance of junior market listings and other main market stocks as the low interest rate environment increased the attractiveness of equities. While there were improvements in these areas, the fiscal position remained a challenge. The fiscal deficit to GDP outperformed the target in the 2010/11 fiscal year but the current position suggests that this may not be repeated. Fiscal challenges and the failure to implement certain structural reforms have meant that Jamaica has underperformed in relation to the forward looking component of the IMF Stand-by Agreement. This coupled with the general elections have increased the level of uncertainty in the economic environment and has led to a revision in the country's credit rating outlook from stable to negative by Standard and Poor's.

GDP

In 2011 the economy rebounded from thirteen consecutive quarterly declines in output. According to estimates from the Planning Institute of Jamaica (PIOJ) after contracting by 0.6% in the December 2010 quarter, economic activity increased by a modest 1.4% in the January to September 2011 period relative to the corresponding period in 2010. The Goods Producing industries were estimated to have grown 4.4% while the Services industry was up a marginal 0.1%. The industries recording noteworthy growth were: Mining & Quarrying and Agriculture Forestry & Fisheries (Growth in Mining and Quarrying was driven by the re-opening of the Windalco Ewarton Plant in June 2010 and increased bauxite production from Noranda as global demand improved. The Agriculture sector benefited from more favourable weather conditions relative to the prior year.

There are uncertainties going into the new financial year. The global economy is expected to avert a double dip recession, however fiscal challenges in the Eurozone and the resulting debt crisis raises the risk of a slowdown in global growth. With the US also needing to implement austerity measures to contain its burgeoning fiscal deficit, consumer spending in Jamaica's major trading partner is expected to slow. This is likely to adversely impact remittance inflows, exports, as well as tourist arrivals. The main challenges on the local side are uncertainties with respect to the IMF program and the new administration. Further, pending public sector rationalization when implemented is expected to weaken consumer demand and overall economic activity. However, growth in the Goods producing sector particularly Mining and Agriculture (barring adverse weather conditions) should mitigate the impact on output.

Fiscal

For the 2010/11 fiscal year, central government's operations resulted in a deficit of $74.21Bn. This represents a deficit to GDP ratio of 6.2%, and an outperformance relative to the 6.5% target outlined in the macroeconomic programme. Although revenues and grants underperformed, as tax collections fell short of budget and grants were much lower than target, cuts in capital expenditure helped to keep the deficit ahead of initial projections.

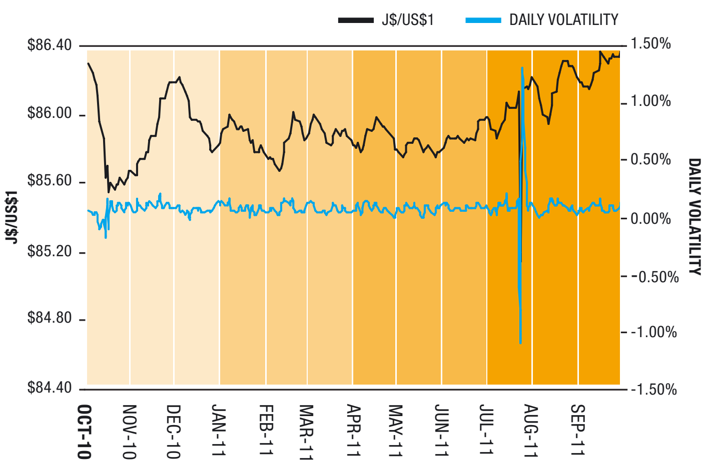
The targeted deficit to GDP ratio for the current fiscal year is 4.6%. This is predicated on an expected 1.5% growth in the local economy. The government is aiming to implement tax and pension reforms which formed part of the structural reforms recommended by the IMF, in order to improve revenues and cut expenditure. Further, continued divestment of loss making public sector entities should aid in reducing expenditure. That said, maintaining fiscal discipline in the current environment will be difficult. S&P Ratings Agency highlighted these challenges in the recent revision of the country's credit rating outlook from stable to negative. One of the main issues is the recent retroactive increase given to public sector workers and the resulting widening of the deficit. This will increase expenditure even as revenues continue to underperform initial projections. The public sector rationalization could further compound this issue in the short term due to initial cost of severance packages as well as the projected increase in unemployment which will adversely impact PAYE and GCT receipts.

There are some positives. Interest costs have been falling and should result in further cost savings for the government particularly if inflation expectations remain subdued. The divestment of Clarendon Alumina Plant is in the final stages, which should lead to improved fiscal flexibility when completed. In addition, the government appears intent on pushing through with tax reform. However, given the challenges highlighted, central government is likely to underperform its target for fiscal year 2011/2012.

Foreign Exchange Market

The 2010/11 financial year was characterized by a stable foreign exchange market. As at the end of September 2011, the weighted average selling rate for the US$ stood at $86.30 representing a marginal depreciation of 0.06% over September 30, 2010. Stability in the local currency was aided by the psychological impact of IMF support and healthy NIR levels. There was also improvement in remittance inflows which augmented US$ supplies. With healthy reserves levels, the BOJ was able to make timely interventions to offset temporary supply imbalances in the market. Relative to September 2010, NIR levels had increased by 5% to US$2,080.1Mn in September 2011.

J$/US$ Weighted Average Selling Rate

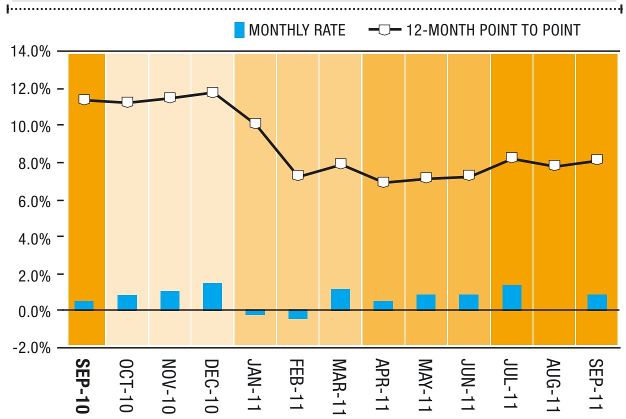


Looking forward, given the issues surrounding the IMF agreement and the implications for hard currency inflows from multilaterals, the risks to the local currency have risen due to increased uncertainty. At the same time, the yield on JMD fixed income instruments have fallen in line with yields on USD instruments, which could result in some portfolio switching and a rise in the demand for hard currency. There is also likely to be the seasonal demand to satisfy payment obligations ahead of the Christmas season. It is expected that the BOJ will continue to intervene in the foreign exchange market to augment supplies. Importantly though, stability in the exchange rate over the medium term is hinged on the success of the IMF agreement which should boost confidence as well as provide hard currency inflows from the IMF and other multilateral lending agencies. Continued growth in major economies such as the US and Europe is also vital for currency stability as these are major source countries for remittance to the island. That said, given the risks of a slowdown in economic activity in our major trading partners, absent the resumption of the IMF program, the pace of depreciation in the local currency could increase relative to the previous year.

Inflation

In light of foreign exchange stability as well weak local demand, inflation was largely contained throughout the financial year. Inflation remained in single digits with point to point inflation as at September 2011 at 8.1% down from 11.3% for September 2010. During the period, the strongest inflationary impulses came from the “Housing, Water, Electricity, Gas and other fuels” division which registered an increase of 14.5%. The increase in this division was primarily driven by the higher electricity and fuel prices due to the rise in the cost of oil on the international market following civil unrest in the Middle East. Speculation and market jitters surrounding possible fuel shortages added upward pressure to market prices and the spillover effect was seen primarily in March 2011. The prices of Food and Non-Alcoholic Beverages, the most heavily weighted segment in the CPI basket, rose by 8.6% as relatively weak consumer demand tempered the overall increase. Favorable weather conditions and the glut of agriculture products also helped to temper upward price movements.

Consumer Price Index (CPI)



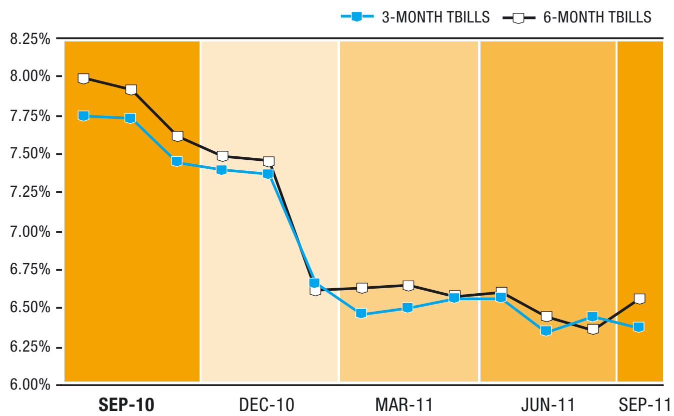
OUR OPERATING ENVIRONMENT CONT'D

The primary risk to inflation in the 2011/12 financial year is the exchange rate and the pass through effect on prices if there is accelerated depreciation. That said, it is expected that the 7.0% inflation target set for the current fiscal year is likely to be met given weak local demand and relatively contained commodity prices. Barring any commodity price or weather related shocks, relatively weak demand should keep inflation pressures contained in the new financial year.

Interest Rates

Interest rates continued on a downward trend during the year given favourable inflation expectations. The BOJ reduced the rate on its 30 day Certificate of Deposit from 8% in October 2010 to 6.25% in September 2011, a cumulative decline of 175bps. This follows a 450bps cumulative reduction in the last financial year. Investors were largely in acceptance of the new norm as Treasury Bill yields declined in line with BOJ benchmark rates. The average yields on the 30-day, 90-day, and 180-day Treasury Bills fell by 179bps, 138bps and 143bps, respectively over the 12 month period.

Treasury-Bill yields stable over last 6 months



Interest rates could continue on a downward trajectory, albeit at a slower pace, particularly if inflation expectations remain subdued. That said, the pace of the rate cuts will slow given that interest rates are already at fairly low levels and sharper cuts could result in negative real returns for investors and increase pressures in the foreign exchange market. Policymakers are expected to take special care in this area particularly given that the psychological impact of the IMF programme, which has helped to maintain exchange rate stability, is diminishing in light of the current impasse.

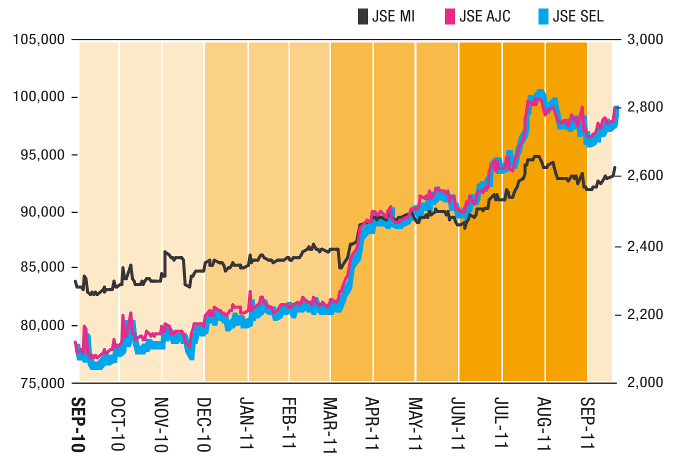
Stock Market

For the 12 month period ending September 30, 2011 there was an appreciation in equity prices. The improved performance over the last twelve months was driven by low market interest rates and solid earnings releases. Additionally, with limited investment options available to both small and large investors, some of the excess JMD liquidity found its way into the equity market. The economic recovery also helped to buoy investor interest. During the period under review, the main JSE Index increased by 9.7% while the All Jamaica Composite Index added 23.0% and the Jamaica Select Index 28.5%. Proven Investment Limited was the only new listing on the main market and is the first US$ denominated equity security to be listed on the stock exchange.

The Junior market continued its strong run, registering a 140.0% increase over the 12 month period to September 2011. Small private companies have been encouraged to list on the junior market given the tax incentives provided and the success of recent IPOs. During the period, six companies were listed on the junior market: Dolphins Cove, Honey Bun Limited, Caribbean Producers Jamaica, AMG Packaging and Paper Company, Cargo Handlers Limited and General Accident.

Following the recent rally, equity prices could decline in the short term given the uncertainties arising from the upcoming general elections and the impasse with the IMF. However, a resolution of the issues relating to the IMF programme and continued declines in interest rates augurs well for higher equity prices. Stock market activity should also be positively impacted by an improvement in the economic outlook and strong demand from individual and

Jamaica Stock Exchange Indices



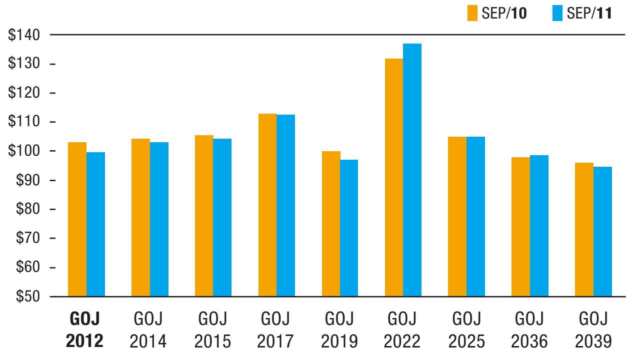
institutional investors. Continued expansion in equity market listings could also fuel interest as investors seek equity investments on the prospect of earning higher returns.

GOJ Bonds

The performance of GOJ Global bonds was mixed over the last twelve months. GOJ Global bond prices fell on average just under 1% despite the high volatility during the review period. Bond prices appreciated in light of the successful passing of the IMF quarterly tests early in the programme. However, the positive movement was halted by the sovereign debt crisis particularly in Europe which negatively impacted emerging market debt. Further, the stall in the current IMF Standby Agreement also adversely affected GOJ Global bonds.

Standard & Poor's negative outlook on the country's credit ratings means that there could be a further downgrade if the necessary fiscal adjustments are not made. If further credit downgrades ensue, yields on Jamaican government bonds are likely to rise.

Global Bond Prices flat over last year



Conclusion

The local economy has broadly rebounded from the 3 year recession which started in 2007. Growth is expected to continue throughout 2012 albeit at a slower pace given the challenges that have arisen. These include potential increase in unemployment, the uncertainty created by the impasse with the IMF and expectation of a slowdown in the economies of our major partners. The recent revision of the country's outlook highlights the concerns regarding the sustainability of the recovery and more importantly the fiscal outlook.

Continued improvement in key macro economic variables is hinged on the continuation of the IMF programme. Absent this, we could see a reversion of the improvements in key macro economic variables seen in the last year. With the country's agreement with the IMF so vital to medium term macro economic stability, we anticipate that the necessary reforms will be fast tracked to ensure continuity of the programme.

OUR FINANCIAL PERFORMANCE

Reflecting solid growth in a number of our business segments, we recorded net profit of J$13.0 billion for the financial year ended September 30, 2011, an increase of $2.0 billion or 18% over the previous financial year. This strong performance resulted in a return on average total assets of 3.76%. The growth in profit was as a result of the level of investment activities undertaken during the year, as evidenced by the gain on acquisition of associates and gain on foreign currency and investment activities. Also, throughout the year we focused on loan growth, managing our mix of funding while leveraging our strong capital position, managing our costs and improving efficiency and productivity.

Operating income, the sum of net interest income and non-interest income, was J$34.7 billion in 2011, compared with J$29.4 billion in 2010. In 2011, net interest income of J$21.2 billion, represented 61% of operating income, compared with J$20.6 billion in 2010 (70%). Non-interest income of J$13.5 billion, represented 39% of operating income, compared with J$8.8 billion in 2010 (30%).

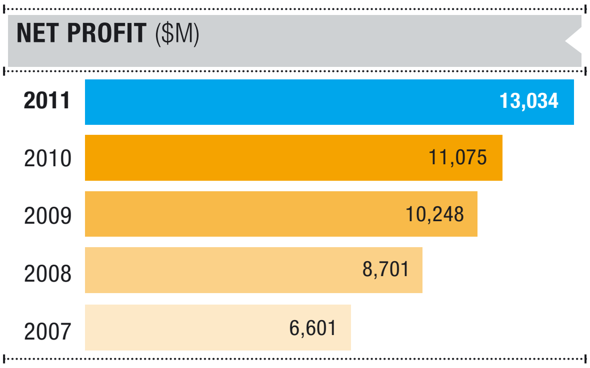
The increase in 2011 is mainly as a result of:

- Premium income, which increased by J$2.4 billion, or 492.6%, due to annuities booked.
- Gain on foreign currency and investment activities, which increased by J$2.1 billion, or 105.6%, due to gains from the sale of fixed income securities and foreign exchange gains from translation of assets and liabilities denominated in foreign currencies and foreign currency dealing activities.

Operating expenses totaled J$19.2 billion in 2011, compared with J$16.1 billion in 2010. The increase in 2011 is mainly as a result of:

- Increased cost associated with the new annuity contracts. The expenses related to the annuities increased by J$2.2 billion over the year ended September 30, 2010.
- Increased expenses related to technical, consultancy and professional fees, which grew by 180.4% or J$460 million, associated with the implementation of initiatives that are part of our strategic plan, which covers fiscal years 2011 through 2013, related to pursuing growth opportunities and achieving best practices across our businesses.
- Impairment losses on equity securities of J$262 million, an increase of J$234 million over the prior year.

Additionally, during the year, we acquired 29.30% of the shares of Jamaica Money Market Brokers Limited (JMMB) and this acquisition, as well as the Group's 25.17% share of Kingston Properties Limited have been accounted for as associated companies. For the financial year ended September 30, 2011, we have recorded a gain of J$1.0 billion representing the gain on acquisition of these associates.

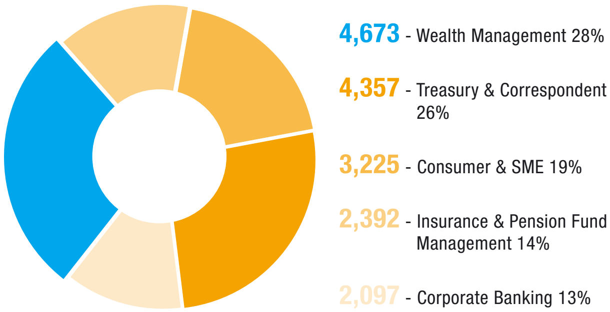


Outlook

Looking ahead, we intend to capitalise on our competitive strengths and continue to be the premier Jamaican financial institution and deliver superior products and services to satisfy the needs of our customers while developing our human resources and building better communities. We will remain focused on continuous improvement of our business model to meet new opportunities within the banking and financial services sector in Jamaica, and, over the long-term, in the Caribbean. We believe that we are or will be in a position to capitalise on opportunities to augment our existing business, invest in new businesses, and continue a prudent dividend policy in line with our earnings growth and disciplined risk assessment.

OPERATING SEGMENT RESULTS

SEGMENT PERFORMANCE 2011 ($M)



Consumer & SME

- The Consumer and SME segment includes the Retail Banking and SME and Payment Services operations of our business. This incorporates the provision of banking services to individual and small and medium business clients, money remittance services and card related services. Operating profit reported for the segment was $3.22 billion which increased by $589 million or 22%. Our external operating revenue increased by 13% or $1.73 billion over the 2010 financial year. Net interest income for the segment grew by $801 million or 8% to $10.24 billion mainly due to reduced interest costs. Interest income experienced an overall decline of 4% as a result of reduction in loan yields; this was however partially off-set by the 35% and 9% growth in the Retail Banking loan and credit card receivables portfolios, respectively. Total operating expenses of $7.86 billion increased by $500 million or 7%, and this increase in operating expenses was primarily as a result of increased technical consultancy costs associated with sales related initiatives undertaken during the year.

Corporate Banking

- Our Corporate Banking segment, which offers banking services mainly to large corporate clients, generated operating profits of $2.10 billion for the 2011 financial year, representing a decline of $826 million or 28% from the 2010 financial year. The decrease is attributed to a reduction in net interest income due to lower loan balances, as well as a reduction in interest earning loans due to a large loan being classified as non-performing during the year. External revenue decreased by $1.26 billion or 24%, and accounted for the $990 million reduction in net interest income. Net fee and commission income grew by $151 million or 46% mainly due to increased credit related fees. Total operating expenses increased by $45 million or 16%.

Treasury and Correspondent Banking

- Our Treasury and Correspondent Banking segment incorporates the Bank's liquidity and investment management function, management of correspondent bank relationships and relationships with other financial institutions as well as foreign currency dealing activities. This segment experienced growth in operating profits of $1.01 billion or 30%, mainly as a result of increased gains on foreign currency and investment activities. Net interest income grew by $316 million or 12% primarily due to reduced interest costs. Total operating expenses increased by $354 million primarily due to the impairment losses on securities booked for $264 million.

Wealth Management

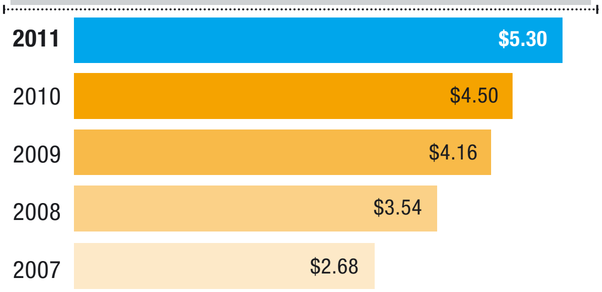
- Our wealth management segment recorded operating profits of $4.67 billion for the 2011 financial year, an increase of $1.12 billion over the previous financial year. Included in this segment are stock brokerage services, securities trading, investment management and other financial services provided by overseas subsidiaries. This improved performance was driven by increased net interest income and gains on investment activities.

Insurance and Pension Fund Management

- For the 2011 financial year our insurance and pension fund management segment achieved operating profits of $2.39 billion, an increase of 20% or $406 million. This segment incorporates the results of the life insurance, pension and investment management services of the Group. Total operating income grew by $2.64 billion or 87%. The main contributor to this improved performance was premium income which grew by $2.46 billion over the prior year primarily due to increased income from annuity premiums. Total operating expenses went up by $2.23 billion which was mainly attributable to the large annuity contracts entered into in the 2011 financial year.

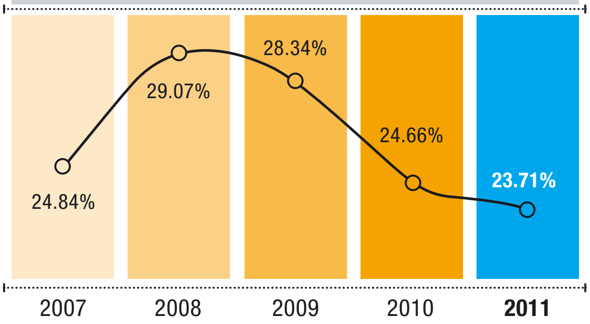
GROUP PERFORMANCE

EARNINGS PER SHARE ($)

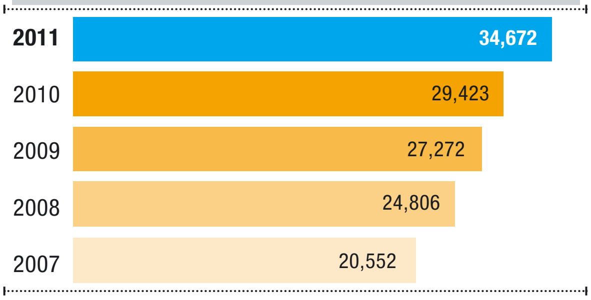


OUR FINANCIAL PERFORMANCE CONT'D

RETURN ON EQUITY (%)



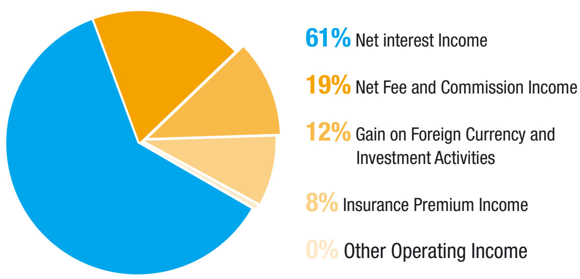
OPERATING INCOME ($M)



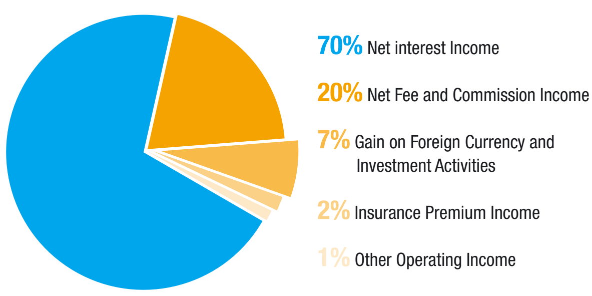
Operating Income

Operating income is comprised of net interest income, net fees & commissions, gains on foreign currency and investment activities, insurance premium income, dividends and other income. We continue to experience growth in total operating income, which improved by 18% or $5.2 billion over the 2010 financial year to $34.7 billion.

INCOME MIX (FY2011) (%)



INCOME MIX (FY2010) (%)

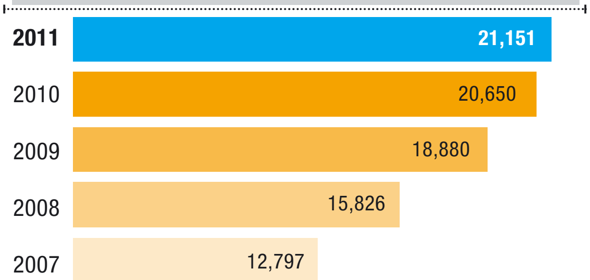


Net Interest Income

The Group's net interest income of J$21.2 billion increased by J$501 million or 2%.

- Our loan portfolio increased by $5.7 billion or 7% when compared to September 2010 and the primary factor causing this was the growth of our Retail Banking and SME loan portfolio which experienced increases in Jamaican dollar denominated loans. Despite the expansion of the loan portfolio the reduction in average loan yields and the impact of the large loan becoming non-performing resulted in an overall decrease in interest income from loans.
- There was a 221 basis point reduction in yields on investments when compared to the prior year which resulted in an overall decrease in interest income from securities. The impact of the reduction was minimised by the growth in the investment securities portfolio of $5.2 billion or 3% over the previous financial year; investment securities includes reverse repurchase agreement
- In terms of interest expenses, we experienced a $3.6 billion or 29% decline which was mainly due to a decline in the average funding costs. Our funding portfolio increased over the prior year by $8.8 billion or 3%. The main area of growth in the funding portfolio was Customer Deposits.

NET INTEREST INCOME ($M)

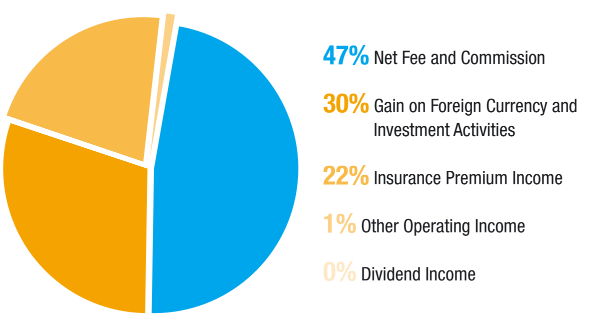


We continue to focus on growing the volumes of earning assets while managing the cost and mix of funding.

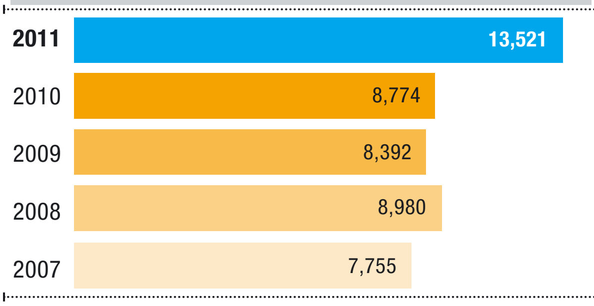
Non-Interest Income

Our non-interest income improved by 54% or J$4.7 billion when compared to the 2010 financial year. Net fees and commissions accounted for 47% of the non-interest income in the 2011 financial year and the income grew by J$464 million or 8% when compared to the previous financial year. This increase was primarily due to growth in credit related fees directly attributed to the growth in the loan portfolio, there were also increases in transaction volumes which contributed to the improved results. Gain on foreign currency trading and investment activities contributed 30% to non-interest income and improved by 106% or $2.1 billion; this was due to a considerable increase in value of JMD fixed rate investment securities due to declining interest rates during the financial year coupled with increased demand for GOJ securities in the secondary market. The other major contributor to non-interest income was premium income which accounted for 22% of the total. Premium income of $2.9 billion increased by $2.4 billion over the prior year primarily as a result of annuity contracts entered into in the 2011 financial year.

NON-INTEREST INCOME (%)



NON-INTEREST INCOME ($M)

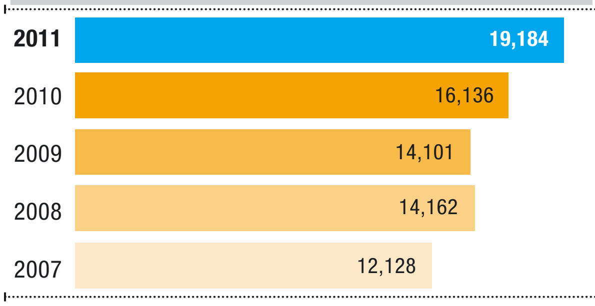


Operating Expenses

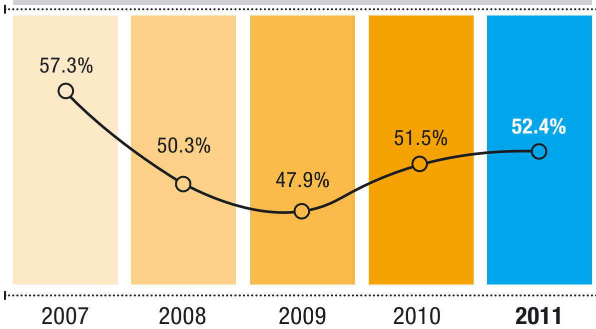
Operating expenses of $19.2 billion was 19% or $3.0 billion greater than the previous financial year's balances.

- Policyholders' benefits and reserves grew by $2.2 billion over the prior year due to the annuities sold in the 2011 financial year.
- Professional services increased by $460 million due to technical consultancy services engaged to assist with the redesign of our sales processes.
- Impairment losses on securities of $262 million were booked which represented an increase of $234 million.
- Repairs and maintenance costs increased by $63 million or 9%, this relates to the cost of maintenance of our computer systems and property, plant and equipment.
- Depreciation and amortisation charges grew by $52 million mainly resulting from capital asset expansion associated with our infrastructure upgrade project.

OPERATING EXPENSES ($M)



COST TO INCOME (%)

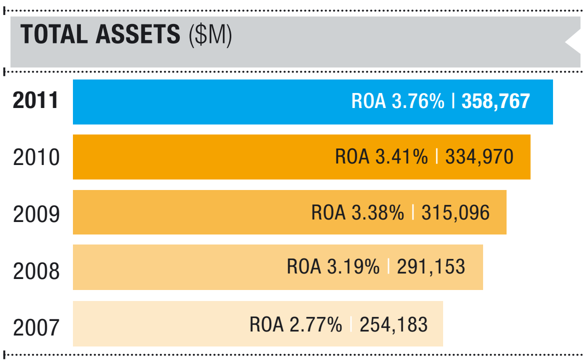


Asset Performance

The asset base of the group grew by $23.8 billion or 7% to close September 2011 at $358.8 billion. This was funded by increases in customer deposits, liabilities under annuity and insurance contracts, amounts due to other banks and retained earnings.

OUR FINANCIAL PERFORMANCE CONT'D

Our focus for the 2011 financial year included not only revenue growth but sales effectiveness, information technology enhancement and increased operational efficiency. We have generated encouraging results in growth in key areas including net loans, which will ultimately allow us to maximise shareholder return. We continue to enhance our asset utilisation and have seen the results in one of our key performance indicators, the Return on Average Assets ratio, which increased from 3.41% in 2010 to 3.76% in 2011.



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

Balances at the BoJ include amounts deposited at the BoJ as required to meet the rate of 12% (2010 – 12%) of prescribed liabilities for Jamaican dollars and 9% (2010 – 9%) of prescribed liabilities for foreign exchange liabilities. The increase in the statutory reserves was as a result of the growth in customer deposits held.

Investment Securities

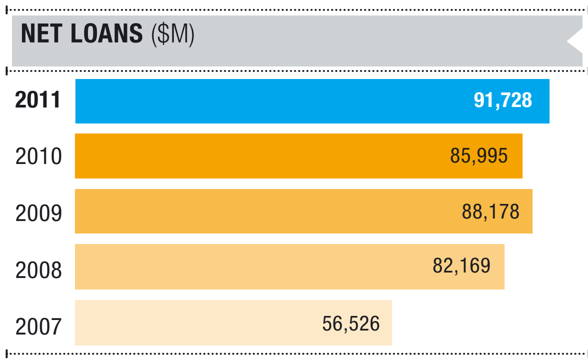
Our investment securities portfolio grew by J$4.6 billion or 2% over the prior year. This comprises debt securities (Government of Jamaica, foreign governments and corporate bonds) and equity securities (quoted and unquoted) carried at fair value and amortised cost.

Net Loans

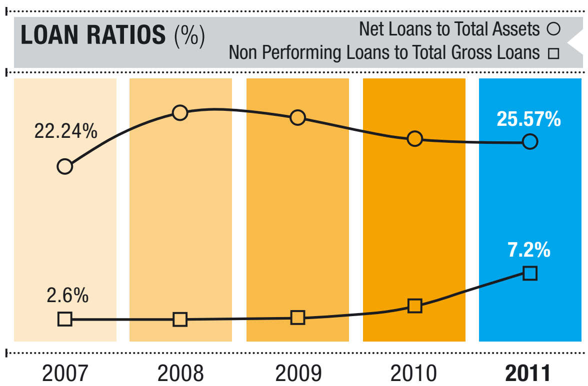
Our loans and advances, net of provisions for credit losses was $91.7 billion at September 2011 compared to $86.0 at September 2010. The growth experienced was primarily in our Jamaican dollar denominated loan portfolio, which was mainly driven by 35% growth in our Retail portfolio.

The non-performing loan portfolio increased from J$3.0 billion at September 2010 to J$6.7 billion at September 2011. This provides provision coverage of 115.9% (September 2010 – 136.3%). 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 J$4.9 billion as at September 2011. The Bank's provisioning policy is in compliance with the Bank of Jamaica regulations. During the 2011 financial year a large loan (of the Corporate Banking Division) was classified as non-performing which has contributed to the increase in the non-performing portfolio.

NCBJ retained the #1 market share position for loans with market share of 36.9% as at September 2011.



The non-performing loans to gross loans ratio was significantly impacted by the large corporate loan classified as non-performing, the ratio increased from 3.45% to 7.16%. Although the ratio has deteriorated significantly, not all non-performing loans are considered impaired and as a consequence, our provision for loan losses expenses declined by J$179 million; we continue to apply our robust delinquency management procedures and loan origination processes.



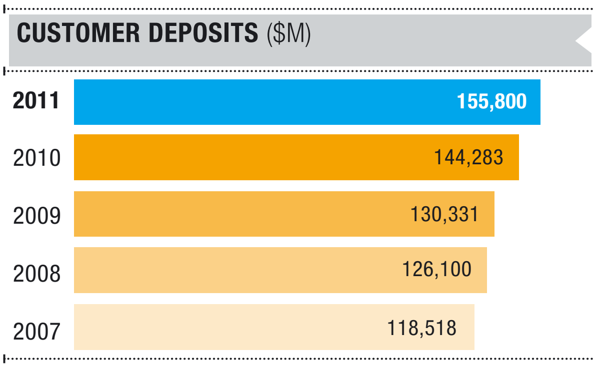
Funding Performance

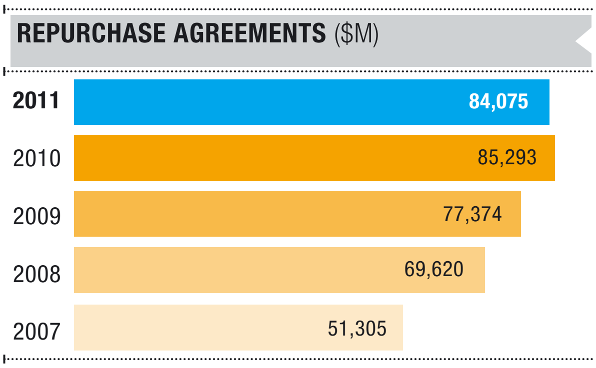
Our customer deposits portfolio of $155.8 billion grew by J$11.5 billion or 8% over the prior year. For September 2011, the #1 market share for deposits was retained with a market share of 39.1%.

