

The Board of Directors is pleased to release the following financial results for National Commercial Bank Jamaica Limited (NCBJ) and its subsidiaries for the financial year ended September 30, 2012.

## PERFORMANCE HIGHLIGHTS

### Year ended September 30, 2012 compared with the year ended September 30, 2011

- Net profit of \$10.0 billion, a decline of 27.7%, or \$3.8 billion.
- Earnings per stock unit of \$4.08, declined by 27.7%, or \$1.56.
- Cost to income ratio increased to 56.01%, from 52.36%.
- Total assets of \$379.4 billion, increased by 5.5%, or \$19.8 billion.
- Return on average total assets decreased to 2.72%, from 4.00%.
- Net loans of \$111.9 billion, grew by 22.0%, or \$20.2 billion.
- Customer deposits of \$162.9 billion, increased by 4.6%, or \$7.1 billion.
- Total stockholders' equity of \$66.3 billion, increased by 7.0%, or \$4.4 billion.
- Return on average stockholders' equity decreased to 15.66%, from 25.07%.

### Quarter ended September 30, 2012 compared with the quarter ended June 30, 2012

- Net profit of \$2.7 billion, increased by 3.8%, or \$98 million.
- Earnings per stock unit of \$1.10, increased by 3.8%, or \$0.05.
- Cost to income ratio decreased to 52.50%, from 58.46%.
- Return on average total assets increased to 2.83%, from 2.76%.
- Return on average stockholders' equity increased to 16.46%, from 16.36%.

Our strategic initiatives have resulted in growth in our core businesses, and in particular, the significant increase in our loan portfolio. We have been focused on strengthening our sales team during the financial year and are now concentrating on bolstering our infrastructure and streamlining our operating processes and procedures to more effectively and efficiently serve our customers. Despite our considerable sales effort, and other enhancements to our infrastructure and business, we are reporting a decline in net profits when compared with the previous financial year. This decline in performance was driven primarily by a significant reduction in yields, increased operating expenses, loan losses and impairment expenses experienced in the 2011/2012 financial year, as well as the recently amended asset tax, which was introduced as part of the Government of Jamaica's revenue raising programme.

As we journey into the 2012/2013 financial year, we know that we have helped our customers navigate a world of persistent change while managing some major changes of our own. In the new financial year, we will continue to remind ourselves that there can be no compromise when it comes to the importance of customers, as our success is intertwined with their success. We firmly believe that we have an opportunity to establish NCB as more than a great Jamaican financial institution; we can be a great Caribbean and global organisation, and our strategy is aimed at achieving this objective.

## FINANCIAL PERFORMANCE

Our operating income decreased by 0.4%, or \$125 million, for the financial year ended September 30, 2012, when compared with the financial year ended September 30, 2011, mainly as a result of:

- Premium income, which declined by 42.3%, or \$1.2 billion, primarily due to lower sales of annuity products, during the 2012 financial year when compared to the 2011 financial year.
- Gain on foreign currency and investment activities, which decreased by 7.5%, or \$304 million, due primarily to reduced spreads on the sale of Jamaican government debt securities.

These reductions were partially offset by a 3.0%, or \$633 million, increase in net interest income mainly driven by the loan growth during the year, and increased net fee and commission income of 10.8%, or \$694 million, mainly as a result of increased fees linked to the growth in the loan portfolio.

Operating expenses increased by 16.1%, or \$3.1 billion, for the financial year ended September 30, 2012, over the financial year ended September 30, 2011, mainly as a result of:

- Provision for credit losses, which increased by 220.3%, or \$1.7 billion, due mainly to increased loan losses.
- Staff costs, which increased by 5.6%, or \$516 million, mainly due to the negotiated salary increase for the 2011/2012 financial year.
- Impairment losses on securities, which grew by 78.5%, or \$206 million, representing impairment losses recorded on securities which have been deemed impaired.

Loans and advances, which totalled \$111.9 billion (net of provision for credit losses) as at September 30, 2012, grew by 22.0%, or \$20.2 billion, compared to the loan portfolio as at September 30, 2011. Non-performing loans totalled \$8.3 billion as at September 30, 2012 (\$6.7 billion as at September 30, 2011) and represented 7.1% of the gross loans compared to 7.2% as at September 30, 2011. Our regulatory provision coverage as at September 30, 2012 was 114.0% of non-performing loans compared to 115.9% at September 30, 2011. Our delinquency management processes remain robust and proactive.

Customer deposits, which totalled \$162.9 billion as at September 30, 2012, grew by 4.6%, or \$7.1 billion, compared to the deposit portfolio as at September 30, 2011.

As reported by the Bank of Jamaica, at 30 June 2012, NCBJ held the largest market share in loans (38.0%) and deposits (39.8%) in the commercial banking industry, and remains the largest commercial bank in Jamaica when measured by assets, branch network and capital base.

