

RELEASE

November 13, 2014 – 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, 2014.

Performance highlights

Year ended September 30, 2014 compared with the year ended September 30, 2013

- Net profit of \$11.6 billion, an increase of 36%, or \$3.1 billion.
- Earnings per stock unit of \$4.73, increased by 36%.
- Cost to income ratio decreased to 63.8%, from 67.5%.
- Total assets of \$499.3 billion, grew by 12%, or \$52.8 billion.
- Return on average total assets increased to 2.5%, from 2.1%.
- Total stockholders' equity of \$80.6 billion, increased by 12%, or \$8.6 billion.
- Return on average stockholders' equity of 15.3%, increased from 12.4%.
- Net loans of \$157.6 billion, grew by \$16.5 billion, or 12%.
- Customer deposits of \$202.2 billion, increased by \$23.8 billion, or 13%.

Three months ended September 30, 2014 compared with the three months ended June 30, 2014

- Net profit of \$2.9 billion, a decrease of 2%, or \$55 million.
- Cost to income ratio decreased to 62.2%, from 63.8%.
- Return on average total assets of 2.3%, down from 2.4%.

Three months ended September 30, 2014 compared with the three months ended September 30, 2013

- Net profit of \$2.9 billion, an increase of 62%, or \$1.1 billion.
- Cost to income ratio decreased to 62.2%, from 74.5%.
- Return on average total assets of 2.3%, up from 1.6%.



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Business highlights

- We are extremely pleased to report to you our shareholders that NCBJ has won the “Bank of the Year: Jamaica” category in *LatinFinance* magazine’s 2014 Bank of the Year awards. The recognition of being named Bank of the Year by this prestigious international banking publication is a testament to the high-quality work we have been doing to support investment, economic growth, and education in Jamaica. The Banker Magazine also named NCBJ as the 3rd best in CARICOM in pre-tax profits and return on capital.
- Over 250 employees were awarded for serving NCBJ Group of Companies between 10 and 40 years. NCBJ continues to invest significantly in its people and recognises the commitment and dedication of its long serving employees.
- We hosted a series of Merchant Fraud Seminars to equip our merchants with the tools and skills to combat the prevalent problem of credit card fraud. These series are done annually in an effort to increase merchant awareness and alertness, and reduce the fraud to sales ratio.
- Eight finalists have been selected to participate in the ground breaking *NCB Capital Quest* Boot Camp which is also the beginning of the production of the TV Series. The Boot Camp will host these SMEs who will receive training and mentorship from NCBJ representatives and other industry experts in critical areas for SME business development.

Financial performance

Operating income

For the year ended September 30, 2014, operating income increased by 14%, or \$5.3 billion, when compared with the year ended September 30, 2013, mainly as a result of:

- Premium income, increasing by 40%, or \$2.0 billion, due mainly to the inclusion of general insurance premiums for the full year compared to seven and a half months in 2013. The acquisition of Advantage General Insurance Company Limited (AGIC) was effected on February 19, 2013.
- Gain on foreign currency and investment activities, increasing by \$1.6 billion or 152%. The prior year included extraordinary losses of \$1.5 billion related to the debt exchange programmes.
- Net interest income, increasing by 5%, or \$1.1 billion, primarily due to growth in net loans and advances and investment securities portfolios.

Operating expenses

Operating expenses increased by 8%, or \$2.2 billion, over the year ended September 30, 2013, mainly as a result of:

- Other operating expenses, which increased by 11%, or \$1.1 billion, primarily due to increased asset taxes, higher maintenance expenses (property, vehicle and ABM), utilities expenses, marketing & advertising costs and credit card rebates.
- An increase of 15%, or \$585 million, in policyholders’ and annuitants’ benefits and reserves, primarily due to the inclusion of general insurance benefits and reserving expenses for the full year compared to seven and a half months in the prior financial year.

Financial performance (continued)

Loans and advances

Loans and advances, which totalled \$157.6 billion (net of provision for credit losses) as at September 30, 2014, grew by 12%, or \$16.5 billion, compared to the loan portfolio as at September 30, 2013. Non-performing loans totalled \$8.7 billion as at September 30, 2014 (\$7.0 billion as at September 30, 2013) and represented 5.4% of the gross loans compared to 4.8% as at September 30, 2013. Our activities to manage delinquency remain robust. The regulatory provision coverage at September 30, 2014 was 118.3% of non-performing loans compared to 120.1% at September 30, 2013.

Deposits

Customer deposits were \$202.2 billion, up 13% or \$23.8 billion over the prior year. The increase was driven by growth in our fixed deposits and savings portfolios, which increased by 22% and 12% respectively, over the prior year.

Capital

The Group's stockholders' equity was \$80.6 billion as at September 30, 2014, up 12% over the prior year. NCBJ's capital position remains strong and our individual companies continued to meet their respective regulatory capital requirements.

<u>Company</u>	<u>Regulatory capital ratios</u>	<u>September 30, 2014</u>	<u>September 30, 2013</u>
National Commercial Bank Jamaica Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 12.5%]	12.9%	12.6%
NCB Capital Markets Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 10.0%]	28.6%	20.9%
NCB Insurance Company Limited	Stockholders' equity to total liabilities (Solvency ratio) [Minimum requirement – 10.0%]	42.9%	36.3%
Advantage General Insurance Company Limited	Available assets to required assets (Minimum capital test) [Minimum requirement – 250.0%]	330.5%	251.7%

Segment performance for the year ended September 30, 2014

Commercial banking activities, comprising the Retail & SME, Payments Services, Corporate Banking, and Treasury & Correspondent Banking segments, produced combined operating profits of \$7.5 billion for the year ended September 30, 2014, an increase of 33%, or \$1.9 billion, when compared to the year ended September 30, 2013.