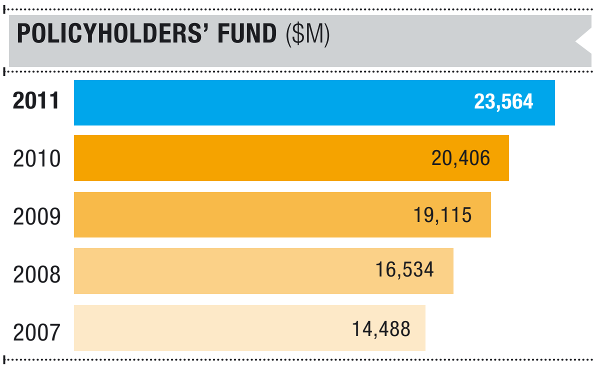
Repurchase agreements declined by J$1.2 billion or 1% which was mainly due to lower utilization of this funding source by NCBJ. The 2011 GOJ Global bonds matured in May 2011 and part proceeds were used to reduce this source of funding.

Liabilities under annuity and insurance contracts increased by J$3.2 billion or 15% which was mainly due to the growth in insurance risk reserve mainly as a result of the issue of new contracts

Obligations under securitisation arrangements decreased by $6.1 billion from the 2010 financial year due to repayments.







Stockholders' Equity

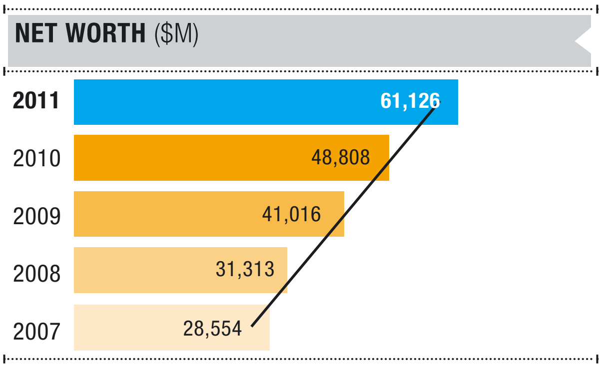
The Group's Stockholders' Equity of J$61.1 billion increased by J$12.3 billion or 25% over the prior year, and this growth was driven by the profit after tax of $13.0 billion, increased fair value and capital reserves and loan loss reserves. The return on equity for the Group decreased from 24.7% at September 2010 to 23.7% in September 2011, and this decline was primarily as a result of the increases in the reserves held.

As at September 30, 2011

National Commercial Bank Jamaica Limited	
Regulated by the **Bank of Jamaica**	
Regulatory Capital to Risk Weighted Assets	15.1%
Regulatory Requirement	10%

NCB Capital Markets Limited	
Regulated by the **Financial Services Commission**	
Regulatory Capital to Risk Weighted Assets	35.7%
Regulatory Requirement	10%

NCB Insurance Company Limited	
Regulated by the **Financial Services Commission**	
Solvency Ratio	34.7%
Regulatory Requirement	10%



Capital

The statutory capital base for NCBJ was $23.9 billion at September 2011, an increase of $3.3 billion over the 2010 financial year. This increase was as a result of transfers from retained earnings to the banking reserve fund and retained earnings reserve; these reserves are maintained to provide increased protection to depositors and further buttress the capital base.

OUR FINANCIAL PERFORMANCE CONT'D

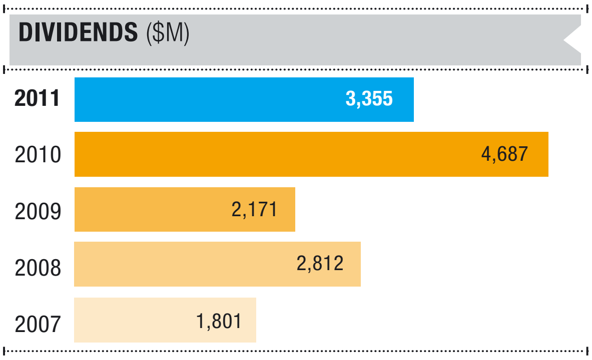
Dividends & Shareholders' Return

The dividend payout ratio for the financial year was 25.7% compared to 42.2% at September 2010.

The dividends paid for the 2011 financial year were $1.36 per share or $3.4 billion, compared to $1.90 per share or J$4.7 billion for the 2010 year.

The share price as at September 30, 2011 was J$27.29 per share (September 30, 2010 – J$17.51) which has resulted in a dividend yield of 5.0% (September 2010 – 10.9%).

Our total shareholder return which combines share price appreciation and dividends paid to show the total amount returned to the investor was 64% for the 2011 financial year. At the close of business on 30 September 2011, the JSE All Jamaican Composite Index stood at 91,731.84, an increase of 10% over the prior year.



NCBJ Total Shareholder Return					
For The Year Ended September 30	**2011**	**2010**	**2009**	**2008**	**2007**
Closing Price of Common Shares ($ per share)	27.29	17.51	13.00	20.00	22.40
Dividend Paid ($ per share)	1.36	1.90	0.88	1.14	0.73
NCBJ Shareholder Return (%)	64%	49%	(31%)	(6%)	27%
JSE Index Annual Movement (%)	10%	5%	(22%)	6%	12%

RISK MANAGEMENT

Risk Profile

- The maintenance of a strong Balance Sheet continues to be our fundamental mandate
- The continued strength of our Tier 1 Capital ratio at 16.11%
- The maintenance of a strong liquidity position throughout 2011
- The preservation of a strong governance framework

Managing Risk

The Group's continued growth in its business in 2011 was achieved in the context of prudent and measured risk-taking in line with our appetite for such risks. The Group employs an enterprise wide risk management framework and governance structure which is intended to provide a comprehensive set of controls and ongoing management of the major risks assumed in our business activities. The Group's risk appetite is expressed through quantitative and qualitative measurements which are in alignment with our business objectives and initiatives.

Risk governance

Our strong risk governance reflects the importance placed by the Board on shaping the Group's risk strategy and managing risks effectively. The Group's risk governance structure is based on the principle that each business line is responsible for managing the risk inherent in its business as reflected in the accountability of all persons for identifying, assessing and managing risks within the scope of their assigned responsibilities. This personal accountability is reinforced by the governance, experience and mandatory learning which has fostered a culture of risk management and control. Governance is supported by our independent risk management function, internal audit, the Compliance Unit and our various independent risk committees. The Board of Directors exercises its oversight of risk management principally through committees of the Bank and/or its subsidiaries (The Audit Committee, The Credit Committee, The Asset and Liability Committee, The Group Asset and Liability committee, The Risk Management committee, the Investment Management Committee, The Fraud Management Committee, The IT Steering Committee and the Compliance Management Committee). Risk strategies, policies and limits require the respective Board approvals directly or via committees.

SIGNIFICANT RISKS

The NCB Group has a number of significant risks to which it is exposed; these risks have the potential to have a material impact on our financial results, reputation or the sustainability of our long-term business model.

Credit Risk

Credit risk is the potential for loss to the organization arising from failure of a borrower, guarantor or counterparty to honour their contractual obligations to the Group. It arises primarily from the extension of loans, trade finance, leasing activities, reverse repurchase arrangements and off balance transactions such as guarantees to a variety of customers, from large corporate and institutional clients to the individual consumer. Credit risk attracts the largest regulatory capital requirement. We employ a robust risk policy and control framework which is intended to identify, assess, measure and monitor the Bank's credit risk exposure.

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) meet liabilities to depositors and suppliers when they fall due and b) take advantage of profitable opportunities when they arise. The Group is also exposed to Market Liquidity risk, which is the risk of being unable to unwind a position in the face of inadequate market activities or inadequate market prices. The Group's liquidity strategy is to maintain diverse and stable sources of funding. The Group's primary sources of liquidity include a diversified retail customer base and corporate customer base, repurchase agreements and long term secured funding sources, which include asset securitizations. Liquidity is managed within established policy guideline, is monitored against established limits and reported on to the relevant governance committees.

Market Risk

The Group takes on exposure to market risk which is the risk that movements in certain market variables, such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads will adversely impact our income and/or the value of our portfolios.

Our market risk management infrastructure incorporates the:

- establishment of a market risk policy framework
- independent measurement, monitoring and control of each business line's market risk
- definition, approval and monitoring of limits
- performance of stress testing and qualitative risk assessments

Operational Risk

Operational risk is inherent in each of the Group's businesses and support activities and includes the risk of fraud by employees or others, unauthorized transactions by employees, and operational or human error. Due to high volumes of transactions processing, we are also subject to risks of errors which may go unnoticed over an extended period of time despite our best efforts at efficiency and accuracy. Deficiencies or failures in our computerized systems, telecommunication systems, data processing systems, vendor supplied systems and in our internal processes could result in financial loss and or reputational damage. Despite our contingency procedures, the aforementioned deficiencies in addition to business disruptions occasioned 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. We manage our operational risk through a governance framework which requires operational loss data to be collected, monitored and reported on to the relevant governance committees in addition to requiring that an acceptable level of internal controls are maintained which are commensurate with the level, scale and nature of the respective operations.

Insurance Risk

Insurance risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract this risk is random and therefore unpredictable. Experience shows that the larger the portfolio of similar insurance contracts, the smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. Insurance by nature involves the distribution of products that transfer individual risks to the issuer with the expectation of a return built into the insurance premiums earned.

Regulatory & Legal Risk

The Group is also subject to Regulatory risk and Legal risk, which 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 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 policies, ethical practices and other legal requirements not only poses a risk of censure or penalty, and may lead to litigation, but also puts our reputation at risk. Business units are responsible for managing day-to-day regulatory and legal risk, while the Legal AML and Corporate Compliance Division assists them by providing advice and oversight.

Reputational Risk

Reputational risk is the potential that negative publicity, whether true or not, regarding an institution's business practices, actions or inactions, will or may cause a decline in the institution's value, liquidity or customer base. All risks can have an impact on reputation, which in turn can impact 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 reputation risk is overseen by the Board of Directors and the senior executive team. However, every employee and representative of our organization has a responsibility to contribute in a positive way to our reputation. This means ensuring that ethical practices are followed at all times, that interactions with our stakeholders are positive, and that we comply with applicable policies, legislation and regulations. Reputational risk is most effectively managed when every individual works continuously to protect and enhance our reputation.

[Credit , Market and Liquidity risks are further defined within the Financial Management Risk Notes (#43) of the Financial Statements.]

OUR OPERATIONS

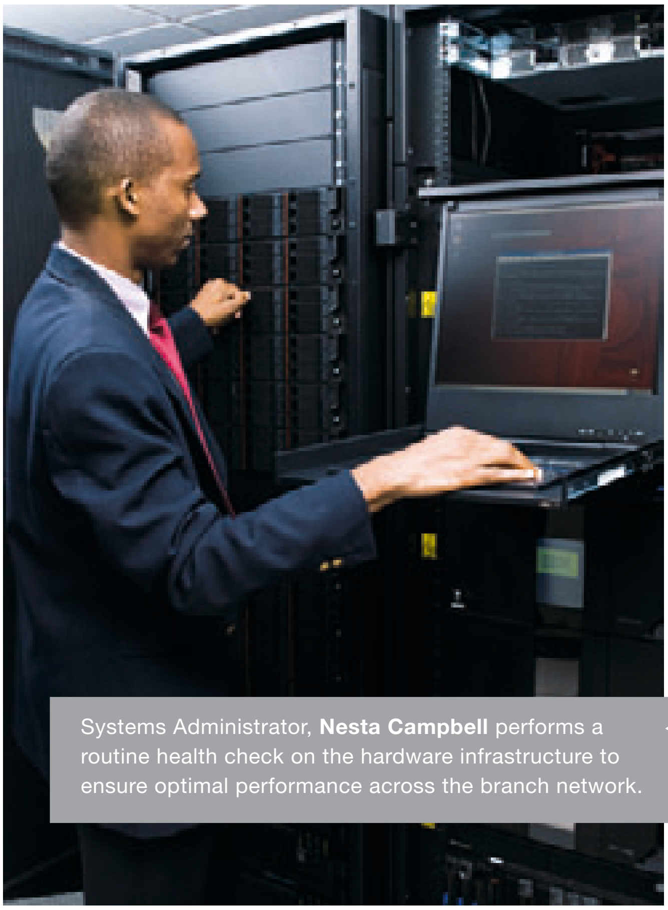
GROUP OPERATIONS AND TECHNOLOGY

The Group Operations and Technology Division over the past year has taken steps to position itself as a strategic partner of the business, by providing the appropriate technological capacity that is agile and scalable to meet our changing needs. To this end we have embarked on a five-year strategic plan aimed at implementing the infrastructure and framework that will see investments in information technology more closely aligned with the needs of the business, thereby facilitating the expected growth and transformation. The division has commenced the implementation of the governance framework for general information technology change and management based on the **COBIT** (Control Objectives for Information and Related Technology) and **ITIL** (Information Technology Infrastructure Library) frameworks to ensure institutionalization of international standards for service delivery.

Our accomplishments in the first year are:

1) Refreshing the hardware infrastructure of the core data centre and disaster recovery locations
2) Upgrade of the telephony infrastructure at the data centre and disaster recovery locations
3) Commencing the implementation of a comprehensive IT risk management program
4) Aligned IT investment with the business initiative to ensure value delivery, and
5) Enhanced disaster recovery and business continuity capabilities.

We will continue to build technological capacity whilst exploiting opportunities for operational efficiency and improvements within the Group by leveraging the implemented capacity. The Business Process Improvement Team continues the drive for automation, straight through processing, paper reduction/elimination, centralization and consolidation to improve efficiencies and support the strategic direction of the group. We will also increase focus on improving the utilization of electronic channels to facilitate customer convenience and cost reduction.



Systems Administrator, **Nesta Campbell** performs a routine health check on the hardware infrastructure to ensure optimal performance across the branch network.

FACILITIES AND SERVICES

The Facilities and Services Division continues to fulfill its mandate of ensuring that all facilities within the NCB Group are maintained at the highest standard and that all equipment operate at optimum efficiency. This was executed through intensive facility inspections, aimed at identifying deviations from our standard and through a rigorous program to effect timely maintenance and repairs. Our achievements were made evident through the following initiatives:

- Modification of branches to accommodate the Sales and Service Effectiveness Program
- Completion of major renovation of the Ocho Rios Branch and initiation of projects to renovate the Falmouth and May Pen branches
- Construction of new ABM vestibules and replacement of obsolete ABMs
- Commencing the refurbishing of the NCB owned 29 Trafalgar Road building to become a major office complex to relocate staff currently occupying rented space, thus reducing our operating cost.
- The construction of a new branch – now in design phase - at 126 Constant Spring Rd to

merge the Manor Park & Manor Centre branches for greater efficiency and convenience to our customers.

- The construction of our mission critical Data Recovery Site in Mandeville which is TIER 2 certified by Uptime Institute. This will give our IT infrastructure a world class robust platform on which to do business.

Procurement

- NCB was the first financial institution to disseminate its annual report on CD. This was as a result of collaborative efforts between GMCSD, LACC, NCB Jamaica (Nominees) Limited and GCFO (spell out abbreviations)

Security

In order to make our ABM locations safer for our customers and prevent theft of the units, we have installed modern CCTV systems at off-site ABMs island wide, making NCB JETS compliant.

LEGAL, AML AND CORPORATE COMPLIANCE

During the financial year 2010-2011 work continued in earnest on the implementation of an enterprise-wide anti-money laundering (“AML”)/counter-financing of terrorism (“CFT”) automated monitoring system. It is anticipated that this system will bolster our AML/CFT programme by enhancing our existing systems to prevent, detect and report money laundering and terrorist financing. The year saw stakeholders from cross functional groups working with the compliance team and the system provider to perform various tasks. These included: data analysis, customization of our core systems and obtaining technical and end user training, in an effort to ensure the seamless implementation of the system.

In addition to our focus on enhancing our technology we continue to direct our efforts at honing the technical expertise and skills of our staff. During the year three members of staff obtained the Certified Anti-Money Laundering Specialist (CAMS) designation from the Association of Certified Anti-Money Laundering Specialists. CAMS is a globally recognized certification programme for anti-money laundering compliance practitioners. All members of the managerial staff in the Anti-Money Laundering Compliance Unit now therefore have the CAMS certification. The knowledge gained from this programme in addition to the usual local and international training conferences to which compliance staff are exposed will ensure the continued provision of expert guidance in the areas of AML/CFT (in accordance with existing legislation, regulatory guidance and international best practice) to the enterprise. We also further developed the enterprise-wise training programme, which included an online training programme that was available to all NCB staff members, in addition to seminars specifically designed for our directors, members of management involved in monitoring the compliance programme through our compliance management committee, and branch and operations managers.

On the legal side, we have created a team of legal practitioners that collectively possess a diverse and rich background in relation to various aspects of the law. The organization has benefited tremendously from this pool through its ability to handle more legal matters internally, ensuring the effective management of external counsel and limiting the use and cost of external counsel.

Our expectations for the 2011-2012 financial year include further mitigating our organization’s exposure to the potential risks posed by the constantly evolving methods and means utilized by criminals to use the financial system to carry out serious crimes. We will also continue to ensure our Group’s compliance with new and emerging legislation, and global best practices.

OUR CUSTOMERS

The organisation is focused on delivering superior service experience that not only caters to the needs but delights all its key stakeholders and in this regard, values service as a key differentiator in a highly competitive financial services sector.

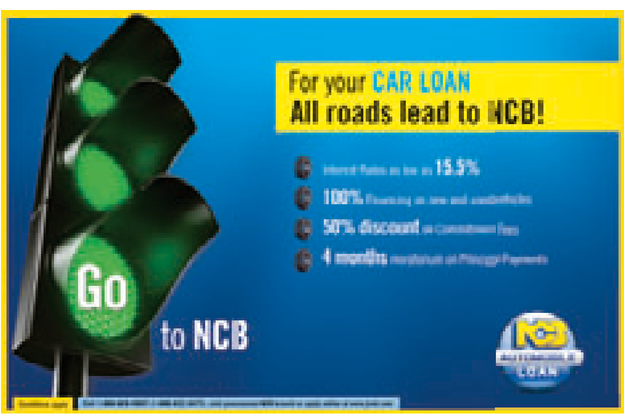
MARKETING COMMUNICATIONS AND SERVICE DELIVERY DIVISION

The use of an integrated marketing communications framework promotes awareness and builds understanding for our products, services and brand, in anticipation that an informed stakeholder group will be in a better position to make appropriate decisions that are fundamental to their wellbeing and instrumental to success.

Our strategies for growing customer value and performance saw the merging of the enterprise's electronic channels within the role of Marketing Communications and Service Delivery. This process will see the overall customer experience being addressed in a 360 degree to create and deliver high levels of customer value that enhance and contribute to higher levels of customer satisfaction.

The 2011 Financial Year required intense focus on customer relations and through calculated use of innovative customer experiences we sought to expose our existing and prospective customers to events that are aligned with their passions and interests. Sponsorships and NCB hosted events ideally provided atmospheres where many customers participated in seminars, training sessions, entertainment, road shows and sporting activities.

During the Financial Year several campaigns were used to not only promote our products and services but to build consumer awareness for exercising choice. These included the promotion of our Auto loan with competitively low interest rate and concessions and the continued enhanced use of our CutYourBankFees campaign where over 250,000 NCB individual and business customers enjoy the use of packages designed to provide flexible banking alternatives that significantly reduce or eliminate fees. Our merchants and cardholders were introduced to 'Staycation' where Jamaicans were encouraged to vacation at home and avail exclusive and generous discounts. This initiative that stimulates and supports our local economy gave us an opportunity to serve two key stakeholders to the organization: merchants and cardholders and saw the support of Kool Runnings Water Park, Goblin Hill Villas, Di Ole Marina, Antonio's Island Pizzeria and Ristorante, Marybelle's Pub on the Pier and Reach Falls.



In support of our strategic focus on customer service the enterprise Service Quality Unit is charged with monitoring and reporting on the quality of customer service being provided, externally and internally. The team is also required to develop and facilitate initiatives to advance the enterprise's service focus. Some initiatives undertaken for the year under review were:

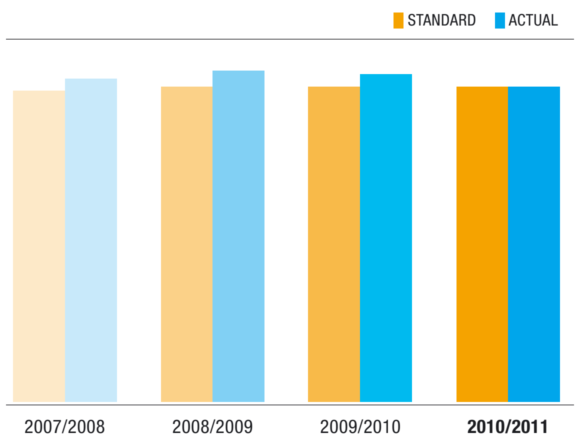
- The implementation of quarterly refresher customer service e-learning tutorials for all employees. This as continuous training is critical as it keeps the customer top of mind and helps to improve customer service culture across the organization
- Revamping of survey instruments to include and measure important variables such as problem resolution and operational processes.
- The execution of branch wide coaching for our frontline service representatives – Managers and Operations Managers in an effort to maintain high standards in service delivery through a top down approach.
- The launch of a Complaint Campaign designed to build awareness amongst our stakeholders (internal and external) of the various channels

through which a customer can give feedback, namely Twitter, Facebook, Website – Contact Us at jncbinfo@jncb.com , our 38 branch network island-wide, and our 24/7 Customer Care Centre at 1-888-NCB-FIRST (1-888-622-3477).

Main Achievements

Customer Satisfaction survey Results
Over the past four years NCB has recorded improvements on customer service results in the enterprise meeting and exceeding the benchmark standards. This assessment was conducted by an independent research consultant.

CUSTOMER SATISFACTION – Enterprise Perspective



PSOJ/JaCSA Service Excellence Award
This year NCB earned the Private Sector Organization of Jamaica/Jamaica Customer Service Association Award for Service Excellence (PSOJ/JaCSA). This PSOJ initiative is facilitated by JaCSA and the Award is the first of its kind in terms of publicly recognizing and showcasing the very best practices of service excellence among organizations in Jamaica. The award is an affirmation that robust systems exist from which service excellence is being delivered with the aspiration of ultimately delighting customers.

RETAIL BANKING DIVISION

During the financial year we operated under the following guiding principles to execute our mandate:

- We will create value for our customers through our product and service offerings
- We will increase our efficiency through process improvements
- We will recognize and engage our valued customers

Creating Value for our Customers

We offer the same level of service to our customers – from the smallest to the largest – regardless of size. We believe we can create value by satisfying the needs of our customers and by pursuing long lasting relationships. Our products and services were the tools we utilized to satisfy the needs of our customers throughout the financial year. With this in mind it was critical that we ensured that our tools were reflective of our external environment, customer demands and that they were fine tuned to remain relevant to the needs of the customer segments we serve.

During the year we enhanced our products and services to add greater value and convenience to our customers. Promotional rates and discounted fees were offered on some loan products and we discontinued the charging of dormant fees on our deposit products.

Owning a car is the dream of many Jamaicans and during the year NCB worked to make this dream a reality. We revised our **Motor Vehicle Loan** product to provide our customers with access to greater levels of funding while making it more affordable. We also partnered with the New and Used car dealers through our **Auto Advantage Club** to provide their customers with better financing terms, special rates and other concessions.

In line with our mission to help in nation building we continued to support our Small and Medium customer segment in building their businesses and communities by customizing a number of special loan offers to groups and companies across a range of industries. In addition, we recognized the need to encourage the entrepreneurship of our women business owners and in April 2011 we launched our **NCB Women in Business Facility** in partnership with Women Business Owners Jamaica Limited (WBO). This was to provide women business owners with access to affordable financing. Access to this special facility was also complemented by a training programme undertaken by WBO in conjunction with the International Development Bank.

Our range of saving products provides options for all customer segments from infancy to adulthood. NCB believes that even in difficult economic circumstances, saving must be encouraged. Taking this into

OUR CUSTOMERS CONT'D

consideration, we embarked on a **Cut Your Banking Fees Campaign** to advise our customers on how they can reduce their banking fees by using our electronic channels.

NCB provided greater access to the many Jamaicans who rely on remittance flows from abroad by expanding our remittance distribution network. This was done by creating alliances with supermarkets and cambios to allow for greater flexibility in opening hours for easier access and more convenience to our remittance customers.

Increased Efficiency through Process Improvements

NCB knows that providing our customers with the best service means that we must continuously improve the way we do business. We made several business decisions by listening to our customers and responding to their needs and preferences. Accordingly we embarked on a number of initiatives to improve customer service by reducing wait time in our branches and increasing the time spent on ascertaining and providing for their financial needs.

We introduced a new account opening system across our branch network in December 2010. This new system was designed to cut the paperwork required to open accounts, improve the customer experience by reducing their wait time and allow for same day access to all our electronic channels.

Similarly, in May 2011, we rolled out our **Sales & Service Effectiveness** initiative to reshape our focus and implement world class sales and service practices to allow for greater concentration on relationship management and service quality. Arising from this initiative, a **Small Business Underwriting Unit** was commissioned to expedite the loan process and improve turnaround time in our branches. The work flow for frontline staff was also standardized by creating dedicated positions in the branches for opening accounts, processing transactions for our First Class clients and handling customer queries in the banking hall.

Recognize and Engage our Valued Customers

Our customers are the back bone to the success of our business and so we took the opportunity to recognize their contribution to their communities and to the growth and development of our business through a series of award functions. In October 2010, we held the 3rd staging of our annual **Nation Builder Awards** to honor business customers in various categories. The NCB Nation Builder Awards programme was established to celebrate small and medium-sized businesses which demonstrate outstanding entrepreneurial performance and strong community involvement and impact. The winners were:

- **Nation Builder Award**
  – Jake Holdings Limited
- **Start Up Award**
  – Bookophilia
- **Innovation Award**
  – Seal Spray Solutions Limited
- **Women in Business Award**
  – Jencare Skin Farm Limited

Our annual **Auto Dealer Award Ceremony** was held in April 2011 to recognize and celebrate our partnership with the auto dealers in our Auto Advantage Club. Toyota Jamaica and Crichton Automotive Limited were awarded the top prize in the new and used categories respectively.

We continued our efforts to strengthen the technical capacity of our customers in key business areas through business training seminars in conjunction with the Heart Trust NTA and Action COACH, a leading business trainer in the USA.

For the upcoming financial year, the Retail Banking business will continue to support our customers, partners and shareholders through:

- The provision of value added products and services that are aligned to the needs of our customers and
- Improvements in service quality to increase the satisfaction level of our valued customers by building strong relationships and creating greater efficiencies.

CORPORATE BANKING DIVISION

Segment Financial Performance

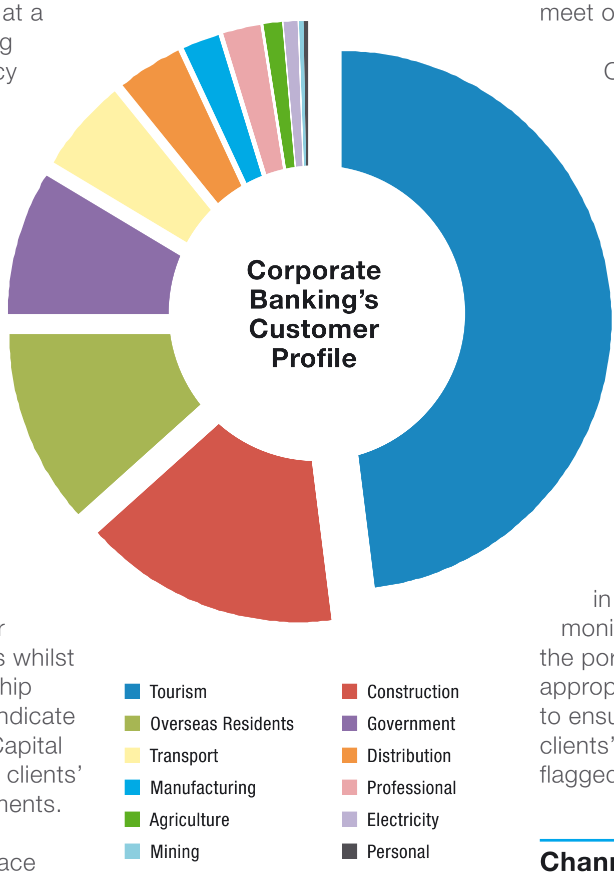
During 2011 the Corporate Banking Division responded to the challenges of the global recession, a slowly rebounding economy and an environment of falling interest rates. Additionally we were faced with a large facility being placed into receivership for which we continue to work with stakeholders to turn-around the status in the shortest possible time. Despite this, the Division contributed profits of J$2.1B for the 2011 financial year. There was also a steady demand for financing in the last quarter and an expanding deal pipeline.

The Division's near term strategy is to promote top line growth by intensifying our calling efforts to new and existing clients in order to boost our market share. Even under extreme competitive pressure we have remained the market leader with a 37% market share (with 25% our nearest competitor stands at a distant second) in delivering customized foreign currency financing solutions to over 250 large corporate entities and government agencies. However there is still an unmet demand for complex high value financing by our clients which we are unable to satisfy due to regulatory and capacity constraints. This is where we see opportunities for organic growth as our capital base expands. Nevertheless, we will continue to access low cost financing from our overseas strategic partners whilst strengthening our relationship with local and overseas syndicate partners including NCB's Capital Market in arranging for our clients' complex financing requirements.

The Division continues to face increased pressure from our customers to reduce the pricing on new and existing facilities in response to the downward movements in the Government of Jamaica's (GOJ) treasury yields and increased competitive activity in the US and Jamaican dollar loan markets. The Jamaican government has also continued its strategy of sourcing low cost funding on the world market and has accessed financing from other governments and multi-lateral lending agencies thus significantly reducing its exposure to the commercial banking sector. While seeking to respond aggressively to niche opportunities for GOJ funding, the Division has stepped up its efforts to attract GOJ deposits and support the government's cash management initiatives.

Products

Corporate Banking Division manages our relationship with large corporate clients arranging financing, providing loans and electronic banking services as well as FX transactions and other investment services. The Division's performance was boosted by higher deposit flows, driven primarily by increased foreign currency deposits as a result of competitive rates. The continued marketing of our e-Channel suite of products inclusive of corporate internet banking, RTGS (Real Time Gross Settlement) and NCB Funds Direct was instrumental to the growth of our Jamaican deposit base and the retention of an increasingly demanding clientele.



Customers

Corporate Banking Division is the relationship banker to a small pool of blue chip clients who are earners of valuable foreign exchange, leaders in their respective market segment and aggressively sought after by other commercial banks and financial institutions. We have maintained our competitive advantage by speed of deal execution and innovative loan structures that meet our customers' needs.

Our customers are represented in all sectors of Jamaica with the largest concentration in tourism, construction, overseas residents and government. It is important to note that tourism accounts for approximately 50% of our portfolio, and this industry represents tremendous growth potential for the division. Corporate Banking is mindful of its concentration in the tourism sector and monitors the credit quality of the portfolio by building in the appropriate protective covenants to ensure that changes in our clients' financial position are flagged early.

Channel Delivery

Our clients are served by a 26-member team, 10 of whom are relationship management professionals, experienced lending and support specialists providing island wide coverage. Included in this management cadre is a four- member team located in Montego Bay to handle client relationships in the Western Region. The Corporate Banking Division is the portal through which our customers access the wider

OUR CUSTOMERS CONT'D

range of the bank's products and services. These include accessing funding lines and negotiated trades from Treasury and Correspondent Banking, on-line support and training from the e-Channel Unit, credit card services from NCB Card Centre and other day to day needs as provided by the Retail branch network. Corporate Banking Division is also the main interface through which client complaints are communicated and addressed. It is through each individual's efforts and the linkages with the wider banking network that the Division continues to be successful.

Outlook

Corporate Banking Division will continue to provide exemplary service and strive to maintain our leadership position in the corporate market. We will strategically target new clients, leverage the banks range of products and services and continue to structure innovative financing solutions utilizing the teams' expertise. As we capitalize on these large value financing opportunities we expect to benefit from additional fee income from arranging financings to fill the gaps in our loan income stream. The Division will aggressively grow its' deposit base to narrow the funding gap resulting in more profitable growth in our loan book. We will continue to beat the competitors attempt to grab our blue chip clients as we focus on growing our market share and remaining our clients' preferred choice. In addition, we will continue to provide support to our customers as we demonstrate flexibility and creativity.

TREASURY AND CORRESPONDENT BANKING DIVISION

Financial year 2010/11 was a challenging year globally, with the international financial markets exhibiting increased risk aversion and volatility across all market segments. This occurred within the context of concerns about the sustainability of global economic growth coupled with the continuing debt crisis in Europe. The uncertainty surrounding these developments was amplified with the unprecedented decision by S&P on August 5 to downgrade the United States long-term credit rating from (AAA) to (AA+).

Despite these events the macroeconomic indicators for Jamaica were positive. The financial system benefited from high levels of liquidity, a stable rate of exchange and continued reductions in benchmark interest rates.

The Bank of Jamaica continued its reform of the National Payments System with the introduction of a J$5M transaction threshold in the Automated Clearing House (ACH) on April 1, 2011.

Within the context of these factors, the Treasury And Correspondent Banking Division had robust financial performance, contributing J$4.35B pre tax to the Groups results. This performance was achieved by:

- Expertly monetizing views on interest rate, exchange rate and security prices
- Employing a flexible asset and liability management strategy
- Maintaining robust liquidity levels in all currencies
- Effectively managing the interest rate sensitivity of the Bank's investment portfolio
- Fostering a strong team and performance culture

Foreign Exchange

During the year under review, NCB was able to maintain its competitive edge through the delivery of exceptional customer services as well as competitive pricing. This coupled with our strong branch network, ensured growth in the Bank's foreign exchange market share for major currencies.

Over the past year the local currency market enjoyed robust volume growth when compared to the previous year as the local economy achieved growth in tourism and construction sectors. Internationally, there was increased volatility in the currency markets. Against this background, we employed prudent currency management strategies in order to ensure that there were no negative financial exposures to the Bank.

Financial Institutions (FI) Management

The F.I. Division (FID) continued to focus on customer satisfaction and retention. Speed, efficiency and responsiveness to clients needs are the hallmark of the relationship management team. The Division leveraged its expertise in payments to ensure that clients are using the best options to suit their business needs.

FID continued to assess its business to minimize costs at all levels. A number of processes were streamlined in an effort to enhance operational efficiency. Clients were encouraged to migrate manual processing of payments to NCB's electronic channels; e-Link, Funds Direct (ACH), RTGS.

During the year, NCB offered RTGS to Financial Institutions customers via the Internet Banking platform. This provided added value to the clients by facilitating straight through processing of large value payments in real time.

Products and Services

A wide range of liquidity and credit facilities are offered to clients to assist in cash flow management. A number of electronic solutions were also designed to support customer needs. NCB also offered the processing of large value payments through its branch network. The Division continued to leverage correspondent banking relationships to deliver optimal solutions to the benefit of clients.

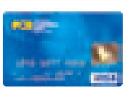
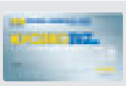
Card Issuing And Acquiring

The Card Services unit is responsible for the issuing of cards and the acquiring of card transactions across our POS and e-commerce channels. Income is primarily earned from interest and fees. As a result of our efforts our performance for financial year 2011 compared to 2010: net contribution increased by 20%; purchases increased by 20% and card sales increased by 10% .

Currently we issue personal, pre-paid and business credit cards under the Visa, MasterCard and our proprietary Keycard brand. Our cards are issued to the following segments:

- Mass market (Keycards and Mastercard)
- Mid-income (Lovebird & Visa Classic)
- Affluent (Travelmaster & Visa Gold & Gold Keycard)
- Business (KeycardBiz & Visa Business)
- Payroll/prepaid (Keycard Cash)

Some of these cards have rewards features such as

	PRODUCT	FEATURE
	Travel Master	Travel Miles
	Visa Gold	Up to 2% rebate
	Lovebird	Travel Points
	Keycard Cash	1% Cash back
	Visa Classic	0.25% Cash back
	Keycard Biz	0.50% Cash back

Our card acquiring services facilitates acceptance of cards at business locations through our various channels inclusive of POS and E-Commerce. Our acquiring services are sold as a part of a bundled offering to our business customers. For the financial year ended September 30, 2011 the unit focused on portfolio management and creating programmes aimed at deepening our relationships with our clients.

Some of the programmes included:

- Limit increase programmes — automatic increase in limits based on specific criteria
- Pre-approved deposit and Loan Programmes — issuing cards to customers who have loans or deposit accounts with NCB
- Customer Appreciation Events — Held in partnership with merchants who provided discounts to our cardholders
- Mother's Day, Back to School and Valentine's Day Promotions- Special incentives offered to our cardholders who used their NCB cards to shop during these periods
- Merchant Fraud Seminars—Seminars geared at providing information to merchants on best practices to mitigate fraud
- Card Upgrade Programmes—Upgrading customers to other products based on usage patterns.