## SEGMENT PERFORMANCE

The Retail & SME, Payments Services, Corporate Banking, and Treasury & Correspondent Banking segments which comprise the commercial banking activities, reported combined operating profits of \$7.2 billion for the financial year ended September 30, 2012; this represents a decrease of 24.4%, or \$2.3 billion, from the financial year ended September 30, 2011.

## **SEGMENT PERFORMANCE (continued)**

Our Retail & SME segment recorded operating profits of \$1.6 billion, for the financial year ended September 30, 2012, an increase of 14.1%, or \$194 million, over the financial year ended September 30, 2011. The increase in the operating profits was driven mainly by the strong growth in consumer loans.

Our Payment Services segment recorded operating profits of \$1.9 billion, for the financial year ended September 30, 2012, up by 14.0%, or \$233 million, over the financial year ended September 30, 2011. The improvement in the operating profits was driven mainly by increased net interest income and net fee and commission income, due to the growth in the credit card portfolio over the financial year ended September 30, 2011.

Our Corporate Banking segment recorded operating profits of \$95 million, for the financial year ended September 30, 2012, a decline of 95.5%, or \$2.0 billion in its segment result when compared to the financial year ended September 30, 2011. This reduction is mainly attributed to loan losses on a large non-performing loan.

Our Treasury & Correspondent Banking segment recorded operating profits of \$3.6 billion, for the financial year ended September 30, 2012, a decline of 17.1%, or \$746 million, when compared to the financial year ended September 30, 2011, which was mainly due to lower yields earned on our investment portfolio.

Our Wealth Management segment contributed operating profits of \$4.0 billion, for the financial year ended September 30, 2012, representing a decrease of 15.1%, or \$705 million, from the financial year ended September 30, 2011; the reduction is primarily attributed to impairment losses on investment securities and a decrease in interest income due to the decline in the yields earned on investment securities.

Our Insurance and Pension Fund Management segment reported operating profits of \$2.4 billion, for the financial year ended September 30, 2012; this result reflects a decrease of 0.3%, or \$8 million, from the financial year ended September 30, 2011, and the reduction is primarily driven by lower insurance premium income as a result of lower sales of annuity products.

## **CAPITAL**

The Group's stockholders' equity of \$66.3 billion as at September 30, 2012, increased by 7.0%, or \$4.4 billion, when compared to September 30, 2011.

- The risk-based capital adequacy ratio (risk assessed assets as a percentage of qualifying capital) for NCBJ was 12.9% (September 30, 2011 – 15.1%).
- The capital to risk weighted assets ratio (risk assessed assets as a percentage of qualifying capital) for NCBCM was 26.2% (September 30, 2011 – 35.7%).
- The solvency ratio (stockholders' equity as a percentage of total liabilities) for NCBIC was 34.6% (September 30, 2011 – 34.7%).

## **DIVIDENDS**

On November 15, 2012, the Board declared an interim dividend of \$0.64 per ordinary stock unit. The dividend is payable on December 13, 2012 for stockholders on record as at November 30, 2012.



## AWARDS

In 2012, our Bank, for the third consecutive year, was named as Best Bank in Jamaica by LatinFinance. The LatinFinance Bank of the Year Awards is among the region's most prestigious, valued, and certainly most rigorously judged awards for excellence in retail, commercial and local investment banking. The Board of Directors sees this achievement as recognition of our effective management and prudent risk approach, and an indicator that we are on the right path.

## COMMUNITY RELATIONS

In pursuit of our mantra "Building a Better Jamaica", we contributed over \$31 million to a number of initiatives during the quarter. Our main areas of focus were Education and School Infrastructure - \$19 million, Community Development - \$3 million, Sport Development, Youth Leadership and Entrepreneurship - \$9 million. For the financial year ended September 30, 2012, we donated \$75 million in support of our commitment to our corporate social responsibility.

### Education & School Infrastructure

We invested in the educational development of our nation's youth by assisting 210 students with scholarships and grants during the quarter. Among the total number of students, 175 awards were disbursed to tertiary level students in recognition of our celebrations of 175 years of service to Jamaica. In addition, we continued to assist schools by donating computers and providing assistance for academic infrastructure initiatives.

### Community Development

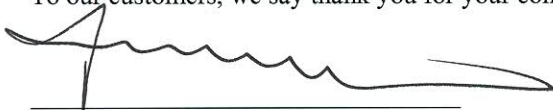
Our Community development activities are delivered through our branch network islandwide. The activities during the quarter included the donation of computer equipment to the paediatric ward of the Spanish Town Hospital, funding and support to Angels of Love Jamaica, St. Patrick's Foundation and the Wortley Home for Girls.

### Sports Development & Youth Leadership & Entrepreneurship

We continue to support programmes that encourage our nation's youth to becoming change agents in their schools and communities. During the quarter, we supported the Youth Upliftment Through Employment (YUTE) programme, which is designed to provide employment opportunities for at-risk youth from inner-city communities, and a number of summer camps which included Camp to the World in Portland, Rise Life Management Summer Camp, UWI's Mary Seacole Summer Camp for girls, Jamaica Child Evangelism Summer Camp and the New Haven Seventh Day Adventist Church Summer Camp.