Retail & SME

Operating profit of \$1.6 billion improved by 97%, or \$772 million. Operating expenses declined by \$566 million, mainly due to the \$425 million reduction in loan loss provision expenses. Operating income increased by \$178 million, or 1%, over the prior year, driven primarily by a 3% increase in net interest income resulting from growth in the Retail & SME loan portfolio.

Segment performance for the year ended September 30, 2014 (continued)

Payment Services

Operating profit of \$1.7 billion decreased by 18%, or \$386 million. Operating expenses increased by \$959 million or 48% due to investments in strategic initiatives to bolster the card services arm of the business. Operating income grew by \$615 million, driven by increased fee and commission income due to increased transaction volumes.

Corporate Banking

Operating profit of \$502 million decreased by 41%, or \$349 million, from the prior year and this is mainly attributed to increased loan loss provision expenses.

Treasury & Correspondent Banking

Operating profit of \$3.7 billion increased by 98%, or \$1.8 billion, primarily due to increased gains on foreign currency and investment activities and reduced operating expenses, when compared to the prior year. The prior year included losses incurred following our participation in the debt exchange programmes.

Wealth Management

Operating profit of \$3.6 billion decreased by 7%, or \$265 million, primarily due to lower net interest income and increased staff costs.

Insurance and Pension Fund Management

Operating profit of \$2.9 billion increased by 33%, or \$723 million. Operating income increased by \$744 million, driven by increased net interest income, premium income, and net fee & commission income.

General Insurance

Operating profit of \$1.3 billion increased by \$950 million, or 290%. AGIC was acquired in February 2013, therefore the results of the prior year did not reflect a full year's activity.

Dividends

The Board of Directors, at its meeting on November 13, 2014, declared an interim dividend of \$0.96 per ordinary stock unit. The dividend is payable on December 11, 2014 for stockholders on record as at November 28, 2014.

Corporate Social Responsibility

We believe it is important to build the communities we serve and this is the mission of the N.C.B. Foundation. During the year ended September 30, 2014, we donated \$55 million in support of various initiatives, the focus of which were education, community development (including sports) and youth entrepreneurship.

Education

Education is considered a critical element that can drive productivity as well as advance Jamaica's social agenda and the Foundation recognises its value. During the quarter, we committed \$24 million in scholarships and grants to assist more than 330 Jamaican students; the beneficiaries ranged from primary to tertiary level students from across the island. Other educational support included our contribution to The Susan Show Foundation's annual back to school programme.

Community Development

In observance of annual International Coastal Day, our NCB Volunteer Corps carried out a cleanup exercise at Hellshire Bay Beach in St. Catherine. Our Corps team also assisted with the painting of buildings at the Princess Margaret Hospital in St. Thomas.

Youth Entrepreneurship

In an effort to help position Jamaican youth for success and to cultivate early entrepreneurial habits we sponsored thirteen students to attend the annual Edna Manley College of Visual and Performing Arts Summer Developmental Programme .

We are extremely grateful to our customers, shareholders, employees and other key stakeholders whose support has allowed us to fulfil our vision of building our communities.

To our customers, we say thank you for your continued loyalty, confidence and support; ***Put Your Best Life Forward.***



ON BEHALF OF THE BOARD

National Commercial Bank Jamaica Limited

Consolidated Income Statement

Year ended September 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	<i>CURRENT YEAR</i>			<i>PRIOR YEAR</i>		
	Note	Quarter ended	Quarter ended	Year ended	<i>Restated</i>	<i>Restated</i>
		September 30	June 30	September 30	Quarter ended	Year ended
		2014	2014	2014	September 30	September 30
		\$'000	\$'000	\$'000	2013	2013
			\$'000	\$'000		
Operating income						
Interest income		9,601,293	9,338,586	36,899,627	8,428,247	32,810,385
Interest expense		(3,435,175)	(3,206,852)	(12,238,960)	(2,274,096)	(9,251,399)
Net interest income		6,166,118	6,131,734	24,660,667	6,154,151	23,558,986
Fee and commission income		2,890,939	2,584,991	10,597,396	2,533,595	9,730,000
Fee and commission expense		(507,929)	(493,881)	(1,930,225)	(454,754)	(1,724,820)
Net fee and commission income		2,383,010	2,091,110	8,667,171	2,078,841	8,005,180
Gain on foreign currency and investment activities		955,066	1,129,674	2,592,645	338,885	1,028,030
Premium income		1,791,907	1,666,150	6,997,961	1,522,609	5,003,097
Dividend income		37,459	38,925	160,586	7,230	228,506
Other operating income		45,383	41,589	174,619	48,165	141,784
		2,829,815	2,876,338	9,925,811	1,916,889	6,401,417
		11,378,943	11,099,182	43,253,649	10,149,881	37,965,583
Operating expenses						
Staff costs		2,597,936	2,862,038	11,523,930	2,913,489	11,226,597
Provision for credit losses		987,836	356,804	2,226,949	283,172	2,066,260
Policyholders' and annuitants' benefits and reserves		1,077,071	1,121,508	4,397,682	1,270,114	3,812,918
Depreciation and amortisation	2	322,527	289,125	1,247,403	338,581	1,209,971
Impairment losses on securities		200,085	-	200,085	-	87,136
Other operating expenses		3,082,893	2,812,204	10,425,940	3,040,631	9,372,775
		8,268,348	7,441,679	30,021,989	7,845,987	27,775,657
Operating profit		3,110,595	3,657,503	13,231,660	2,303,894	10,189,926
Negative goodwill on acquisition of subsidiary	4	-	-	301,441	-	-
Share of profit of associates		180,063	205,986	902,696	236,430	861,178
Gain on disposal of associate		349,042	-	349,042	-	-
Profit before taxation		3,639,700	3,863,489	14,784,839	2,540,324	11,051,104
Taxation		(770,125)	(939,002)	(3,142,766)	(764,976)	(2,472,246)
NET PROFIT		2,869,575	2,924,487	11,642,073	1,775,348	8,578,858
Earnings per stock unit (expressed in \$ per share)		1.17	1.18	4.73	0.72	3.49
Basic and diluted						