OUR SUBSIDIARIES

NCB CAPITAL MARKETS LIMITED

In the financial year under review the sales and service team was integrated into the new sales model of the group. This new approach was designed to create more focus on sales growth while facilitating more synergies within all the sales staff of NCBJ. In addition, the sales team is being expanded to create a more distinct separation of sales and service in our larger branches. This is necessary to support the new model aimed at improving service delivery to our customers. We anticipate that the new approach will result in long term sales performance benefits and enhanced service delivery.

As indicated last year, a new comprehensive wealth management training program was developed and launched. The first cohort completed the programme in September of the 2010/11 financial year. With the knowledge gained and continued reinforcement, we anticipate that this will ultimately impact the delivery of quality investment advisory service to our clients.

Continuing the drive for excellence in our research product, we are pleased to report that for the second consecutive year one of our analysts emerged winner in the 2010/2011 JSE Market Research Competition. Shellon Williams was adjudged the overall winner in the Competition while Simone Hudson Bernard placed third. This has resulted in favorable visibility for our research and advisory teams and we continue to build on the foundation started with our victory in the 2009/2010 financial year leveraging this success .

The company continues to pursue further efficiencies and improved customer service through the use of technology and the creation of new products. This is an ongoing effort and will continue into the new financial year.

NCB CAYMAN LIMITED

The Cayman Islands banking and investment subsidiary of National Commercial Bank Jamaica Limited, offers convenient international banking and wealth management services to private, corporate and institutional investors seeking a competitive edge for achieving their financial goals. Our services cover International banking – Personal, Business and Corporate, Institutional and Wealth Management – Private Banking, Asset Management, Fiduciary, Custody.

Management Team NCB Capital Markets Limited

L-R: SEATED **Dylan Coke**, Assistant Vice President • **Vernon James**, Vice President, Sales & Client Services • **Dennis Cohen**, Chief Executive Officer • **Steven Gooden**, Vice President, Investments & Trading STANDING **Annya Walker**, Research Manager • **Herbert Hall**, Corporate Solutions Manager • **Eleith Baxter**, Assistant Manager, Finance • **Tracy-Ann Spence**, Portfolio Manager • **Stephen Ricketts**, Financial Controller • **Najah Peterkin**, Regional Manager • **Howard Potinger**, Regional Manager • **Kerry-Ann Spencer**, Manager, Corporate Client Services

Our professional and trustworthy team focuses on building close relationships with our clients by understanding their needs, determining acceptable solutions and committing to action.

Financial Highlights for the year ended 30 September 2011	
Net profit	USD 3.0 million
Cost income ratio	33%
Return on average equity	14%

NCB INSURANCE COMPANY LIMITED

NCB Insurance Company Limited (NCBIC) is the life insurance arm of the NCB Group, licensed by the Financial Services Commission (FSC) to sell life insurance, pension administration and investment management services.

Through an increased focus on products in the retirement planning and services market, NCBIC recorded a significant increase in annuity premium income in 2011. The company has continued to improve non-interest revenue streams and prudently manage expenses in order to mitigate the effects of reduced interest rates. The company achieved net profits of $2.01 billion compared to $1.67 billion, an increase of 20%. The company's Capital ratios remain well in excess of regulatory minimum as follows:

- Minimum Continuing Capital Surplus Ratio (MCCSR) of 1083% vs. regulatory minimum of 150% (December 2010).
- Solvency ratio of 34.7% vs. regulatory minimum of 10%.

The company recorded growth of 5.3% in Policyholder funds and 11.6% in Pension funds under management approximately $22 billion and $50.1billion.

In financial year 2010/2011, NCBIC:

- Continued to distinguish itself in the Pension Fund Management industry having copped the World Finance Global Pension Fund Award for "Best Pension Fund Manager Caribbean 2011" for the second consecutive year. Winning this award again confirms our commitment to offer our clients nothing less than premium service.
- Undertook a review of our Sales and Services practices and we have seen early improvements in Sales Advisor productivity.
- Continued our commitment to education through the sponsorship of the TVJ's Junior Schools' Challenge Quiz programme with our OMNI Educator product. In 2010-2011, 164 students benefitted from the NCBIC OMNI Educator Grant as they enrolled or continued their studies in a variety of tertiary educational institutions in Jamaica and abroad.
- Continued to focus on education for our staff, this resulted in NCBIC receiving the "Educational Achievement Award, Latin America/Caribbean" from the LOMA Education Programs.

Management Team NCB Insurance Company Limited

L-R: SEATED **Andre Ho Lung**, Vice President, Finance • **Audrey Chin**, Senior Vice President, Business Development & Client Management • **Steven Gooden**, Vice President, Investments & Trading STANDING **Sharla Cornwall**, Investment Manager • **Avril Bailey**, Assistant Finance Manager • **Oliver Tomlinson**, Business Development Manager - Individual Line • **Georgia Nelson**, Senior Business Analyst • **Dianne Mullings**, Manager - Administration & Service Management • **Audrey Williams**, Investment Manager • **Antonio Spence**, Regional Manager • **Angela Morse**, Senior Underwriter • **Shereen Spence Wilson**, Business Analyst MISSING **Ann-Marie Hamilton**, General Manager

OUR PEOPLE

In keeping with the mission statement of our Company, the Group Human Resources Division is committed to managing an HR function that provides the Organization with the requisite competences, capabilities and capacity to achieve its strategic objectives.

Learning and Development

This year the Corporate Learning Campus undertook several bold initiatives aimed at equipping our people to handle the significant changes that occurred within our business. For example, to support the roll out of the Sales and Service Effectiveness Initiative (SSE), the Campus provided learning interventions in risk and customer experience management and effective sales and service coaching in order to improve our sales and service delivery.

Enterprise learning maps were developed to educate the business regarding the body of knowledge generally required for optimal on the job performance while introducing both form and structure to the instructor- led and self initiated learning experiences.

The Campus published its inaugural Annual Learning Report, a first of its kind among local financial services institutions. This report provided expanded details on the activities and initiatives undertaken by the Corporate Learning Campus over the previous year. Work is currently far advanced with respect to the Report for the financial year just ended.

Leadership and People Development

As we continued our efforts to build a world class learning institution, we sought accreditation for the Branch Management and Institute of Leadership and Organizational Development (ILOD) Programmes from the University Council of Jamaica. The current Management Training Programme was also submitted for re-accreditation. The peer review has been completed by the University Council and the Campus now awaits the outcome of the Council's process of deliberation.

The Wealth Management Programme intended to expand the skills and capabilities of our wealth advisory personnel was launched with 27 participants. This Programme is intended to continue in the upcoming financial year with the admission of two new cohorts.

Our recruitment and selection process was enhanced by the introduction of a new on boarding process

Professor Evan Duggan, Executive Director - Mona School of Business, delivers a course on Leadership and Technology to the Branch Managers as part of the Management Development Programme

5,011 **Training Hours** were made available to employees for the Financial Year 2010/2011

OUR PEOPLE CONT'D

Employees engaged in a training session on the new treasury management system.

intended to achieve operational efficiencies while facilitating a seamless transition into the NCB philosophy and culture and faster role integration.

Learning Technology Enhancements

Our internally built Learner Management System (LMS) was upgraded to provide a holistic view of organization-wide learning interventions. The system also allowed employees to view their learning history in order to further identify opportunities for learning and capability expansion.

We continued the expansion and refreshing of our on-line learning portal (eCampus) through the development of e-Mentor to provide employees with additional learning opportunities available on external websites.

This created access to over 150 additional online courses on topics such as marketing, project management and finance while simultaneously facilitating access to educational audio and video material. Use of e-Presence, our video conference platform, was ramped up to provide cost effective learning solutions for our geographically dispersed learning population. One such strategic intervention was the use of e-Presence to provide Oracle training for employees deployed at our Cayman office.

Workforce demographic projections indicate that virtual learning will play a significant role in increasing employee engagement by making available those tools ideally suited for the employees' preferred learning modes. We will therefore remain relentless in our efforts to upgrade the resources available through e-Campus.

Performance Management

Effective performance management is integral to sustained business success and the execution of our business imperatives. To make this operational, the Group Human Resources Division undertook a number of activities to transition the organization from a performance appraisal to performance management mindset and to achieve the associated behaviours. To build performance management capabilities within our employees, we introduced a performance management module in our Signature Programmes (Branch Management and ILOD). Going forward, this module will be mandatory for employees being groomed for leadership positions.

To equip our employees with a road map and a set of tools to achieve a seamless transition to the performance management methodology, we delivered a series of workshops across the business. For the financial year ended, 3 such workshops were convened with 54 participants. These workshops will continue in the new financial year targeting approximately three hundred additional employees.

We updated our Professional Development Planning (PDP) Framework and created a tool to provide the 360° view required for employee development planning while simultaneously ensuring the alignment of employee development initiatives with business objectives. Three hundred and twenty-one employees were selected for the pilot of the new PDP Framework and to monitor and guide the initiative and five PDP Facilitators were trained. To date they have made 85 contacts.

In recognition of the need to evolve beyond succession planning to succession management, there are plans to:

- Implement a succession pool grid
- Further refine our internal competency framework
- Infuse best in class succession management practices

The year ahead will involve a pilot of this initiative which, among other advantages, will offer robust capabilities for talent search and mentor/mentee matching.

Positive Employee Climate

We believe employee engagement is a key driver of organizational effectiveness and workforce performance. Sustainable engagement is influenced by the extent to which an employee feels motivated, enabled and energized to deliver his/her best performance. During the past year we conducted an employee engagement survey to measure the level of engagement among our employees. Our survey response rate of 96% was reported by our survey partners as being the highest rate of response ever attained by any of their clients. At a high level, this survey revealed an overall 79% level of engagement.

The results of the survey have provided us with valuable insight into the key drivers of engagement within our company as well as a platform from which to measure and compare the results of our internally driven initiatives. Each division is currently engaged in a period of review and appreciation of the survey results relevant to the particular division with the objective of formulating specific action plans to address issues identified at unit level.

The enhancements to our internal disciplinary case management system implemented in the previous year have resulted in a two-day reduction in the disciplinary case turnaround time. This moves it from 18 to 16 days, achieving a swifter turnaround time between the occurrence of an infraction and the dispensation of justice. In addition, we maintained active dialogue and partnership with our respective union associates which contributed to the maintenance of a stable and productive industrial relations climate over the period of review.

We continued to provide a nurturing yet stimulating environment for the children of our employees and our efforts earned the Early Childhood Development Centre performance ratings of 98% and 100% respectively on the Food Establishment and Public Health Inspections. The required scores are 59% and 62% respectively.

The NCB Post Redundancy Entrepreneurship Programme (PREP) was launched with the objective of providing funding by way of a grant of up to a maximum of J$250,000.00. This grant was available to any employee who was displaced by way of redundancy effected March 2010 who presented a plan for a viable business venture. Over the period of review, 19 grants valued at J$4.5 million were awarded to qualified applicants.

Wellness and Recreation

In fulfillment of our commitment to providing better life options for our employees, we conducted free health checks focusing on Spinal Health Screening. Two pre-retirement seminars were held to assist our employees in preparing for the transition from full time employment to retirement. To militate against the occurrence of food borne illnesses, we undertook an enterprise wide retraining exercise in food safety procedures involving all our food service personnel.

Employee development, engagement and empowerment remain critical levers through which to unleash employee potential and harness discretionary effort. The Group Human Resources Division is mindful of its role as a business driver in the process so that NCB can be acknowledged as an ideal place to work, do business and invest.

> “There is little that can be said about the future except this: sometime over the next decade your company will be challenged to change in a way for which there is no precedent”
>
> \- ***Gary Hamel**, The Future of Management*

OUR COMMUNITY

During 2012 the National Commercial Bank Jamaica Limited will be celebrating 175 years of unwavering commitment to the Jamaican people. Since our inception we have been dedicated to not only doing well but, doing good for the prosperity of our nation.

As the 100% homegrown financial institution, NCB has taken seriously its responsibility to help build a better Jamaica by actively pursuing strategic philanthropic activities that seek to empower, inspire and nurture the further development of our nation's people, especially the Jamaican youth and a total of $59 million was spent to support projects in fulfillment of our mandate.

For the financial year under review, NCB remained committed to carrying out its corporate social responsibilities in the areas of Education, Community Development, Youth Leadership and Entrepreneurship. These initiatives were executed despite financial challenges that persisted during the period.

EDUCATION

"Education is a human right with immense power to transform. On its foundation rest the cornerstones of freedom, democracy and sustainable human development." - **Kofi Annan**

NCB Foundation spent $32M on educational initiatives across the nation. This saw the support of NCB Foundation's flagship programmes which included theTertiary Scholarships and CXC/CSEC Principles of Accounts (POA) and Principles of Business (POB) Fee Sponsorship programmes.

Due to an increase of 64% in the education budget, the NCB Foundation was able to award scholarships and grants to 300 students islandwide - with more than half being awarded at the tertiary level. This year, the Foundation was proud to have awarded the top National Champion Award to three students which guaranteed the prized sum of $500,000 per annum each for the duration of their studies. In addition, 11 other students emerged Parish Champions and were each given a scholarship valued at $200,000 for the duration of their studies. Grants were also awarded through the "We Believe in You" education fund.

Since 2003, NCB has continued to pay exam fees for high school students sitting their CXC/CSEC POA and POB. This year, $8.8 million was paid out for 4,516 student entries. The programme was specifically designed to have a multi-sectorial approach with the Foundation partnering with the Ministry of Education to assist students at the secondary level in meeting the minimum qualification requirement for entry to a tertiary institution.

NCB FOUNDATION

BUILDING A BETTER JAMAICA

NCB FOUNDATION 2011 ALL-ISLAND PARISH CHAMPIONS: As another first in the Scholarship Programme three students were named Parish Champions - (l-r) Sharie Brown, St. Andrew; Norvan Martin, Manchester and Anesha Rose, St. Thomas.

OFFICIAL OPENING OF ARDENNE HIGH SCHOOL'S WINSTON ROBERTS & NCB FOUNDATION SCIENCE CENTRE: Dennis Cohen (right), Deputy Group Managing Director, NCB Jamaica Limited looks intrigued as Peta-Gaye Palmer (centre), sixth form student of Ardenne High School, shows him biological specimens at the opening held in January 2011. Sharing in the moment is Ivy Roberts (left), sister of Winston Roberts, one of Ardenne High School's pioneer science teachers.

Also, under the Foundation's education agenda are the strategic objectives to improve numeracy and literacy in Jamaica. Acting on these objectives the Foundation presented a Mathematics Scope and Sequence Chart to the Ministry of Education to be implemented throughout secondary schools. Having been successfully piloted in six schools, the Scope and Sequence Chart will seek to improve the performances of students in the CXC/CSEC Mathematics programme.

To assist the Ministry of Education in achieving 100% literacy by 2015, the Foundation launched its Love for Reading programme geared at empowering students sitting the Grade 4 Literacy test to acquire a love for reading. In addition, several schools across the Island received funding towards their literacy programmes. Among the schools were Gayle Primary, John Rollins Success Primary and Shortwood Practising Infant, Primary and Junior High Schools. In support of Literacy Day held on September 8, 2011 over 20 primary schools benefited from books purchased by the NCB Foundation in partnership with the book store Bookophilia.

The Foundation was pleased to formally handover the Ardenne High School Science Lab and Excelsior High School's sixth form building during the financial year. Together, both projects costs $17.5M. The St. Theresa Basic School and Hampton High School were among educational institutions that also benefited from the Foundation's School Infrastructral programme. The NCB Foundation also contributed funds toward the "Transformation of Jamaica College" in support of the welfare aspect of the programme.

During the financial year, in an effort to promote a tech savvy driven society, NCB donated computers to various schools including: Allman Hill Primary, St. Catherine Prep, Mountain View Primary, Brown's Town Primary School, Westphalia All Age, Port Antonio

OUR COMMUNITY CONT'D

High School, Salisbury Plain Basic School, Windsor Primary, May Pen Primary School, Morant Bay Primary School, Cheapside Basic School, Ocho Rios Methodist Basic School and the Arthurs Seat Primary School.

YOUTH LEADERSHIP AND ENTREPRENEURSHIP

"The Youth of a Nation are the trustees of Posterity." **- Benjamin Disraeli**

NCB believes that our youth play an integral role in the further development of our nation. Therefore, we support projects geared at encouraging active citizenship and employment among the Jamaican youth. During the period under review 22% of the Foundation's budget was allocated towards Youth Leadership programmes.

The Michael Lee-Chin Youth Leadership Series was launched through the University of West Indies' LEEDS programme to inspire many Jamaican youths to become change agents within their communities and schools. In addition, the NCB Scholars Give Back programme was also launched to engage NCB Foundation scholarship recipients to give back through nation building activities. The scholarship recipients were given the opportunity to renovate the play area of the St. Anne's Primary School located in West Kingston as well as paint the school's Grade 4 classrooms.

The Foundation also contributed $20M to the Youth Upliftment Through Employment (YUTE) programme, a Private Sector of Jamaica led initiative geared towards engaging 2,200 at-risk youths from inner-city communities in employment and entrepreneurship.

As we continued to focus on developing leadership skills and engendering an entrepreneurial spirit among the Jamaican youth, the Foundation partnered and supported several youth –led initiatives across the Island. Among the projects and organizations that we supported were the Dispute Resolution Foundation, Institute of Jamaica, Jamaica Chamber of Commerce, Hanover Police Department, Jamaica Chamber of Commerce Education Committee Literacy programme and the Donald Quarrie High School. These programmes were geared at youth development, behavioral modification, skills training, computer training, conflict resolution and leadership programmes.

The Foundation also hosted young leaders from the Caribbean Canadian Emerging Leaders Dialogue (CCLED). The participants were given the opportunity to meet and learn from some of Jamaica's key influential CEO's and business leaders.

COMMUNITY DEVELOPMENT

"The golden way is to be friends with the world and to regard the whole human family as one." **- Mahatma Gandhi**

LABOURING FOR LITERACY-NCB LABOUR DAY 2011: Sandra Joseph, Credit Underwriter, NCB's Middle Market Unit, paints with a smile as she volunteers at NCB's Labour Day Project held at St. Jude's Primary school under the theme' Labouring for Literacy'. Looking on is NCB insurance Company's Laura Service.

Developing communities in which we serve remains at the heart of NCB's business driven focus. Over the past year we were again privileged to have served the Jamaican people by investing in philanthropic activities geared towards national development. The NCB Foundation found meaningful ways to touch and transform lives in our communities. We partnered with community based organizations such as the St. Patrick's Foundation's educational fund which assisted hundreds of children from the inner-city with their back to school needs as well as the St. Andrew Parish Church on their community development programmes. Rise Kids Club also received support for their summer camp programme which served approximately 200 children.

The Lauriston and Thompson Pen Community -4H Club, Trelawny Parish Library, National Council for Senior Citizens, and Mustard Seed Communities received support from the Foundation. In addition, RISE Life Management Services received contributions towards the renovation of its mutli-purpose centre for remedial education which will be used by students, parents and community members. The God's Soup Kitchen outreach programme also received books for children from inner city communities such as Jones Town, Arnette Gardens, and the surrounding areas of Heroes Circle and Slipen Road. The Foundation, in partnership with Eyelite Optical of Jamaica, donated twenty-five eyeglasses to students across the island.

In addition, the North East Regional Health Authority – Annotto Bay Hospital, South East Regional Health Authority -St. Thomas Health Services Centre and the Paediatric Ward of the University Hospital of the West Indies all received medical equipment. The Foundation also donated well-needed appliances to the Alexandria Police Station and the Jamaica Constabulary Force-Trelawny Division.

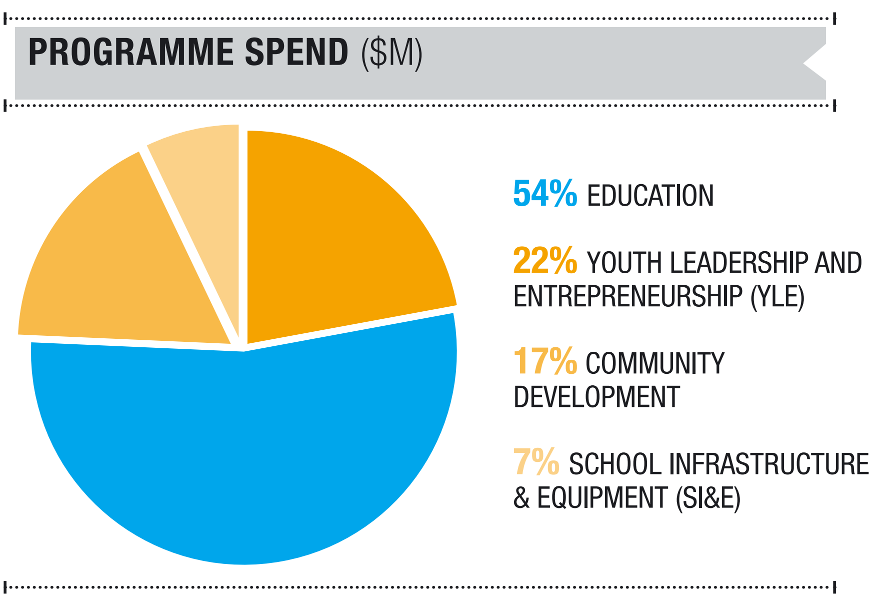
Staff volunteerism forms a major part of the Foundation's community development initiatives. On Labour Day, approximately 350 NCB employees turned out to "labour" for literacy by upgrading the libraries at the Breadnut Hill Primary School, in St. Ann and St. Jude's Primary School in Kingston. The project was valued at $1.5M which went towards the painting of libraries and the donation of books and computers to the schools.

In support of improving literacy at the primary school level, NCB employees turned out in numbers on Read Across Jamaica Day to read to students at seventy (70) schools across the island. Employees from NCB Insurance Company partnered with Norman Manley Law School students to create a reading corner at the Jamaica Christian Boys' Home by painting and donating books as well as a computer.

We now look forward to building on our successes of the past years as we venture into making 2012 an exceptional year of service to the society. We wish to extend our appreciation to all our faithful customers, employees and partners for their continued support as together we continue to Build a Better Jamaica.

PROGRAMME EXPENDITURES

EDUCATION	$31,566,454.71
COMMUNITY DEV.	$10,131,114.97
YOUTH LEADERSHIP & ENTREPRENEURSHIP	$13,014,229.55
SCHOOL INFRASTRUCTURE & EQUIPMENT	$4,182,902.62



$32M

EDUCATION

CAPTIONS: [1] NCB team members happily supported the 2011 TVJ's School Challenge Quiz Champions, Kingston College. **[2]** NCB Foundation's Director, Andrew Pairman gives a student from St. Annie's Primary a helping hand at NCB Foundation's Scholars Give Back initiative. **[3]** Bridgette Rhoden, Programmes Officer, NCB Foundation, looks on as a nurse operates a Vital Signs Monitor on a baby at the University Hospital of the West Indies. NCB Foundation proudly donated the equipment to serve the Paediatric Ward. **[4]** A police officer signs the NCB Foundation's Be the Change board for the Scholars Give Back initiative held at St. Annie's Primary located in West Kingston. **[5]** NCB Insurance Company's General Manager, Ann-Marie Hamilton, helps a member of the Jamaica Christian Boys Home paint the walls of the Home's Reading Corner donated by the NCB Foundation in partnership with students of the Norman Manley Law School. **[6]** NCB Foundation Scholarship Recipients at the 2011 NCB Foundation Scholars Give Back initiative. **[7]** Sharla Cornwall, Investment Manager, NCB Insurance Company engages a young boy from the Jamaica Christian Boys Home during the Foundation's refurbishing of the Home's Reading Corner. **[8]** Hon. Michael Lee-Chin, Chairman NCB Jamaica Limited, speaks with Ardenne High School students at the official opening of Ardenne High School's Science Centre. **[9]** Rochelle Chin, Teller, NCB 1-7 Knutsford Boulevard volunteers at the NCB Foundation's Scholars Give Back initiative. **[10]** Carlos Gordon, Branch Manager, NCB Portland, donates a computer to the students of Windsor Primary School. **[11]** Belinda Williams (right), Manager, Group Corporate Communications, supports the Women Leadership Initiative in honouring Jamaican women for their philanthropic efforts. **[12]** NCB supports the Private Sector Organization of Jamaica's (PSOJ) Youth Upliftment Through Employment (YUTE) programme. Patrick Hylton (2nd right), Group Managing Director, NCB Jamaica Limited engages (L-R) Joseph Matalon, President, PSOJ; Tracey Spence, NCB Capital Markets and YUTE participants. **[13]** NCB Foundation Board Executives presents the Mathematics Scope & Sequence to Hon. Andrew Holness, Minister of Education. Sharing in the occasion is Radley Reid (2nd left) Mathematics Consultant. **[14]** Sheree Martin (right), CEO, NCB Foundation presents $8.8M to the Overseas Examination Commission to cover exam fees for CXC/CSEC POA & POB students. **[15]** Audrey Tugwell-Henry, Snr. General Manager, Retail Banking Division engages members of the St. Peters & Paul Track & Field team. **[16]** Garth Faulkner, NCB Matilda's reads to students at the Mountain View Primary School at the launch of the Love for Reading programme. **[17]** NCB Half-Way Tree Branch Manager, Marva Peynado, (left) and Chantal Jenoure, NCB Corporate Communications Officer pack book shelves at NCB's Labour for Literacy initiative on Labour Day 2011. **[18]** Thaniesha Crossley (centre) Teller, NCB Matilda's Corner, enjoys reading time at the launch of NCB Foundation's Love for Reading Programme. **[19]** Launch of the Michael Lee-Chin Youth Leadership Programme through the University of the West Indies Leeds programme. **[20]** NCB Foundation partners with students of the Norman Manley Law School to stage a Christmas Treat for children affiliated with the Sir John Golding Rehabilitation Centre. **[21]** NCB Executives (L-R) Laurie Spencer, Glen Shields and Loren Edwards participate in NCB's Labour Day 2011. **[22]** Eyelite Optical of Jamaica Health Fair held at Glenmuir High School. Over 30 needy students received free eyeglasses courtesy of the NCB Foundation. **[23]** Misha Haye (right) NCB's Corporate Communications Officer poses with Yendi Phillips, Miss Jamaica Universe 2011 at the launch of the Yendi Phillips Foundation of which NCB Foundation was a main sponsor. **[24]** Manager, NCB Private Banking, Sharon Williams, reads to Half-Way -Tree Primary students on Read Across Jamaica Day.

$20M

Youth Upliftment Through Employment (YUTE) programme

350

NCB employees turned out to labour day project islandwide

70

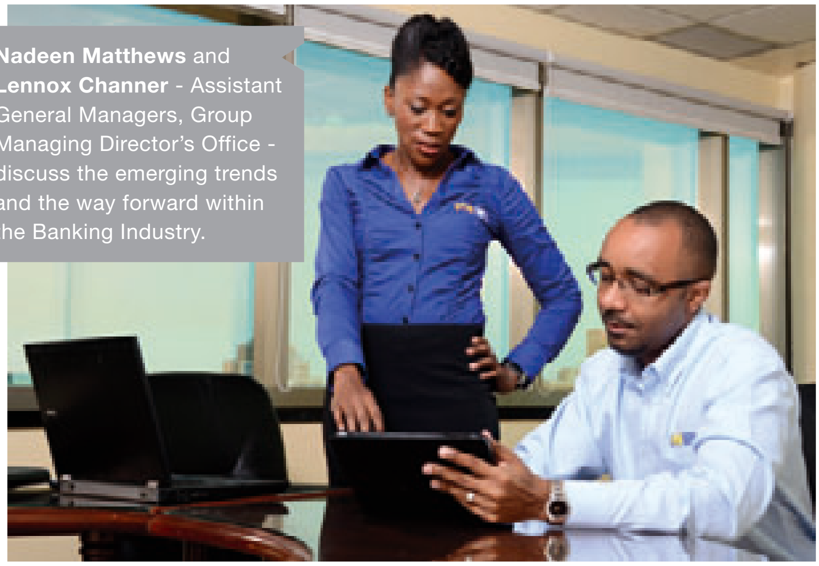
SCHOOLS

Read Across Jamaica Day

OUR STRATEGIC OUTLOOK

At the heart of NCB's strategic focus for 2011/2012 and beyond is a **relentless commitment to continuous improvement**, thereby positioning the organisation to sustainably deliver on its mandate for shareholders, customers, employees and the nation.

In 2011/ **2012,** NCB will focus on extending our position as the premier financial institution in Jamaica. Notwithstanding the country's size, Jamaica is no stranger to recognition for world-leading performance on multiple dimensions. Similarly, as evidenced by NCB's recent top rankings in The Banker's 2011 survey of Top 1000 banks, the same global recognition can apply to Jamaican companies. Therefore, even as we focus on extending the lead in Jamaica, we will also continue to deliver performance that is recognised as best in class across the Caribbean region and the world.



Nadeen Matthews and **Lennox Channer** - Assistant General Managers, Group Managing Director's Office - discuss the emerging trends and the way forward within the Banking Industry.

We will accomplish our 2011/2012 objectives by **focusing on 4 primary areas:**

NCB's strategy is shaped within context of a number of existing and emerging trends, including but not limited to the following:

- Uncertain local and global economic outlook
- Potential for fallout in the global banking sector
- Rapid rate of technological advances and increasing global interconnectivity
- Changing customer preferences and needs
- Increasing non-traditional financial services players across the globe

The primary lessons we draw from these trends and have integrated into our strategic discussions are as follows:

1) The importance of remaining nimble and adaptable to change
2) The need to raise our performance bar and capabilities to meet and exceed global standards
3) The continuing need for strong governance and risk management

At NCB, we are looking forward to another exciting year with success that positively redounds to our shareholders, employees, customers and fellow citizens.

1

INCREASING efficiency and productivity Through an ongoing technology improvement initiative and the initiation of reviews and redesigns of key internal processes, we will achieve improvements in our operating efficiency and productivity. We view increased efficiency and productivity as imperative to driving down costs for our customers, improving turnaround times for product and service delivery, and increasing time available for customer relationship management.

2

DRIVING revenue growth By capitalizing on our strengths and current capabilities, NCB will be focused on growth through increased sales productivity, customer wallet share penetration, new growth opportunities in untapped markets and segments and strategic investments. We will also remain open to acquisition opportunities that may arise locally or within the region.

DEVELOPING and retaining the best talent and increasing employee engagement Building on our selection as Employer of Choice in 2008, we will leverage our existing learning infrastructure and business partners to develop training programmes that enhance the capabilities of our employees. We will also continue to survey our employees to understand key engagement and disengagement drivers and initiate programmes to increase engagement levels.

3

DELIVERING superior value and service to our customers NCB is undertaking several initiatives to reduce wait times in branches and product and service delivery times overall. We will also continue to launch products and initiatives such as “Cut Your Banking Fees” and the Nation Builder Credit Line, designed to make financial services more affordable for our valued customers.

4

FINANCIAL STATEMENTS
30 SEPTEMBER 2011

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30 September 2011

Directors' Report

30 September 2011

The directors submit herewith the Consolidated Income Statement of National Commercial Bank Jamaica Limited and its subsidiaries for the year ended 30 September 2011, together with the Consolidated Statement of Financial Position as at that date:

Operating Results

	$'000
Gross operating revenue	44,791,704
Profit before taxation	16,739,222
Taxation	(3,704,793)
Net profit	13,034,429

Dividends

The following dividends were paid during the year:

- $0.45 per ordinary stock unit was paid in December 2010
- $0.45 per ordinary stock unit was paid in February 2011
- $0.18 per ordinary stock unit was paid in May 2011
- $0.28 per ordinary stock unit was paid in August 2011

Directors

During the financial year, the Board of Directors comprised:

Hon. Michael A. Lee-Chin, OJ - Chairman
Mr Patrick A.A. Hylton, CD – Group Managing Director
Mr Dennis Cohen – Deputy Group Managing Director
Mr Robert W. Almeida
Mr Wayne C. Chen
Mrs Sandra A.C. Glasgow
Hon. Noel A.A. Hylton, OJ, CD, Hon. LL D
Mr Donovan Anthony Lewis (resigned 1 January 2011)
Mrs Thalia Lyn
Professor Alvin G. Wint

Mrs Sanya M. Goffe was appointed a director effective 1 October 2011.

Company Secretary

The Company Secretary is Mr Dave L. Garcia.

Directors' Report

30 September 2011

Pursuant to Article 97 of the Company's Articles of Association, one third of the Directors (or the number nearest to one third) other than the Managing Director and Deputy Managing Director will retire at the Annual General Meeting and shall then be eligible for re-election. Pursuant to Article 103 of the Company's Articles of Association, any Director appointed by the Board, either to fill a casual vacancy, or as an addition to the existing Board will retire at the Annual General Meeting and shall then be eligible for re-election.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and offer themselves for re-appointment.