This year, as we celebrate 175 years of service, we are thankful for the opportunity to meet the needs of our customers, shareholders, employees and other key stakeholders through the provision of financial services, while building a better Jamaica. We are proud to have served and supported Jamaicans for over 175 years and remain steadfast in our commitment to nation building and meeting the needs of all our stakeholders. We thank all our customers and employees for the support to enable us to deliver on our commitment of Building a better Jamaica.

To our customers, we say thank you for your continued loyalty, confidence and support; together, *We Make It Happen.*



**ON BEHALF OF THE BOARD**

# National Commercial Bank Jamaica Limited

## Consolidated Income Statement

Year ended September 30, 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Current Year			Restated Prior Year	
	Quarter ended September 30, 2012 \$'000	Quarter ended June 30, 2012 \$'000	Year ended September 30, 2012 \$'000	Quarter ended September 30, 2011 \$'000	Year ended September 30, 2011 \$'000
<b>Operating Income</b>					
Interest income	7,682,548	7,739,563	30,475,968	7,424,322	30,191,938
Interest expense	(2,235,321)	(2,141,388)	(8,691,878)	(2,121,101)	(9,041,078)
Net interest income	5,447,227	5,598,175	21,784,090	5,303,221	21,150,860
Fee and commission income	2,130,526	2,088,364	8,300,085	1,975,682	7,497,876
Fee and commission expense	(325,206)	(296,210)	(1,186,403)	(268,577)	(1,078,430)
Net fee and commission income	1,805,320	1,792,154	7,113,682	1,707,105	6,419,446
Gain on foreign currency and investment activities	590,657	705,888	3,731,492	1,208,871	4,035,443
Dividend income	50,708	31,667	119,634	507	11,830
Premium income	257,117	408,603	1,687,082	204,699	2,921,919
Other operating income	30,154	40,166	110,969	57,410	132,698
	928,636	1,186,324	5,649,177	1,471,487	7,101,890
	<b>8,181,183</b>	<b>8,576,653</b>	<b>34,546,949</b>	<b>8,481,813</b>	<b>34,672,196</b>
<b>Operating Expenses</b>					
Staff costs	1,813,969	2,609,112	9,755,916	2,379,030	9,240,116
Provision for credit losses	662,045	273,971	2,462,811	193,672	768,881
Depreciation and amortisation	232,325	211,426	812,512	153,509	580,132
Impairment losses on securities	153,778	-	467,778	262,003	262,003
Other operating expenses	2,249,058	2,193,723	8,780,474	1,673,403	8,333,326
	<b>5,111,175</b>	<b>5,288,232</b>	<b>22,279,491</b>	<b>4,661,617</b>	<b>19,184,458</b>
<b>Operating Profit</b>	<b>3,070,008</b>	<b>3,288,421</b>	<b>12,267,458</b>	<b>3,820,196</b>	<b>15,487,738</b>
Gain on acquisition of associates	-	-	-	1,867,377	1,867,377
Share of profits of associates	465,885	157,527	947,141	29,314	234,979
Dilution of share in associate	55,670	(67,618)	(11,948)	-	-
<b>Profit before Taxation</b>	<b>3,591,563</b>	<b>3,378,330</b>	<b>13,202,651</b>	<b>5,716,887</b>	<b>17,590,094</b>
Taxation	(906,065)	(790,720)	(3,156,789)	(1,100,563)	(3,704,793)
<b>NET PROFIT</b>	<b>2,685,498</b>	<b>2,587,610</b>	<b>10,045,862</b>	<b>4,616,324</b>	<b>13,885,301</b>
<b>Earnings per stock unit</b> (expressed in \$ per share) Basic and diluted	<b>\$ 1.10</b>	<b>\$ 1.05</b>	<b>\$ 4.08</b>	<b>\$ 1.87</b>	<b>\$ 5.64</b>

# National Commercial Bank Jamaica Limited

## Consolidated Statement of Comprehensive Income

Year ended September 30, 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Current Year			Restated Prior Year	
	Quarter ended September 30, 2012 \$'000	Quarter ended June 30, 2012 \$'000	Year ended September 30, 2012 \$'000	Quarter ended September 30, 2011 \$'000	Year ended September 30, 2011 \$'000
<b>Net Profit</b>	<b>2,685,498</b>	<b>2,587,610</b>	<b>10,045,862</b>	<b>4,616,324</b>	<b>13,885,301</b>
<b>Other comprehensive income, net of tax</b>					
Currency translation/exchange gains/(losses)	(29,796)	42,598	92,142	6,973	2,691
Unrealised (losses)/gains on available-for-sale investments	(1,136,567)	(194,463)	(837,922)	(243,924)	4,584,760
Realised fair value gains on sale and maturity of available-for-sale investments	251,127	(1,185,906)	(2,226,635)	(567,329)	(2,220,115)
impairment of available-for-sale equity securities	-	-	-	264,012	264,012
	(915,236)	(1,337,771)	(2,972,415)	(540,268)	2,631,348
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1,770,262</b>	<b>1,249,839</b>	<b>7,073,447</b>	<b>4,076,056</b>	<b>16,516,649</b>