National Commercial Bank Jamaica Limited

Consolidated Statement of Comprehensive Income

Year ended September 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	<i>CURRENT YEAR</i>			<i>PRIOR YEAR</i>	
	Quarter ended September 30 2014 \$'000	Quarter ended June 30 2014 \$'000	Year ended September 30 2014 \$'000	<i>Restated</i> Quarter ended September 30 2013 \$'000	<i>Restated</i> Year ended September 30 2013 \$'000
Net Profit	2,869,575	2,924,487	11,642,073	1,775,348	8,578,858
Other comprehensive income, net of tax-					
Items that will not be reclassified to profit or loss					
Remeasurements of post-employment benefit obligations	34,778	(16,586)	(8,732)	(69,023)	(69,023)
	2,904,353	2,907,901	11,633,341	1,706,325	8,509,835
Items that may be subsequently reclassified to profit or loss					
Currency translation gains	7,809	122,532	350,724	64,302	368,431
Unrealised gains on available-for-sale investments	360,598	424,062	56,278	1,283,126	436,092
Realised fair value losses/(gains) on sale and maturity of available-for-sale investments	215,286	(324,746)	(181,359)	(553,167)	(508,142)
Realised gains on sale of investment in associates	(308,936)	-	(308,936)	-	-
Total other comprehensive income	274,757	221,848	(83,293)	794,261	296,381
TOTAL COMPREHENSIVE INCOME	3,179,110	3,129,749	11,550,048	2,500,586	8,806,216

National Commercial Bank Jamaica Limited

Consolidated Statement of Financial Position

September 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	September 30 2014 S'000	Restated September 30 2013 S'000	Restated September 30 2012 S'000
ASSETS				
Cash in hand and balances at Central Bank		29,795,115	24,388,683	24,102,812
Due from other banks		20,393,555	19,328,412	13,812,269
Derivative financial instruments		581,668	387,304	4,978
Investment securities at fair value through profit or loss		523,393	380,755	720,406
Reverse repurchase agreements		1,621,798	328,105	408,294
Loans and advances, net of provision for credit losses		157,630,000	141,150,312	111,904,854
Investment securities classified as available-for-sale and loans and receivables		105,557,761	100,856,119	90,641,280
Pledged assets		159,488,612	134,530,695	120,406,671
Investment in associates		5,913,804	8,512,251	7,149,680
Investment properties		484,500	462,500	12,500
Intangible assets	2	2,463,849	1,837,974	1,135,599
Property, plant and equipment		7,313,869	6,438,707	5,231,798
Deferred income tax assets		23,390	31,710	19,483
Income tax recoverable		1,184,083	2,173,835	887,577
Customers' liability - letters of credit and undertaking		1,270,160	1,479,108	530,719
Other assets		5,099,535	4,288,585	2,466,599
Total assets		499,345,092	446,575,055	379,435,519
LIABILITIES				
Due to other banks		6,336,574	17,410,200	9,324,897
Customer deposits		202,162,392	178,411,021	162,930,350
Repurchase agreements		134,690,626	117,377,395	101,890,449
Obligations under securitisation arrangements		13,885,577	10,101,032	2,593,201
Derivative financial instruments		52,660	1,437	5,312
Other borrowed funds		11,992,819	4,900,592	3,620,012
Income tax payable		92,408	14,299	11,191
Deferred income tax liabilities		2,455,791	2,413,121	1,174,408
Liabilities under annuity and insurance contracts		34,230,910	33,914,506	25,194,324
Provision for litigation		3,053	11,500	17,300
Post-employment benefit obligations	2	2,185,311	1,793,616	1,481,329
Liability - letters of credit and undertaking		1,270,160	1,479,108	530,719
Other liabilities		9,373,059	6,778,092	4,766,075
Total liabilities		418,731,340	374,605,919	313,539,567
STOCKHOLDERS' EQUITY				
Share capital		6,465,731	6,465,731	6,465,731
Shares held by NCB Employee Share Scheme		(3,388)	(3,388)	(3,388)
Fair value and capital reserves		2,407,267	2,490,560	2,194,179
Loan loss reserve		5,375,901	5,141,357	4,662,842
Banking reserve fund		6,512,634	6,512,634	6,512,634
Retained earnings reserve		19,430,000	18,050,657	14,013,657
Retained earnings		40,425,607	33,311,585	32,050,297
Total stockholders' equity		80,613,752	71,969,136	65,895,952
Total equity and liabilities		499,345,092	446,575,055	379,435,519