On behalf of the Board

Dave L. Garcia
Company Secretary

pwc

Independent Auditors' Report

To the Members of
National Commercial Bank Jamaica Limited

Report on the Consolidated Financial Statements
We have audited the accompanying financial statements of National Commercial Bank Jamaica Limited and its subsidiaries ("the Group"), and the accompanying financial statements of National Commercial Bank Jamaica Limited ("the Bank") standing alone, set out on pages **81** to **197**, which comprise the consolidated and the Bank statements of financial position as of 30 September 2011 and the consolidated and the Bank income statements, statements of comprehensive income, statements of changes in stockholders' equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

Members of National Commercial Bank Jamaica Limited

Independent Auditors' Report

Page 2

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as of 30 September 2011, and of the financial performance and cash flows of the Group and the Bank for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
4 November 2011
Kingston, Jamaica

Consolidated Income Statement

Year ended 30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Operating Income			
Interest income		30,191,938	33,304,294
Interest expense		(9,041,078)	(12,654,651)
Net interest income	6	21,150,860	20,649,643
Fee and commission income		7,497,876	6,900,930
Fee and commission expense		(1,078,430)	(945,145)
Net fee and commission income	7	6,419,446	5,955,785
Gain on foreign currency and investment activities	8	4,035,443	1,962,633
Dividend income	9	11,830	77,331
Premium income		2,921,919	493,057
Other operating income		132,698	284,906
		7,101,890	2,817,927
		34,672,196	29,423,355
Operating Expenses			
Staff costs	10	9,240,116	9,252,662
Provision for credit losses	21	768,881	947,962
Depreciation and amortisation		580,132	528,333
Impairment losses on securities	11	262,003	27,520
Other operating expenses	12	8,333,326	5,379,478
		19,184,458	16,135,955
Operating Profit		15,487,738	13,287,400
Gain on acquisition of associates	23	1,016,505	-
Share of profit of associate	23	234,979	200,713
Profit before Taxation		16,739,222	13,488,113
Taxation	13	(3,704,793)	(2,413,315)
NET PROFIT		13,034,429	11,074,798
Earnings per stock unit (expressed in $ per share)			
Basic and diluted	15	5.30	4.50

Consolidated Statement of Comprehensive Income

Year ended 30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

	2011 $'000	2010 $'000
Net Profit	13,034,429	11,074,798
Other Comprehensive Income, net of tax –		
Currency translation gains/(losses)	2,691	(57,956)
Unrealised gains on available-for-sale investments	4,584,760	2,000,245
Realised fair value gains on sale and maturity of investments	(2,220,115)	(548,702)
Unrealised losses transferred from equity on impairment of available-for-sale equity securities	264,012	-
	2,631,348	1,393,587
TOTAL COMPREHENSIVE INCOME	15,665,777	12,468,385

Consolidated Statement of Financial Position

30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011	2010
		$'000	$'000
ASSETS			
Cash in hand and balances at Bank of Jamaica	16	20,725,491	19,472,761
Due from other banks	17	24,812,575	17,048,849
Derivative financial instruments	18	-	12,864
Investment securities at fair value through profit or loss	19	1,785,352	698,711
Reverse repurchase agreements	20	1,697,472	1,143,581
Loans and advances, net of provision for credit losses	21	91,728,138	85,995,102
Investment securities classified as available-for-sale and loans and receivables	22	202,962,775	199,434,273
Investment in associates	23	5,847,258	2,320,723
Investment property	24	12,000	12,000
Intangible asset – computer software	25	897,862	359,980
Property, plant and equipment	26	4,322,866	4,114,155
Deferred income tax assets	27	26,191	119,794
Income tax recoverable		1,402,777	1,855,938
Customers' liability - letters of credit and undertaking		361,606	291,106
Other assets	28	2,184,878	2,090,174
Total Assets		358,767,241	334,970,011

Consolidated Statement of Financial Position

30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
LIABILITIES			
Due to other banks	29	6,402,201	3,708,232
Customer deposits		155,800,401	144,283,158
Promissory notes and certificates of participation		236,434	223,154
Repurchase agreements		84,075,103	85,292,763
Obligations under securitisation arrangements	30	14,378,119	20,456,162
Derivative financial instruments	18	-	25,930
Other borrowed funds	31	5,271,146	6,575,623
Income tax payable		12,591	3,095
Deferred income tax liabilities	27	2,387,682	104,332
Liabilities under annuity and insurance contracts	32	23,564,275	20,405,624
Provision for litigation	33	13,000	13,300
Post-employment benefit obligations	34	582,491	445,873
Liability – letters of credit and undertaking		361,606	291,106
Other liabilities	35	4,555,800	4,333,726
Total liabilities		297,640,849	286,162,078
STOCKHOLDERS' EQUITY			
Share capital	36	6,465,731	6,465,731
Shares held by NCB Employee Share Scheme	36	(3,388)	(3,388)
Fair value and capital reserves	37	5,166,594	1,457,864
Loan loss reserve	38	4,922,610	1,135,012
Banking reserve fund	39	6,039,667	5,200,206
Retained earnings reserve	40	11,375,761	8,875,761
Retained earnings		27,159,417	25,676,747
Total stockholders' equity		61,126,392	48,807,933
Total equity and liabilities		358,767,241	334,970,011

Approved for issue by the Board of Directors on 3 November 2011 and signed on its behalf by:

Patrick Hylton — Group Managing Director

Dennis Cohen — Deputy Group Managing Director

Professor Alvin Wint — Director

Dave Garcia — Company Secretary

National Commercial Bank Jamaica Limited

Consolidated Statement of Changes in Stockholders' Equity

Year ended 30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Shares Held by Share Scheme	Fair Value and Capital Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 September 2009	6,465,731	(3,388)	64,277	744,159	4,362,102	8,875,761	20,507,304	41,015,946
Total comprehensive income	-	-	1,393,587	-	-	-	11,074,798	12,468,385
Dividends paid	-	-	-	-	-	-	(4,676,398)	(4,676,398)
Transfer to Loan Loss Reserve	-	-	-	390,853	-	-	(390,853)	-
Transfer to Banking Reserve Fund	-	-	-	-	838,104	-	(838,104)	-
Balance at 30 September 2010	6,465,731	(3,388)	1,457,864	1,135,012	5,200,206	8,875,761	25,676,747	48,807,933
Total comprehensive income	-	-	2,631,348	-	-	-	13,034,429	15,665,777
Dividends paid	-	-	-	-	-	-	(3,347,318)	(3,347,318)
Transfer to Loan Loss Reserve	-	-	-	3,787,598	-	-	(3,787,598)	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	2,500,000	(2,500,000)	-
Redemption of Preference Shares	-	-	1,077,382	-	-	-	(1,077,382)	-
Transfer to Banking Reserve Fund	-	-	-	-	839,461	-	(839,461)	-
Balance at 30 September 2011	6,465,731	(3,388)	5,166,594	4,922,610	6,039,667	11,375,761	27,159,417	61,126,392

Consolidated Statement of Cash Flows

Year ended 30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Cash Flows from Operating Activities			
Net profit		13,034,429	11,074,798
Adjustments to reconcile net profit to net cash provided by operating activities		7,018,307	32,368,439
Net cash provided by operating activities	41	20,052,736	43,443,237
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	26	(672,268)	(582,657)
Acquisition of intangible asset – computer software	25	(688,160)	(200,007)
Investment in associates	23	(2,318,753)	-
Proceeds from disposal of property, plant and equipment		27,982	40,096
Dividends received from associate	23	41,948	13,984
Purchases of investment securities		(319,755,348)	(272,767,322)
Sales/maturities of investment securities		311,783,830	264,637,390
Net cash used in investing activities		(11,580,769)	(8,858,516)
Cash Flows from Financing Activities			
Repayments under securitisation arrangements		(6,087,083)	(5,992,336)
Repayments of other borrowed funds		(2,759,485)	(1,482,249)
Proceeds from other borrowed funds		1,456,516	833,568
Dividends paid		(3,347,318)	(4,676,398)
Net cash used in financing activities		(10,737,370)	(11,317,415)
Effect of exchange rate changes on cash and cash equivalents		(38,490)	(1,134,505)
Net (decrease)/increase in cash and cash equivalents		(2,303,893)	22,132,801
Cash and cash equivalents at beginning of year		40,727,035	18,594,234
Cash and Cash Equivalents at End of Year		38,423,142	40,727,035
Comprising:			
Cash in hand and balances at Bank of Jamaica	16	4,656,845	4,388,167
Due from other banks	17	24,812,575	17,048,849
Investment securities	22	15,355,923	22,998,251
Due to other banks	29	(6,402,201)	(3,708,232)
		38,423,142	40,727,035

Income Statement

Year ended 30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Operating Income			
Interest income		19,778,000	21,525,187
Interest expense		(4,324,650)	(6,205,778)
Net interest income	6	15,453,350	15,319,409
Fee and commission income		6,543,379	6,007,881
Fee and commission expense		(1,078,430)	(945,145)
Net fee and commission income	7	5,464,949	5,062,736
Gain on foreign currency and investment activities	8	2,133,892	1,103,533
Dividend income	9	2,152,748	2,018,445
Other operating income		123,163	287,099
		4,409,803	3,409,077
		25,328,102	23,791,222
Operating Expenses			
Staff costs	10	8,262,801	8,209,505
Provision for credit losses	21	768,881	947,962
Depreciation and amortisation		518,180	473,681
Impairment losses	11	264,012	-
Other operating expenses	12	5,060,739	4,463,986
		14,874,613	14,095,134
Profit before Taxation		10,453,489	9,696,088
Taxation	13	(2,058,876)	(1,315,043)
NET PROFIT		8,394,613	8,381,045

Statement of Comprehensive Income

Year ended 30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

	2011 $'000	2010 $'000
Net Profit	8,394,613	8,381,045
Other Comprehensive Income, net of taxes –		
Unrealised gains on available-for-sale investments	1,050,735	633,354
Realised fair value gains on sale and maturity of investments	(1,017,587)	(179,522)
Unrealised losses transferred from equity on impairment of available-for-sale equity securities	264,012	-
	297,160	453,832
TOTAL COMPREHENSIVE INCOME	8,691,773	8,834,877

Statement of Financial Position

30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
ASSETS			
Cash in hand and balances at Bank of Jamaica	16	20,721,445	19,470,565
Due from other banks	17	24,329,851	16,075,050
Derivative financial instruments	18	-	12,864
Reverse repurchase agreements	20	990,011	783,760
Loans and advances, net of provision for credit losses	21	91,398,899	85,643,530
Investment securities classified as available-for-sale and loans and receivables	22	83,752,176	93,974,458
Investment in associates	23	471,534	471,534
Investment in subsidiaries		1,609,609	1,609,609
Intangible asset – computer software	25	840,319	259,524
Property, plant and equipment	26	4,300,513	4,085,466
Deferred income tax assets	27	-	91,028
Income tax recoverable		525,802	783,990
Customers' liability - letters of credit and undertaking		361,606	291,106
Other assets	28	1,457,343	1,778,859
Total Assets		230,759,108	225,331,343

Statement of Financial Position

30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
LIABILITIES			
Due to other banks	29	6,402,201	3,708,232
Customer deposits		156,023,338	143,889,802
Repurchase agreements		8,509,780	16,444,684
Obligations under securitisation arrangements	30	14,378,119	20,456,162
Derivative financial instruments	18	-	25,930
Other borrowed funds	31	3,848,939	6,118,382
Deferred tax liabilities	27	1,087,982	-
Provision for litigation	33	13,000	13,300
Post-employment benefit obligations	34	582,491	445,873
Liability – letters of credit and undertaking		361,606	291,106
Other liabilities	35	4,014,165	3,737,361
Total liabilities		195,221,621	195,130,832
STOCKHOLDERS' EQUITY			
Share capital	36	6,465,731	6,465,731
Fair value and capital reserves	37	107,305	(189,855)
Loan loss reserve	38	4,922,610	1,135,012
Banking reserve fund	39	6,039,667	5,200,206
Retained earnings reserve	40	11,375,761	8,875,761
Retained earnings		6,626,413	8,713,656
Total stockholders' equity		35,537,487	30,200,511
Total equity and liabilities		230,759,108	225,331,343

Approved for issue by the Board of Directors on 3 November 2011 and signed on its behalf by:

Patrick Hylton Group Managing Director

Dennis Cohen Deputy Group Managing Director

Professor Alvin Wint Director

Dave Garcia Company Secretary

National Commercial Bank Jamaica Limited

Statement of Changes in Stockholders' Equity

Year ended 30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Fair Value and Capital Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 September 2009	6,465,731	(643,687)	744,159	4,362,102	8,875,761	6,248,418	26,052,484
Total comprehensive income	-	453,832	-	-	-	8,381,045	8,834,877
Dividends paid	-	-	-	-	-	(4,686,850)	(4,686,850)
Transfer to Loan Loss Reserve	-	-	390,853	-	-	(390,853)	-
Transfer to Banking Reserve Fund	-	-	-	838,104	-	(838,104)	-
Balance at 30 September 2010	6,465,731	(189,855)	1,135,012	5,200,206	8,875,761	8,713,656	30,200,511
Total comprehensive income	-	297,160	-	-	-	8,394,613	8,691,773
Dividends paid	-	-	-	-	-	(3,354,797)	(3,354,797)
Transfer to Retained Earnings Reserve	-	-	-	-	2,500,000	(2,500,000)	-
Transfer to Loan Loss Reserve	-	-	3,787,598	-	-	(3,787,598)	-
Transfer to Banking Reserve Fund	-	-	-	839,461	-	(839,461)	-
Balance at 30 September 2011	6,465,731	107,305	4,922,610	6,039,667	11,375,761	6,626,413	35,537,487

Statement of Cash Flows

Year ended 30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Cash Flows from Operating Activities			
Net profit		8,394,613	8,381,045
Adjustments to reconcile net profit to net cash provided by operating activities		(752,432)	18,871,295
Net cash provided by operating activities	41	7,642,181	27,252,340
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	26	(663,311)	(567,569)
Acquisition of intangible asset – computer software	25	(684,446)	(192,119)
Proceeds from disposal of property, plant and equipment		27,982	36,047
Purchases of investment securities		(252,864,981)	(158,028,117)
Sales/maturities of investment securities		259,431,343	161,392,820
Net cash provided by investing activities		5,246,587	2,641,062
Cash Flows from Financing Activities			
Repayments under securitisation arrangements		(6,087,082)	(5,992,336)
Repayments of other borrowed funds		(2,759,484)	(558,253)
Proceeds from other borrowed funds		499,168	529,711
Dividends paid		(3,354,797)	(4,686,850)
Net cash used in financing activities		(11,702,195)	(10,707,728)
Effect of exchange rate changes on cash and cash equivalents		(38,490)	(1,051,120)
Net increase in cash and cash equivalents		1,148,083	18,134,554
Cash and cash equivalents at beginning of year		35,231,789	17,097,235
Cash and Cash Equivalents at End of Year		36,379,872	35,231,789
Comprising:			
Cash in hand and balances at Bank of Jamaica	16	4,652,799	4,385,971
Due from other banks	17	24,329,851	16,075,050
Investment securities	22	13,799,423	18,479,000
Due to other banks	29	(6,402,201)	(3,708,232)
		36,379,872	35,231,789

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

National Commercial Bank Jamaica Limited ("the Bank") is incorporated in Jamaica and licensed under the Banking Act, 1992. The Bank is a 53.02% (2010 – 54.11%) subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael A. Lee-Chin, OJ. The Bank's registered office is located at 32 Trafalgar Road, Kingston 10, Jamaica.

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

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

	Principal Activities	Percentage Ownership by Group	
		September 30 2011	September 30 2010
Data-Cap Processing Limited	Security Services	100	100
Mutual Security Insurance Brokers Limited	Insurance Brokerage Services	100	100
NCB Capital Markets Limited	Securities Dealer and Stock Brokerage Services	100	100
NCB (Cayman) Limited	Commercial Banking	100	100
NCB Remittance Services (Cayman) Limited	Money Remittance Services	100	100
NCB Capital Markets (Cayman) Limited	Securities Dealer	100	100
NCB Insurance Company Limited	Life Insurance, Investment and Pension Fund Management Services	100	100
N.C.B. (Investments) Limited	Dormant	100	100
N.C.B. Jamaica (Nominees) Limited	Registrar Services	100	100
NCB Remittance Services (Jamaica) Limited	Money Remittance Services	100	100
NCB Remittance Services (UK) Limited	Money Remittance Services	100	100
West Indies Trust Company Limited	Trust and Estate Management Services	100	100
NCB Employee Share Scheme	Dormant	100	100

All subsidiaries are incorporated in Jamaica with the exception of NCB (Cayman) Limited, NCB Remittance Services (Cayman) Limited and NCB Capital Markets (Cayman) Limited, which are incorporated in the Cayman Islands, and NCB Remittance Services (UK) Limited, which is incorporated in the United Kingdom.

The Group's associates are as follows:

	Principal Activities	Percentage ownership by Group	
		September 30 2011	September 30 2010
Kingston Wharves Limited	Wharf Operations and Stevedoring	43.45	43.45
Dyoll Group Limited	In Liquidation	44.47	44.47
Jamaica Money Market Brokers Limited	Securities Dealer and Stock Brokerage Services	29.30	-
Kingston Properties Limited	Ownership of real estate properties	25.17	-

2. Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investment securities, investment securities at fair value through profit or loss, derivative contracts and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are significant to the consolidated financial statements, are disclosed in Note 3.

Standards, interpretations and amendments effective during the current year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following which are immediately relevant to its operations:

- **IAS 32 (Amendment), 'Classification of rights issues'.** This amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. There were no previous rights issues that were denominated in a currency other than the functional currency of the issuer. Accordingly, the amendment did not have an impact on the financial statements.

- **IAS 36 (Amendment), 'Impairment of assets'.** This amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The Group currently does not have goodwill on its statement of financial position.

- **IFRS 2 (Amendment), 'Group cash-settled and share-based payment transactions'.** In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance did not have a material impact on the financial statements.

- **IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations'.** The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group currently does not have non-current assets held for sale or discontinued operations.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments effective during the current year (continued)

- **IFRIC 19, 'Extinguishing financial liabilities with equity instruments'.** The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The interpretation did not have an impact on the financial statements, as the entity has no debt for equity swap agreements.

Standards, interpretations and amendments issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not effective at the date of the statement of financial position, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

- **IAS 19 (Amendment), 'Employee Benefits'** (effective for annual periods beginning on or after 1 January 2013). These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The significant changes affecting the Group are that actuarial gains and losses are renamed 'remeasurements' and will be recognised immediately in other comprehensive income. Actuarial gains and losses will no longer be deferred using the corridor approach or recognised in profit or loss. Remeasurements recognised in other comprehensive income will not be recycled through profit or loss in subsequent periods. The annual income or expense for funded benefit plans will include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability. This will replace the finance charge and expected return on plan assets. Additional disclosures are required to present the characteristics of benefit plans, the amounts recognised in the financial statements and the risks arising from defined benefit plans and multi-employer plans. The Group will apply these amendments from 1 October 2013.

- **IAS 24 (Revised), 'Related party disclosures'** (effective for annual periods beginning on or after 1 January 2011). The revised standard clarifies and simplifies the definition of a related party and provides certain exemptions for government-related entities. The Group will apply the revised standard from 1 October 2011, but it is not expected to have a significant impact on its related party disclosures.

2. **Significant Accounting Policies (Continued)**

(a) **Basis of preparation (continued)**

Standards, interpretations and amendments issued but not yet effective (continued)

- **IFRS 9, 'Financial Instruments'** (effective for annual periods beginning on or after 1 January 2013). This standard specifies how an entity should classify and measure financial instruments, including some hybrid contracts. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and subsequently measured at amortised cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the two impairment methods in IAS 39 that arise from the different classification categories. There has been no significant change in the recognition and measurement of financial liabilities carried at amortised cost from what obtained under IAS 39. The Group is still assessing the potential impact of IFRS 9 and whether it should adopt the standard prior to the effective date to take advantage of the transitional arrangements which vary depending on the date of initial adoption.

- **IFRS 10, 'Consolidated Financial Statements'** (effective for annual periods beginning on or after 1 January 2013). This standard replaces IAS 27, 'Consolidated and Separate Financial Statements' and SIC-12, 'Consolidation-Special Purpose Entities'. The standard requires an entity that is a parent to present consolidated financial statements. A limited exemption is available to some entities. The standard addresses certain instances of divergence in practice in applying IAS 27 and SIC-12, for example, entities varied in their application of the control concept in circumstances in which a reporting entity controls another entity but holds less than a majority of the voting rights of the entity, and in circumstances involving agency relationships. In addition, a perceived conflict of emphasis between IAS 27 and SIC-12 had led to inconsistent application of the concept of control. IAS 27 required the consolidation of entities that are controlled by a reporting entity, and it defined control as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. SIC-12, which interpreted the requirements of IAS 27 in the context of special purpose entities, placed greater emphasis on risks and rewards. The Group will apply the standard from 1 October 2013 but it is not expected to have any impact on the Group's financial statements as there would be no change in the entities that are consolidated under the new standard.

- **IFRS 11, 'Joint Arrangements'** (effective for annual periods beginning on or after 1 January 2013). This standard replaces IAS 31, 'Interests in Joint Ventures' and SIC-13, 'Jointly Controlled Entities-Non-Monetary Contributions by Venturers'. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The standard is concerned principally with addressing two aspects of IAS 31: first, that the structure of the arrangement was the only determinant of the accounting and, second, that an entity had a choice of accounting treatment for interests in jointly controlled entities, and improves on IAS 31 by establishing principles that are applicable to the accounting for all joint arrangements. The standard requires a joint venturer to recognise an investment and to account for that investment using the equity method in accordance with IAS 28, 'Investments in Associates and Joint Ventures', unless the entity is exempted from applying the equity method as specified in that standard. The Group will apply the standard from 1 October 2013. The Group currently has no joint arrangements that fall within the recognition criteria of this standard.

2. **Significant Accounting Policies (Continued)**

(a) **Basis of preparation (continued)**

Standards, interpretations and amendments issued but not yet effective (continued)

- **IFRS 12, 'Disclosure of Interests in Other Entities'** (effective for annual periods beginning on or after 1 January 2013). This standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The standard requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows. The Group will apply the standard from 1 October 2013 and it will result in expanded disclosure in the financial statements.

- **IFRS 13, 'Fair Value Measurement'** (effective for annual periods beginning on or after 1 January 2013). The standard explains how to measure fair value for financial reporting. It defines fair value; sets out in a single IFRS a framework for measuring fair value; and requires disclosures about fair value measurements. This standard applies to those standards that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. The Group will apply the standard from 1 October 2013 and it will result in expanded disclosure in the financial statements.

- **IFRIC 14 (Amendments) 'Prepayments of a minimum funding requirement'** (effective for annual periods beginning 1 January 2011). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The Group will apply these amendments from 1 October 2011 but they are not expected to have an impact on the financial statements.

The Group has concluded that all other standards, interpretations and amendments to existing standards, which are published but not yet effective are either relevant to its operations but will have no material impact on adoption; or are not relevant to its operations and will therefore have no impact on adoption; or contain inconsequential clarifications that will have no material impact when they come into effect. This includes amendments resulting from the IASB's ongoing 'Improvements to IFRSs' project.

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

Subsidiaries

Subsidiaries are those entities in which the Group has power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls an entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Associates

Associates are all entities over which the Group does not have control but has a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2. Significant Accounting Policies (Continued)

(c) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses and whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment. Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision maker. The chief operating decision maker is the Group Managing Director.

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Jamaican dollars, which is the Bank's functional currency.

Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the date of the statement of financial position, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate.

Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the income statement.

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the income statement (applicable for trading securities), or within other comprehensive income if non-monetary financial assets are classified as available-for-sale. In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.

2. Significant Accounting Policies (Continued)

(e) Revenue recognition

Interest income and expense

Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective interest method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount on treasury bills and other discounted instruments.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering the contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The Group accounts for interest income on loans in accordance with Jamaican banking regulations. These regulations stipulate that, where collection of interest is considered doubtful or where the loan is in non-performing status (payment of principal or interest is outstanding for 90 days or more), interest should be taken into account on the cash basis and all previously accrued but uncollected interest be reversed in the period that collection is doubtful or the loan becomes non-performing. IFRS require that when loans are impaired, they are written down to their recoverable amounts and interest income is thereafter recognised by applying the original effective interest rate to the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

Fee and commission income (other than those arising from insurance contracts)

Fee and commission income is generally recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

Insurance premium income and fees

Gross premiums for bancassurance contracts (premiums inclusive of investment deposits) are credited initially directly to Life Assurance Fund in policyholders' liabilities. The amounts required to settle the cost of insurance and fees associated with the policies are transferred from the Life Assurance Fund and to the income statement as premiums and fees, respectively.

Gross premiums from traditional life insurance and annuity contracts are recognised as revenue when due. When premiums are recognised, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue.

Dividend income

Dividend income is recognised when the right to receive payment is established.

2. Significant Accounting Policies (Continued)

(f) Income taxes

Taxation expense in the income statement comprises current and deferred income tax charges.

Current income tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted at the date of the statement of financial position.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited to other comprehensive income, in which case, deferred tax is also dealt with in other comprehensive income.

(g) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and balances at Bank of Jamaica (excluding statutory reserves), due from other banks, investment securities and due to other banks.

(h) Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group transacts derivatives to manage its own exposure to interest rate and foreign exchange risk.

Derivative instruments are initially recognised at fair value on the date a derivative contract is entered into, and subsequently are re-measured at their fair value at the date of each statement of financial position. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Assets and liabilities are set off where the contracts are with the same counterparty, a legal right of set off exists and the cash flows are intended to be settled on a net basis.

Gains and losses from changes in the fair value of derivatives are included in the income statement.

(i) Repurchase and reverse repurchase transactions

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

2. Significant Accounting Policies (Continued)

(j) Loans and advances and provisions for credit losses

Loans and advances are recognised when cash is advanced to borrowers. They are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method.

Provision for credit losses determined under the requirements of IFRS

The Group continuously monitors loans or groups of loans for indicators of impairment. In the event that indicators are present, the loans or groups of loans are tested for impairment. A provision for credit losses is established if there is objective evidence of impairment. A loan or group of loans is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a 'loss event') and that loss event has reduced the estimated future cash flows of the loan and the amount of the reduction can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the obligor;
(ii) default or delinquency in interest or principal payments;
(iii) having to grant the borrower a concession that would not otherwise be considered due to the borrower's financial difficulty;
(iv) the probability that the borrower will enter bankruptcy or other financial reorganisation; or
(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio since the initial recognition of the loans, although the decrease cannot yet be identified with the individual loan in the portfolio, including:
   a) adverse changes in the payment status of borrowers in the portfolio; and
   b) national or local economic conditions that correlate with defaults on the loan portfolio.

The Group first assesses whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the carrying amount of the loan and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan. For accounting purposes, the carrying amount of the loan is reduced through the use of a provision for credit losses account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Group's grading process that considers loan type, industry, collateral type and past-due status). Those characteristics are relevant to the estimation of future cash flows for groups of such loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the loans being evaluated.

2. Significant Accounting Policies (Continued)

(j) Loans and advances and provisions for credit losses (continued)

Provision for credit losses determined under the requirements of IFRS (continued)

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the group and historical loss experience for loans with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of loans should reflect and be directionally consistent with changes in related observable data and our assessment of changes in the economy from period to period (for example, changes in unemployment levels, property and motor vehicle prices, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is deemed uncollectible, it is written off against the related provision for credit losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision for credit losses. The amount of the reversal is recognised in the income statement.

Provision for credit losses determined under the Bank of Jamaica regulatory requirements

The effect of the provision for credit losses determined under the Bank of Jamaica regulatory requirements is to reserve capital. No amounts are booked to the income statement in respect of regulatory provisions. Provisions calculated based on regulatory requirements that exceed the amounts required under IFRS are transferred from retained earnings to a non-distributable loan loss reserve in stockholders' equity.

The provision for credit losses determined under the Bank of Jamaica regulatory requirements comprises a Specific provision and a General provision. The Specific provision is determined based on each specific loans for which problems have been identified. The General provision is considered to be prudential in nature and is established to absorb portfolio losses.

2. Significant Accounting Policies (Continued)

(j) Loans and advances and provisions for credit losses (continued)

Provision for credit losses determined under the Bank of Jamaica regulatory requirements (continued)

The Specific provision is established for the estimated net loss for all non-performing loans and performing loans that meet specified criteria. Loans are considered to be non-performing where a principal or interest payment is contractually 90 days or more in arrears. At the time of classification as non-performing, any interest that is contractually due but in arrears is reversed from the income statement and interest is thereafter recognised in the income statement on the cash basis only. The estimated net loss is defined as the net exposure remaining after deducting the estimated net realisable value of the collateral (as defined by and determined by the regulations) from the outstanding principal balance of the loan. The regulations quantify the Specific provision at ranges from 20% to 100% of the estimated net loss of each non-performing loan depending on the length of time the loan has been in arrears. In addition, where a non-performing loan is fully secured but the collateral is unrealised for a period of 12 months, a provision of 50% of the amounts outstanding should be made. Where the collateral is unrealised for a further 6 months (with limited exceptions which allow for up to a further 15 months) a full provision is made. The regulations further require that the Specific provision for each loan should not be less than 1% of the amounts outstanding.

In respect of loans that are considered sub-standard for reasons other than being non-performing, a provision is established for the greater of 1% of the amounts outstanding or 20% of the estimated net loss.

A General provision is established for all loans (other than loans for which Specific provisions were established) at 1% of the amounts outstanding.

(k) Investment securities

Investment securities are classified into the following categories: investment securities at fair value through profit or loss, available-for-sale securities and loans and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Investment securities at fair value through profit or loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. They are initially recognised at fair value and transaction costs are expensed in the income statement. They are subsequently carried at fair value. Interest income on investment securities at fair value through profit or loss is recognised in interest income. All other realised and unrealised gains and losses are included in gain on foreign currency and investment activities.

Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or market prices. They are initially recognised at fair value (including transaction costs), and subsequently remeasured at fair value. Unrealised gains and losses arising from changes in fair value of available-for-sale securities are recognised in other comprehensive income. When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in other comprehensive income are transferred to the income statement.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than; (i) those financial assets that the Group intends to sell immediately or in the short term, which shall be classified as held for trading, and (ii) those financial assets that the entity upon initial recognition, designates as at fair value through profit or loss or that it has designated as available-for-sale.

2. Significant Accounting Policies (Continued)

(k) Investment securities (continued)

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Financial assets are assessed at each date of the statement of financial position for objective evidence of impairment. A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value below cost is considered an indicator of impairment. Significant or prolonged are assessed based on market conditions and other indicators. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment losses previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised on the equity instruments are not reversed through the income statement.

All purchases and sales of investment securities are recognised at settlement date.

Investment securities are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

(l) Investment property

Investment property is held for long-term rental yields and is, therefore, treated as a long-term investment. The property is not occupied by the Group.

Investment property is measured initially at cost, including transaction costs, and is subsequently carried at fair value, representing open market value determined annually by the directors or by independent valuators. Changes in fair values are recorded in the income statement.

2. Significant Accounting Policies (Continued)

(m) Intangible assets

Computer software

Costs that are directly associated with acquiring and developing identifiable and unique software products are recognised as intangible assets. These costs are amortised using the straight-line method over their useful lives, not exceeding a period of five years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

(n) Property, plant and equipment

Land and buildings are shown at deemed cost, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates or period over which depreciation is charged are as follows:

Freehold buildings	2%
Leasehold improvements	Period of lease
Computer equipment	20 - 33 1/3%
Office equipment and furniture	20%
Other equipment	5 - 7%
Motor vehicles	20 - 25%
Leased assets	Shorter of period of lease or useful life of asset

The assets' useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income in the income statement.

2. Significant Accounting Policies (Continued)

(o) Financial liabilities

The Group's financial liabilities comprise primarily amounts due to other banks, customer deposits, repurchase agreements, obligations under securitisation arrangements, other borrowed funds and policyholders' liabilities.

The recognition and measurement of policyholders' liabilities is detailed in Note 2(r); other financial liabilities are measured at amortised cost.

(p) Borrowings

Borrowings including those arising under securitisation arrangements are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective yield method.

(q) Leases

As lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged in the income statement over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged in the income statement on a straight-line basis over the period of the lease.

As lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

2. Significant Accounting Policies (Continued)

(r) Insurance and investment contracts – classification, recognition and measurement

The Group issues contracts that transfer insurance risk or financial risk or both, primarily through bancassurance arrangements. Bancassurance is commonly referred to as “the sale of insurance and other similar products through a bank, usually through established distribution channels (such as bank branches)”. The insurance subsidiary uses the branch network of the Bank to house its insurance agents. In Jamaica, only insurance agents are allowed to sell insurance contracts.

Classification

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline the Group defines significant insurance risk as the possibility of having to pay benefits on occurrence of insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Recognition and measurement

Insurance contracts

These contracts insure human life events (for example death or permanent disability) over a long duration. The accounting treatment differs according to whether the contract bears investment options or not. Under contracts that do not bear investment options, premiums are recognised as income when they become payable by the contract holder and benefits are recorded as an expense, net of reinsurance, when they are incurred.

Under contracts that bear an investment option, insurance premiums received are initially recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrender charges and any withdrawals; the resulting liability is called the Life Assurance Fund. Income consists of fees deducted for mortality, policy administration and surrenders. Interest credited to the account balances and benefit claims in excess of the account balances incurred in the period are recorded as expenses in the income statement.

Insurance contract liabilities are determined by an independent actuary using the Policy Premium Method of valuation as discussed in Note 4. These liabilities are, on valuation, adjusted through the income statement to reflect the valuation determined under the Policy Premium Method.

The Group enters into contracts with reinsurers under which it is compensated for losses on contracts it issues and which meet the classification requirements for insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets.

Investment contracts

Under these contracts, insurance premiums are recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrenders. These liabilities are called the contract holders’ account balances. Income consists of fees deducted for mortality, policy administration and surrenders. Interest credited to the account balances and benefit claims in excess of the account balances incurred in the period are recorded as expenses in the income statement.

Benefits and claims payable represent the gross cost of all claims notified but not settled on the date of the statement of financial position. Any reinsurance recoverable is shown as a receivable from the reinsurer.

2. Significant Accounting Policies (Continued)

(s) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(t) Post-employment benefits

Pension benefits

The Bank and its subsidiaries operate a number of retirement plans, the assets of which are generally held in separate trustee administered funds. The pension plans are funded by payments from employees and by the relevant companies, taking into account the recommendations of independent qualified actuaries. The Group has both defined benefit and defined contribution plans.

Defined benefit pension plans

A defined benefit pension plan is a plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to the income statement over the employees' expected average remaining working lives. Past-service costs are recognised immediately in administrative expenses, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period), in this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Defined contribution pension plans

A defined contribution pension plan is a plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions. The Group pays contributions to privately administered pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are charged to the income statement in the period to which they relate.

2. Significant Accounting Policies (Continued)

(t) Post-employment benefits (continued)

Other post-employment benefit obligations

Group companies provide post-employment health care benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to income over the expected remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

(u) Acceptances, guarantees, indemnities, letters of credit and undertakings

Acceptances, guarantees, indemnities and letters of credit and undertakings are various forms of contractual commitments to advance funds to or on behalf of customers and include:

(i) Obligations on the part of the Group to make payments (directly or indirectly) to a designated third party contingent upon a default by the Group's customer in the performance of an obligation under the terms of that customer's contract with the third party; and

(ii) Obligations to guarantee or stand as surety for the benefit of a third party.

Where the Bank's obligations under acceptances, guarantees, indemnities and letters of credit and undertakings are not considered to be contingent, the amounts are reported as a liability in the statement of financial position. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset. Where the Bank's obligations are considered to be contingent, the amounts are disclosed in Note 43.

(v) Share capital

Share issue costs

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, for the proceeds.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Treasury shares

Where the Employee Share Scheme purchases the Bank's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to the Bank's equity holders until the shares are cancelled, reissued or disposed of. Where the shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Bank's equity holders.

(w) Fiduciary activities

The Group acts as trustee and in other fiduciary capacities that result in holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other third parties. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgment, which necessarily have to be made in the course of preparation of the financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgments for certain items are especially critical for the Group's results and financial position due to their materiality.

Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for actual and anticipated tax audit issues based on estimates of whether additional taxes will be due. In determining these estimates, management considers the merit of any audit issues raised, based on their interpretation of the taxation laws, and their knowledge of any precedents established by the taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences could materially impact the current tax and deferred tax provisions in the period in which such determination is made.

Impairment losses on loans and advances

The Group reviews its loan portfolio to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Estimates of future benefit payments and premiums from long term insurance contracts

The determination of the liabilities under long-term insurance contracts represents the liability for future benefits payable by the Group based on contracts for the life assurance business in force at the date of the statement of financial position using the Policy Premium Method. These liabilities represent the amount which, together with future premiums and investment returns will, in the opinion of the actuary, be sufficient to pay future benefits relating to contracts of insurance in force, as well as meet the expenses incurred in connection with such contracts. The Policy Premium Method of valuation is based on assumptions of mortality, persistency, investment income, renewal expenses and other assumptions considered appropriate to be included in the basis for the determination of the liabilities of the Group under the terms of its policy contracts in force. A margin for risk or uncertainty (adverse deviations) in these assumptions is added to the liability. The assumptions are examined each year in order to determine their validity in light of current best estimates or to reflect emerging trends in the Group's experience.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Future obligations for post-employment benefits

The cost of these benefits and the present value of the future obligations depend on a number of factors that are determined by actuaries using a number of assumptions. The assumptions used in determining the net periodic cost or income for retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of health benefits, the expected rate of increase in health costs. Any changes in these assumptions will impact the net periodic cost or income recorded for retirement benefits and may affect planned funding of the pension plan. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. In determining the appropriate discount rate, the Group considered interest rate of government bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the related obligations. The expected rate of increase of health costs has been determined by comparing the historical relationship of the actual health cost increases with the rate of inflation. Other key assumptions for the retirement benefits are based on current market conditions.

4. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors of the insurance subsidiary pursuant to the Insurance Act appoints the Actuary. His responsibility is to carry out an annual valuation of the Group's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. In performing the valuation using the Policy Premium Method, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Group and the insurance policies in force.

The shareholders pursuant to the Companies Act appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the Appointed Actuary and his report on the policyholders' liabilities.

5. Segment Reporting

The Group is organised into the following business segments:

(a) Retail & SME – This incorporates the provision of banking services to individual and small and medium business clients and money remittance.

(b) Payment services – This incorporates the provision of card related services

(c) Corporate banking – This incorporates the provision of banking services to large corporate clients.

(d) Treasury & correspondent banking – This incorporates the Bank's liquidity and investment management function, management of correspondent bank relationships, and relationships with other financial institutions as well as foreign currency dealing activities.

(e) Wealth management – This incorporates stock brokerage, securities trading, investment management and other financial services provided by overseas subsidiaries.

(f) Insurance & pension fund management– This incorporates life insurance, pension and investment management services.

(g) The Group's insurance brokerage services, trustee services, registrar and transfer agent services and provision of automatic banking machine services to customers are classified as Other for segment reporting.

The Group's operations are located mainly in Jamaica. The operations of subsidiaries located overseas account for less than 10% of the Group's external operating revenue, assets and capital expenditures.

Unallocated assets and liabilities
Unallocated assets and liabilities comprise current income tax payable and recoverable, deferred income tax assets and liabilities and assets and liabilities of support units of the Bank that are not allocated to the banking segments.

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

Costs allocated to the banking segments are reported directly by those segments to the Group Managing Director and Board of Directors. Costs allocated to the non-banking segments are not included in the individual internal reports presented by those segments and are treated as unallocated corporate expenses.

Eliminations
Eliminations comprise inter-Group and inter-segment transactions.