# National Commercial Bank Jamaica Limited

## Consolidated Statement of Financial Position


September 30, 2012

(expressed in Jamaican dollars unless otherwise indicated)

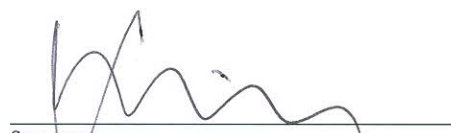
	September 30, 2012 \$'000	Restated September 30, 2011 \$'000
<b>ASSETS</b>		
Cash in hand and balances at Bank of Jamaica	24,102,812	20,725,491
Due from other banks	14,927,069	24,812,575
Derivative financial instruments	4,978	0
Investment securities at fair value through profit or loss	720,406	1,785,352
Reverse repurchase agreements	408,294	1,697,472
Loans and advances, net of provision for credit losses	111,904,854	91,728,138
Investment securities classified as available-for-sale and loans and receivables	209,933,151	202,962,775
Investment in associates	7,149,680	6,698,130
Investment property	12,500	12,000
Intangible asset - computer software	1,135,599	897,862
Property, plant and equipment	5,231,798	4,322,866
Deferred income tax assets	19,483	26,191
Income tax recoverable	887,577	1,402,777
Customers' liability - letters of credit and undertaking	530,719	361,606
Other assets	2,466,599	2,184,878
<b>Total assets</b>	<b>379,435,519</b>	<b>359,618,113</b>
<b>LIABILITIES</b>		
Due to other banks	9,324,897	6,215,824
Customer deposits	162,930,350	155,800,401
Repurchase agreements	101,890,449	84,075,103
Obligations under securitisation arrangements	2,593,201	14,378,119
Derivative financial instruments	5,312	0
Other borrowed funds	3,620,012	5,693,957
Income tax payable	11,191	12,591
Deferred income tax liabilities	1,398,092	2,387,682
Liabilities under annuity and insurance contracts	25,194,324	23,564,275
Provision for litigation	17,300	13,000
Post-employment benefit obligations	810,276	582,491
Liability - letters of credit and undertaking	530,719	361,606
Other liabilities	4,766,075	4,555,800
<b>Total liabilities</b>	<b>313,092,198</b>	<b>297,640,849</b>
<b>STOCKHOLDERS' EQUITY</b>		
Share capital	6,465,731	6,465,731
Shares held by NCB Employee Share Scheme	(3,388)	(3,388)
Fair value and capital reserves	2,194,179	5,166,594
Loan loss reserve	4,662,842	4,922,610
Banking reserve fund	6,512,634	6,039,667
Retained earnings reserve	14,013,657	11,375,761
Retained earnings	32,497,666	28,010,289
<b>Total stockholders' equity</b>	<b>66,343,321</b>	<b>61,977,264</b>
<b>Total equity and liabilities</b>	<b>379,435,519</b>	<b>359,618,113</b>

Approved for issue by the Board of Directors on November 15, 2012 and signed on its behalf by:

  
Director

  
Director

  
Director

  
Secretary

## National Commercial Bank Jamaica Limited

Consolidated Statement of Changes in Stockholders' Equity

Year ended September 30, 2012

(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
<b>Balance at September 30, 2010</b>	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, as restated	-	-	2,631,348	-	-	-	13,885,301	16,516,649
Dividends paid	-	-	-	-	-	-	(3,347,318)	(3,347,318)
Redemption of Preference Shares	-	-	1,077,382	-	-	-	(1,077,382)	-
Transfer to Loan Loss Reserve	-	-	-	3,787,598	-	-	(3,787,598)	-
Transfer to Banking Reserve Fund	-	-	-	-	839,461	-	(839,461)	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	2,500,000	(2,500,000)	-
<b>Balance at September 30, 2011, as restated</b>	6,465,731	(3,388)	5,166,594	4,922,610	6,039,667	11,375,761	28,010,289	61,977,264
Total comprehensive income	-	-	(2,972,415)	-	-	-	10,045,862	7,073,447
Dividends paid	-	-	-	-	-	-	(2,707,390)	(2,707,390)
Transfer from Loan Loss Reserve	-	-	-	(259,768)	-	-	259,768	-
Transfer to Banking Reserve Fund	-	-	-	-	472,967	-	(472,967)	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	2,637,896	(2,637,896)	-
<b>Balance at September 30, 2012</b>	6,465,731	(3,388)	2,194,179	4,662,842	6,512,634	14,013,657	32,497,667	66,343,321



# National Commercial Bank Jamaica Limited

## Consolidated Statement of Cash Flows

Year ended September 30, 2012

(expressed in Jamaican dollars unless otherwise indicated)