Approved for issue by the Board of Directors on November 13, 2014 and signed on its behalf by:



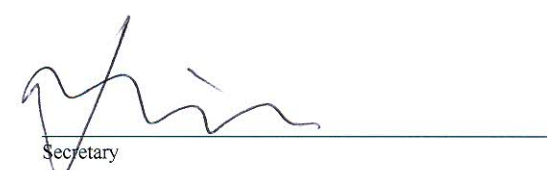
Director



Director



Director



Secretary

National Commercial Bank Jamaica Limited

Consolidated Statement of Changes in Stockholders' Equity

Year ended September 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Share capital	Shares held by NCB Employee 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 September 30, 2012, as previously reported	6,465,731	(3,388)	2,194,179	4,662,842	6,512,634	14,013,657	32,497,666	66,343,321
Restatement based on adoption of IAS 19 revised	-	-	-	-	-	-	(447,369)	(447,369)
Balance at September 30, 2012, as restated	6,465,731	(3,388)	2,194,179	4,662,842	6,512,634	14,013,657	32,050,297	65,895,952
Total comprehensive income	-	-	296,381	-	-	-	8,509,835	8,806,216
Dividends paid	-	-	-	-	-	-	(2,733,032)	(2,733,032)
Transfer to Loan loss reserve	-	-	-	478,515	-	-	(478,515)	-
Transfer to Retained earnings reserve	-	-	-	-	-	4,037,000	(4,037,000)	-
Balance at October 1, 2013, as restated	6,465,731	(3,388)	2,490,560	5,141,357	6,512,634	18,050,657	33,311,585	71,969,136
Total comprehensive income	-	-	(83,293)	-	-	-	11,633,341	11,550,048
Dividends paid	-	-	-	-	-	-	(2,905,432)	(2,905,432)
Transfer to Loan loss reserve	-	-	-	234,544	-	-	(234,544)	-
Transfer to Retained earnings reserve	-	-	-	-	-	1,379,343	(1,379,343)	-
Balance at September 30, 2014	6,465,731	(3,388)	2,407,267	5,375,901	6,512,634	19,430,000	40,425,607	80,613,752

National Commercial Bank Jamaica Limited

Consolidated Statement of Cash Flows

Year ended September 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	September 30	<i>Restated</i> September 30
	2014	2013
	\$'000	\$'000
Cash Flows from Operating Activities		
Net profit	11,642,073	8,578,858
Adjustments to reconcile net profit to net cash provided by operating activities	24,425,964	1,212,865
Net cash provided by operating activities	<u>36,068,037</u>	<u>9,791,723</u>
Cash Flows from Investing Activities		
Acquisition of subsidiary and capital injection, net of cash acquired	(307,063)	(2,883,959)
Acquisition of property, plant and equipment	(1,737,437)	(1,048,233)
Acquisition of intangible asset - computer software	(1,032,921)	(679,403)
Proceeds from disposal of property, plant and equipment	79,395	44,297
Disposal of associate	2,933,386	-
Dividends received from associates	230,127	194,355
Purchases of investment securities	(116,014,128)	(189,087,914)
Sales/maturities of investment securities	76,889,729	176,595,236
Net cash used in investing activities	<u>(38,958,912)</u>	<u>(16,865,621)</u>
Cash Flows from Financing Activities		
Proceeds from securitisation arrangements	2,647,893	9,640,592
Repayments under securitisation arrangements	-	(2,813,066)
Proceeds from other borrowed funds	7,904,901	2,226,314
Repayments of other borrowed funds	(1,020,282)	(1,122,126)
Due to other banks	(7,919,014)	5,313,864
Dividends paid	(2,905,432)	(2,733,032)
Net cash (used in)/provided by financing activities	<u>(1,291,934)</u>	<u>10,512,546</u>
Effect of exchange rate changes on cash and cash equivalents	2,991,294	3,856,575
Net (decrease)/increase in cash and cash equivalents	<u>(1,191,515)</u>	<u>7,295,223</u>
Cash and cash equivalents at beginning of period	<u>28,561,967</u>	<u>21,266,744</u>
Cash and cash equivalents at end of period	<u>27,370,452</u>	<u>28,561,967</u>
Comprising:		
Cash in hand and balances at Central Bank	6,961,360	3,996,482
Due from other banks	19,271,216	19,145,629
Reverse repurchase agreements	1,008,500	322,809
Investment securities	2,765,182	10,887,465
Due to other banks	(2,635,806)	(5,790,418)
	<u>27,370,452</u>	<u>28,561,967</u>