Notes to the Financial Statements

30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

Year ended 30 September 2011	Consumer and SME								
	Retail & SME $'000	Payment Services $'000	Corporate Banking $'000	Treasury & Correspondent Banking $'000	Wealth Management $'000	Insurance & Pension Fund Management $'000	Other $'000	Eliminations $'000	Total $'000
External revenue	10,004,938	4,994,769	4,012,144	9,421,741	9,376,081	6,778,668	203,363	-	44,791,704
Revenue from other segments	3,594,300	2,848	8,651	1,075,116	323,217	56,253	220,511	(5,280,896)	-
Total revenue	13,599,238	4,997,617	4,020,795	10,496,857	9,699,298	6,834,921	423,874	(5,280,896)	44,791,704
Interest income	10,715,657	1,772,325	3,509,423	8,282,077	8,009,898	2,756,725	36,781	(4,892,208)	30,190,678
Interest expense	(1,768,519)	(476,113)	(1,296,408)	(5,249,945)	(3,993,074)	(1,121,144)	(621)	4,892,208	(9,013,616)
Net interest income	8,947,138	1,296,212	2,213,015	3,032,132	4,016,824	1,635,581	36,160	-	21,177,062
Net fee and commission income	2,655,566	2,133,133	480,164	159,588	134,771	745,077	197,758	(80,203)	6,425,854
Gain on foreign currency and investment activities	126,387	7,503	28,139	2,017,800	1,485,117	328,025	52,255	(12,680)	4,032,546
Premium income	-	-	-	-	-	2,953,427	-	(31,508)	2,921,919
Other operating income	68,491	4,814	2,887	35,439	56,517	6,120	35,203	(116,826)	92,645
Total operating income	11,797,582	3,441,662	2,724,205	5,244,959	5,693,229	5,668,230	321,376	(241,217)	34,650,026
Staff costs	4,064,538	236,244	228,425	128,335	427,843	435,115	120,969	(26,617)	5,614,852
Provision for credit losses	385,011	442,908	(65,121)	-	-	-	-	-	762,798
Depreciation and amortisation	136,337	58,995	5,462	5,289	9,073	50,325	22,951	-	288,432
Impairment losses on securities	-	-	-	264,013	-	-	-	(2,010)	262,003
Other operating expenses	1,998,356	540,002	157,733	245,483	583,213	2,790,416	280,638	(159,971)	6,435,871
Total operating expenses	6,584,242	1,278,149	326,499	643,120	1,020,129	3,275,856	424,558	(188,598)	13,363,955
Operating profit before allocated costs	5,213,340	2,163,513	2,397,706	4,601,839	4,673,100	2,392,374	(103,182)	(52,619)	21,286,071
Allocated costs	(3,678,146)	(474,050)	(300,611)	(245,045)	-	-	-	-	(4,697,852)
Operating profit c/fwd	1,535,194	1,689,463	2,097,095	4,356,794	4,673,100	2,392,374	(103,182)	(52,619)	16,588,219

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

Year ended 30 September 2011	Consumer and SME								
	Retail & SME $'000	Payment Services $'000	Corporate Banking $'000	Treasury & Correspondent Banking $'000	Wealth Management $'000	Insurance & Pension Fund Management $'000	Other $'000	Eliminations $'000	Total $'000
Operating profit b/fwd	1,535,194	1,689,463	2,097,095	4,356,794	4,673,100	2,392,374	(103,182)	(52,619)	16,588,219
Unallocated corporate expenses									(1,100,481)
Gain on acquisition of associates									1,016,505
Share of profit of associate									234,979
Profit before Taxation									16,739,222
Taxation									(3,704,793)
Net Profit									13,034,429
Segment assets	132,354,077	7,094,874	40,148,636	125,621,853	102,831,645	31,904,023	1,109,722	(90,045,349)	351,019,481
Associates									5,847,258
Unallocated assets									1,900,502
Total assets									358,767,241
Segment liabilities	121,545,595	6,831,118	31,420,815	111,574,512	85,027,869	23,699,917	174,100	(85,033,350)	295,240,576
Unallocated liabilities									2,400,273
Total liabilities									297,640,849
Capital expenditure	807,294	93,814	23,585	196,183	49,152	63,256	127,144	-	1,360,428

Notes to the Financial Statements

30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

Year ended 30 September 2011	Total per segment report $'000	Allocated expenses $'000	Unallocated corporate expenses $'000	Total per income statement $'000
Reconciliation to income statement				
Interest income	30,190,678	1,109	151	30,191,938
Interest expense	9,013,616	20,599	6,863	9,041,078
Net fee and commission income	6,425,854	(7,106)	698	6,419,446
Gain on foreign currency and investment activities	4,032,546	2,815	82	4,035,443
Other operating income and dividend income	92,645	44,190	7,693	144,528
Staff costs	5,614,852	2,979,507	645,757	9,240,116
Provision for credit losses	762,798	5,404	679	768,881
Depreciation and amortisation	288,432	247,083	44,617	580,132
Other operating expenses	6,435,871	1,486,267	411,188	8,333,326

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

30 September 2011

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

Year ended 30 September 2010	Consumer and SME: Retail & SME $'000	Consumer and SME: Payment Services $'000	Corporate Banking $'000	Treasury & Correspondent Banking $'000	Wealth Management $'000	Insurance & Pension Fund Management $'000	Other $'000	Eliminations $'000	Total $'000
External revenue	8,624,291	4,640,778	5,275,433	10,299,153	9,497,058	4,491,205	195,233	-	43,023,151
Revenue from other segments	5,334,155	15,024	1,602	1,260,334	476,522	121,330	251,787	(7,460,754)	-
Total revenue	13,958,446	4,655,802	5,277,035	11,559,487	9,973,580	4,612,535	447,020	(7,460,754)	43,023,151
Interest income	11,448,916	1,502,274	4,917,704	10,106,648	9,070,586	3,303,992	52,464	(7,099,521)	33,303,063
Interest expense	(2,934,322)	(574,514)	(1,714,701)	(7,390,795)	(5,450,290)	(1,581,441)	(71,743)	7,099,521	(12,618,285)
Net interest income	8,514,594	927,760	3,203,003	2,715,853	3,620,296	1,722,551	(19,279)	-	20,684,778
Net fee and commission income	2,352,453	2,206,120	329,464	164,466	97,520	732,112	174,709	(89,944)	5,966,900
Gain on foreign currency and investment activities	117,581	8,595	21,907	991,099	758,332	47,800	23,455	(22,069)	1,946,700
Premium income	-	-	-	-	-	493,057	-	-	493,057
Other operating income	73,953	11,883	2,416	43,180	54,646	35,574	45,363	(117,797)	149,218
Total operating income	11,058,581	3,154,358	3,556,790	3,914,598	4,530,794	3,031,094	224,248	(229,810)	29,240,653
Staff costs	4,175,738	171,566	224,145	100,973	453,922	445,434	97,341	-	5,669,119
Provision for credit losses	472,414	504,409	(83,009)	1,452	-	-	-	-	895,266
Depreciation and amortisation	150,383	70,956	4,990	4,409	13,838	36,558	23,762	-	304,896
Impairment losses on securities	-	-	-	-	27,520	-	-	-	27,520
Other operating expenses	1,346,981	470,141	135,143	182,611	481,212	562,820	251,883	(183,305)	3,247,486
Total operating expenses	6,145,516	1,217,072	281,269	289,445	976,492	1,044,812	372,986	(183,305)	10,144,287
Operating profit before allocated costs	4,913,065	1,937,286	3,275,521	3,625,153	3,554,302	1,986,282	(148,738)	(46,505)	19,096,366
Allocated costs	(3,626,523)	(588,603)	(352,556)	(275,572)	-	-	-	-	(4,843,254)
Operating profit c/fwd	1,286,542	1,348,683	2,922,965	3,349,581	3,554,302	1,986,282	(148,738)	(46,505)	14,253,112

5. Segment Reporting (Continued)

Year ended 30 September 2010	Consumer and SME								
	Retail & SME $'000	Payment Services $'000	Corporate Banking $'000	Treasury & Correspondent Banking $'000	Wealth Management $'000	Insurance & Pension Fund Management $'000	Other $'000	Eliminations $'000	Total $'000
Operating profit b/fwd	1,286,542	1,348,683	2,922,965	3,349,581	3,554,302	1,986,282	(148,738)	(46,505)	14,253,112
Unallocated corporate expenses									(965,712)
Share of profit of associate									200,713
Profit before Taxation									13,488,113
Taxation									(2,413,315)
Net Profit									11,074,798
Segment assets	116,695,028	7,466,906	46,140,396	134,564,133	93,861,623	25,603,109	917,540	(94,413,609)	330,835,126
Associate									2,320,723
Unallocated assets									1,814,162
Total assets									334,970,011
Segment liabilities	109,279,435	6,410,093	36,694,537	122,724,878	81,657,683	20,728,562	164,874	(92,168,983)	285,491,079
Unallocated liabilities									670,999
Total liabilities									286,162,078
Capital expenditure	583,773	49,965	19,568	39,141	33,212	44,596	12,409	-	782,664

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

Year ended 30 September 2010	Total per segment report $'000	Allocated expenses $'000	Unallocated corporate expenses $'000	Total per income statement $'000
Reconciliation to income statement				
Interest income	33,303,063	1,078	153	33,304,294
Interest expense	12,618,285	29,319	7,047	12,654,651
Net fee and commission income	5,966,900	(9,238)	(1,877)	5,955,785
Gain on foreign currency and investment activities	1,946,700	13,242	2,691	1,962,633
Other operating income	149,218	177,027	35,992	362,237
Staff costs	5,669,119	2,988,253	595,290	9,252,662
Provision for credit losses	895,266	43,794	8,902	947,962
Depreciation and amortisation	304,896	213,225	10,212	528,333
Other operating expenses	3,247,486	1,750,772	381,220	5,379,478

6. Net Interest Income

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Interest income				
Loans and advances	12,567,210	12,670,671	12,545,732	12,643,210
Investment securities –				
Available-for-sale	13,521,593	14,911,972	4,980,207	5,768,610
Loans and receivables	3,831,018	5,163,480	2,177,183	2,961,983
At fair value through profit or loss	60,810	36,207	-	-
Securities purchased under resale agreements	174,755	476,590	39,437	125,835
Other	36,552	45,374	35,441	25,549
	30,191,938	33,304,294	19,778,000	21,525,187
Interest expense				
Customer deposits	2,473,797	4,123,788	2,454,856	3,786,980
Repurchase agreements	4,350,925	5,451,311	798,382	1,022,275
Policyholders' benefits	1,115,039	1,579,057	-	-
Securitisation arrangements	633,249	965,278	633,249	965,278
Other borrowed funds and amounts due from other banks	424,285	483,903	398,456	452,334
Other	43,783	51,314	42,707	(21,098)
	9,041,078	12,654,651	4,324,650	6,205,778
Net interest income	21,150,860	20,649,643	15,453,350	15,319,409

7. Net Fee and Commission Income

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Fee and commission income				
Retail and SME fees	2,523,657	2,255,784	2,564,921	2,262,584
Payment services fees	3,211,152	3,133,050	3,211,152	3,133,050
Corporate banking fees	478,707	329,464	478,707	329,464
Treasury and correspondent banking fees	159,304	164,466	159,304	164,466
Wealth management fees	135,976	111,342	-	-
Insurance and pension management fees	790,624	732,112	-	-
Other	198,456	174,712	129,295	118,317
	7,497,876	6,900,930	6,543,379	6,007,881
Fee and commission expense				
Payment services	1,078,430	945,145	1,078,430	945,145
	6,419,446	5,955,785	5,464,949	5,062,736

8. Gain on Foreign Currency and Investment Activities

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Net foreign exchange gains	1,117,355	868,718	1,091,542	738,172
Fixed income securities held for trading	488,048	67,591	-	-
Other fixed income securities	2,425,908	993,454	1,042,350	365,361
Equity securities held for trading	3,734	4,361	-	-
Other equity securities	398	29,509	-	-
Investment property (Note 24)	-	(1,000)	-	-
	4,035,443	1,962,633	2,133,892	1,103,533

Net foreign exchange gains include gains and losses arising from translation of assets and liabilities denominated in foreign currencies as well as those arising from foreign currency dealing activities.

9. Dividend Income

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Subsidiaries	-	-	2,113,533	1,957,614
Associates	-	-	32,473	10,824
Other equity securities	11,830	77,331	6,742	50,007
	11,830	77,331	2,152,748	2,018,445

Dividend income on other equity securities represents dividends received on quoted and unquoted stocks held by the Bank and certain subsidiaries, all with a less than 20% ownership interest. These equity securities represent less than 1% of the total investment securities portfolio and include both securities held for trading and available-for sale.

10. Staff Costs

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Wages, salaries, allowances and benefits	7,056,286	7,072,450	6,355,384	6,318,858
Payroll taxes	715,040	675,380	649,644	610,372
Pension costs – defined contribution plans	236,339	220,468	212,336	195,789
Pension costs – defined benefit plans (Note 34)	-	11,865	-	-
Other post-employment benefits (Note 34)	161,854	87,317	161,854	87,317
Staff profit share	1,070,597	1,185,182	883,583	997,169
	9,240,116	9,252,662	8,262,801	8,209,505

Wages, salaries, allowances and benefits
Included in wages, salaries, allowances and benefits are base salary for executives, senior managers, managers, clerical and non-clerical employees. Amounts are also included for annual merit awards based on performance, annual and non-annual lump-sum fringe benefits, redundancy and other termination payments, fringe benefits for executives and senior managers as well as those that have been agreed based on collective bargaining with the trade unions representing managers, clerical and non-clerical staff.

Employees are categorised as permanent pensionable, contract, part-time and temporary.

Pension costs – defined contribution plan
The Group contributes a fixed 5% of base salary for pensionable staff into a defined contribution plan and there is no legal or constructive obligation to make further contributions.

11. Impairment Losses on Securities

The Bank and certain subsidiaries have recognised impairment losses on investment securities as follows:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Loans and receivables – debt securities	-	26,420	-	-
Available-for-sale – equity securities	262,003	1,100	264,012	-
	262,003	27,520	264,012	-

12. Other Operating Expenses

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
ABM expenses	110,496	110,001	110,496	110,001
Auditors' remuneration	36,443	28,755	17,569	14,641
Communication, courier and transportation	620,873	510,792	596,887	475,341
Credit card rebates	222,049	214,565	222,049	214,565
Insurance	346,988	364,143	334,895	370,881
Irrecoverable General Consumption Tax	493,898	396,460	442,984	349,259
Licensing and processing fees	613,439	579,856	552,970	504,088
Marketing, advertising and donations	518,783	478,786	387,319	342,590
Operating lease rentals	101,590	111,721	88,526	80,667
Policyholders' and annuitants' benefits and reserves	2,500,039	279,066	-	-
Property maintenance and utilities	1,463,873	1,458,418	1,398,622	1,347,582
Stationery	148,407	127,921	119,103	105,958
Technical, consultancy and professional fees	714,892	254,667	490,777	118,534
Other	441,556	464,327	298,542	429,879
	8,333,326	5,379,478	5,060,739	4,463,986

Insurance claims by policyholders of the insurance subsidiary of $408,815,000 (2010 – $162,893,000) are included as part of policyholders' and annuitants' benefits and reserves.

13. Taxation

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Current:				
Income tax at 33⅓%	2,128,251	2,083,861	1,164,029	1,083,952
Premium tax at 3%	99,190	73,114	-	-
Investment income tax at 15%	303,534	403,131	-	-
Prior year (over)/under provision	(5,728)	(22,116)	(4,978)	2,186
Deferred income tax (Note 27)	1,179,546	(124,675)	899,825	228,905
	3,704,793	2,413,315	2,058,876	1,315,043

The tax on profit differs from the theoretical amount that would arise using the basic statutory rate of 33⅓% as follows:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Profit before tax	16,739,222	13,488,113	10,453,489	9,696,088
Tax calculated at a tax rate of 33⅓%	5,579,740	4,496,038	3,484,496	3,232,029
Income not subject to tax or in respect of which tax has been remitted	(1,174,980)	(1,405,104)	(1,454,094)	(1,675,662)
Expenses not deductible for tax purposes	217,951	41,673	127,677	40,263
Effect of different tax regime applicable to life insurance subsidiary	(489,646)	(313,510)	-	-
Effect of gain on acquisition of associates and share of associates' profit included net of tax	(417,161)	(66,904)	-	-
Prior year (over)/under provision	(5,728)	(22,116)	(4,978)	2,186
Other	(5,383)	(316,762)	(94,225)	(283,773)
Taxation expense	3,704,793	2,413,315	2,058,876	1,315,043

14. Income Statement Reclassifications

Certain items in the income statement for the year ended 30 September 2010 were reclassified to conform with current year presentation. These reclassifications did not affect the statement of financial position.

The reclassifications were due to a change in the categorisation of certain credit card related fee income and automated banking machine non-fee expenses.

The amounts previously presented for the year ended 30 September 2010 which were reclassified are as follows:

	The Group		The Bank	
	As previously presented $'000	As reclassified $'000	As previously presented $'000	As reclassified $'000
Fee and commission income	7,197,456	6,900,930	6,304,407	6,007,881
Fee and commission expense	(1,355,809)	(945,145)	(1,355,809)	(945,145)
Net fee and commission income	5,841,647	5,955,785	4,948,598	5,062,736
Other operating expenses	5,265,340	5,379,478	4,349,848	4,463,986

15. Earnings per Stock Unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year. Diluted earnings per stock unit equals basic earnings per stock unit as there are no potential dilutive ordinary stock units.

	2011	2010
Net profit attributable to stockholders ($'000)	13,034,429	11,074,798
Weighted average number of ordinary stock units in issue ('000)	2,461,469	2,461,469
Basic and diluted earnings per stock unit ($)	5.30	4.50

16. Cash in Hand and Balances at Bank of Jamaica

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cash in hand	2,256,794	2,092,302	2,256,794	2,092,302
Balances with the Bank of Jamaica other than statutory reserves	2,400,051	2,295,865	2,396,005	2,293,669
Included in cash and cash equivalents	4,656,845	4,388,167	4,652,799	4,385,971
Statutory reserves with the Bank of Jamaica – interest-bearing	5,081,865	4,973,969	5,081,865	4,973,969
Statutory reserves with the Bank of Jamaica – non-interest-bearing	10,986,765	10,110,610	10,986,765	10,110,610
	20,725,475	19,472,746	20,721,429	19,470,550
Interest receivable	16	15	16	15
	20,725,491	19,472,761	20,721,445	19,470,565

Statutory reserves with the Bank of Jamaica represent the required ratio of 12% (2010 – 12%) of prescribed liabilities. They are not available for investment, lending or other use by the Group.

17. Due from Other Banks

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Items in course of collection from other banks	1,208,651	910,420	866,020	910,410
Placements with other banks	23,601,277	16,136,923	23,463,102	15,164,393
	24,809,928	17,047,343	24,329,122	16,074,803
Interest receivable	2,647	1,506	729	247
	24,812,575	17,048,849	24,329,851	16,075,050

Placements with other banks include short term fixed deposits and other balances held with correspondent banks. These bank balances are held to facilitate the payment of wire transfers, bank drafts, treasury related activities and to satisfy liquidity requirements.

Placements with other banks have been pledged for the following liabilities:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Pledged as collateral for repurchase agreements	-	2,946,680	-	2,946,680
Pledged as collateral for letters of credit	1,062,518	976,919	1,062,518	976,919
	1,062,518	3,923,599	1,062,518	3,923,599

18. Derivative Financial Instruments

Derivatives are carried at fair value in the statement of financial position as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group's counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group was to default.

There were no outstanding foreign exchange currency forward agreements at 30 September 2011. The fair value of outstanding foreign exchange currency forward agreements at 30 September 2010 was positive $12,864,000 (USD 150,000).

There were no outstanding interest rate swap agreements at 30 September 2011. The fair value of the outstanding interest rate swap agreement at 30 September 2010 was negative $25,930,000 (USD 301,000).

The interest rate swap agreement was effected in June 2006 with Citibank N.A. with an original notional amount of US$75,000,000. The swap was related to the obligations under securitisation arrangements (Note 30). The Bank paid a fixed rate of 5.65% and received three months US dollar LIBOR on the notional amount every quarter. The notional amount was being amortised commencing September 2006 and ended June 2011. At 30 September 2011, the notional amount was Nil (2010 – US$11,250,000).

19. Investment Securities at Fair Value through Profit or Loss

	2011	2010
	$'000	$'000
Government of Jamaica debt securities	540,783	312,288
Government of Jamaica guaranteed corporate bonds	140,430	49,116
	681,213	361,404
Corporate bonds - other	998,661	236,493
Quoted equity securities	90,880	95,995
	1,770,754	693,892
Interest receivable	14,598	4,819
	1,785,352	698,711

20. Reverse Repurchase Agreements

The Group and the Bank enter into collateralised reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Included within reverse repurchase agreements is related accrued interest receivable of $17,491,000 (2010 – $1,505,000) and $5,251,000 (2010 – $16,585,000) for the Group and the Bank, respectively.

At 30 September 2011, the Group and the Bank held $1,792,330,000 (2010 – $1,162,017,000) and $1,021,077,000 (2010 – $827,390,000), respectively, of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

21. Loans and Advances

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Gross loans and advances	94,114,700	87,935,911	93,779,777	87,578,318
Provision for credit losses	(2,884,153)	(2,994,252)	(2,879,589)	(2,989,693)
	91,230,547	84,941,659	90,900,188	84,588,625
Interest receivable	497,591	1,053,443	498,711	1,054,905
	91,728,138	85,995,102	91,398,899	85,643,530

The current portion of loans and advances amounted to $30,165,035,000 (2010 – $33,018,748,000) for the Group and $30,016,711,000 (2010 – $33,016,705,000) for the Bank.

The movement in the provision for credit losses determined under the requirements of IFRS was as follows:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balance at beginning of year	2,994,252	2,706,554	2,989,693	2,701,854
Provided during the year	1,300,189	1,869,644	1,300,189	1,869,644
Recoveries	(531,308)	(921,682)	(531,308)	(921,682)
Net charge to the income statement	768,881	947,962	768,881	947,962
Write-offs	(878,980)	(660,264)	(878,985)	(660,123)
Balance at end of year	2,884,153	2,994,252	2,879,589	2,989,693

The aggregate amount of non-performing loans on which interest was not being accrued as at 30 September 2011 amounted to $6,735,029,000 (2010 – $3,029,733,000).

The provision for credit losses determined under Bank of Jamaica regulatory requirements was as follows:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Specific provision	7,032,775	3,417,280	7,032,775	3,412,721
General provision	773,988	711,984	769,424	711,984
	7,806,763	4,129,264	7,802,199	4,124,705
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 38)	4,922,610	1,135,012	4,922,610	1,135,012

22. Investment Securities classified as Available-for-sale and Loans and Receivables

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Available-for-sale securities – at fair value				
Debt securities –				
Government of Jamaica and Bank of Jamaica	139,072,782	129,974,267	54,550,211	60,568,276
Government of Jamaica guaranteed corporate bonds	5,971,634	3,855,796	-	-
	145,044,416	133,830,063	54,550,211	60,568,276
Other corporate bonds	9,806,507	2,965,141	2,937,703	1,089,720
Foreign governments	365,918	308,044	-	-
Equity securities –				
Quoted	756,269	661,619	768,763	526,026
Unquoted	47,498	47,498	18,255	18,255
	156,020,608	137,812,365	58,274,932	62,202,277
Loans and receivables – at amortised cost				
Debt securities –				
Government of Jamaica and Bank of Jamaica	27,211,397	42,130,823	16,341,099	22,519,429
Government of Jamaica guaranteed corporate bonds	13,925,247	14,414,281	6,153,841	7,714,909
	41,136,644	56,545,104	22,494,940	30,234,338
Other corporate bonds	3,314,408	1,890,481	2,127,181	-
	44,451,052	58,435,585	24,622,121	30,234,338
Interest receivable	2,781,592	3,213,843	1,119,135	1,537,843
	203,253,252	199,461,793	84,016,188	93,974,458
Less provision for impairment –				
Debt securities	(26,465)	(26,420)	-	-
Equity securities	(264,012)	(1,100)	(264,012)	-
Total investment securities	202,962,775	199,434,273	83,752,176	93,974,458

The current portion of total investment securities amounted to $34,196,523,000 (2010 – $47,673,449,000) for the Group and $21,335,203,000 (2010 – $40,811,872,000) for the Bank.

Included in investment securities are the following amounts which are regarded as cash equivalents for purposes of the statement of cash flows:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Debt securities with an original maturity of less than 90 days	15,355,923	22,998,251	13,799,423	18,479,000

22. Investment Securities classified as Available-for-sale and Loans and Receivables (Continued)

Pledged securities

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Pledged as collateral for repurchase agreements	99,381,712	91,025,398	17,214,244	20,739,890
Pledged as collateral for IDB/DBJ Loan (Note 31(b))	2,172,566	4,737,828	2,172,566	4,737,828
Pledged as collateral for customer long-term accounts (Note 31(e))	500,243	455,383	-	-
Pledged as collateral for custodial services	189,000	265,000	189,000	265,000
Pledged as collateral for uncleared effects facilities	36,333	-	-	-
Held as security in respect of the life insurance subsidiary	108,999	90,000	-	-
	102,388,853	96,573,609	19,575,810	25,742,718

The Financial Services Commission holds investment securities for the life insurance subsidiary in accordance with Section 8(1)(B) of the Insurance Regulations 2001.

Reclassification of investment securities

On 1 October 2008, the Group reclassified Government of Jamaica Global Bonds from the available-for-sale category to the loans and receivables category due to the market for these investments becoming inactive in October 2008.

The market was determined to be active again on 1 December 2010. The Group opted to retain the classification of these securities as loans and receivables.

The fair value of the reclassified securities on the date of reclassification was $56,885,363,000 and $27,734,181,000 for the Group and the Bank, respectively.

The carrying value and fair value of these securities at the date of the statement of financial position were as follows:

	The Group		The Bank	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$’000	$’000	$’000	$’000
At 30 September 2011	37,744,768	38,562,869	22,556,309	22,830,620
At 30 September 2010	49,893,940	50,848,110	29,237,833	29,775,017

22. Investment Securities classified as Available-for-sale and Loans and Receivables (Continued)

Reclassification of investment securities (continued)

(a) Fair value losses of $2,009,087,000 (2010 – $2,163,393,000) for the Group and $1,183,673,000 (2010 – $1,101,244,000) for the Bank were included in fair value reserves at the end of the year in relation to the above reclassified investments, using the fair values as at 1 October 2008.

(b) Fair value gains of $1,452,179,000 (2010 – $1,337,653,000) for the Group and $907,180,000 (2010 – $943,406,000) for the Bank would have been recognised in other comprehensive income during the year had the investments not been reclassified. These amounts were estimated on the basis of the mid-price of the securities as at the date of the statement of financial position. Management does not believe that the prices at 30 September 2010 were necessarily indicative of the amounts that the securities would have been valued if an active market for the securities actually existed at that date.

(c) The weighted average effective interest rate of the investments at the date of reclassification was 8.30%. The undiscounted cash flows to be recovered from the reclassified investments for the Group and the Bank are $61,071,979,000 (2010 – $77,677,199,000) and $37,788,625,000 (2010 – $43,495,040,000), respectively.

(d) Interest income on the reclassified securities for the Group and the Bank amounted to $3,486,331,000 (2010 – $4,845,378,000) and $2,177,183,000 (2010 – $2,961,983,000), respectively.

(e) Foreign exchange losses on the reclassified securities for the Group and the Bank amounted to $31,292,000 (2010 – $1,853,126,000) and $19,059,000 (2010 – $1,081,670,000), respectively.

Presented below are the estimated amounts of undiscounted cash flows the Group and the Bank expect to recover from the reclassified securities:

	The Group			
	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**
	$'000	**$'000**	**$'000**	**$'000**
Reclassified debt securities	15,248	7,767	12,267,842	48,781,122

	The Bank			
	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**
	$'000	**$'000**	**$'000**	**$'000**
Reclassified debt securities	-	-	4,898,159	32,890,466

23. Investment in Associates

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
At the beginning of the year	2,320,723	2,133,994	471,534	471,534
Acquisitions	2,318,753	-	-	-
Gain on acquisitions	1,016,505	-	-	-
Share of profits	234,979	200,713	-	-
Dividends received	(41,948)	(13,984)	-	-
Movement in other reserves	(1,754)	-	-	-
At end of year	5,847,258	2,320,723	471,534	471,534

The gain on acquisition of associates was determined as follows:

	The Group
	2011
	$'000
Share of identifiable net assets acquired	3,335,258
Cost of acquisitions	2,318,753
Gain on acquisitions recognised in the income statement	1,016,505

The share of net assets acquired in Jamaica Money Market Brokers Limited was determined provisionally based on the 30 June 2011 interim financial statements released by that entity. The amounts that have been recognised in the income statement for the year ended 30 September 2011 will be updated for subsequent releases of interim and audited financial statements of Jamaica Money Market Brokers Limited up to and including 31 March 2012, as required by IFRS.

The assets, liabilities, revenue and net profit of the associates as at and for the years ended, as indicated below, are as follows:

	Assets	Liabilities	Revenue	Net Profit/(loss)
	$'000	$'000	$'000	$'000
2011				
Kingston Wharves Limited (30 June 2011)	12,152,057	4,068,402	3,321,601	540,981
Jamaica Money Market Brokers Limited (30 June 2011)	120,291,565	109,260,117	10,856,283	1,916,712
Kingston Properties Limited (30 June 2011)	691,876	184,474	54,616	16,826
Dyoll Group Limited (31 December 2007)	172,259	43,021	-	-
	133,307,757	113,556,014	14,232,500	2,474,519
2010				
Kingston Wharves Limited (30 June 2010)	12,124,708	4,445,496	2,800,226	471,353
Dyoll Group Limited (31 December 2007)	172,259	43,021	-	-
	12,296,967	4,488,517	2,800,226	471,353

23. Investment in Associates (Continued)

The carrying values and fair values of investments in associates were as follows:

	The Group			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2011	2011	2010	2010
	$'000	$'000	$'000	$'000
Kingston Wharves Limited	2,509,377	2,283,845	2,320,723	2,125,375
Jamaica Money Market Brokers Limited	3,210,162	4,030,507	-	-
Kingston Properties Limited	127,719	64,942	-	-
Dyoll Group Limited	-	-	-	-
	5,847,258	6,379,294	2,320,723	2,125,375

	The Bank			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2011	2011	2010	2010
	$'000	$'000	$'000	$'000
Kingston Wharves Limited	471,534	1,767,955	471,534	1,645,281
Dyoll Group Limited	-	-	-	-
	471,534	1,767,955	471,534	1,645,281

The Group has used the financial statements of Kingston Wharves Limited, Jamaica Money Market Brokers Limited and Kingston Properties Limited as at 30 June for the purposes of consolidation. Adjustments are made for significant transactions or events, where identified, that occur between that date and 30 September. There is full provision for the investment in Dyoll Group Limited.

During the year, the Group acquired 29.30% of Jamaica Money Market Brokers Limited and has accounted for this acquisition as an associated company. The Group holds 25.17% of the equity of Kingston Properties Limited which is also accounted for as an associated company. The excess of the Group's share of the identifiable net assets of these associated companies, as determined from the published financial statements of the companies as at 30 June 2011, over the cost of acquisition, has been accounted for in the income statement as gain on acquisition of associates.

A full provision was made for the investment in Dyoll Group Limited after Dyoll Insurance Company Limited, a major subsidiary of the Dyoll Group, suffered extensive losses as a result of claims made by policyholders after a major hurricane caused substantial damage to the Cayman Islands in September 2004. Trading in the company's shares on the Jamaica Stock Exchange (JSE) was suspended during the 2006/2007 financial year for failure to meet the financial reporting requirements of the JSE. The company was subsequently delisted by the JSE. The company is currently in liquidation.

24. Investment Property

	The Group	
	2011	2010
	$'000	$'000
Balance at beginning of year	12,000	13,000
Fair value losses (Note 8)	-	(1,000)
Balance at end of year	12,000	12,000

The property is stated at fair market value, as appraised by professional, independent valuators, D.C. Tavares and Finson Realty Company Limited, on 28 January 2010.

Rental income net of repairs and maintenance expenditure in relation to investment properties amounted to Nil (2010 – Nil).

25. Intangible Asset – Computer Software

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Net book value at beginning of year	359,980	246,781	259,524	120,715
Additions	688,160	200,007	684,446	192,119
Amortisation charge	(150,278)	(86,808)	(103,651)	(53,310)
Net book value at end of year	897,862	359,980	840,319	259,524

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cost	2,990,899	2,302,737	2,673,916	1,989,469
Accumulated amortisation	(2,093,037)	(1,942,757)	(1,833,597)	(1,729,945)
Net book value	897,862	359,980	840,319	259,524

Intangible assets at year end include software with a cost of $190,870,000 (2010 - $7,486,000) that is being implemented. No amortisation has yet been charged on these assets.

26. Property, Plant and Equipment

	The Group					
	Freehold Land and Buildings	Leasehold Improvements	Motor Vehicles Furniture & Equipment	Assets Capitalised Under Finance Leases	Work-in-Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost -						
At 1 October 2009	3,446,041	510,862	4,049,338	1,149,767	47,270	9,203,278
Additions	12,078	142	68,905	110,959	390,573	582,657
Disposals	-	-	(17,055)	(113,427)	-	(130,482)
Transfers	174,291	1,308	94,221	6,834	(276,654)	-
Reclassifications and adjustments	-	-	(11,249)	11,249	-	-
At 30 September 2010	3,632,410	512,312	4,184,160	1,165,382	161,189	9,655,453
Additions	4,355	537	184,700	94,273	388,403	672,268
Disposals	(23,442)	(5,285)	(51,270)	(65,968)	(6,977)	(152,942)
Transfers	22,888	45,019	276,457	6,982	(351,346)	-
Reclassifications and adjustments	-	-	(6,838)	8,381	(1,561)	(18)
At 30 September 2011	3,636,211	552,583	4,587,209	1,209,050	189,708	10,174,761
Accumulated Depreciation -						
At 1 October 2009	423,948	423,238	3,395,959	948,638	-	5,191,783
Charge for the year	51,159	25,888	269,994	94,484	-	441,525
Disposals	-	-	(10,137)	(81,873)	-	(92,010)
Reclassifications & adjustments	-	-	(375)	375	-	-
At 30 September 2010	475,107	449,126	3,655,441	961,624	-	5,541,298
Charge for the year	50,659	13,714	269,841	95,640	-	429,854
Disposals	(7,653)	(5,285)	(49,008)	(57,311)	-	(119,257)
Reclassifications and adjustments	-	-	(369)	369	-	-
At 30 September 2011	518,113	457,555	3,875,905	1,000,322	-	5,851,895
Net Book Value -						
30 September 2011	3,118,098	95,028	711,304	208,728	189,708	4,322,866
30 September 2010	3,157,303	63,186	528,719	203,758	161,189	4,114,155

26. Property, Plant and Equipment (Continued)

	The Bank					
	Freehold Land and Buildings $'000	Leasehold Improvements $'000	Motor Vehicles Furniture & Equipment $'000	Assets Capitalised Under Finance Leases $'000	Work-in-Progress $'000	Total $'000
Cost -						
At 1 October 2009	3,446,041	429,219	3,948,785	1,151,901	44,141	9,020,087
Additions	12,078	(558)	54,517	110,959	390,573	567,569
Disposals	-	-	(8,956)	(113,428)	-	(122,384)
Transfers	174,291	1,308	94,221	6,834	(276,654)	-
Reclassifications and adjustments	-	-	(11,249)	11,249	-	-
At 30 September 2010	3,632,410	429,969	4,077,318	1,167,515	158,060	9,465,272
Additions	4,355	402	181,004	91,940	385,610	663,311
Disposals	(23,442)	-	(33,960)	(65,968)	(6,977)	(130,347)
Transfers	22,888	45,019	276,457	6,982	(351,346)	-
Reclassifications and adjustments	-	-	(8,399)	8,381	-	(18)
At 30 September 2011	3,636,211	475,390	4,492,420	1,208,850	185,347	9,998,218
Accumulated Depreciation -						
At 1 October 2009	423,948	364,648	3,310,165	948,637	-	5,047,398
Charge for the year	51,159	23,865	250,864	94,484	-	420,372
Disposals	-	-	(6,088)	(81,876)	-	(87,964)
Reclassifications and adjustments	-	-	(375)	375	-	-
At 30 September 2010	475,107	388,513	3,554,566	961,620	-	5,379,806
Charge for the year	50,659	13,198	256,016	94,656	-	414,529
Disposals	(7,653)	-	(31,666)	(57,311)	-	(96,630)
Reclassifications and adjustments	-	-	(369)	369	-	-
At 30 September 2011	518,113	401,711	3,778,547	999,334	-	5,697,705
Net Book Value -						
30 September 2011	3,118,098	73,679	713,873	209,516	185,347	4,300,513
30 September 2010	3,157,303	41,456	522,752	205,895	158,060	4,085,466

26. Property, Plant and Equipment (Continued)

The carrying value of assets capitalised under finance leases and computer equipment pledged as collateral amounted to $436,327,000 (2010 – $445,645,000).

27. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 15% for the insurance subsidiary, and 33⅓% for the Bank and all other subsidiaries except for the subsidiaries incorporated in Cayman Islands and the United Kingdom who operate under a zero tax regime and 21%, respectively.