	September 30, 2012 \$'000	Restated September 30, 2011 \$'000
<b>Cash Flows from Operating Activities</b>		
Net profit	10,045,862	13,885,301
Adjustments to reconcile net profit to net cash provided by operating activities	5,666,044	6,554,155
Net cash provided by operating activities	<u>15,711,906</u>	<u>20,439,456</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(1,415,627)	(672,268)
Acquisition of intangible asset - computer software	(546,801)	(688,160)
Investment in associates	-	(2,318,753)
Proceeds from disposal of property, plant and equipment	4,274	27,982
Sales/maturities of investment securities	146,761	41,948
Dividends received from associate	(240,338,871)	(320,155,347)
Purchases of investment securities	219,525,093	311,783,831
Net cash used in investing activities	<u>(22,625,171)</u>	<u>(11,980,767)</u>
<b>Cash Flows from Financing Activities</b>		
Repayments under securitisation arrangements	(11,483,783)	(6,087,083)
Repayments of other borrowed funds	943,027	1,471,419
Proceeds from other borrowed funds	(3,035,243)	(2,759,486)
Dividends paid	(2,707,390)	(3,347,318)
Net cash used in financing activities	<u>(16,283,389)</u>	<u>(10,722,468)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,044,342</u>	<u>(38,490)</u>
Net decrease in cash and cash equivalents	(22,152,312)	(2,302,269)
Cash and cash equivalents at beginning of period	<u>38,609,519</u>	<u>40,911,788</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>16,457,207</u></b>	<b><u>38,609,519</u></b>
<b>Comprising:</b>		
Cash in hand and balances at Bank of Jamaica	6,374,868	4,656,845
Due from other banks	14,927,069	24,812,575
Reverse repurchase agreements	394,873	400,000
Investment securities	4,085,294	14,955,923
Due to other banks	(9,324,897)	(6,215,824)
	<b><u>16,457,207</u></b>	<b><u>38,609,519</u></b>

# National Commercial Bank Jamaica Limited

## Segment Report

Year ended September 30, 2012

	Consumer & SME								Consolidated
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth Management	Insurance & Pension Fund Management	Other	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
External revenue	11,987,814	5,655,151	3,687,430	8,337,897	8,895,950	5,778,306	82,682	-	44,425,230
Revenue from other segments	2,996,958	-	-	1,120,417	600,790	62,099	177,513	(4,957,777)	-
<b>Total revenue</b>	<b>14,984,772</b>	<b>5,655,151</b>	<b>3,687,430</b>	<b>9,458,314</b>	<b>9,496,740</b>	<b>5,840,405</b>	<b>260,195</b>	<b>(4,957,777)</b>	<b>44,425,230</b>
Interest income	11,589,823	2,095,535	3,176,482	7,556,345	7,744,270	2,729,571	36,176	(4,453,218)	30,474,984
Interest expense	(1,547,225)	(572,384)	(1,262,756)	(4,807,544)	(3,939,225)	(1,050,982)	(1,292)	4,453,218	(8,728,190)
<b>Net interest income</b>	<b>10,042,598</b>	<b>1,523,151</b>	<b>1,913,726</b>	<b>2,748,801</b>	<b>3,805,045</b>	<b>1,678,589</b>	<b>34,884</b>	<b>-</b>	<b>21,746,794</b>
Net fee and commission income	3,047,156	2,340,043	479,667	180,073	193,108	859,062	88,947	(198,436)	6,989,620
Gain on foreign currency and investment activities	128,592	8,429	21,859	1,545,365	1,480,682	498,119	(28,662)	28,440	3,682,824
Premium income	-	-	-	-	-	1,716,630	-	(29,548)	1,687,082
Other income	64,238	5,332	3,885	172,133	74,351	37,023	48,083	(202,126)	202,919
<b>Total operating income</b>	<b>13,282,584</b>	<b>3,876,955</b>	<b>2,419,137</b>	<b>4,646,372</b>	<b>5,553,186</b>	<b>4,789,423</b>	<b>143,252</b>	<b>(401,670)</b>	<b>34,309,239</b>
Staff costs	4,300,763	186,200	198,686	141,115	511,613	517,097	95,731	(29,138)	5,922,067
Provision for credit losses	692,582	418,647	1,352,698	-	-	-	-	-	2,463,927
Depreciation and amortisation	138,854	65,318	5,314	86,096	5,193	35,648	1,036	-	337,459
Impairment losses on securities	-	-	-	-	467,778	-	-	-	467,778
Other operating expenses	2,259,018	740,233	390,844	535,312	600,637	1,852,349	22,734	(248,161)	6,152,966
<b>Total operating expense</b>	<b>7,391,217</b>	<b>1,410,398</b>	<b>1,947,542</b>	<b>762,523</b>	<b>1,585,221</b>	<b>2,405,094</b>	<b>119,501</b>	<b>(277,299)</b>	<b>15,344,197</b>
Operating profit before allocated costs	5,891,367	2,466,557	471,595	3,883,849	3,967,965	2,384,329	23,751	(124,371)	18,965,042
Allocated costs	(4,320,718)	(567,410)	(376,865)	(272,816)	-	-	-	-	(5,537,809)
<b>Operating profit</b>	<b>1,570,649</b>	<b>1,899,147</b>	<b>94,730</b>	<b>3,611,033</b>	<b>3,967,965</b>	<b>2,384,329</b>	<b>23,751</b>	<b>(124,371)</b>	<b>13,427,233</b>
Unallocated corporate expenses									(1,159,775)
Share of profits of associates									947,141
Dilution of share in associate									(11,948)
<b>Profit before taxation</b>									<b>13,202,651</b>
Taxation									(3,156,789)
<b>Net Profit</b>									<b>10,045,862</b>
Segment assets	142,309,200	9,435,429	43,741,933	123,726,523	108,561,208	33,847,570	967,581	(94,188,655)	368,400,788
Associates									7,149,680
Unallocated assets									3,885,052
<b>Total assets</b>									<b>379,435,519</b>
Segment liabilities	126,705,217	7,186,881	35,068,827	111,824,614	92,832,713	25,401,036	185,430	(88,041,518)	311,163,199
Unallocated liabilities									1,928,999
<b>Total liabilities</b>									<b>313,092,198</b>
Capital expenditure	1,426,882	191,078	42,025	114,040	82,754	87,642	18,007	-	1,962,428