National Commercial Bank Jamaica Limited

Segment Report

Year ended September 30, 2014

	Consumer & SME									Consolidated
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management and Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
External revenue	14,368,876	8,525,518	4,746,805	8,494,666	9,026,591	6,089,227	6,128,268	42,885	-	57,422,836
Revenue from other segments	2,452,092	-	49,121	3,063,267	1,026,398	136,468	45,405	97,135	(6,869,886)	-
Total revenue	16,820,968	8,525,518	4,795,926	11,557,933	10,052,989	6,225,695	6,173,673	140,020	(6,869,886)	57,422,836
Interest income	13,295,698	3,271,276	4,299,358	10,192,930	8,242,586	3,002,781	712,291	30,181	(6,148,016)	36,899,085
Interest expense	(1,954,760)	(1,201,088)	(2,794,574)	(6,650,298)	(4,817,974)	(942,619)	-	(157)	6,148,016	(12,213,454)
Net interest income	11,340,938	2,070,188	1,504,784	3,542,632	3,424,612	2,060,162	712,291	30,024	-	24,685,631
Net fee and commission income	3,182,190	3,279,796	434,265	238,324	214,623	1,063,821	157,679	50,974	(83,409)	8,538,263
Gain on foreign currency and investment activities	169,349	15,456	46,020	854,405	1,492,984	114,549	46,920	2,083	(151,396)	2,590,370
Premium income	-	-	-	-	-	1,995,203	5,210,953	-	(208,195)	6,997,961
Other income	40,664	7,220	3,490	264,848	101,031	49,341	45,830	56,780	(322,645)	246,559
Total operating income	14,733,141	5,372,660	1,988,559	4,900,209	5,233,250	5,283,076	6,173,673	139,861	(765,645)	43,058,784
Staff costs	5,225,703	396,999	207,585	134,651	567,013	516,288	788,465	86,362	(36,954)	7,886,112
Provision for credit losses	959,678	863,136	396,467	-	(3,457)	-	-	-	-	2,215,824
Depreciation and amortisation	162,472	124,858	7,522	59,669	18,796	6,347	66,604	1,400	71,642	519,310
Impairment losses on securities	-	-	-	-	200,085	-	-	-	-	200,085
Policyholders and annuitants benefits and reserves	-	-	-	-	-	1,233,069	3,164,613	-	-	4,397,682
Other operating expenses	2,261,872	1,571,590	520,927	772,564	834,985	631,331	876,626	23,595	(342,372)	7,151,118
Total operating expense	8,609,725	2,956,583	1,132,501	966,884	1,617,422	2,387,035	4,896,308	111,357	(307,684)	22,370,131
Operating profit before allocated costs	6,123,416	2,416,077	856,058	3,933,325	3,615,828	2,896,041	1,277,365	28,504	(457,961)	20,688,653
Allocated costs	(4,558,835)	(704,095)	(354,517)	(231,456)	-	-	-	-	-	(5,848,903)
Operating profit	1,564,581	1,711,982	501,541	3,701,869	3,615,828	2,896,041	1,277,365	28,504	(457,961)	14,839,750
Unallocated corporate expenses										(1,608,090)
Negative goodwill on acquisition of subsidiary										301,441
Share of profit of associates										902,696
Gain on disposal of associate										349,042
Profit before taxation										14,784,839
Taxation										(3,142,766)
Net Profit										11,642,073
Segment assets	159,277,187	16,081,788	65,364,477	169,365,676	132,482,665	37,999,615	11,640,907	973,409	(105,026,623)	488,159,101
Associates										5,913,804
Unallocated assets										5,272,187
Total assets										499,345,092
Segment liabilities	148,461,696	10,896,573	57,320,888	149,070,675	112,418,574	27,131,746	7,763,362	164,870	(97,886,479)	415,341,905
Unallocated liabilities										3,389,435
Total liabilities										418,731,340
Capital expenditure	1,626,139	448,531	61,754	53,583	106,386	300,183	153,880	19,902	-	2,770,358