The net assets recognised in the statement of financial position were as follows:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred tax assets	(26,191)	(119,794)	-	(91,028)
Deferred tax liabilities	2,387,682	104,332	1,087,982	-
Net liability/(asset) at end of year	2,361,491	(15,462)	1,087,982	(91,028)

The movement in the net deferred income tax balance was as follows:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Net asset at beginning of year	(15,462)	(590,199)	(91,028)	(529,175)
Deferred tax charged/(credited) in the income statement (Note 13)	1,179,546	(124,675)	899,825	228,905
Deferred tax charged to other comprehensive income on investment securities	1,197,407	699,412	279,185	209,242
Net liability/(asset) at end of year	2,361,491	(15,462)	1,087,982	(91,028)

The amounts shown in the statement of financial position included the following:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred tax assets to be recovered after more than 12 months	(367,434)	(778,605)	(354,653)	(663,388)
Deferred tax liabilities to be settled after more than 12 months	2,245,475	133,755	1,375,814	130,980

27. Deferred Income Taxes (Continued)

Deferred income tax assets and liabilities, prior to offsetting of balances, were due to the following items:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred income tax assets:				
Property, plant and equipment	22,586	171,318	10,398	160,722
Investment securities at fair value through profit or loss	-	15,581	-	-
Investment securities classified as available-for-sale and loans and receivables	74,856	459,422	74,857	354,042
Pensions and other post-retirement benefits	194,164	148,624	194,164	148,624
Interest payable	199,186	220,359	-	-
Interest rate swap agreements	-	4,355	-	4,355
Unrealised foreign exchange losses	44,200	448	-	-
Other temporary differences	148,562	177,926	138,738	133,080
	683,554	1,198,033	418,157	800,823
Deferred income tax liabilities:				
Property, plant and equipment	81	76	-	-
Investment securities at fair value through profit or loss	225,700	3,071	-	-
Investment securities classified as available-for-sale and loans and receivables	867,485	54,644	-	-
Interest receivable	442,567	407,825	-	-
Unrealised foreign exchange gains	131,303	584,775	130,325	578,815
Loan loss provisions	1,375,814	130,980	1,375,814	130,980
Other temporary differences	2,095	1,200	-	-
	3,045,045	1,182,571	1,506,139	709,795

27. Deferred Income Taxes (Continued)

The amounts recognised in the income statement were due to the following items:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Property, plant and equipment	148,737	(157,850)	150,324	(145,985)
Investment securities at fair value through profit or loss	238,210	15,674	-	-
Loan loss provisions	1,244,834	158,250	1,244,834	158,250
Pensions and other post-retirement benefits	(45,540)	(11,954)	(45,540)	(8,077)
Interest receivable	34,742	(486,167)	-	-
Interest payable	21,173	204,392	-	-
Interest rate swap agreements	4,355	20,531	4,355	20,531
Unrealised foreign exchange gains and losses	(497,224)	258,061	(448,490)	285,275
Other temporary differences	30,259	(125,612)	(5,658)	(81,089)
	1,179,546	(124,675)	899,825	228,905

The amounts recognised in other comprehensive income were due to the following items:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Unrealised gains on available-for-sale investments	2,149,493	973,763	787,978	299,003
Realised fair value gains on sale and maturity of investments	(952,086)	(274,351)	(508,793)	(89,761)
	1,197,407	699,412	279,185	209,242

28. Other Assets

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Due from merchants, financial institutions and payment systems providers	731,880	1,160,250	603,331	955,407
Prepayments	455,820	526,219	397,722	492,353
Other	997,178	403,705	456,290	331,099
	2,184,878	2,090,174	1,457,343	1,778,859

Amounts due from merchants, financial institutions and payment services providers are generally collected within one month.

Prepayments represent other operating expenses and staff allowances and benefits which are paid in advance.

29. Due to Other Banks

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Items in course of payment	1,844,568	1,646,803	1,844,568	1,646,803
Borrowings from other banks	4,515,685	2,026,630	4,515,685	2,026,630
Deposit from other banks	22,514	27,626	22,514	27,626
	6,382,767	3,701,059	6,382,767	3,701,059
Interest payable	19,434	7,173	19,434	7,173
	6,402,201	3,708,232	6,402,201	3,708,232

Items in the course of payment represent cheques drawn by the Bank which have been accounted for as a deduction from its bank balances but which have not been presented on its bank accounts. These relate to accounts held at the Bank of Jamaica and with banks outside of Jamaica.

30. Obligations under Securitisation Arrangements

	The Group and The Bank	
	2011	2010
	$'000	$'000
Credit card and cash advance		
Principal outstanding - US$110,599,000 (2010 – US$154,655,000)	9,524,881	13,303,699
Diversified payment rights		
Principal outstanding - US$55,862,000 (2010 – US$82,759,000)	4,810,880	7,119,054
	14,335,761	20,422,753
Unamortised transaction fees	(40,308)	(80,793)
	14,295,453	20,341,960
Interest payable	82,666	114,202
Net liability	14,378,119	20,456,162

30. Obligations under Securitisation Arrangements (Continued)

The current portion of obligations under securitisation arrangements amounted to $7,521,685,000 (2010 – $6,167,770,000).

The fair value of obligations under securitisation arrangements amounted to $14,418,427,000 (2010 – $20,536,955,000).

Credit Card and Cash Advance

In 2001, the Bank entered into an arrangement for the sale of Future Accounts Receivable amounting to US$125,000,000 in respect of credit card and cash advance transactions in Jamaica between Visa International Service Association and Master Card International Incorporated and cardholders holding cards issued by banks outside of Jamaica (primarily in the U.S.A.). This took the form of variable funding certificates issued by Citibank N.A. through Citicorp administered commercial paper conduits. Payments under the arrangement were due quarterly commencing in October 2001 and ending October 2006.

In September 2004, the arrangement was amended to extend the scheduled final payment date from October 2006 to October 2009 and to increase the facility limit to US$200,000,000.

On 14 September 2006, the arrangement was further amended to extend the scheduled final payment date from October 2009 to October 2013. Additionally the facility limit was increased from US$200,000,000 to US$225,000,000. A final drawdown of US$92,500,000 was made in September 2006.

On 31 March 2011, a Specified Event occurred as the Bank's Past Due Loan Ratio exceeded 6%. As a result of this, the Transaction was amended on June 29, 2011 to; (i) extend the scheduled final payment date from October 2013 to April 2013, (ii) adjust pricing to a tiered structure increasing from one month LIBOR plus 250 basis points in June 2011 to one month LIBOR plus 700 basis points in April 2013 and (iii) amend the amortisation schedule. The Group does not expect that these changes will have a significant impact on its operations.

Diversified Payment Rights

On 22 March 2006, the Bank raised US$100,000,000 in structured financing backed by the securitisation of Diversified Payment Rights arising under its existing and future US dollar Payment Advice and Payment Order (MT100 Series) and US dollar remittances. Interest is due and payable on a quarterly basis calculated at three month US dollar LIBOR plus 230 basis points beginning 15 June 2006. Principal repayments are due quarterly commencing on 15 June 2008 and ending 15 March 2013.

On 20 July 2007, the Bank raised an additional US$50,000,000 in financing backed by the securitisation of its Diversified Payment Rights. The transaction was structured with an interest only period of one year and thereafter principal amortisation on a straight line basis, beginning 15 June 2008 to final maturity on 15 June 2015. Interest is due and payable on a quarterly basis at a fixed rate of 7.435%.

31. Other Borrowed Funds

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
(a) International Finance Corporation	607,911	759,017	607,911	759,017
(b) Inter-American Development Bank	1,972,872	3,941,217	1,972,872	3,941,217
(c) Development Bank of Jamaica	733,379	845,701	733,379	845,701
(d) European Investment Bank	166,477	208,002	166,477	208,002
(e) Customer long-term investments	471,390	444,851	-	-
(f) IBM Global Financing	128,558	114,572	128,558	114,572
(g) Corporate notes	939,207	-	-	-
(h) Finance lease obligations	229,703	230,494	225,712	230,494
	5,249,497	6,543,854	3,834,909	6,099,003
Unamortised transaction fees	(7,774)	(12,159)	(7,774)	(12,159)
Interest payable	29,423	43,928	21,804	31,538
	5,271,146	6,575,623	3,848,939	6,118,382

The current portion of other borrowed funds amounted to $3,372,181,000 (2010 – $2,657,815,000) for the Group and $2,659,325,000 (2010 – $2,657,815,000) for the Bank.

(a) On 27 June 2005, the International Finance Corporation, the private sector arm of the World Bank Group, signed an agreement with the Bank for a US$30 million loan facility, repayable over 10 years in seventeen equal installments ending 15 June 2015. Interest on the facility approximates three month US dollar LIBOR plus 275 basis points. A drawdown of US$15 million was made on 22 September 2006. This long-term financing facility is being utilised by the Bank for general corporate purposes.

(b) In January 2009, the Inter-American Development Bank (IDB) through the Government of Jamaica established a revolving line of credit of US$300 million under their Liquidity Programme for Growth and Sustainability. This facility is accessed through the Development Bank of Jamaica by Approved Financial intermediaries (AFIs) for on-lending to eligible sub-borrowers in the productive sector. Loans under this facility are priced at 6-month USD LIBOR plus 400bps (reset quarterly) with a maximum tenor of 36 months inclusive of a 2 year moratorium on principal repayments. At 30 September 2011 the Bank has outstanding US$22,908,000 (2010 – US$45,816,000) under this facility.

(c) The loans from Development Bank of Jamaica are granted in both Jamaican dollar and US dollar currencies and are utilised by the Bank to finance customers with viable projects in agricultural, agro-industrial, manufacturing, mining and tourism sectors of the economy. The loans to customers are for terms up to 12 years and at rates of 10 – 13%.

(d) The loans from European Investment Bank are granted in Euros and are utilised by the Bank for on lending. The loans are repayable over 8 – 10 years at a rate of 6.76%.

(e) Customer long-term investments represent investments placed by customers for a minimum period of five (5) years. The investments are at variable interest rates and are not subject to withholding tax if held to maturity. They are repayable between 2011 and 2016 and attract interest at 0.5% - 8.5% (2010: 0.5% - 16%) per annum.

31. Other Borrowed Funds (Continued)

(f) The Bank acquired computer equipment which are financed by IBM Global Financing. The loans are secured by a lien on the equipment and are repayable over 2 years at rates up to 3% per annum.

(g) Corporate notes are unsecured fixed rate notes issued in a combination of Jamaican dollars and United States dollars. The notes are repayable between 2012 and 2016 and attract interest at 7.15% in USD and 8.5% in JMD.

(h) The finance lease obligations are as follows:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Minimum lease payments under finance leases:				
Not later than 1 year	136,350	133,929	133,968	133,929
Later than 1 year and not later than 5 years	143,234	154,048	140,786	154,048
	279,584	287,977	274,754	287,977
Future finance charges	(49,881)	(57,483)	(49,042)	(57,483)
Present value of finance lease obligations	229,703	230,494	225,712	230,494

The present value of finance lease obligations is as follows:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Not later than 1 year	105,474	98,237	103,626	98,237
Later than 1 year and not later than 5 years	124,229	132,257	122,086	132,257
	229,703	230,494	225,712	230,494

32. Liabilities under Insurance and Annuity Contracts

	The Group	
	2011	2010
	$'000	$'000
(a) Composition of liabilities under insurance and annuity contracts:		
Life assurance fund	21,990,358	20,920,640
Risk reserve	1,531,406	(559,818)
Benefits and claims payable	15,556	21,075
Unprocessed premiums	26,955	23,727
	23,564,275	20,405,624

32. Liabilities under Insurance and Annuity Contracts (Continued)

	The Group	
	2011 $'000	2010 $'000
(b) Change in policyholders' liabilities:		
Life assurance fund:		
At the beginning of the year	20,920,640	19,747,144
Gross premiums	3,097,175	2,976,639
Premium refunds	(28,410)	14,218)
Mortality charges transferred to the income statement	(35,183)	(33,291)
Fees transferred to the income statement	(201,955)	(193,135)
Claims and benefits	(2,876,948)	(3,141,557)
Interest credited	1,115,039	1,579,058
At the end of the year	21,990,358	20,920,640
Risk reserve:		
At the beginning of the year	(559,818)	(675,676)
Issue of new contracts	1,910,965	143,288
Normal changes	196,152	(153,125)
Effect of change in assumptions:		
Base renewal expense levels	(205,807)	(291,612)
Investment returns	371,808	450,055
Lapse and surrender rates	7,371	-
Mortality rates	(189,265)	(32,748)
At the end of the year	1,531,406	(559,818)
Benefits and claims payable:		
At the beginning of the year	21,075	14,294
Policyholders' claims and benefits	63,895	62,790
Benefits and claims paid	(69,414)	(56,009)
At the end of the year	15,556	21,075
Premiums:		
Unprocessed, at the beginning of the year	23,727	29,002
Premiums received	6,074,947	3,501,161
Premiums applied	(6,071,719)	(3,506,436)
Unprocessed, at the end of the year	26,955	23,727

(expressed in Jamaican dollars unless otherwise indicated)

32. Liabilities under Insurance and Annuity Contracts (Continued)

Policy assumptions

For insurance contracts, the assumptions used to determine the liabilities are updated at each reporting date to reflect the latest best estimates. The assumptions used for valuing the insurance contracts disclosed in this note are as follows:

Mortality and morbidity

Mortality estimates are made as to the expected number of deaths for each of the years in which the Group's insurance subsidiary is exposed to risk. These assumptions are based on North American standard industry mortality tables adjusted to reflect recent local historical experience. Assumptions vary by sex, underwriting class and type of insurance contract. The main source of uncertainty is that epidemics such as AIDS and wide ranging lifestyle changes, such as in eating, smoking and exercise habits could result in future mortality being significantly worse than in the past for age groups in which the company has significant exposure to mortality risk. Conversely, improvements in longevity in excess of those allowed for in determining the liabilities could result in a lessening of future liabilities.

Morbidity relates to the frequency of illness, sickness and diseases contracted. The rate of recovery from such afflictions is derived from industry experience studies, adjusted where appropriate from the Group's insurance subsidiary own experience.

Investment yields

The Group's insurance subsidiary matches assets and liabilities. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the Group's insurance subsidiary's investment policy to determine expected rates of return on these assets for all future years. Investment yields include expected future asset defaults. For the current valuation these are:

	Individual with Investment Options	Individual & Group Life	Annuities
Year 1	8.0%	9.5 – 10.0%	12.8%
Year 2 – 10	Decreasing to 7.1%	Decreasing to 7.9 – 9.4%%	-
Year 11 – 32	Decreasing to 5.0%	Decreasing to 5.5 – 8.3%	-
Year 33 onwards	5.0%	5.5%	-
Year 30 onwards	-	-	7.5%

The main source of uncertainty is the fluctuation in the economy. Lower yields would result in higher reserves and reduced income.

32. Liabilities under Insurance and Annuity Contracts (Continued)

Policy assumptions (continued)

Persistency

Persistency assumptions are made in relation to the time since inception that a policy exists before it lapses or is surrendered. Lapses relate to termination of policies due to non-payment of premiums. Surrenders relate to voluntary termination of policies by the policyholders. Policy terminations are based on the Group's insurance subsidiary's own experience adjusted for expected future conditions. A statistical study of the past two years is performed in order to determine an appropriate persistency rate and best estimates of future rates are determined by examining any trends in the data. The main source of uncertainty derives from changes in policyholder behaviour as these relate to changes in economic conditions.

Renewal expenses and inflation

Policy maintenance expenses are derived from the Group's insurance subsidiary's own internal cost studies projected into the future with an allowance for inflation as shown below:

Year 1	6.3%
Year 2 – 10	Decreasing to 5.4%
Year 11 – 25	Decreasing to 4.0%
Year 25 onwards	4.0%

Taxation

It is assumed that current tax legislation and rates continue unaltered.

Provisions for adverse deviations

The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the Appointed Actuary is required to include a margin in each assumption.

The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Appointed Actuary uses assumptions which are considered conservative, taking into account the risk profiles of the policies written.

Sensitivity analysis

The following table represents the sensitivity of the value of the policyholders' liabilities under insurance contracts disclosed in this note to certain movements in the valuation assumptions used.

	Change in Variable	Increase in Liability	
		2011	2010
	%	$'000	$'000
Lowering of investment returns	1	883,268	439,330
Worsening of base renewal expense levels	10	191,252	147,664
Worsening of mortality	10	105,661	48,752
Worsening of lapse and surrender rates	10	18,451	20,272

33. Provision for Litigation

	The Group and The Bank	
	2011	**2010**
	$'000	**$'000**
At beginning of year	13,300	28,506
Provided during the year	-	10,500
Utilised/reversed during the year	(300)	(25,706)
At end of year	13,000	13,300

The litigation provision is in relation to claims against the Bank which meet the provisioning criteria defined in Note 49. The provisions are either utilised or reversed upon settlement or a favourable change in the status of the claim.

34. Post-employment Benefits

Liabilities recognised in the statement of financial position are as follows:

	The Group		The Bank	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Pension schemes	-	-	-	-
Other post-employment benefits	582,491	445,873	582,491	445,873

The amounts recognised in the income statement are as follows:

	The Group		The Bank	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Pension schemes	-	11,865	-	-
Other post-employment benefits	161,854	87,317	161,854	87,317

34. Post-employment Benefits (Continued)

(a) Pension schemes

The Bank and its subsidiaries have established a number of pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. Defined benefit plans are valued by independent actuaries annually using the projected unit credit method. The latest actuarial valuations were carried out as at 30 June 2011.

The amounts recognised in the statement of financial position were determined as follows:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Present value of funded obligations	12,347,082	9,803,363	12,315,129	9,780,228
Fair value of plan assets	(17,733,728)	(16,309,872)	(17,701,775)	(16,279,564)
	(5,386,646)	(6,506,509)	(5,386,646)	(6,499,336)
Unrecognised actuarial losses	(1,657,153)	(28,920)	(1,642,904)	(21,844)
Limitation on recovery of surplus	7,043,799	6,535,429	7,029,550	6,521,180
Asset in the statement of financial position	-	-	-	-

The fund was closed effective 1 October 1999. No service after this date gives rise to additional benefit in the fund, therefore, no additional current service cost is incurred and the employer makes only a nominal contribution to the fund. Further, on the wind up of the fund, the employer would not benefit from any surplus; as a consequence the pension asset disclosed on the balance sheet is zero.

34. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The movement in the defined benefit obligation over the year was as follows:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Beginning of year	9,803,363	5,876,062	9,780,228	5,858,847
Current service cost	-	1,247	-	-
Interest cost	1,085,326	1,051,337	1,085,326	1,048,053
Actuarial losses	2,143,606	3,562,632	2,134,788	3,558,888
Benefits paid	(685,213)	(687,915)	(685,213)	(685,560)
End of year	12,347,082	9,803,363	12,315,129	9,780,228

The movement in the fair value of plan assets over the year was as follows:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Beginning of year	16,309,872	14,285,671	16,279,564	14,257,355
Expected return on plan assets	1,593,696	1,672,770	1,593,696	1,669,749
Actuarial gains	515,373	1,038,690	513,728	1,038,020
Contributions	-	656	-	-
Benefits paid	(685,213)	(687,915)	(685,213)	(685,560)
End of year	17,733,728	16,309,872	17,701,775	16,279,564

The amounts recognised in the income statement were as follows:

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Current service cost	-	824	-	-
Interest cost	1,085,326	1,051,337	1,085,326	1,048,053
Expected return on plan assets	(1,593,696)	(1,672,770)	(1,593,696)	(1,669,749)
Net actuarial gains recognised	-	(73,691)	-	(73,765)
Change in limitation on asset	508,370	706,165	508,370	695,461
Total, included in staff costs (Note 10)	-	11,865	-	-

34. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

Plan assets for the Bank were comprised as follows:

	2011		2010	
	$'000		$'000	
Debt securities	8,022,781	45.32%	8,906,829	54.71%
Equity securities	5,506,050	31.10%	3,879,532	23.83%
Other	4,172,944	23.58%	3,493,203	21.46%
	17,701,775	100.00%	16,279,564	100.00%

These plan assets included:

- Ordinary stock units of the Bank with a fair value of $2,001,017,000 (2010 – $1,240,150,000).
- Repurchase obligations, promissory notes and lease obligations of the Group aggregating $330,482,000 (2010 – $392,063,000).
- Properties occupied by the Group with a fair value of $404,950,000 (2010 - $404,950,000).

The plan assets for the NCB Capital Markets Limited pension plan were invested in the Guardian Life Deposit Administration Fund.

The expected return on plan assets was determined by considering the expected return available on the assets underlying the current investment policy. Expected yields on fixed interest investments were based on gross redemption yields as at the date of the statement of financial position. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The actual return on plan assets was $2,109,069,000 (2010 – $2,711,460,000) and $2,107,424,000 (2010 – $2,707,769,000) for the Group and the Bank, respectively.

Expected contributions to post-employment defined benefit pension plans for the year ending 30 September 2012 are Nil.

34. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The principal actuarial assumptions used were as follows:

	The Group and The Bank	
	2011	2010
Discount rate	10.50%	11.50%
Expected return on plan assets	10.00%	10.00%
Future salary increases	7.5%	8.00%
Future pension increases	5.0%	5.0%

Post-employment mortality for active members and mortality for pensioners is based on the 1994 Group Annuity Mortality tables (GAM (94) U.S. mortality tables) with no age setback.

The average life expectancy in years of a pensioner retiring at age 60 on the date of the statement of financial position was as follows:

	The Group and The Bank	
	2011	2010
Male	21.33	21.33
Female	25.09	25.09

The five-year trend for the fair value of plan assets, the defined benefit obligations, the surplus in the pension plan, and experience adjustments for plan assets and liabilities were as follows:

	Pension schemes – The Group				
	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
Fair value of plan assets	17,733,728	16,309,872	14,285,671	14,885,186	12,145,202
Defined benefit obligation	12,347,082	9,803,363	5,876,062	6,666,214	7,158,130
Surplus	5,386,646	6,506,509	8,409,609	8,218,972	4,987,072
Experience adjustments –					
Fair value of plan assets	513,728	1,038,690	(1,391,528)	2,152,742	1,133,621
Defined benefit obligation	874,486	4,265	423,347	63,958	1,166,623

	Pension schemes – The Bank				
	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
Fair value of plan assets	17,701,775	16,279,564	14,257,355	14,856,910	12,119,779
Defined benefit obligation	12,315,129	9,780,228	5,858,847	6,652,609	7,144,609
Surplus	5,386,646	6,499,336	8,398,508	8,204,301	4,975,170
Experience adjustments –					
Fair value of plan assets	513,728	1,038,020	(1,391,401)	2,153,025	1,133,551
Defined benefit obligation	874,486	3,674	420,751	63,797	1,166,476

34. Post-employment Benefits (Continued)

(b) Other post-employment benefits

In addition to pension benefits, the Group offers medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for pension schemes, the main actuarial assumption is a long-term increase in health costs of 1.5 percentage points above CPI per year (2010 – 2.5 percentage points above CPI).

The amounts recognised in the statement of financial position were determined as follows:

	The Group and The Bank	
	2011	2010
	$'000	$'000
Present value of unfunded obligations	1,463,255	883,257
Unrecognised actuarial losses	(880,764)	(437,384)
Liability in the statement of financial position	582,491	445,873

The movement in the defined benefit obligation was as follows:

	The Group and The Bank	
	2011	2010
	$'000	$'000
Beginning of the year	883,257	420,751
Current service cost	34,985	12,599
Interest cost	104,147	74,718
Actuarial losses	466,101	421,291
Benefits paid	(25,236)	(46,102)
End of year	1,463,255	883,257

The amounts recognised in the income statement were as follows:

	The Group and The Bank	
	2011	2010
	$'000	$'000
Current service cost	34,985	12,599
Interest cost	104,147	74,718
Actuarial losses recognised	22,722	-
Total, included in staff costs (Note 10)	161,854	87,317

34. Post-employment Benefits (Continued)

(b) Other post-employment benefits (continued)

The effects on other retirement benefits of a 1% movement in the assumed medical cost trend rate were as follows:

	Increase 2011 $000	Decrease 2011 $000
Effect on the aggregate of the current service cost and interest cost	34,250	25,910
Effect on the defined benefit obligation	185,890	143,830

The five-year trend for the fair value of plan assets, the defined benefit obligations, the surplus in the pension plan, and experience adjustments for plan assets and liabilities were as follows:

	Other retirement benefits – The Group and The Bank				
	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
Defined benefit obligation	1,463,255	883,257	403,707	402,255	424,233
Experience adjustments –					
Defined benefit obligation	(100,017)	78,431	77,796	(51,997)	186,268

35. Other Liabilities

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Accrued staff benefits	1,851,223	2,007,141	1,666,793	1,758,252
Due to customers, merchants & clients	1,169,512	967,110	1,029,370	874,139
Accrued other operating expenses	1,104,097	775,473	994,775	728,282
Due to government	38,891	77,570	27,060	69,442
Other	392,077	506,432	296,167	307,246
	4,555,800	4,333,726	4,014,165	3,737,361

36. Share Capital

	2011	2010
Authorised	$'000	$'000
5,750,000,000 (2010 – 5,750,000,000) ordinary shares		
Issued and fully paid up –		
2,466,762,828 ordinary stock units of no par value	6,465,731	6,465,731
5,293,916 ordinary stock units held by NCB Employee Share Scheme	(3,388)	(3,388)
Issued and outstanding	6,462,343	6,462,343

The NCB Employee Share Scheme was established in 1986 to acquire certain shares of NCB Group Limited, the then holding company for the Group, for the beneficial interest of eligible employees of NCB Group Limited and its subsidiaries. The scheme holds 5.3 million units of the Bank's ordinary stock that have not been reissued to staff and are accounted for as treasury shares. The scheme, which is included in the consolidated financial statements, is currently dormant.

37. Fair Value and Capital Reserves

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Fair value reserve	2,449,795	(180,616)	(241,163)	(538,323)
Capital reserve	2,716,799	1,638,480	348,468	348,468
	5,166,594	1,457,864	107,305	(189,855)
Capital reserve comprises:				
Realised –				
Capital gains from the scheme of arrangement	-	-	300,564	300,564
Surplus on revaluation of property, plant and equipment	92,991	92,991	-	-
Retained earnings capitalised	98,167	98,167	-	-
Share redemption reserve	1,077,382	-	-	-
Unrealised –				
Translation reserve	463,093	460,402	-	-
Surplus on revaluation of property, plant and equipment	116,960	116,960	47,904	47,904
Share of movement in reserves of associate	413,422	415,176	-	-
Other	454,784	454,784	-	-
	2,716,799	1,638,480	348,468	348,468

38. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 21).

39. Banking Reserve Fund

This fund is maintained in accordance with the Banking Act 1992 which requires that a minimum of 15% of the net profits, as defined by the Act, of the Bank be transferred to the reserve fund until the amount of the fund is equal to 50% of the paid-up capital of the Bank and thereafter 10% of the net profits until the amount of the fund is equal to the paid-up capital of the Bank.

40. Retained Earnings Reserve

The Banking Act 1992 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers.

The deposit liabilities of the Bank and other indebtedness for borrowed money together with all interest accrued should not exceed twenty-five times its capital base.

41. Cash Flows from Operating Activities

	Note	The Group		The Bank	
		2011	2010	2011	2010
		$'000	$'000	$'000	$'000
Net profit		13,034,429	11,074,798	8,394,613	8,381,045
Adjustments to reconcile net profit to net cash flow provided by operating activities:					
Depreciation	26	429,854	441,525	414,529	420,372
Amortisation of intangible asset	25	150,278	86,808	103,651	53,310
Impairment losses on securities	11	262,003	27,520	264,012	-
Gain on acquisition of associate	23	(1,016,505)	-	-	-
Share of after tax profits of associate	23	(234,979)	(200,713)	-	-
Provision for credit losses	21	768,881	947,962	768,881	947,962
Interest income	6	(30,191,938)	(33,304,294)	(19,778,000)	(21,525,187)
Interest expense	6	9,041,078	12,654,651	4,324,650	6,205,778
Income tax expense	13	3,704,793	2,413,315	2,058,876	1,315,043
Unrealised exchange loss/(gain) on securitisation arrangements		91	(731,913)	91	(731,913)
Amortisation of upfront fees on securitisation arrangements		40,484	56,408	40,484	56,408
Unrealised exchange gain on other borrowed funds		(3,770)	(168,702)	(3,770)	(168,702)
Amortisation of upfront fees on other borrowed funds		4,377	5,491	4,377	5,491
Change in retirement benefits		136,618	35,864	136,618	24,232
Unrealised exchange gain on investments		(1,091,542)	(719,743)	(1,091,542)	(738,172)
Gain on disposal of property, plant and equipment and intangible asset		5,753	(1,626)	5,753	(1,626)
Fair value loss on investment property		-	1,000	-	-
Fair value gains on derivative financial instruments		(13,066)	(61,591)	(13,066)	(61,591)
Changes in operating assets and liabilities:					
Statutory reserves at Bank of Jamaica		(984,051)	1,096,906	(984,051)	1,096,906
Reverse repurchase agreements		(537,905)	6,329,891	(217,585)	35,336
Loans and advances		(7,057,769)	1,263,057	(7,080,444)	1,215,567
Customer deposits		11,598,141	14,274,064	12,300,284	14,903,589
Repurchase agreements		(1,661,136)	7,930,562	(7,851,343)	991,003
Promissory notes and certificates of participation		13,280	28,662	-	-
Liabilities under annuity and insurance contracts		3,158,651	1,290,860	-	-
Other		129,542	142,671	598,020	209,612
		(13,348,837)	13,838,635	(15,999,575)	4,253,418
Interest received		31,154,275	34,260,607	20,764,235	22,985,907
Interest paid		(8,724,541)	(13,034,168)	(4,616,229)	(6,585,295)
Income tax paid		(2,062,590)	(2,696,635)	(900,863)	(1,782,735)
		7,018,307	32,368,439	(752,432)	18,871,295
Net cash provided by operating activities		20,052,736	43,443,237	7,642,181	27,252,340

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42. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The volumes of related party transactions, outstanding balances at the year end and related expenses and income for the year are as follows:

	The Group							
	The parent		Companies controlled by major shareholder		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Loans and advances								
Balance at 30 September	-	-	4,661	3,839	106,465	129,462	28,290	441,016
Provision for loan losses – income statement	-	-	-	-	-	-	-	(65,264)
Interest income earned	-	-	1,742	2,112	6,841	11,047	57,603	86,843
Loan loss reserves	-	-	-	-	-	-	-	6,965
Investment securities								
Balance at 30 September	-	-	180,640	180,964	-	-	-	-
Interest income earned	-	-	20,801	31,116	-	-	-	-
Reverse repurchase agreements								
Balance at 30 September	-	-	799,268	-	-	-	-	-
Interest income earned	-	-	4,543	-	-	-	-	-
Other assets								
Balance at 30 September	-	-	20,923	628	-	-	50,375	42,086
Fees and commission income	1,370	1,431	30,442	18,542	612	853	10,808	13,452
Other operating income	-	-	-	5,911	-	247	202,008	199,275

National Commercial Bank Jamaica Limited

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42. Related Party Transactions and Balances (Continued)

	The Group (Continued)							
	The parent		Companies controlled by major shareholder		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Customer deposits								
Balance at 30 September	181,812	201,599	2,262,767	176,587	353,803	106,239	1,552,675	2,321,206
Interest expense	446	1,827	1,523	2,315	1,178	1,922	24,396	32,428
Repurchase agreements								
Balance at 30 September	-	-	827,398	176,626	106,846	261,251	-	62,804
Interest expense	-	-	2,468	1,244	21,533	3,221	-	10,427
Other borrowed funds								
Balance at 30 September	-	-	-	-	-	-	-	184,761
Interest expense	-	-	-	-	-	-	-	17,113
Other liabilities								
Balance at 30 September	-	-	12,252	-	37,227	1,289	-	20,572
Operating expenses	-	-	244,416	331,922	72,997	6,938	63,579	34,746

42. Related Party Transactions and Balances (Continued)

	The Bank							
	The parent		Companies controlled by major shareholder		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Loans and advances								
Balance at 30 September	-	-	4,772	3,839	106,465	129,461	28,290	441,016
Provision for loan losses – income statement	-	-	-	-	-	-	-	(65,264)
Interest income earned	-	-	2,647	2,579	6,841	11,142	57,603	86,843
Loan loss reserves	-	-	-	-	-	-	-	6,965
Reverse repurchase agreements								
Balance at 30 September	-	-	984,760	783,760	-	-	-	-
Interest income earned	-	-	60,444	61,631	-	-	-	-
Other assets								
Balance at 30 September	-	-	51,285	29,092	-	-	-	-
Fees and commission income	1,370	1,431	12,083	19,408	305	873	10,808	13,452
Other operating income	-	-	12,063	12,200	-	-	-	1,527

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42. Related Party Transactions and Balances (Continued)

	The Bank (Continued)							
	The parent		Companies controlled by major shareholder		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Customer deposits								
Balance at 30 September	181,812	201,599	5,620,241	7,493,876	78,984	108,849	1,552,675	2,320,975
Interest expense	446	1,827	229,941	359,869	1,178	1,954	24,396	32,413
Repurchase agreements								
Balance at 30 September	-	-	219,641	2,855,667	-	-	-	-
Interest expense	-	-	73,771	142,170	-	-	-	-
Other liabilities								
Balance at 30 September	-	-	112,033	6,913	-	1,289	-	20,572
Operating Expenses	-	-	208,653	298,341	10,171	6,938	63,579	177,829

42. Related Party Transactions and Balances (Continued)

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Key management compensation:				
Salaries and other short-term benefits	477,118	451,665	455,701	416,649
Post-employment benefits	19,609	14,068	18,028	12,889
Termination benefits	-	23,647	-	23,647
	496,727	489,380	473,729	453,185
Directors' emoluments:				
Fees	14,749	16,987	8,151	9,785
Management remuneration	174,112	157,286	174,112	157,286

43. Financial Risk Management

The Group takes an enterprise-wide approach to the identification, measurement, monitoring, reporting and management of all its risks. The principal financial risks faced by the organisation are identified as: credit, market, interest rate and liquidity risks.

The Group's risk management framework guides its risk-taking activities and ensures that it is in conformity with regulatory requirements, applicable laws, the Board's risk appetite, stockholders' expectations and standards of best practice. The framework incorporates a comprehensive risk governance structure and appropriate policies and procedures.

Risk Governance Structure

The Group's risk governance structure seeks to manage risk/reward by ensuring that revenue-generation activities are compliant with the Group's standards and risk tolerance, while driving the maximisation of long term shareholder value. The Group's comprehensive risk governance structure incorporates; (a) administrative controls effected through the Board, relevant committees (The Audit Committee, The Credit Committee, The Asset and Liability Committee, The Risk Management Committee, The Investment Management Committee) and the establishment of policies; and (b) organisational controls effected through segregation of duties. These controls are reviewed on an ongoing basis to ensure that they provide effective governance of the Group's risk-taking activities.

Risk Limits are integral to the risk management process, as they characterise the Board's risk tolerance and also that of the Regulator. Limits are established for:

(i) Credit and Counterparty risk - exposures to individuals, group, counterparty, country
(ii) Market risk - rate gap exposure, currency exposure, market value exposure
(iii) Liquidity risk - liquidity gaps, funding exposures/liability diversification and liquid assets levels.

Limits are monitored on an ongoing basis and reported to the relevant governance committees.

43. Financial Risk Management (Continued)

Policies & Procedures
Rigorous policies and operational procedures are established throughout the organisation and are approved by the relevant management personnel and/or governance committees.

These policies and procedures incorporate requirements for compliance monitoring, maintenance of contingency plans and the provision of reports to management and the relevant governance committees and/or the Board of Directors.

(a) Credit risk

This is defined as potential for loss to the organisation arising from failure of a borrower, guarantor or counterparty to honour their contractual obligations to the Group.

The Group incurs credit and counterparty risk primarily in its loan business, reverse repurchase arrangements, and certain investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit Risk Management is facilitated by a cadre of loans officers and credit risk personnel, who together operate within a control framework which employs a hierarchical level of authorisations for transactions that expose the organisation to credit risk. Operating practices include the establishment of limits, ongoing monitoring of credit risk exposures, a disciplined approach to provisioning and loan loss evaluation in addition to ongoing reporting of portfolio exposures to the relevant governance committees and the regulators.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Group to risks similar to loans and these are mitigated by the same control policies and processes.

Credit review process
The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

The Group employs the following classifications in assessing its exposures to its borrowing customers. The classifications are in line with the BOJ regulations and are as follows:

Standard
Special Mention
Sub-Standard
Doubtful
Loss

Exposure to credit risk is mitigated by the taking of financial or physical assets.

43. Financial Risk Management (Continued)

(a) Credit risk (continued)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

(i) Loans - mortgages over residential properties, charges over business assets such as premises, inventory and accounts receivable and charges over financial instruments such as debt securities.

(ii) Securities lending and reverse repurchase transactions – cash or securities.

The Group may also obtain guarantees from parent companies for loans to their subsidiaries.

Collateral values are monitored with a view to requesting additional collateral where market values are compromised or the terms in the loan agreements dictate.

Impairment loss provision methodology

Provisions for impairment losses are assessed under three categories as described below:

Sub-standard, Doubtful or Loss rated loans

The Group identifies substandard, doubtful or loss rated loans as determined by Bank of Jamaica Regulations. The calculated provision is adjusted by the future cash flow from the realisation of the related collateral.