# National Commercial Bank Jamaica Limited

## Segment Report

Year ended September 30, 2011 - Restated

	Consumer & SME		Corporate Banking	Treasury & Correspondent Banking	Wealth Management	Insurance & Pension Fund Management	Other	Eliminations	Consolidated
	Retail & SME	Payment Services							
	\$'000	\$'000							
External revenue	10,117,736	5,011,285	4,012,144	9,421,741	9,376,081	6,778,668	74,049	-	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)	-
<b>Total revenue</b>	<b>13,712,036</b>	<b>5,014,133</b>	<b>4,020,795</b>	<b>10,496,857</b>	<b>9,699,298</b>	<b>6,834,921</b>	<b>294,560</b>	<b>(5,280,896)</b>	<b>44,791,704</b>
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)	(604)	4,892,208	(9,013,599)
<b>Net interest income</b>	<b>8,947,138</b>	<b>1,296,212</b>	<b>2,213,015</b>	<b>3,032,132</b>	<b>4,016,824</b>	<b>1,635,581</b>	<b>36,177</b>	<b>-</b>	<b>21,177,079</b>
Net fee and commission income	2,655,566	2,133,133	480,164	159,588	134,771	745,077	69,160	(80,203)	6,297,256
Gain on foreign currency and investment activities	126,418	7,508	28,139	2,017,800	1,485,117	328,025	52,219	(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	34,523	(116,826)	91,965
<b>Total operating income</b>	<b>11,797,613</b>	<b>3,441,667</b>	<b>2,724,205</b>	<b>5,244,959</b>	<b>5,693,229</b>	<b>5,668,230</b>	<b>192,079</b>	<b>(241,217)</b>	<b>34,520,765</b>
Staff costs	4,064,538	236,244	228,425	128,335	427,843	435,115	89,839	(26,617)	5,583,722
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	600	-	266,081
Impairment loss	-	-	-	264,012	-	-	-	(2,010)	262,002
Other operating expenses	1,998,356	540,002	157,733	245,484	583,213	2,790,416	22,908	(159,971)	6,178,141
<b>Total operating expenses</b>	<b>6,584,242</b>	<b>1,278,149</b>	<b>326,499</b>	<b>643,120</b>	<b>1,020,129</b>	<b>3,275,856</b>	<b>113,347</b>	<b>(188,598)</b>	<b>13,052,744</b>
Operating profit before allocated cost	5,213,372	2,163,518	2,397,706	4,601,839	4,673,099	2,392,374	78,732	(52,619)	21,468,021
Allocated costs	(3,836,857)	(497,289)	(300,611)	(245,045)	-	-	-	-	(4,879,802)
<b>Operating profit</b>	<b>1,376,515</b>	<b>1,666,229</b>	<b>2,097,095</b>	<b>4,356,794</b>	<b>4,673,099</b>	<b>2,392,374</b>	<b>78,732</b>	<b>(52,619)</b>	<b>16,588,219</b>
Unallocated corporate expenses									(1,100,481)
Gain on acquisition of associates									1,867,377
Share of profit of associate									234,979
Profit before taxation									17,590,094
Taxation									(3,704,793)
<b>Net Profit</b>									<b>13,885,301</b>
Segment assets	132,354,077	7,094,874	40,148,636	125,621,853	102,831,645	31,904,023	965,415	(90,045,349)	350,875,174
Associates									6,698,130
Unallocated assets									1,900,502
<b>Total assets</b>									<b>359,473,806</b>
Segment liabilities	121,545,595	6,831,118	31,420,815	111,574,512	85,027,869	23,699,917	157,624	(85,033,350)	295,224,100
Unallocated liabilities									2,400,273
<b>Total liabilities</b>									<b>297,624,373</b>
Capital expenditure	807,294	93,814	23,585	196,183	49,152	63,256	127,144	-	1,360,428