National Commercial Bank Jamaica Limited

Segment Report - Restated

Year ended September 30, 2013

	Consumer & SME									Consolidated
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management and Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
External revenue	13,724,403	7,206,123	4,099,787	6,120,409	8,294,769	5,473,071	3,941,207	82,033	-	48,941,802
Revenue from other segments	2,275,890	-	1,632	2,019,757	835,031	63,326	8,880	66,341	(5,270,857)	-
Total revenue	16,000,293	7,206,123	4,101,419	8,140,166	9,129,800	5,536,397	3,950,087	148,374	(5,270,857)	48,941,802
Interest income	12,354,290	2,660,109	3,591,925	8,308,455	7,786,785	2,686,633	318,296	32,732	(4,929,673)	32,809,552
Interest expense	(1,344,116)	(707,045)	(1,982,649)	(5,189,693)	(4,111,737)	(996,880)	-	(411)	4,929,673	(9,402,858)
Net interest income	11,010,174	1,953,064	1,609,276	3,118,762	3,675,048	1,689,753	318,296	32,321	-	23,406,694
Net fee and commission income	3,303,019	2,774,684	459,881	190,524	114,803	948,269	99,395	88,146	(92,727)	7,885,994
Gain/(loss)on foreign currency and investment activities	178,981	13,196	35,895	(583,362)	1,078,030	220,661	87,519	(17,913)	12,045	1,025,052
Premium income	-	-	-	-	-	1,619,543	3,415,536	-	(31,982)	5,003,097
Other income	63,406	17,026	4,047	218,936	147,162	61,291	29,341	45,407	(260,382)	326,234
Total operating income	14,555,580	4,757,970	2,109,099	2,944,860	5,015,043	4,539,517	3,950,087	147,961	(373,046)	37,647,071
Staff costs	5,237,342	312,626	245,565	129,016	428,858	481,876	453,498	73,459	(34,315)	7,327,925
Provision for credit losses	1,384,905	659,960	63,969	-	-	-	-	-	-	2,108,834
Depreciation and amortisation	150,578	90,463	5,496	104,425	7,613	32,888	23,444	2,158	47,762	464,827
Impairment losses on securities	-	-	-	-	87,136	-	-	-	-	87,136
Policyholders and annuitants benefits and reserves	-	-	-	-	-	1,396,113	2,416,805	-	-	3,812,918
Other operating expenses	2,402,485	934,143	564,808	622,648	610,588	455,530	499,059	25,147	(150,876)	5,963,532
Total operating expense	9,175,310	1,997,192	879,838	856,089	1,134,195	2,366,407	3,392,806	100,764	(137,429)	19,765,172
Operating profit before allocated costs	5,380,270	2,760,778	1,229,261	2,088,771	3,880,848	2,173,110	557,281	47,197	(235,617)	17,881,899
Allocated costs	(4,587,226)	(662,561)	(379,115)	(214,376)	-	-	-	-	-	(5,843,278)
Operating profit	793,044	2,098,217	850,146	1,874,395	3,880,848	2,173,110	557,281	47,197	(235,617)	12,038,621
Unallocated corporate expenses										(1,848,695)
Share of profit of associates										861,178
Profit before taxation										11,051,104
Taxation										(2,472,246)
Net Profit										8,578,858
Segment assets	151,550,642	11,839,178	58,753,003	139,238,839	127,197,750	35,864,968	10,419,681	1,000,275	(101,119,596)	434,744,740
Associates										8,512,251
Unallocated assets										3,318,064
Total assets										446,575,055
Segment liabilities	138,952,273	7,606,865	45,753,252	127,610,695	110,512,372	26,689,951	7,431,937	199,798	(93,502,909)	371,254,234
Unallocated liabilities										3,351,685
Total liabilities										374,605,919
Capital expenditure	1,084,465	292,440	40,732	36,745	58,873	118,469	57,077	38,835	-	1,727,636

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2014

(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 46.82% (2013 – 50.48%) 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, Chairman of the Bank.

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	
		2014	2013
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
Advantage General Insurance Company Limited	General Insurance	100	100
NCB Capital Markets (Cayman) Limited	Securities Dealer	100	100
NCB Global Finance Limited (formerly AIC Finance Limited)	Merchant Banking	100	Nil
NCB (Cayman) Limited	Commercial Banking	100	100
NCB Investments (Cayman) Limited (formerly NCB Remittance Services (Cayman) Limited)	Dormant	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

* Entity ceased principal activities and operations during the 2014 financial year.

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

Acquisition of NCB Global Finance Limited (formerly AIC Finance Limited)

NCB Capital Markets Limited acquired the entire issued share capital of NCB Global Finance Limited (formerly AIC Finance Limited) in December 2013.

The Group’s associates, which are all incorporated in Jamaica, are as follows:

	Principal Activities	Percentage Ownership by The Group	
		2014	2013
Dyoll Group Limited	In Liquidation	44.47	44.47
Elite Diagnostics Imaging Services Limited	Medical Imaging Services	29.61	Nil
Jamaica Money Market Brokers Limited	Securities Dealer and Stock Brokerage Services	26.30	26.30
Kingston Properties Limited	Ownership of real estate properties	25.17	15.17
Kingston Wharves Limited	Wharf Operations and Stevedoring	Nil	32.59

Disposal of Kingston Wharves

In September 2014, the Group disposed of its entire interest in Kingston Wharves Limited.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. 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 to existing standards effective during the current year

IAS 19 (Revised), 'Employee Benefits (effective for annual periods beginning on or after 1 January 2013).

The amendment eliminates the corridor approach to the recognition of actuarial gains and losses arising from IAS 19 pension valuations and results in the recognition of all actuarial gains and losses in other comprehensive income (OCI) as they occur. Additionally, all past service costs are immediately recognised and interest cost and expected return on plan assets are replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability.

The effect of the adoption of IAS 19 (Revised) on the Group's statement of financial position as at September 30 2013

	As previously stated	Effect of restatement	As restated
	\$'000	\$'000	\$'000
Total Assets	446,575,055		446,575,055
Deferred income tax liabilities	2,610,379	(197,258)	2,413,121
Post-employment benefit obligations	1,108,993	684,623	1,793,616
Other liabilities	370,399,182		370,399,182
Other equity	38,657,551		38,657,551
Retained earnings	33,798,950	(487,365)	33,311,585
Equity and Liabilities	446,575,055		446,575,055

The effect of the adoption of IAS 19 (Revised) on the Group statement of comprehensive income for the year ended September 30 2013

	As previously stated	Effect of restatement	As restated
	\$'000	\$'000	\$'000
Operating Income	31,564,166		31,564,166
Other operating income	6,401,417		6,401,417
	37,965,583		37,965,583
Staff costs	11,270,133	(43,536)	11,226,597
Other operating expenses	16,549,060		16,549,060
Operating Profit	10,146,390	(43,356)	10,189,926
Share of profit of associates	861,178		861,178
Profit before Taxation	11,007,568	(43,536)	11,051,104
Taxation	(2,457,737)	14,509	(2,472,246)
NET PROFIT	8,549,831	29,027	8,578,858
Other comprehensive income	296,381	(69,023)	227,358
TOTAL COMPREHENSIVE INCOME	8,846,212	(39,996)	8,806,216