Individually significant Standard and Special Mention loans

Individual significant loans are reviewed to determine whether the loans show objective evidence of impairment and to determine the extent of provision required. Impairment may be determined through assessment of a number of factors, which includes:

(i) Any significant financial difficulty being experienced by the borrower.

(ii) Breach of contract, such as default term, delinquency in principal and interest.

(iii) High probability of bankruptcy or other financial reorganisation by the borrower.

Collectively assessed provisions

All loans, excluding those that are impaired, are assessed on a portfolio basis, reflecting the homogenous nature of the loans. The provision is determined by a quantitative review of the respective portfolios.

43. Financial Risk Management (Continued)

(a) Credit risk (continued)

The tables below show the loans and the associated impairment provision for each internal rating class:

The Group

	2011		2010	
	Loans $'000	Impairment provision $'000	Loans $'000	Impairment provision $'000
Standard	75,005,431	847,287	68,396,894	827,659
Special Mention	2,464,799	171,985	2,492,127	285,514
Sub-Standard	10,131,238	97,297	14,463,173	297,951
Doubtful	3,901,472	268,803	557,990	244,348
Loss	2,611,760	1,498,781	2,025,727	1,338,780
	94,114,700	2,884,153	87,935,911	2,994,252

The Bank

	2011		2010	
	Loans $'000	Impairment provision $'000	Loans $'000	Impairment provision $'000
Standard	74,746,294	847,287	68,095,473	827,659
Special Mention	2,423,978	171,985	2,487,482	280,955
Sub-Standard	10,131,238	97,297	14,460,162	297,951
Doubtful	3,879,167	268,803	509,474	244,348
Loss	2,599,100	1,494,217	2,025,727	1,338,780
	93,779,777	2,879,589	87,578,318	2,989,693

43. Financial Risk Management (Continued)

(a) Credit risk (continued)

The credit quality of loans is summarised as follows:

	The Group		The Bank	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Unimpaired	91,334,913	85,092,899	91,022,123	84,735,306
Impaired	2,779,787	2,843,012	2,757,654	2,843,012
Gross	94,114,700	87,935,911	93,779,777	87,578,318
Less: provision for credit losses	(2,884,153)	(2,994,252)	(2,879,589)	(2,989,693)
Net	91,230,547	84,941,659	90,900,188	84,588,625

The ageing analysis of past due but not impaired loans was as follows:

	The Group		The Bank	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Less than 30 days	15,469,740	16,095,455	15,469,740	16,051,398
31 to 60 days	2,281,451	2,112,481	2,281,451	2,105,034
61 to 90 days	1,402,448	2,128,418	1,361,628	2,123,750
Greater than 90 days	4,108,318	692,784	4,108,318	692,784
	23,261,957	21,029,138	23,221,137	20,972,966

Of the aggregate amount of gross past due but not impaired loans, $19,252,875,000 were secured as at 30 September 2011 (2010 – $18,362,696,000).

43. Financial Risk Management (Continued)

(a) Credit risk (continued)

Restructured loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. The Group's and the Bank's renegotiated loans that would otherwise be past due or impaired totalled $12,046,276,000 (2010 – $9,312,773,000) and $12,046,276,000 (2010 – $9,312,772,000), respectively.

Credit risk exposure

The table below represents a worst case scenario of credit risk exposure of the Group and the Bank at the date of the statement of financial position, without taking account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposures set out below are based on net carrying amounts as reported in the statement of financial position.

	The Group		The Bank	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Credit risk exposures relating to on-balance sheet assets are as follows:				
Balances with Bank of Jamaica	18,468,697	17,380,459	18,464,651	17,378,263
Due from other banks	24,812,575	17,048,849	24,329,851	16,075,050
Derivative financial instruments	-	12,864	-	12,864
Investment securities at fair value through profit or loss	1,694,472	602,716	-	-
Reverse repurchase agreements	1,697,472	1,143,581	990,011	783,760
Loans, net of provision for credit losses	91,728,138	85,995,102	91,398,899	85,643,530
Investment securities classified as available-for-sale and loans and receivable	202,423,020	198,726,256	83,229,170	93,430,177
Customers' liability – letters of credit and undertaking	361,606	291,106	361,606	291,106
	341,185,980	321,200,933	218,774,188	213,614,750
Credit risk exposures relating to off-balance sheet items are as follows:				
Credit commitments	15,299,626	14,811,558	15,299,626	14,811,558
Acceptances, guarantees and indemnities	3,663,570	3,673,775	2,819,515	3,051,199
	18,963,196	18,485,333	18,119,141	17,862,757

43. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposures

(i) Loans

The majority of loans are made to customers in Jamaica. The following table summarises the credit exposure for loans at their carrying amounts, as categorised by the industry sectors:

	The Group		The Bank	
	2011 $'000	**2010 $'000**	**2011 $'000**	**2010 $'000**
Agriculture	882,244	1,050,388	882,244	1,050,388
Central Government	3,539,547	8,882,800	3,539,547	8,882,800
Construction and Land Development	8,097,279	13,176,376	8,097,279	13,176,376
Other Financial Institutions	26,337	9,662	26,337	9,662
Distribution	7,950,667	7,428,969	7,950,667	7,428,969
Electricity, Water & Gas	847,296	1,065,982	847,296	1,065,982
Entertainment	233,292	72,218	233,292	72,218
Manufacturing	2,170,083	1,653,621	2,170,083	1,653,621
Mining and Processing	247,450	158,370	247,450	158,370
Personal	39,418,253	30,955,780	39,083,330	30,598,187
Professional and Other Services	3,765,936	2,367,033	3,765,936	2,367,033
Tourism	21,034,650	15,090,936	21,034,650	15,090,936
Transportation Storage and Communication	1,182,323	1,286,898	1,182,323	1,286,898
Overseas Residents	4,719,343	4,736,878	4,719,343	4,736,878
Total	94,114,700	87,935,911	93,779,777	87,578,318
Total provision	(2,884,153)	(2,994,252)	(2,879,589)	(2,989,693)
	91,230,547	84,941,659	90,900,188	84,588,625
Interest receivable	497,591	1,053,443	498,711	1,054,905
Net	91,728,138	85,995,102	91,398,899	85,643,530

43. Financial Risk Management (Continued)

(a) Credit risk (continued)

(ii) Debt securities

The following table summarises the credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	The Group		The Bank	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Government of Jamaica and Bank of Jamaica	166,824,962	172,417,378	70,891,310	83,087,705
Government of Jamaica guaranteed corporate bonds	20,037,311	18,319,193	6,153,841	7,714,909
Other corporate bonds	14,093,111	5,065,695	5,064,884	1,089,720
Foreign government	365,918	308,044	-	-
	201,321,302	196,110,310	82,110,035	91,892,334
Interest receivable	2,796,190	3,218,662	1,119,135	1,537,843
	204,117,492	199,328,972	83,229,170	93,430,177

43. Financial Risk Management (Continued)

(b) Liquidity risk

The Group's liquidity policy is designed to ensure that it can meet cash obligations when they fall due and take advantage of unanticipated earnings enhancement opportunities.

Liquidity management within the Group, which incorporates funding risk management, ensures that there is a sufficient level of liquid assets available in addition to stable funding lines to meet ongoing cash commitments even during periods of stress. The management of liquidity risk is executed within a framework which comprises:

(i) Oversight by relevant governance committees;

(ii) Daily management of liquidity by the relevant treasury units within each group company;

(iii) Use of tools to measure the organisation's exposures;

(iv) Establishment and monitoring of limits/benchmarks for maturity mismatches and funding concentrations;

(v) Diversification of funding sources;

(vi) Maintenance of committed lines of credits and

(vii) Monitoring of adherence to regulatory ratios.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

43. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities

The tables below present the contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the financial assets and liabilities based on the remaining period.

	The Group					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 30 September 2011:						
Due to other banks	2,296,949	934,191	1,949,890	632,143	1,685,694	7,498,867
Customer deposits	138,222,092	11,309,067	11,613,536	924,772	-	162,069,467
Repurchase agreements	32,508,405	32,488,689	14,751,256	5,479,483	52	85,227,885
Obligations under securitisation arrangements	1,066,182	638,870	5,997,553	7,358,113	-	15,060,718
Other borrowed funds	1,108,504	736,229	1,576,661	2,468,443	107,515	5,997,352
Liabilities under annuity and insurance contracts	343,535	772,606	3,437,374	16,653,694	46,425,516	67,632,725
Other	2,860,437	1,561,247	148,663	2,142	129,744	4,702,233
Total financial liabilities (contractual maturity dates)	178,406,104	48,440,899	39,474,933	33,518,790	48,348,521	348,189,247
Total financial liabilities (expected maturity dates)	82,472,218	48,440,899	40,174,206	33,518,790	143,583,174	348,189,247
Total financial assets (expected maturity dates)	69,315,199	44,413,687	45,296,489	144,468,009	149,062,937	452,556,321

	The Group					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 30 September 2010:						
Due to other banks	2,446,238	1,107,388	65,725	141,067	-	3,760,418
Customer deposits	122,032,951	9,634,398	12,577,838	260,770	-	144,505,957
Repurchase agreements	32,851,881	36,441,069	13,879,294	5,151,883	-	88,324,127
Obligations under securitisation arrangements	1,030,863	1,599,569	7,991,666	10,945,700	-	21,567,798
Other borrowed funds	131,002	523,263	4,681,571	1,612,982	123,826	7,072,644
Liabilities under annuity and insurance contracts	315,930	722,160	3,255,805	16,571,935	35,941,583	56,807,413
Other	1,710,700	1,550,353	327,462	238,969	54,798	3,882,282
Total financial liabilities (contractual maturity dates)	160,519,565	51,578,200	42,779,361	34,923,306	36,120,207	325,920,639
Total financial liabilities (expected maturity dates)	70,747,204	51,578,358	43,307,582	34,925,085	125,362,410	325,920,639
Total financial assets (expected maturity dates)	73,091,348	14,657,484	53,461,388	132,418,187	157,699,271	431,327,678

43. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

	The Bank					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 30 September 2011:						
Due to other banks	2,296,949	934,191	1,949,890	632,143	1,685,694	7,498,867
Customer deposits	136,967,884	9,309,343	9,947,003	137,394	-	156,361,624
Repurchase agreements	2,294,074	1,250,517	986,025	4,564,275	-	9,094,891
Obligations under securitisation arrangements	1,066,182	638,870	5,997,553	7,358,113	-	15,060,718
Other borrowed funds	1,018,409	263,955	1,421,023	1,429,591	103,500	4,236,478
Other	2,162,316	1,556,088	145,954	-	34,277	3,898,635
Total financial liabilities (contractual maturity dates)	145,805,814	13,952,964	20,447,448	14,121,516	1,823,471	196,151,213
Total financial liabilities (expected maturity dates)	49,871,890	13,952,964	21,146,721	14,121,516	97,058,122	196,151,213
Total financial assets (expected maturity dates)	66,039,531	6,465,547	34,102,815	83,258,925	100,692,771	290,559,589

	The Bank					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 30 September 2010:						
Due to other banks	2,446,238	1,107,388	65,725	141,067	-	3,760,418
Customer deposits	127,307,479	7,863,207	8,968,015	32,811	-	144,171,512
Repurchase agreements	4,488,150	3,759,878	4,352,787	4,931,943	-	17,532,758
Obligations under securitisation arrangements	1,030,863	1,599,569	7,991,666	10,945,700	-	21,567,798
Other borrowed funds	31,810	297,822	4,546,754	1,612,982	123,826	6,613,194
Other	1,665,554	1,536,171	307,410	-	33,202	3,542,337
Total financial liabilities (contractual maturity dates)	136,970,094	16,164,035	26,232,357	17,664,503	157,028	197,188,017
Total financial liabilities (expected maturity dates)	46,991,785	16,164,035	26,968,462	17,664,504	89,399,231	197,188,017
Total financial assets (expected maturity dates)	71,773,395	5,076,533	32,350,013	80,017,881	71,490,826	260,708,648

43. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection, investment securities and other eligible bills, loans and advances to banks, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

Off-balance sheet items

The tables below show the contractual expiry by maturity of commitments.

	The Group			
	No later than 1 year $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 September 2011				
Credit commitments	15,299,626	-	-	15,299,626
Guarantees, acceptances and other financial facilities	1,169,571	1,768,437	725,562	3,663,570
Operating lease commitments	95,439	177,729	88,434	361,602
Capital commitments	1,120,118	-	-	1,120,118
	17,684,754	1,946,166	813,996	20,444,916
At 30 September 2010				
Credit commitments	14,811,558	-	-	14,811,558
Guarantees, acceptances and other financial facilities	1,172,829	1,773,363	727,583	3,673,775
Operating lease commitments	43,524	74,245	-	117,769
Capital commitments	681,854	-	-	681,854
	16,709,765	1,847,608	727,583	19,284,956

	The Bank			
	No later than 1 year $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 September 2011				
Credit commitments	15,299,626	-	-	15,299,626
Guarantees, acceptances and other financial facilities	508,471	1,638,708	672,336	2,819,515
Operating lease commitments	95,439	177,729	88,434	361,602
Capital commitments	1,120,118	-	-	1,120,118
	17,023,654	1,816,437	760,770	19,600,861
At 30 September 2010				
Credit commitments	14,811,558	-	-	14,811,558
Guarantees, acceptances and other financial facilities	550,253	1,773,363	727,583	3,051,199
Operating lease commitments	43,524	74,245	-	117,769
Capital commitments	681,854	-	-	681,854
	16,087,189	1,847,608	727,583	18,662,380

43. Financial Risk Management (Continued)

(c) Market risk

The Group takes on exposure to market risk, which is defined as the potential for loss arising from changes in the market value of the organisation's financial instruments due to changes in certain market variables, such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads.

The Group incurs market risk primarily in treasury, trading and structural banking activities. The Group takes a comprehensive governance approach in accordance with the enterprise-wide risk management framework. This includes:

- Oversight provided by the relevant governance committees.
- An independent market risk oversight function.
- The utilisation of tools and models to measure market risk exposure.
- Limit setting mechanisms and a monitoring process.
- The utilisation of scenario analysis and of stress testing for worst case events.

There has been no change to the manner in which the Group manages and measures this risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Group takes on open position in a currency. To control this exchange risk the Risk Management Committee (RMC) has approved limits for net open positions in each currency for both intra-day and overnight. This limit may vary from time to time as determined by the RMC.

The Group also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to be settled. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments

The tables below summarise the Group's and the Bank's exposure to foreign currency exchange rate risk as at the date of the statement of financial position.

	The Group					
	$	**US$**	**GBP**	**CAN$**	**Other**	**Total**
30 September 2011	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Bank of Jamaica	15,057,683	4,748,867	765,213	130,713	23,015	20,725,491
Due from other banks	1,399,922	16,340,719	5,906,537	821,943	343,454	24,812,575
Investment securities at fair value through profit or loss	764,827	1,020,525	-	-	-	1,785,352
Reverse repurchase agreements	1,238,813	458,659	-	-	-	1,697,472
Loans and advances net of provision for credit losses	58,048,699	33,679,459	-	(20)	-	91,728,138
Investment securities classified as available-for-sale and loans and receivables	132,033,777	69,289,257	959,474	-	680,267	202,962,775
Other	1,374,571	580,310	4,267	166	-	1,959,314
Total assets	209,918,292	126,117,796	7,635,491	952,802	1,046,736	345,671,117
Liabilities						
Due to other banks	1,341,695	4,956,525	52,891	35,014	16,076	6,402,201
Customer deposits	88,197,077	58,801,288	7,474,421	914,798	412,817	155,800,401
Repurchase agreements	38,162,777	44,255,871	1,162,966	94,647	398,842	84,075,103
Obligations under securitisation arrangements	-	14,418,427	-	-	-	14,418,427
Other borrowed funds	1,851,213	3,427,707	-	-	-	5,278,920
Liabilities under annuity and insurance contracts	23,533,050	31,225	-	-	-	23,564,275
Other	3,975,212	719,814	1,808	5,364	35	4,702,233
Total liabilities	157,061,024	126,610,857	8,692,086	1,049,823	827,770	294,241,560
Net position on-balance sheet position	52,857,268	(493,061)	(1,056,595)	(97,021)	218,966	51,429,557
Guarantees, acceptances and other financial facilities	2,496,712	1,160,563	47	-	6,248	3,663,570
Credit commitments	11,191,065	4,108,561	-	-	-	15,299,626

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments (continued)

	The Group					
	$	US$	GBP	CAN$	Other	Total
30 September 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Bank of Jamaica	13,891,886	4,566,274	854,274	128,273	32,054	19,472,761
Due from other banks	1,946,909	9,857,739	4,238,834	753,777	251,590	17,048,849
Investment securities at fair value through profit or loss	427,079	271,632	-	-	-	698,711
Reverse repurchase agreements	878,065	265,516	-	-	-	1,143,581
Loans and advances net of provision for credit losses	43,627,758	42,367,362	-	(18)	-	85,995,102
Investment securities classified as available-for-sale and loans and receivables	130,214,802	66,795,359	974,262	-	1,449,850	199,434,273
Other	1,002,658	493,651	7,784	167	119	1,504,379
Total assets	191,989,157	124,617,533	6,075,154	882,199	1,733,613	325,297,656
Liabilities						
Due to other banks	1,863,434	1,740,195	50,727	30,522	23,354	3,708,232
Customer deposits	86,645,027	48,634,933	7,223,680	852,870	926,648	144,283,158
Repurchase agreements	36,665,683	46,680,229	1,149,561	441,280	356,010	85,292,763
Obligations under securitisation arrangements	-	20,536,955	-	-	-	20,536,955
Other borrowed funds	1,447,932	5,139,850	-	-	-	6,587,782
Liabilities under annuity and insurance contracts	20,376,933	28,691	-	-	-	20,405,624
Other	4,175,239	642,526	890	972	-	4,819,627
Total liabilities	151,174,248	123,403,379	8,424,858	1,325,644	1,306,012	285,634,141
Net on-balance sheet position	40,814,909	1,214,154	(2,349,704)	(443,445)	427,601	39,663,515
Guarantees, acceptances and other financial facilities	2,618,923	1,048,536	-	-	6,316	3,673,775
Credit commitments	9,083,790	5,727,768	-	-	-	14,811,558

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments (continued)

	The Bank					
	$	**US$**	**GBP**	**CAN$**	**Other**	**Total**
30 September 2011	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Bank of Jamaica	15,053,637	4,748,867	765,213	130,713	23,015	20,721,445
Due from other banks	1,330,027	16,041,326	5,803,372	821,943	333,183	24,329,851
Reverse repurchase agreements	400,543	589,468	-	-	-	990,011
Loans and advances net of provision for credit losses	58,048,699	33,350,220	-	(20)	-	91,398,899
Investment securities classified as available-for-sale and loans and receivables	50,900,807	31,472,128	959,474	-	419,767	83,752,176
Other	881,664	377,174	4,266	166	1	1,263,271
Total assets	126,615,377	86,579,183	7,532,325	952,802	775,966	222,455,653
Liabilities						
Due to other banks	1,341,695	4,956,525	52,891	35,014	16,076	6,402,201
Customer deposits	91,289,980	55,931,323	7,474,421	914,798	412,816	156,023,338
Repurchase agreements	219,793	8,114,635	-	-	175,352	8,509,780
Obligations under securitisation arrangements	-	14,418,427	-	-	-	14,418,427
Other borrowed funds	883,079	2,973,634	-	-	-	3,856,713
Other	3,204,842	697,314	1,808	(5,364)	35	3,898,635
Total liabilities	96,939,389	87,091,858	7,529,120	944,448	604,279	193,109,094
Net on-balance sheet position	29,675,988	(512,675)	3,205	8,354	171,687	29,346,559
Guarantees, acceptances and other financial facilities	1,652,657	1,160,563	47	-	6,248	2,819,515
Credit commitments	11,191,065	4,108,561	-	-	-	15,299,626

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments (continued)

	The Bank					
	$	US$	GBP	CAN$	Other	Total
30 September 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Bank of Jamaica	13,995,434	4,528,297	818,843	114,709	13,282	19,470,565
Due from other banks	1,946,565	8,893,058	4,238,834	752,487	244,106	16,075,050
Reverse repurchase agreements	79,024	704,736	-	-	-	783,760
Loans and advances net of provision for credit losses	43,627,759	42,015,790	-	(19)	-	85,643,530
Investment securities classified as available-for-sale and loans and receivables	57,241,968	34,591,958	974,262	-	1,166,270	93,974,458
Other	990,832	479,256	7,784	167	119	1,478,158
Total assets	117,881,582	91,213,095	6,039,723	867,344	1,423,777	217,425,521
Liabilities						
Due to other banks	1,863,433	1,740,195	50,727	30,522	23,355	3,708,232
Customer deposits	86,645,026	48,364,588	7,215,766	851,580	812,842	143,889,802
Repurchase agreements	406,040	15,511,863	144,818	-	381,963	16,444,684
Obligations under securitisation arrangements	-	20,536,955	-	-	-	20,536,955
Other borrowed funds	1,014,243	5,116,298	-	-	-	6,130,541
Other	3,141,299	399,176	890	972	-	3,542,337
Total liabilities	93,070,041	91,669,075	7,412,201	883,074	1,218,160	194,252,551
Net on-balance sheet position	24,811,541	(455,980)	(1,372,478)	(15,730)	205,617	23,172,970
Guarantees, acceptances and other financial facilities	2,069,223	975,660	-	-	6,316	3,051,199
Credit commitments	9,083,790	5,727,768	-	-	-	14,811,558

Government of Jamaica US$ indexed bonds are included in the US$ category for currency risk disclosure.

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

The following table indicates the currencies to which the Group and the Bank have significant exposures on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the outstanding foreign currency denominated monetary items and adjusts their translation at the year end for changes in foreign currency rates. The sensitivity analysis includes loans and advances to customers, investment securities and deposits. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in each variable, variables had to be considered on an individual basis. It should be noted that movements in these variables are non-linear.

There was no effect on other comprehensive income.

	2011			2010		
	% Change in Currency Rate	Effect on Net Profit		% Change in Currency Rate	Effect on Net Profit	
		The Group	The Bank		The Group	The Bank
		$'000	$'000		$'000	$'000
Currency:						
USD	4%	59,394	(365)	4%	(6,054)	509
	(10%)	(147,535)	913	(10%)	15,133	(1,273)
GBP	4%	(4,359)	(3,961)	4%	54,329	54,905
	(10%)	10,896	9,902	(10%)	(135,825)	(137,264)
CAN	4%	120	(692)	4%	(809)	638
	(10%)	(301)	1,729	(10%)	2,024	(1,595)

(ii) Interest rate risk

Interest rate risk arises when the Group's principal and interest cash flows from on and off balance sheet items have mismatched repricing dates. The short term impact is experienced on the Group's net interest income and long term impact is felt on its equity.

The Group incurs interest rate mismatches from its interest bearing assets and liabilities with the size of such exposure being heavily dependent on the direction and degree of interest rate movements in addition to the size and maturity structure of the mismatched position. The Group's policy requires that such mismatches are managed. Accordingly, the Board requires that a comprehensive system of limits, gap analysis and stress testing be used to manage the Group's exposure.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken. These limits are monitored by the Asset and Liability Committee.

The following tables summarise the exposure to interest rate risk. It includes the financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
30 September 2011	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Bank of Jamaica	2,399,046	-	-	-	-	18,326,445	20,725,491
Due from other banks	22,855,803	638,218	-	-	-	1,318,554	24,812,575
Investment securities at fair value through profit or loss	3,411	3,035	23,042	735,488	273,233	747,143	1,785,352
Reverse repurchase agreements	626,144	390,800	669,604	-	-	10,924	1,697,472
Loans and advances net of provision for credit losses	57,073,898	16,587,638	1,255,435	10,313,264	2,379,965	4,117,938	91,728,138
Investment securities classified as available-for-sale and loans and receivables	22,461,620	62,949,393	15,560,985	59,434,467	34,789,026	7,767,284	202,962,775
Other	-	-	-	-	-	1,959,314	1,959,314
Total assets	105,419,922	80,569,084	17,509,066	70,483,219	37,442,224	34,247,602	345,671,117
Liabilities							
Due to other banks	420,205	892,581	1,828,637	104,963	1,291,810	1,864,005	6,402,201
Customer deposits	97,936,280	11,272,883	11,295,524	916,900	-	34,378,814	155,800,401
Repurchase agreements	33,236,213	31,354,923	13,747,125	5,144,447	48	592,347	84,075,103
Obligations under securitisation arrangements	9,524,881	2,732,105	742,420	1,336,355	-	82,666	14,418,427
Other borrowed funds	113,994	899,971	2,359,494	1,676,795	62,910	165,756	5,278,920
Liabilities under annuity and insurance contracts	20,940,634	201,949	847,775	-	-	1,573,917	23,564,275
Other	-	240,507	-	-	-	4,461,726	4,702,233
Total liabilities	162,172,207	47,594,919	30,820,975	9,179,460	1,354,768	43,119,231	294,241,560
On-balance sheet interest sensitivity gap	(56,752,285)	32,974,165	(13,311,909)	61,303,759	36,087,456	(8,871,629)	51,429,557
Cumulative interest sensitivity gap	(56,752,285)	(23,778,120)	(37,090,029)	24,213,730	60,301,186	51,429,557	

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group						
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
30 September 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Bank of Jamaica	2,435,517	-	-	-	-	17,037,244	19,472,761
Due from other banks	15,000,431	659,551	-	-	-	1,388,867	17,048,849
Investment securities at fair value through profit or loss	3,442	96,379	261,583	-	-	337,307	698,711
Reverse repurchase agreements	140,829	726,938	258,066	-	-	17,748	1,143,581
Loans and advances net of provision for credit losses	56,088,586	17,723,652	807,930	8,556,963	2,249,907	568,064	85,995,102
Investment securities classified as available-for-sale and loans and receivables	35,739,412	55,214,928	58,485,048	25,861,062	20,149,873	3,983,950	199,434,273
Other	101,318	-	-	-	-	1,403,061	1,504,379
Total assets	109,509,535	74,421,448	59,812,627	34,418,025	22,399,780	24,736,241	325,297,656
Liabilities							
Due to other banks	797,377	1,092,891	53,543	110,446	-	1,653,975	3,708,232
Customer deposits	94,034,258	7,713,414	9,046,285	30,490	-	33,458,711	144,283,158
Repurchase agreements	32,409,952	34,919,541	12,743,089	4,496,510	-	723,671	85,292,763
Obligations under securitisation arrangements	13,303,699	4,449,409	741,568	1,928,077	-	114,202	20,536,955
Other borrowed funds	120,036	1,055,048	4,304,054	862,286	79,291	167,067	6,587,782
Liabilities under annuity and insurance contracts	19,967,496	225,001	727,945	-	-	(514,818)	20,405,624
Other	43,279	25,930	-	-	-	4,750,418	4,819,627
Total liabilities	160,676,097	49,481,234	27,616,484	7,427,809	79,291	40,353,226	285,634,141
On-balance sheet interest sensitivity gap	(51,166,562)	24,940,214	32,196,143	26,990,216	22,320,489	(15,619,985)	39,663,515
Cumulative interest sensitivity gap	(51,166,562)	(26,226,348)	5,969,795	32,960,011	55,280,500	39,663,515	

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Bank						
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
30 September 2011	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Bank of Jamaica	2,395,000	-	-	-	-	18,326,445	20,721,445
Due from other banks	22,373,079	638,218	-	-	-	1,318,554	24,329,851
Reverse repurchase agreements	726,398	-	258,362	-	-	5,251	990,011
Loans and advances net of provision for credit losses	57,048,749	16,587,638	1,133,423	10,292,425	2,218,727	4,117,937	91,398,899
Investment securities classified as available-for-sale and loans and receivables	15,036,697	22,088,560	5,318,796	18,187,153	21,478,828	1,642,142	83,752,176
Other	-	-	-	-	-	1,263,271	1,263,271
Total assets	97,579,923	39,314,416	6,710,581	28,479,578	23,697,555	26,673,600	222,455,653
Liabilities							
Due to other banks	420,204	892,581	1,828,637	104,964	1,291,810	1,864,005	6,402,201
Customer deposits	102,705,691	9,180,320	9,628,992	129,521	-	34,378,814	156,023,338
Repurchase agreements	2,203,329	1,232,907	672,300	4,306,038	-	95,206	8,509,780
Obligations under securitisation arrangements	9,524,881	2,732,105	742,420	1,336,355	-	82,666	14,418,427
Other borrowed funds	25,566	672,648	2,207,928	737,298	62,910	150,363	3,856,713
Other	-	-	-	-	-	3,898,635	3,898,635
Total liabilities	114,879,671	14,710,561	15,080,277	6,614,176	1,354,720	40,469,689	193,109,094
On-balance sheet interest sensitivity gap	(17,299,748)	24,603,855	(8,369,696)	21,865,402	22,342,835	(13,796,089)	29,346,559
Cumulative interest sensitivity gap	(17,299,748)	7,304,107	(1,065,589)	20,799,813	43,142,648	29,346,559	

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Bank						
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
30 September 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Bank of Jamaica	2,190,000	-	-	-	-	17,280,565	19,470,565
Due from other banks	14,026,635	659,551	-	-	-	1,388,864	16,075,050
Reverse repurchase agreements	79,000	430,110	258,066	-	-	16,584	783,760
Loans and advances net of provision for credit losses	56,088,586	17,723,652	456,358	8,556,963	2,249,907	568,064	85,643,530
Investment securities classified as available-for-sale and loans and receivables	23,668,575	14,619,477	18,441,588	20,004,782	15,157,911	2,082,125	93,974,458
Other	-	-	-	-	-	1,478,158	1,478,158
Total assets	96,052,796	33,432,790	19,156,012	28,561,745	17,407,818	22,814,360	217,425,521
Liabilities							
Due to other banks	797,377	1,092,891	53,543	110,446	-	1,653,975	3,708,232
Customer deposits	94,034,258	7,713,414	8,652,929	30,490	-	33,458,711	143,889,802
Repurchase agreements	4,369,135	3,712,803	3,882,886	4,301,093	-	178,767	16,444,684
Obligations under securitisation arrangements	13,303,699	4,449,409	741,568	1,928,077	-	114,202	20,536,955
Other borrowed funds	24,038	824,284	4,194,532	862,286	79,291	146,110	6,130,541
Other	-	25,930	-	-	-	3,516,407	3,542,337
Total liabilities	112,528,507	17,818,731	17,525,458	7,232,392	79,291	39,068,172	194,252,551
On-balance sheet interest sensitivity gap	(16,475,711)	15,614,059	1,630,554	21,329,353	17,328,527	(16,253,812)	23,172,970
Cumulative interest sensitivity gap	(16,475,711)	(861,652)	768,902	22,098,255	39,426,782	23,172,970	

(expressed in Jamaican dollars unless otherwise indicated)

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise the effective interest rates for financial instruments by major currencies.

	The Group				The Bank			
	$	US$	CAN$	GBP	$	US$	CAN$	GBP
	%	%	%	%	%	%	%	%
30 September 2011								
Assets								
Balances at Bank of Jamaica	0.3	0.1	0.3	0.1	0.3	0.1	0.3	0.1
Due from other banks	3.2	0.1	0.8	0.3	3.2	0.1	0.8	0.3
Investment securities at fair value through profit or loss	12.4	7.7	-	-	-	-	-	-
Reverse repurchase agreements	6.2	4.4	-	-	4.4	4.8	-	-
Loans and advances	20.2	7.8	1.4	-	20.2	7.8	1.4	-
Investment securities classified as available-for-sale and loans and receivables	10.1	8.4	-	10.5	9.0	9.3	-	10.5
Liabilities								
Due to other banks	7.1	3.1	-	-	7.1	3.1	-	-
Customer deposits	1.7	1.9	0.6	1.0	1.7	1.9	0.6	1.0
Repurchase agreements	5.7	4.0	1.5	2.3	6.8	5.4	-	5.1
Obligations under securitisation arrangements	-	3.4	-	-	-	3.4	-	-
Other borrowed funds	10.7	5.2	-	-	11.3	4.9	-	-

	The Group				The Bank			
	$	US$	CAN$	GBP	$	US$	CAN$	GBP
	%	%	%	%	%	%	%	%
30 September 2010								
Assets								
Balances at Bank of Jamaica	0.7	0.1	0.1	0.1	0.7	0.1	0.1	0.1
Due from other banks	7.1	0.1	0.5	0.3	7.1	0.1	0.5	0.3
Investment securities at fair value through profit or loss	12.7	6.2	-	-	-	-	-	-
Loans and advances	21.5	9.0	6.6	-	21.5	9.0	6.6	-
Other investment securities	12.0	8.4	-	8.1	11.9	9.7	-	8.1
Liabilities								
Due to other banks	8.4	3.6	-	-	8.4	3.6	-	-
Customer deposits	3.1	2.6	1.3	1.7	3.1	2.6	1.3	1.7
Repurchase agreements	8.8	4.6	1.4	3.2	15.2	6.6	-	5.6
Obligations under securitisation arrangements	-	3.4	-	-	-	3.4	-	-
Other borrowed funds	11.2	4.9	-	-	11.5	5.0	-	-

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of non-trading financial assets and financial liabilities. The sensitivity of other comprehensive income is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	The Group			
	Effect on Net Profit 2011 $'000	Effect on Equity 2011 $'000	Effect on Net Profit 2010 $'000	Effect on Equity 2010 $'000
Change in basis points:				
-200	(1,103,613)	2,603,311	(1,037,830)	4,378,996
+200	1,103,613	(2,603,311)	1,037,830	(4,378,996)

	The Bank			
	Effect on Net Profit 2011 $'000	Effect on Equity 2011 $'000	Effect on Net Profit 2010 $'000	Effect on Equity 2010 $'000
Change in basis points:				
-200	(393,244)	166,284	(528,319)	582,933
+200	393,244	(166,284)	528,319	(582,933)

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(iii) Other price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified either as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in quoted equity securities are of other entities that are publicly traded on the Jamaica Stock Exchange.

Sensitivity to changes in price of equity securities

The following table indicates the sensitivity to a reasonable possible change in prices of equity securities, with all other variables held constant, on the income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed fair value changes of investment securities classified at fair value through profit or loss. The sensitivity of other comprehensive income is the effect of the assumed fair value changes of investment securities classified as available-for-sale. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	The Group			
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Percentage change in share price				
10% decrease	(8,540)	(59,435)	(8,736)	(68,894)
10% increase	8,540	61,079	8,736	70,537

	The Bank			
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Percentage change in share price				
10% decrease	-	(50,658)	-	(52,785)
10% increase	-	52,301	-	54,428

43. Financial Risk Management (Continued)

(d) Derivative financial instruments

The Group's derivative transactions are primarily directed at hedging its risk exposures which arise during the normal course of its treasury and investment activities. When entering into derivative transactions, the Group employs the same credit risk management procedures to assess and approve potential credit exposures that are used for traditional lending.

(e) Insurance risk

The Group issues contracts that transfer insurance risk or financial risk or both.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract this risk is random and therefore unpredictable. Experience shows that the larger the portfolio of similar insurance contracts, the smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency of or severity of claims and benefits will vary from year to year from the estimate established using statistical techniques. The Group issues contracts that have a maximum period determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the Group has to assess the cash flows which may be attributable to the contract. The process of underwriting may also be undertaken and may include specific medical tests and other enquiries which affect the Group's assessment of the risk.

Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, resulting in earlier or more claims than expected.

The Group charges for mortality risks on a monthly basis for insurance contracts with investment options and has the right to alter these charges based on mortality experience and hence to minimise its exposure to mortality risk on these contracts. Delays in implementing increases in mortality charges, and contractual, market or regulatory restraints over the extent of any increases, may reduce this mitigating effect.

The Group also manages mortality risks on its contracts through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to minimise the risk of anti-selection. The Group's underwriting strategy has a two fold approach:

a) products that are subject to traditional methods of application and assessment are controlled by traditional underwriting methods including medical and financial selection with benefits being limited to reflect the health and/or financial condition of applicants and by the application of retention limits on any single life insured.

b) products which are not subject to traditional methods of application and assessment contain pre-existing conditions and exclusionary clauses for certain types of high-risk medical and financial events, with claims on these types of policies examined for breaches to those clauses and denied or settled accordingly.