# National Commercial Bank Jamaica Limited

## Notes to the Financial Statements

September 30, 2012

(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 51.71% (2011 – 53.02%) 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 The Group	
		2012	2011
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 Capital Markets (Cayman) Limited *	Securities Dealer	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

\* In June 2012, NCB Capital Markets Limited acquired the entire share capital of NCB Capital Markets (Cayman) Limited from NCB (Cayman) Limited.

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.

# National Commercial Bank Jamaica Limited

## Notes to the Financial Statements

September 30, 2012

(expressed in Jamaican dollars unless otherwise indicated)

### 1. Identification and Principal Activities (Continued)

The Group's associates are as follows:

	Principal Activities	Percentage ownership by The Group	
		2012	2011
Dyoll Group Limited	In Liquidation	44.47	44.47
Jamaica Money Market Brokers Limited	Securities Dealer and Stock Brokerage Services	26.30	29.30
Kingston Properties Limited	Ownership of real estate properties	25.17	25.17
Kingston Wharves Limited	Wharf Operations and Stevedoring	32.59	43.45

All associates are incorporated in Jamaica.

During the year, Jamaica Money Market Brokers Limited (JMMB) acquired the entire share capital of Capital & Credit Financial Group Limited (CCFG) for a consideration of cash and the issuing of new shares to the former shareholders of CCFG. The shares issued to the former shareholders of CCFG resulted in a dilution of the share of the Group's ownership in JMMB from 29.30% to 26.30%. On March 29, 2012, Kingston Wharves Limited issued additional shares to another shareholder, thereby diluting the Group's interest from 43.45% to 32.59%.

### 2. Significant Accounting Policies

#### (a) Basis of preparation

The financial statements have been prepared in accordance with, and comply 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.

#### *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 24 (Revised), 'Related party disclosures'**. The revised standard clarifies and simplifies the definition of a related party and provides certain exemptions for government-related entities. The revised standard did not have a significant impact on the related party disclosures.
- **IFRS 7 (Amendment), 'Financial instruments: Disclosures'**. This amendment clarifies the disclosure requirement by emphasizing the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Amendments were also made to quantitative and credit risk disclosures. The adoption of this amendment resulted in changes in the presentation of credit risk disclosures.
- **IFRIC 14 (Amendments) 'Prepayments of a minimum funding requirement'**. 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 recognize 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 amendments did not have an impact on the financial statements.



# National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2012

(expressed in Jamaican dollars unless otherwise indicated)

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## 3. Segment Reporting

The Group is organized 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 and registrar and transfer agent services 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 amortization and other operating expenses and are treated as direct allocated costs.

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

### *Eliminations*

Eliminations comprise inter-company and inter-segment transactions.

# National Commercial Bank Jamaica Limited

## Notes to the Financial Statements

September 30, 2012

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Restatement

The Group acquired 29.30% of Jamaica Money Market Brokers Limited (JMMB) close to the end of the prior year. The acquisition was not complete by the year end and, in accordance with the provisions relating to 'measurement period' provisions in IFRS 3, the Group's share of the identifiable net assets acquired was determined provisionally from the published interim financial statements of JMMB as at June 30, 2011.

On that basis, \$1,016,505,000 was recognized as gain on acquisition of associates (including JMMB) in the income statement for the year ended September 30, 2011. This amount was subsequently revised to \$1,867,377,000 upon the finalization of the determination of the fair value of the share of net assets, including intangible assets, acquired.

The effect on this restatement on the income statement for the year ended September 30, 2011 was as follows:

	<u>As previously stated</u>	<u>Effect of restatement</u>	<u>As restated</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b>Operating Profit</b>	15,487,738	-	15,487,738
Gain on acquisition of associates	1,016,505	850,872	1,867,377
Share of profit of associates	234,979	-	234,979
<b>Profit before Taxation</b>	16,739,222	850,872	17,590,094
Taxation	(3,704,793)	-	(3,704,793)
<b>Net Profit</b>	<u>13,034,429</u>	<u>850,872</u>	<u>13,885,301</u>
<b>Earnings per stock unit</b> (expressed in \$ per share)			
Basic and diluted	<u>5.30</u>		<u>5.64</u>

The carrying value of investment in associates in the statement of financial position as at September 30, 2011 was also increased by \$850,872,000 with a corresponding increase in retained earnings.