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of preparation (continued)

The effect of the adoption of IAS 19 (Revised) on the Group's statement of financial position as at September 30 2012

	As previously stated	Effect of restatement	As restated
	\$'000	\$'000	\$'000
Total Assets	<u>379,435,519</u>		<u>379,435,519</u>
Deferred income tax liabilities	1,398,092	(223,684)	1,174,408
Post-employment benefit obligations	810,276	671,053	1,481,329
Other liabilities	310,883,830		310,883,830
Other equity	33,845,655		33,845,655
Retained earnings	<u>32,497,666</u>	<u>(447,369)</u>	<u>32,050,297</u>
Equity and Liabilities	<u>379,435,519</u>		<u>379,435,519</u>

Annual Improvements 2011, (effective for annual periods beginning on or after 1 January 2013).

The IASB issued its Annual Improvements to IFRSs 2009 – 2011 Cycle in May 2012, which amended a number of standards. The amendment to *IAS 1, 'Presentation of Financial Statements'* clarifies that when additional comparative information is provided in the financial statements on a voluntary basis, this information must also be presented in the related notes for that additional information. As a consequence of the amendment to *IAS 16, 'Property, Plant and Equipment'*, servicing equipment is recognised as property, plant and equipment or as inventory depending on its expected useful life. The amendment to *IAS 32, 'Financial Instruments: Presentation'* clarifies that the tax effect of distributions to holders of an equity instrument and the transaction costs of an equity transaction must be accounted for in accordance with IAS 12. Pursuant to the amendment to *IAS 34, 'Interim Financial Reporting'*, information on segment assets and liabilities is only required to be disclosed if such information is regularly provided to the chief operating decision maker and if there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. There was no significant impact from adoption of these new requirements during the year.

IFRS 10, 'Consolidated Financial Statements', (effective for annual periods beginning on or after 1 January 2013).

IFRS 10 replaces all of the guidance on control and consolidation in IAS 27, 'Consolidated and Separate Financial Statements', and SIC-12, 'Consolidation – Special Purpose Entities'. IAS 27 (Revised) is now renamed 'Separate Financial Statements'. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. There was no significant impact from adoption of the new standard during the year.

IFRS 11, 'Joint Arrangements', (effective for annual periods beginning on or after 1 January 2013).

IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangements, rather than their legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group does not currently have any joint arrangements that fall within the recognition criteria of this standard.

IFRS 12, 'Disclosure of Interests in Other Entities', (effective for annual periods beginning on or after 1 January 2013).

IFRS 12 requires entities to disclose information that helps financial statement users to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities and off-balance sheet vehicles.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Basis of preparation (continued)

IFRS 13, 'Fair Value Measurement', (effective for annual periods beginning on or after 1 January 2013).

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The requirements are similar to those in *IFRS 7, 'Financial instruments: Disclosures'*, but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities.

IAS 28 (Revised), 'Investments in Associates and Joint Ventures', (effective for annual periods beginning on or after 1 January 2013).

IAS 28 (Revised) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. There was no significant impact from adoption of the new standard during the year.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures', (effective for annual periods beginning on or after 1 January 2013).

This amendment requires disclosures about the effects or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. There was no significant impact from adoption of the new standard during the year.

Intangible Assets - Computer Software

During the financial year ended September 30, 2014, the amortisation period for software applications that were previously amortised over three years was changed to five years. The impact of the change in the computer software amortisation estimate for these applications was a reduction of approximately \$210 million in amortisation expenses for the year ended September 30, 2014.

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.

Estimates and judgments are continuously evaluated by management and are based on past experience and other factors, including expectations with regard to future events.

3. Segment reporting

The Group is organised into the following business segments:

- Retail & SME – This incorporates the provision of banking services to individual and small and medium business clients and money remittance services.
- Payment services – This incorporates the provision of card related services.
- Corporate banking – This incorporates the provision of banking services to large corporate clients.
- 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.
- Wealth, asset management and investment banking – This incorporates stock brokerage, securities trading, investment management and other financial services provided by overseas subsidiaries.
- Life Insurance & pension fund management – This incorporates life insurance, pension and investment management services.
- General insurance – This incorporates property and casualty insurance services.
- The Group's insurance brokerage services, trustee services, 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 expenditure.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

3. Segment reporting (continued)

The Group has taken the decision to discontinue money remittance services provided by NCB Remittance Services (Jamaica) Limited and NCB Remittance Services (UK) Limited. The decision was taken after further review of the business models across the Group, to ensure that the Group employs a solid Corporate Governance structure and operates within a robust compliance framework. NCB Remittance Services (UK) Limited will continue to facilitate the remittance of pension payments.

The Group has also taken the decision to discontinue the provision of registrar services by N.C.B. Jamaica (Nominees) Limited and temporarily ceased insurance brokerage services provided by Mutual Security Insurance Brokers Limited.