43. Financial Risk Management (Continued)

(e) Insurance risk (continued)

The tables below indicate the concentration of insured benefits across bands of insured benefits per individual life assured. The Group uses catastrophe re-insurance cover against its Individual contracts as the main risks faced by these contracts are interest rate and liquidity:

	Total Benefits Assured - Individual			
	2011		2010	
	$'000	$'000	$'000	$'000
Benefits assured per life assured ($'000)	Contracts with Investment Options	Contracts without Investment Options	Contracts with Investment Options	Contracts without Investment Options
0 – 1,000	11,924,594	1,505,372	11,473,429	1,279,707
1,000 – 2,000	3,639,903	5,790,269	3,408,569	5,300,120
2,000 – 5,000	4,495,366	3,393,381	4,340,734	2,404,214
5,000 – 10,000	2,943,390	-	2,757,284	-
Over 10,000	3,890,154	-	3,621,922	-
	26,893,407	10,689,022	25,601,938	8,984,041

	Total Benefits Assured - Group			
	2011		2010	
	$'000	$'000	$'000	$'000
Benefits assured per life assured ($'000)	Before Re-insurance	After Re-insurance	Before Re-insurance	After Re-insurance
0 – 1,000	8,285,709	8,285,667	11,184,512	11,184,473
1,000 – 2,000	5,470,709	5,470,162	3,638,023	3,636,875
2,000 – 5,000	9,541,090	9,212,097	7,621,802	7,284,541
5,000 – 10,000	9,368,303	5,662,839	9,222,322	5,463,364
Over 10,000	5,698,043	1,532,870	8,093,728	2,206,731
	38,363,854	30,163,635	39,760,387	29,775,984

43. Financial Risk Management (Continued)

(e) Insurance risk (continued)

The following table for annuity contracts illustrates the concentration of risk in relation to the amount payable as if the annuity were in payment at the year end. The Group does not hold any re-insurance against the liabilities in these contracts.

	Total Annuities Payable	
	2011	2010
	$'000	$'000
Annuity payable per annum per annuitant ($'000)		
0 -100	6,571	2,511
100 - 300	32,943	19,127
300 – 500	43,700	7,482
500 – 1,000	108,608	23,387
Over 1,000	534,312	106,306
	726,134	158,813

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to pay reduced or no future premiums, or to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holders' behaviour. The Group has factored the impact of contract holders' behaviour into the assumptions used to measure these liabilities.

(f) Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirements set by the regulators of the financial markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

(i) The Banking segment

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Bank of Jamaica (BOJ), the Credit and Risk Management Division, the Asset and Liability Committee (ALCO) and Basel II as implemented by the BOJ for supervisory purposes. The required information is filed with the respective Authority at the stipulated intervals.

The BOJ requires the Bank to:

- Hold the minimum level of the regulatory capital, and
- Maintain a ratio of total regulatory capital to the risk-weighted assets.

43. Financial Risk Management (Continued)

(f) Capital management

(i) The Banking segment (continued)

The Bank's regulatory capital is divided into two tiers:

Tier 1 capital: ordinary share capital, non-redeemable non-cumulative preference shares, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill and net unrealised loss positions arising from fair value accounting are deducted in arriving at Tier 1 capital; and

Tier 2 capital: non-redeemable cumulative preference shares, qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on fair valuation of instruments held as available-for-sale.

Investments and share of accumulated losses in associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Bank as at the dates of the statement of financial position. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject.

	The Bank	
	2011 $'000	2010 $'000
Tier 1 capital	22,799,678	20,003,374
Tier 2 capital	769,424	711,984
Prescribed deduction – associated companies	(2,152,770)	(2,149,970)
Total regulatory capital	21,416,332	18,565,388
Risk-weighted assets:		
On-balance sheet	118,133,589	93,705,650
Off-balance sheet	23,394,025	19,029,795
Total risk-weighted assets	141,527,614	112,735,445
Tier one capital ratio	16%	18%
Total capital ratio	15%	16%
Required ratio	10%	10%

The increase of the regulatory capital in 2011 is mainly due to the transfer of realised profits to the banking and retained earnings reserves from current year profit and a reduction in fair value losses.

43. Financial Risk Management (Continued)

(f) Capital management (continued)

(ii) NCB Insurance Company Limited

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.

In reporting financial strength, capital and solvency is measured using the regulations prescribed by the Financial Services Commission (FSC). These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written by the company.

The relevant capital requirement is the Minimum Continuing Capital Surplus Ratio (MCCSR) determined in accordance with the FSC regulations. This ratio is calculated by the Appointed Actuary and reviewed by executive management, the Audit Committee and the Board of Directors. This measure is a risk-based formula that compares available capital and surplus to a minimum requirement set by the FSC in regard to the asset and liability profile of the company. The FSC currently requires a minimum ratio of 150%. The company has set an internal target minimum of 200%. As at 31 December 2010, the MCCSR was measured at 1,083% (December 2009 – 897%).

The company's capital position is sensitive to changes in market conditions, due to both changes in the value of assets and the effect that changes in investment conditions may have on the value of the liabilities. The most significant sensitivities arise from changes in interest rates and expenses. The company's capital position is also sensitive to assumptions and experience relating to mortality and persistency.

Dynamic capital adequacy testing (DCAT)

DCAT is a technique used to assess the adequacy of an insurer's financial position and financial condition in different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the statement of financial position at a given date.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

43. Financial Risk Management (Continued)

(f) Capital management (continued)

(ii) NCB Insurance Company Limited (continued)

Dynamic capital adequacy testing (DCAT)

The results of the latest DCAT are as follows.

The DCAT conducted has not tested any correlation that may exist between assumptions. The following table represents the sensitivity of the MCCSR and the Insurance Risk Reserve in each of the above scenarios. The 2011 information relates to the DCAT report for December 2010. The 2010 information relates to the DCAT report for December 2009.

		2011		2010	
	Variable	MCCSR	Change in Liability $'000	MCCSR	Change in Liability $'000
Worsening rate of lapses	+3% for 5 yrs	1348%	231,383	1,651%	123,369
High interest rates	+100 bp for 5 yrs	1341%	(7,248,781)	1,687%	(5,078,205)
Low interest rates	-100 bp for 5 yrs	387%	10,364,772	1,020%	2,084,139
Worsening of mortality	-3% for 5 yrs	1060%	713,015	1,384%	209,613
Higher expenses	+5% for 5 yrs	918%	3,440,845	1,092%	2,335,449
No sales growth	0% for 5 yrs	1310%	1,797,845	1,535%	236,587
High sales growth	+50% for 5 yrs	1024%	(344,654)	1,358%	(121,655)
Extreme lapse and termination rates	x3 for 5 yrs	1509%	1,768,165	1,712%	1,013,347
Fall in interest rates to 7%	-8% for 5 yrs	632%	7,403,573	37%	7,211,174

(expressed in Jamaican dollars unless otherwise indicated)

43. Financial Risk Management (Continued)

(f) Capital management (continued)

(iii) NCB Capital Markets

The company is regulated by the Financial Services Commission (FSC) and is subjected to regulatory capital tests employed by the regulator. Under the FSC regulations, the level of capital adequacy determines the maximum amount of liabilities including repurchase agreements the company is able to offer to clients. In addition to the requirements of the FSC, the company also engages in periodic internal testing which is reviewed by the Risk and Compliance Unit. Capital adequacy is managed at the operational level of the company.

The regulatory capital of the company is divided into two tiers:

(i) Tier 1 capital: share capital, retained earnings and reserves created from appropriations of retained earnings.

(ii) Tier 2 capital: qualifying subordinated debt or loan capital, qualifying capital reserves and unrealised gains derived from the fair valuation of equity instruments classified as available for sale.

The FSC requires that the company maintains a capital base comprising at least 50% of Tier 1 capital.

In addition, the FSC employs certain ratios to test capital adequacy and solvency. The results of these ratios are included in a mandatory quarterly report submitted to the FSC. Two of the critical early warning ratios relating to the test for capital adequacy are ‘Capital over Total Assets’ and the ‘Capital Base over Risk Weighted Assets (RWA)’. During the year, the FSC changed the methodology for the calculation of the RWA.

The results of these ratios at the date of the statement of financial position are highlighted in the table below:

	FSC Benchmark	2011	2010
Capital Base / Total Assets	Greater than 6%	14.70%	12.79%
Capital Base / RWA	Minimum 10%	35.71%	97.80%
Tier 1 Capital / Capital Base	Greater than 50%	99.91%	99.90%

The capital position is sensitive to changes in market conditions. This sensitivity is due primarily to changes in the value of assets and liabilities resulting from changes in interest rates.

There was no change in relation to how the company manages its capital during the financial year. During the year the company met all the requirements of the FSC relating to capital adequacy.

44. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following tables provide an analysis of financial instruments held as at the date of the statement of financial position that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

	The Group			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
At 30 September 2011				
Financial assets				
Government of Jamaica debt securities	-	139,613,565	-	139,613,565
Foreign government debt securities	-	365,918	-	365,918
Corporate debt securities	-	13,760,991	3,156,241	16,917,232
Quoted equity securities	331,259	486,646	29,244	847,149
	331,259	154,227,120	3,185,485	157,743,864
Financial liabilities				
Liabilities under annuity and insurance contracts	-	-	23,564,275	23,564,275
Net financial assets/(liabilities)	331,259	154,227,120	(20,378,790)	134,179,589
At 30 September 2010				
Financial assets				
Government of Jamaica debt securities	-	130,286,555	-	130,286,555
Foreign government debt securities	-	308,044	-	308,044
Corporate debt securities	-	5,400,111	1,706,435	7,106,546
Quoted equity securities	757,614	-	-	757,614
Derivative financial instruments	-	12,864	-	12,864
	757,614	136,007,574	1,706,435	138,471,623
Financial liabilities				
Derivative financial instruments	-	25,930	-	25,930
Liabilities under annuity and insurance contracts	-	-	20,405,624	20,405,624
	-	25,930	20,405,624	20,431,554
Net financial assets/(liabilities)	757,614	135,981,644	(18,699,189)	118,040,069

44. Fair Values of Financial Instruments (Continued)

	The Bank			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 September 2011				
Financial assets				
Government of Jamaica debt securities	-	54,550,211	-	54,550,211
Corporate debt securities	-	2,622,181	315,523	2,937,704
Quoted equity securities	768,763	-	-	768,763
Total financial assets	768,763	57,172,392	315,523	58,256,678
At 30 September 2010				
Financial assets				
Government of Jamaica debt securities	-	60,568,276	-	60,568,276
Corporate debt securities	-	774,197	315,523	1,089,720
Quoted equity securities	526,026	-	-	526,026
Derivative financial instruments	-	12,864	-	12,864
	526,026	61,355,337	315,523	62,196,886
Financial liabilities				
Derivative financial instruments	-	25,930	-	25,930
Net financial assets	526,026	61,329,407	315,523	62,170,956

The movement in financial assets classified as Level 3 during the year was as follows:

	The Group		The Bank	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
At start of year	1,706,435	530,484	315,523	290,568
Acquisitions	3,073,392	1,195,300	-	-
Fair value losses recognised in other comprehensive income	129,638	18,317	-	24,955
Disposals	(1,723,980)	(37,666)	-	-
At end of year	3,185,485	1,706,435	315,523	315,523

The movement in liabilities under annuity and insurance contracts is disclosed in Note 32.

44. Fair Values of Financial Instruments (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The values derived from applying fair value techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(a) Investment securities at fair value through profit or loss, derivatives and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount for these items;

(b) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;

(c) The fair value of liquid assets and other assets maturing within one year (Cash and Balances at Bank of Jamaica, Due from other banks) is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;

(d) The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the date of the statement of financial position;

(e) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts;

(f) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values; and

The fair values of investment securities classified as loans and receivables are disclosed in Note 22. The fair values of the obligations under securitisation arrangements are disclosed in Note 30. The fair values for all other financial instruments approximate their carrying values.

45. Financial Sector Legislation

Banking Act

(i) At 30 September 2011 and 30 September 2010, the Bank was in breach of Section 13(1)(b)(i) of the Banking Act which prohibits the acquisition of property for purposes other than banking business or staff housing. These properties were formerly utilised in banking operations. The breach at 30 September 2011 relates to one property for which, subsequent to year end, a decision was taken to recommence its use for banking operations.

(ii) At 30 September 2011 and 30 September 2010, the Bank was in breach of Section 13(1)(d)(i) of the Banking Act. This section deals with unsecured lending to connected persons and represented approximately 0.00000052% (2010 – 0.00042%) of the Bank's loans and advances. At 30 September 2011, the breach related to an overdraft which was cleared on 4 October 2011.

Securities (Conduct of Business) Regulations

In August 2011, a subsidiary, NCB Capital Markets Limited, acquired an interest in Jamaica Money Market Brokers Limited (JMMB) without the prior notice to the Financial Services Commission as required by paragraph 7 of the Securities (Conduct of Business) Regulations. NCB Capital Markets Limited subsequently advised the Financial Services Commission of the transaction. Since the end of the year, the matter was resolved by the Bank acquiring the shares in JMMB.

46. Commitments for Capital Expenditure

Capital expenditure contracted for at the date of the statement of financial position but not recognised in the financial statements is as follows:

	The Group and The Bank	
	2011	**2010**
	$'000	**$'000**
Authorised and contracted	706,710	394,111
Authorised but not yet contracted	413,408	287,743
	1,120,118	681,854

These amounts are in relation to approved expenditures for property, plant, equipment and computer software that were unused as at the end of the respective financial years either because they relate to work in progress or are awaiting the start of the project.

47. Fiduciary Activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At 30 September 2011, the Group had financial assets under administration of approximately $53,657,460,000 (2010 – $47,800,000,000).

48. Dividends

The following dividends were paid during the year:
- $0.45 per ordinary stock unit was paid in December 2010
- $0.45 per ordinary stock unit was paid in February 2011
- $0.18 per ordinary stock unit was paid in May 2011
- $0.28 per ordinary stock unit was paid in August 2011

On 3 November 2011, the Board declared a final interim dividend in respect of 2011 of $0.34 per ordinary stock unit. The dividend is payable on 1 December 2011 for stockholders on record as at 18 November 2011. The financial statements for the year ended 30 September 2011 do not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the year ending 30 September 2012.

49. Litigation and Contingent Liabilities

Litigation

The Bank and its subsidiaries are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both its financial position and results of operations.

Significant matters are as follows:

(a) Suit has been filed by the Bank's Staff Association against the Bank seeking various declarations regarding the Bank's profit sharing scheme. The Association has not quantified the claim. No provision has been made in the financial statements as the Bank's attorneys are of the opinion that the suit against the Bank is unlikely to succeed.

(b) Suit has been filed by a customer against the Bank for breach of contract, breach of trust and negligence and damages. The claim for damages includes a sum equivalent to the profit of the business foregone as a result of an inability to access a loan approved by the Bank and the cost of interim financing. No provision has been made in these financial statements for this claim as the Bank's attorneys are of the view that the suit against the Bank is unlikely to succeed.

(c) Suit has been filed by a customer against the Bank for damages suffered as a result of the Bank's alleged negligence in relation to the sale of property. The proper value of the property, which had been owned by the customer, is in issue, along with the amount properly to be applied to the customer's loan balance. Based on the advice of the Bank's attorneys, a provision has been made in the financial statements in respect of this claim.

(d) Suit has been filed by a customer against the Bank for unlawful, wrongful and/or improper use of power in the appointment of a Receiver and manager of the customer's business property and assets. Damages, interest and costs have been claimed against the Bank. The Bank's attorneys are unable to determine the outcome of the suit and no provision has been made in the financial statements.

49. Litigation and Contingent Liabilities (Continued)

Litigation (continued)

(e) Suit has been filed against the Bank by customers seeking declarations and damages as compensation for breach of contract/statutory duties in connection with facilities the customers have with the Bank. The claim for damages is approximately $166 million. Based on the advice of the Bank's attorneys, no provision has been made in the financial statements.

(f) Suit has been filed by a customer seeking specific performance, damages for breach of contract, interest and costs. The claim against the Bank is now approximately $22,444,840,000. No provision has been made in these financial statements for this claim as the Bank's attorneys are of the view that the suit against the Bank is unlikely to succeed.

(g) Suit has been filed against the Bank by customers seeking various declarations and orders including specific performance of an Agreement for Sale. No provision has been made in the financial statements for this claim as the Bank's attorneys are of the opinion that the suit against the Bank is unlikely to succeed.

(h) Suit has been filed against the Bank by Claimants seeking damages for loss and an account of trust property as it relates to the Bank's predecessor acting as executor of an estate. The claim against the Bank is approximately $504,680,000. No provision has been made in the financial statements for this claim as the Bank's attorneys are of the opinion that the suit against the Bank is unlikely to succeed.

A number of other suits claiming damages in excess of $5 million each have been filed by customers of the Bank. In some instances counter claims have been filed by the Bank. Provision has been made in the financial statements for certain of these claims. No provision has been made where the Bank's attorneys are of the view that the Bank has a good defence against these claims.

Contingent Liability

In 2009, one of the Bank's subsidiaries received income tax assessments in respect of the years 2003 and 2005 from the Commissioner, Taxpayer Audit & Assessment Department (TAAD), for additional income taxes totaling $2.7 billion. Subsequent to the receipt of the assessment and after discussions and clarifications, the TAAD indicated that it would reverse the additional assessment, with the exception of $585 million which would remain. On this basis, tax assessment of $585 million was disclosed in the financial statements for the year ended 30 September 2009. During the current year, the TAAD amended its position on the proposed reversal of the additional assessments. The subsidiary has objected to the assessments and discussions with the TAAD continue. No provision has been made in the financial statements as the Group's management and advisors are of the opinion that there is no proper basis in law for the assessments and they ought to be discharged.

Shareholdings

10 LARGEST SHAREHOLDERS as at September 30, 2011

	Units	Percentage Ownership
AIC (Barbados) Limited	1,308,040,599	53.02
LOJ PIF Equity Fund	110,795,937	4.49
Harprop Limited	110,521,000	4.48
AIC Global Holdings Inc	49,565,238	2.00
NCB Insurance Co. Ltd WT 109	45,874,302	1.86
Advantage General Ins. Ltd.	44,430,043	1.80
Ideal Portfolio Services Company Limited	41,867,140	1.69
Portland (Barbados) Limited	38,045,232	1.54
Beta SPV Ltd	20,000,000	0.81
SJIML A/C 3119	19,574,981	0.79

SHAREHOLDINGS OF DIRECTORS* as at September 30, 2011

	TOTAL	DIRECT	CONNECTED PARTIES**
Robert Almeida	95,636,327	134,821	95,501,506
Wayne Chen	1,346,107,375	14,044	1,346,093,331
Dennis G. Cohen	73,039,457	86,480	72,952,977
Sandra Glasgow	73,007,586	57,609	72,949,977
Hon. Noel A.A. Hylton, OJ, CD	354,074	14,044	340,030
Patrick Andrew Hylton, CD	425,072	425,072	-
Hon. Michael Lee-Chin, OJ	1,443,385,993	1,798,656	1,441,587,337
Thalia Lyn	73,117,935	152,838	72,965,097
Prof. Alvin Wint	45,044	45,044	-

SHAREHOLDINGS OF LEADERSHIP TEAM* as at September 30, 2011

	TOTAL	DIRECT	CONNECTED PARTIES**
Rickert George Allen	113,696	113,696	-
Septimus Blake	10,050	10,050	-
Ffrench Campbell	57,660	57,660	-
Yvonne Clarke	67,871	67,871	-
Dennis G. Cohen	73,039,457	86,480	72,952,977
Dave Garcia	11,210	11,210	-
Howard Gordon	-	-	-
Ann-Marie Hamilton	-	-	-
Patrick Andrew Hylton, CD	425,072	425,072	-
Sheree Martin	12,436	12,436	-
Majorie Seeberan	76,339	76,339	-
Audrey Tugwell Henry	-	-	-
Mukisa Wilson Ricketts	-	-	-
Allison Wynter	73,142,761	100,789	73,041,972

*Includes shares held by connected persons/parties

**Indicates shares held by persons connected to the individual

Branch Leaders

REGIONAL MANAGERS

L–R: Loren Edwards, Region 1 • Norman Reid, Region 2

ASSISTANT BRANCH MANAGERS

REGION 1

L–R: SITTING Karen Young, Duke Street • Rennie Clarke, New Kingston • Barbara Cohen, May Pen STANDING Mrs. Patricia Cole, Half-Way-Tree • Mrs. Marjorie Johnson,Cross Roads

REGION 2

Andrea Arscott Allen, Mandeville

M. Earl Leaky, St. James Street

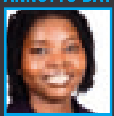
OPERATIONS MANAGERS

REGION 1 L–R: SITTING Paulette Forsythe • Sandra Chambers Green • Jacqueline Murray • Sharon Tate • Sharon Gibson • Annmarie Mason STANDING Cicile Myers • Lourine Martin • Janice McKenzie • Norda Lewis-Harris • Anthony Butler • Santeta Beckford • Paulette Lewis • Yvonne Stone • Marjorie Bish • Kevin McDonald • Charmaine Oudith • Jeniffer Eastwood

REGION 2 L–R: SITTING Joan Grizzle-Graveney • Sophia McCook • Patricia Murray-Reid • Marcia Oreggio STANDING Lindon Ramsay • PetaGay Rodney • Ophelia Allen • Annmarie Pinto • Karlene Harrison • Leisa Wright • Keron Young • Erica Barrett-Malcolm • Angella Carey • Denise Wallace • Paulette Mignott • Patricia Hudson-Buck

Branch Directory

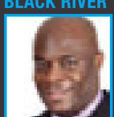
HEAD OFFICE
The Atrium
32 Trafalgar Road
Kingston 10
929-9050

ANNOTTO BAY

Doreen Pindling
Manager

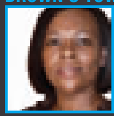
Main Street
St. Mary
996-2213
996-2219
Operations Manager
- Denise Wallace

BARNETT STREET
(Reports to St. James Street)
93 Barnett Street
Montego Bay
St. James
952-6539

BAYWEST AGENCY & CREDIT CENTRE
(Reports to St. James Street)
Harbour Street
Montego Bay
St. James
952-0077
952-3640-3
Manager
- Peter Jennings
Asst. Manager
- Earl Leaky
Operations Manager
- Marcia O'Reggio

BLACK RIVER

Conroy Ward
Manager

Chambers Plaza
1 Brigade Street
Black River
St. Elizabeth
965-2207
965-9027
Operations Manager
– Leisa Wright

BROWN'S TOWN

Maxine Brown-Cowan
Manager

17 Main Street
Brown's Town
St. Ann
975-2242
975-2275
Operations Manager
– Ophelia Allen

CHAPELTON

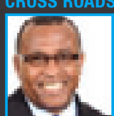
Odel Laing
Relationship Manager

40 Main Street
Chapelton
Clarendon
987-2225
987-2395
Operations Manager
– Sophia McCook

CHRISTIANA

Prince Myers
Manager

Main Street
Christiana
Manchester
964-2235
964-2426
Operations Manager
- Lindon Ramsay

CROSS ROADS

Glen Shields
Manager

90-94 Slipe Road
Kingston 5, St. Andrew
926-7420-1
926-7428-9
Asst. Manager
- Marjorie Johnson
Operations Manager
- Jacqueline Murray

DUKE STREET

Leroy Harding
Manager

37 Duke Street
Kingston
922-6710-9
922-6732-6
Asst. Manager
- Karen Young
Operations Manager (Actg)
- Charmaine Oudith

FALMOUTH

Brian Baggoo
Manager

Water Square
Falmouth
Trelawny
954-3232
954-3233
Operations Manager (Actg)
- Kerron Young

HAGLEY PARK

Donna Clarke
Manager

211 Hagley Park Road
Kingston 11
St. Andrew
923-5391-5
923-0560-2
Operations Manager
- Lourine Martin

HALF MOON

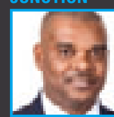
Janet Reid
Manager

Half Moon Shopping Village
St. James
953-9281
Operations Manager
- Angella Carey

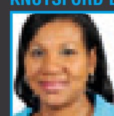
HALF WAY TREE

Robert Brooks
Manager

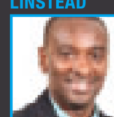
94 Half Way Tree Road
Kingston 10
St. Andrew
920-8313
920-8315
Asst. Manager
- Patricia Cole
Operations Manager
- Jennifer Eastwood

JUNCTION

Orette Bryant
Relationship Manager

Junction P.O.
St. Elizabeth
965-8611
965-8612
Operations Manager (Actg)
– Tracey Senior

KNUTSFORD BOULEVARD

Marva Peynado
Manager

1-7 Knutsford Boulevard
Kingston 5, St. Andrew
926-9015-23
926-1040-9
Asst. Manager
- Rennie Clarke
Operations Manager
- Myrtella Skeine

LINSTEAD

Dean Simpson
Manager

29 King Street
Linstead
St. Catherine
985-2257
985-9295
Operations Manager
- Yvonne Stone

LUCEA

Kelvin Hall
Manager

Hanover
956-2204
956-2348
Operations Manager
- Evette Moxie-Daley

MANDEVILLE

Stuart Barnes
Manager

6 Perth Road
962-2083
962-2886
Asst. Manager
- Andrea Arscott-Allen
Operations Manager (Actg)
- Karlene Harrison

MANOR PARK

Jacqueline Mighten
Manager

Manor Park Plaza
184 Constant Spring Road
Kingston 8, St. Andrew
925-9039
924-1388
Operations Manager
- Sharon Gibson

MANOR CENTRE
195C Constant Spring Rd
Kingston 8
St. Andrew
755-1804

MATILDA'S CORNER

Audrey McIntosh
Manager

15 Northside Drive
Northside Plaza
Kingston 6
St. Andrew
702-2421-3
977-2534-5
Operations Manager
- Ann-Marie Mason

MAY PEN


Kevin Ingram
Manager

41 Main Street
May Pen
Clarendon
986-2343
986-2411
Asst. Manager
- Barbara Cohen
Operations Manager
- Marjorie Bish

MORANT BAY


Lloyd Richardson
Manager

39 Queen Street
Morant Bay
St. Thomas
982-2225
982-2272
Operations Manager
- Paulette Forsythe

NEGRIL

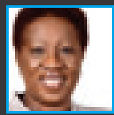

Khani Skeen
Manager

Sunshine Village Complex
West End Road, Negril
Westmoreland
957-4117
957-4119
Operations Manager
– Patricia Hudson-Buck

NEWPORT WEST

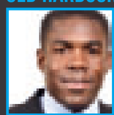

Joan Guthrie
Manager

54 2nd Street
Kingston
923-9004-5
923-9011-2
Operations Manager
- Cicile Myers

OCHO RIOS


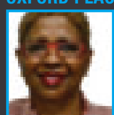
Jacqueline Lucas
Manager

40 Main Street
Ocho Rios
St. Ann
974-2522
974-2580
Operations Manager
- Peta-Gay Rodney

OLD HARBOUR


Donnovan Reid
Manager

St. Catherine
983-2279
983-2671
Operations Manager
- Paulette Lewis

OXFORD PLACE


Elizabeth Thompson
Manager (Actg)

NCB Towers
2 Oxford Road, Kingston 5
St. Andrew
926-6623-4
926-6628
Operations Manager
- Patricia Hall-Todd

PORT ANTONIO


Carlos Gordon
Manager

1 Gideon Street
Port Antonio
Portland
Operations Manager
- Janice McKenzie

PORT MARIA


Leon Drysdale
Manager

8 Main Street
Port Maria
St. Mary
994-2219
994-2551
Operations Manager
- Erica Barrett-Malcolm

PORTMORE

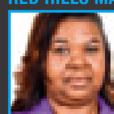

Laurie Spencer
Manager

13 - 14 West Trade Way
Portmore Mall
St. Catherine
988-7433-7
988-5505
Operations Manager
- Kevin McDonald

PRIVATE BANKING


Sharon Williams
Manager

"The Atrium"
32 Trafalgar Road
Kingston 5, St. Andrew
929-7717
929-8735
Operations Manager
- Lorna Jaddoo

RED HILLS MALL


Lorna Brown
Manager

105 Red Hills Road
Kingston 19
St. Andrew
925-3313
925-3314
Operations Manager
- Sharon Tate

SANTA CRUZ


Xavier Allen
Manager

7 Coke Drive
St. Elizabeth
966-2204
966-2664
Operations Manager
- Ann-Marie Pinto

SAVANNA-LA-MAR


Kevin Walker
Manager

68 Great George Street
Savanna-la-mar
Westmoreland
955-2672
955-2338-9
Operations Manager
- Joan Graveney-Grizzle

SPALDING
(Reports to Christiana Manager)
1 Spalding
Manchester
964-2268

ST. ANNS BAY

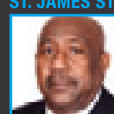

Dave Wilson
Manager

19-21 Main Street
St. Anns Bay
St. Ann
972-2490-1
972-0722
Operations Manager
- Paulette Mignott

ST. JAGO SHOPPING CENTRE


Wayne Hunter
Manager

Burke Road
Spanish Town
St. Catherine
984-5604
984-0672-6
Operations Manager
- Anthony Butler

ST. JAMES STREET


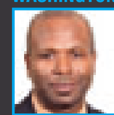
Peter Jennings
Manager

41 St. James Street
Montego Bay
St. James
952-6540-9
952-6112
Asst. Manager
- Earl Leaky
Operations Manager
- Marcia O'Reggio

UNIVERSITY (UWI)

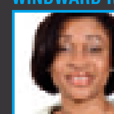

Dwight Hyde
Manager

Mona Campus
Kingston 7
Kingston & St. Andrew
927-1057
927-1898
Operations Manager
- Santeta Beckford

WASHINGTON BOULEVARD


Neil Campbell
Manager

SuperCentre
45 Elma Crescent
Kgn 20, St. Andrew
934-1817
9341081-21
Operations Manager
- Sandra Chambers-Green

WINDWARD ROAD


Donna-Marie Solomon
Manager

89-91 Windward Road
Kingston 2
St. Andrew
928-1167
928-2922
Operations Manager
- Norda Lewis-Harris

Corporate directory

Corporate Banking
Marjorie Seeberan – General Manager
Brian Boothe – Senior Assistant General Manager (Western Region)
Nadienne Neita – Assistant General Manager
Deryck Russell – Assistant General Manager
Raymond Donaldson – Assistant General Manager

Credit & Risk Management
Allison Wynter – General Manager
Lincoln McIntyre – Assistant General Manager
Henry Pratt – Assistant General Manager

Facilities & Services
Ffrench Campbell – Senior Assistant General Manager
Stacey Hamilton – Manager, Planning, Performance & Special Projects
Rodney Davis – Purchasing Manager
Glenroy Findlay – Security, Safety & Environmental Manager
Shevene Logan – Quantity Surveyor
Andrew Anderson – Reliability Engineer

Financial Control
Josephine Bennett – Assistant General Manager
Malcolm Sadler – Assistant General Manager
Denzil Whyte – Group Regulatory & Taxation Manager

Group Human Resources
Rickert Allen – Senior General Manager
Euton Cummings – Assistant General Manager
Sandra Grey – HR Relationship Manager
Dorie Blackwood – Learning Manager
Judith Grossett – Food Services Manager
Nicole Downie – Manager, Talent Management
Althea Bailey – Manager, eLearning

Group Managing Director's Office
Nadeen Matthews – Assistant General Manager
Lennox Channer – Assistant General Manager

Group Operations and Technology
Howard Gordon – Senior General Manager
Nicole Brown – Assistant General Manager, IT Applications
Ramon Lewis – Assistant General Manager, IT Infrastructure & Operations
Alison Lynn – Assistant General Manager, Centralized Operations
Ann McMorris Cover – Assistant General Manager

Internal Audit
Mukisa Ricketts – Chief Internal Auditor
Michael Hamm – Internal Audit Manager
Allan Holmes – Internal Audit Manager
Alric Tate – Internal Audit Manager
Amoy Parchment Graham – Internal Audit Manager

Legal, AML & Corporate Compliance
Dave Garcia – General Manager
Janelle Muschette Leiba – Legal Counsel
Nicola Whyms-Stone – Legal Counsel
Tricia-Gaye Watson – Legal Counsel
Fiona Briscoe – Senior Compliance Manager
Misheca Seymour Senior – Legal Counsel, Compliance Manager and Assistant Company Secretary
Patricia Tennant – Compliance Manager

Marketing, Communications and Service Delivery
Sheree Martin – General Manager
Claudell Robinson – Manager, Customer Care and Service Delivery
Belinda Williams – Manager, Group Corporate Communications
Tishan Lee – Marketing Manager, Channels and Consumer Services
Julian Patrick – Marketing Manager, Sponsorships and Promotions

Retail Banking
Audrey Tugwell Henry – Senior General Manager
Norman Reid – Senior Assistant General Manager, Regional Manager
Loren Edwards – Senior Assistant General Manager, Regional Manager
Barbara Hume – Senior Assistant General Manager, Middle Market Unit
Bernadette Barrow – Assistant General Manager, Small & Medium Enterprises
Marcia Reid-Grant – Assistant General Manager, Consumer Portfolio and Performance Management

Treasury & Correspondent Banking and Cards
Septimus (Bob) Blake – Senior General Manager
Tanya Watson – Senior Assistant General Manager, Fixed Income
Peter Higgins – Assistant General Manager, F/X Trading
Youlan Laidlaw – Senior Business Analyst
Karen Watson – Financial Institutions Relationship Manager
Claudette Rodriquez – Assistant General Manager, Card Services
Gail Dolphin-Whylie – Senior Manager, Product & Portfolio Development Card Services
Michelle Thomas – Product & Portfolio Manager, Cards

NCB Subsidiaries & NCB Foundation

NCB Capital Markets Limited
Directors
Patrick Hylton (Chairman)
Dennis Cohen (Chief Executive Officer)
Michael Ammar (Jr.)
Cecil Batchelor
Shamena Khan
Yvonne Clarke
Septimus (Bob) Blake
Harry Smith
Company Secretary: Misheca Seymour-Senior

NCB Insurance Company Limited
Directors
Wayne Chen (Chairman)
Ann Marie Hamilton (General Manager)
Patrick Hylton
Milverton Reynolds
Alvin Wint
William Mahfood - Resigned Effective December 31, 2011
Dr Colin McKenzie
Dennis Cohen
Yvonne Clarke
Hilary Reid
Sheree Martin
Audrey Tugwell Henry
Company Secretary: Dave Garcia

NCB (Cayman) Limited
Directors
Wayne Chen (Chairman)
Phillip Harrison (Managing Director)
Patrick Hylton
Dennis Cohen
Prof. Alvin Wint
Darcy Parkins
Company Secretary: Misheca Seymour-Senior

NCB Capital Markets (Cayman) Limited
Directors
Wayne Chen (Chairman)
Phillip Harrison
Patrick Hylton
Dennis Cohen
Prof. Alvin Wint
Company Secretary: Dave Garcia

West Indies Trust Company Limited
Directors
Wayne Chen (Chairman)
Patrick Hylton
Dennis Cohen
Company Secretary: Misheca Seymour-Senior

Data-Cap Processing Limited
Yvonne Clarke (Chair)
Josephine Bennett-Darmand
Rickert Allen
Ffrench Campbell
Company Secretary: Dave Garcia

N.C.B. (Investments) Limited
Directors
Yvonne Clarke (Chair)
Josephine Bennett-Darmand
Andre Ho Lung
Malcolm Sadler
Company Secretary: Misheca Seymour-Senior

N.C.B. Jamaica (Nominees) Limited
Directors
Yvonne Clarke (Chair)
Josephine Bennett-Darmand
Malcolm Sadler
Company Secretary: Misheca Seymour-Senior

Mutual Security Insurance Brokers Limited
Directors
Dennis Cohen (Chairman)
Diana E. McCaulay
David Williams
Josephine Bennett-Darmand
Company Secretary: Janelle Muschette Leiba

NCB Remittance Services (Cayman) Limited
Directors
Wayne Chen (Chairman)
Phillip Harrison (Managing Director)
Patrick Hylton
Dennis Cohen
Prof. Alvin Wint
Darcy Parkins
Company Secretary: Dave Garcia

NCB Remittance Services (Jamaica) Limited
Directors
Prof. Alvin Wint (Chairman)
Darcy Parkins (Managing Director)
Ronald Graham
Yvonne Clarke
Septimus (Bob) Blake
Audrey Tugwell Henry
Company Secretary: Nicola Whyms-Stone

NCB Remittance Services (UK) Limited
Directors
Yvonne Clarke (Chair)
Audrey Tugwell Henry
Leonard Mahipalamudali
Dr Franklyn Johnston
Septimus (Bob) Blake
Darcy Parkins
Company Secretary: Dave Garcia

N.C.B. Foundation
Directors
Thalia Lyn (Chair)
Sheree Martin (Chief Executive Officer)
Dr Joy Callendar
Irene Walter
Lisa Lakhan Chen
Diana Thorburn
Diana Oddi
Yvonne Clarke
Andrew Pairman
Company Secretary: Janelle Muschette Leiba

Notes

Design
NCB Marketing, Communications
and Service Delivery Division

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Jeremy Francis I Andre Milford
Paul Mullings

Auditors
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HEAD OFFICE THE ATRIUM
32 Trafalgar Road, Kingston 10 | 1-888-NCB-FIRST
www.jncb.com | ncbinfo@jncb.com