### 5. Subsequent Event

During the year, NCB Capital Markets Limited signed agreements with AIC (Barbados) Limited and ACF Holdings Insurco Limited, the legal and beneficial owners of 96.237% of the issued share capital of Advantage General Insurance Company Limited, for the purchase of their holdings. The completion of the transaction is contingent on obtaining regulatory approval from the Financial Services Commission (FSC) and non-objection from the Bank of Jamaica (BoJ). Subsequent to the end of the year, conditional regulatory approval was obtained from the FSC. However, we are still in dialogue with the BoJ in respect of their non-objection.

**INTEREST/OWNERSHIP OF SECURITIES BY DIRECTORS AND SENIOR MANAGERS IN NATIONAL  
COMMERCIAL BANK JAMAICA LIMITED  
AS AT SEPTEMBER 30, 2012**

<b>DIRECTORS</b>	<b>Total</b>	<b>Direct</b>	<b>Connected Parties</b>
Robert Almeida	61,149,826	138,893	61,010,933
Wayne Chen	1,314,578,468	14,044	1,314,564,424
Dennis Cohen	73,039,457	86,480	72,952,977
Sandra Glasgow	73,015,026	65,049	72,949,977
Sanya Goffe	1,900	1,900	0
Hon. Noel Hylton, OJ, CD	354,074	14,044	340,030
Patrick Hylton, CD	425,072	425,072	0
Hon. Michael Lee-Chin, OJ	1,575,240,385	1,865,583	1,573,374,802
Thalia Lyn	73,117,935	152,838	72,965,097
Prof. Alvin Wint	88,144	88,144	0
Dave Garcia (Company Secretary)	11,210	11,210	0
<b>SENIOR MANAGERS</b>	<b>Total</b>	<b>Direct</b>	<b>Connected Parties</b>
Rickert Allen	113,696	113,696	0
Bernadette Barrow	0	0	0
Septimus Blake	10,050	10,050	0
Brian Boothe	0	0	0
Robert Brooks	6,209	6,209	0
Nicole Brown	58,294	58,294	0
Ffrench Campbell	57,660	57,660	0
Nichole Case	0	0	0
Lennox Channer	354	0	354
Yvonne Clarke	67,871	67,871	0
Dennis Cohen	73,039,457	86,480	72,952,977
Euton Cummings	0	0	0
Raymond Donaldson	0	0	0
Loren Edwards	7,100	7,100	0
Dave Garcia	11,210	11,210	0
Howard Gordon	0	0	0
Leroy Harding	490	40	450
Peter Higgins	0	0	0
Barbara Hume	69,900	43,320	26,580
Patrick Hylton, CD	425,072	425,072	0
Vernon James	240,000	240,000	0
Peter Jennings	0	0	0
Ramon Lewis	0	0	0
Alison Lynn	36,075	36,075	0
Sheree Martin	12,436	12,436	0
Nadeen Matthews	10,000	10,000	0
Lincoln McIntyre	134,307	133,067	1,240
Anne McMorris-Cover	940	940	0
Nadienne Neita	38,914	23,502	15,412
Marva Peynado	52,338	52,338	0
Norman Reid	63,857	63,857	0
Stuart Reid	89,630	89,630	0
Marcia Reid-Grant	1,250	1,250	0
Claudette Rodriquez	42,147	42,147	0
Deryck Russell	232,517	108,089	124,428
Malcolm Sadler	0	0	0
Majorie Seeberan	76,339	76,339	0
Audrey Tugwell Henry	0	0	0
Tanya Watson Francis	600	600	0
Mukisa Wilson Ricketts	0	0	0
Allison Wynter	73,050,766	100,789	72,949,977

**NATIONAL COMMERCIAL BANK JAMAICA LIMITED  
10 LARGEST SHAREHOLDERS AS AT SEPTEMBER 30, 2012**

<b>Name of Shareholder</b>	<b>Units</b>	<b>Percentage Ownership</b>
AIC (Barbados) Limited	1,275,680,437	51.71%
Harprop Limited	171,279,000	6.94%
Sagicor PIF Equity Fund	110,795,937	4.49%
AIC Global Holdings Inc	49,565,238	2.01%
NCB Insurance Co. Ltd WT 109	45,874,302	1.86%
Ideal Portfolio Services Company Limited	44,881,719	1.82%
Portland (Barbados) Limited	38,045,232	1.54%
Beta SPV Limited	21,000,000	0.85%
SJIML A/C 3119	19,574,981	0.79%
T & T Unit Trust Corporation - FUS	18,250,000	0.74%

**NATIONAL COMMERCIAL BANK JAMAICA LIMITED  
SHAREHOLDER PROFILE AS AT SEPTEMBER 30, 2012**

<b>Number of Shareholders</b>	<b>Ownership of Each Shareholder</b>	<b>Total Percentage Ownership</b>	<b>Number of Units</b>
(1) shareholder with 6 accounts	51.71%	51.71%	1,275,680,437
1	5-8%	6.94%	171,279,000
5	1-4%	11.72%	289,162,428
36,248	Less than 1%	29.63%	730,640,963
<b>36,255</b>		<b>100.00%</b>	<b>2,466,762,828</b>