The reduction or cessation in the provision of remittance, registrar and insurance brokerage services will not have a significant impact on the results of the Group, and accordingly has not been presented as discontinued operations.

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-company and inter-segment transactions.

4. Acquisition of Subsidiaries

NCB Global Finance Limited

On December 12, 2013, through its shareholding in NCB Capital Markets Limited, the Group acquired 100% of the share capital of AIC Finance Limited, a licensed financial institution in Trinidad and Tobago, which was subsequently renamed NCB Global Finance Limited. The company was acquired from AIC Financial Group Limited, which is controlled by the Chairman of National Commercial Bank Jamaica Limited.

Details of the net assets acquired and gain on acquisition, determined on a provisional basis, were as follows:

Net assets arising on acquisition:	\$'000
Cash in hand and balances at Central Bank	95,837
Due from other banks	720,854
Reverse repurchase agreements	12,902
Loans and advances, net of provision for credit losses	369,833
Investment securities classified as available-for-sale and loans and receivables	549,876
Intangible assets	2,092
Property, plant and equipment	18,654
Other assets	16,156
Customer deposits	(1,208,438)
Other liabilities	(28,678)
Net assets	<u>549,088</u>
Negative goodwill arising on acquisition	
Purchase consideration paid in cash	(247,647)
Net assets acquired	<u>549,088</u>
	<u>301,441</u>

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

4. Acquisition of Subsidiaries (continued)

Advantage General Insurance Company Limited

In February 2013, through its shareholding in NCB Capital Markets Limited, the Group acquired the entire share capital of Advantage General Insurance Company Limited. The acquisition was recorded based on provisionally determined balances and were finalised during the year. The adjustments made during the measurement period were not material to the Group.

	Provisional Fair Values	Finalised Fair Values
	\$'000	\$'000
Net assets arising on acquisition:		
Cash	132,295	132,295
Investment securities	7,435,068	7,435,068
Investment properties	450,000	450,000
Intangible assets	613,522	613,522
Property, plant and equipment	823,334	823,334
Income tax recoverable	76,122	76,122
Post-employment benefits	(92,540)	(92,540)
Other assets	906,435	906,435
Policyholders liabilities	(6,811,520)	(6,733,676)
Deferred tax liabilities	131,939	131,939
Other liabilities	(463,306)	(463,306)
	<u>3,201,349</u>	<u>3,279,193</u>
Purchase consideration		
Cash		3,016,254
Net assets acquired		<u>262,939</u>
		<u>3,279,193</u>

**Interest/Ownership of Securities by Directors and Senior Managers in National Commercial Bank Jamaica
Limited as at September 30, 2014**

Directors	Total	Direct	Connected Parties
Robert Almeida	148,610	148,610	0
Wayne Chen	1,193,965,220	14,044	1,193,951,176
Dennis Cohen *	73,039,457	86,480	72,952,977
Sandra Glasgow *	73,025,026	75,049	72,949,977
Sanya Goffe	4,340	4,340	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	1,587,183,141	2,058,630	1,585,124,511
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
Senior Managers	Total	Direct	Connected Parties
Rickert Allen	113,696	113,696	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
Lennox Channer	354	0	354
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
Steven Gooden	4,293	4,293	0
Howard Gordon	0	0	0
Peter Higgins	0	0	0
Patrick Hylton, CD	425,072	425,072	0
Vernon James	420,000	420,000	0
Ramon Lewis	0	0	0
Alison Lynn	36,075	36,075	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
Janelle Prevost	0	0	0
Norman Reid	65,934	65,934	0
Stuart Reid	89,630	89,630	0
Marcia Reid-Grant	1,250	1,250	0
Claudette Rodriquez	42,147	42,147	0
Malcolm Sadler	0	0	0
Mark Thompson	0	0	0
Audrey Tugwell Henry	16,640	16,640	0
Tanya Watson Francis	0	0	0
Mukisa Wilson Ricketts	0	0	0
Allison Wynter *	73,050,766	100,789	72,949,977

* Connected parties for Dennis Cohen, Sandra Glasgow, Thalia Lyn and Allison Wynter includes shares of 72,949,977 held by trustees of the N.C.B. Staff Pension Fund.

10 Largest Shareholders of National Commercial Bank Jamaica Limited as at September 30, 2014

Name of Shareholder	Units	Percentage Ownership
AIC (Barbados) Limited	1,154,934,315	46.82%
Harprop Limited	314,372,000	12.74%
Sagicor PIF Equity Fund	95,986,560	3.89%
NCB Insurance Co. Ltd WT 109	62,989,156	2.55%
Ideal Portfolio Services Company Limited	56,145,145	2.28%
AIC Global Holdings Inc	49,565,238	2.01%
Portland (Barbados) Limited	38,178,106	1.55%
York Seaton & Harriet Maragh	27,111,000	1.10%
SJIML A/C 3119	26,474,981	1.07%
Beta SPV Limited	21,000,000	0.85%

Shareholder Profile of National Commercial Bank Jamaica Limited as at September 30, 2014

Number of Shareholders	Ownership of Each Shareholder	Percentage Ownership	Number of Units
(1) shareholder with 5 accounts	46.82%	46.82%	1,154,934,315
1	10-15%	12.74%	314,372,000
7	1-5%	14.45%	356,450,186
35,433	Less than 1%	25.99%	641,006,327
35,442		100.00%	2,466,762,828