

Building a better **JAMAICA**



VISION

**TO BE THE PREMIER FIN
DELIVERING SUPERIOR
TO SATISFY THE NEEDS
WHILE DEVELOPING OUR
BUILDING A BETTER JAM**



**ANCIAL INSTITUTION
PRODUCTS AND SERVICES
OF OUR CUSTOMERS,
EMPLOYEES AND
AICA.**

CORE VALUES

We hold a deep and abiding respect for each customer, every colleague in our companies, and all our shareholders.

We commit to find new, practical, and innovative ways to make the term “excellent service” more relevant to each customer - every day.

We commit to the relentless renewal of our enterprise through the constant training of our people at all levels.

In our merit-based culture, individual reward and recognition will be a result of measured performance.

We treat all competitors as noble, but we will compete fairly and vigorously to win.

BRAND PILLARS

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

INNOVATION

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

EXPERTISE

STRENGTH

Sound and prudent management are hallmarks of sustainability for NCB. We carry out our business within a framework that observes proper ethical, regulatory and financially responsible practices, while embracing our role as a leading corporate citizen in Jamaica.

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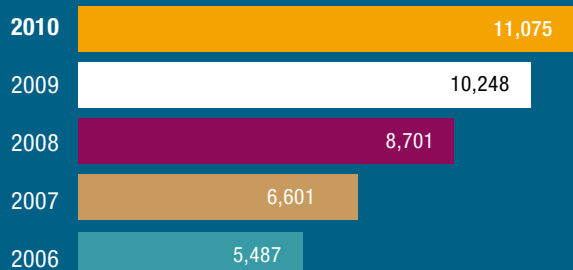
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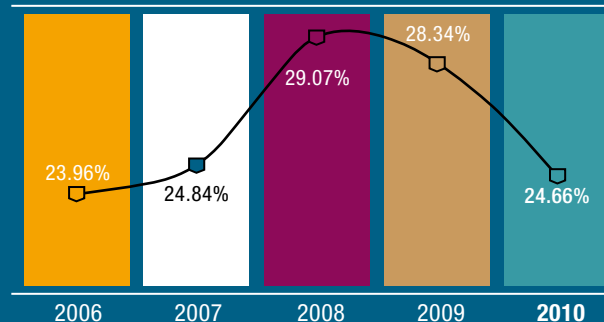
THE GROUP AT A GLANCE

PERFORMANCE HIGHLIGHTS

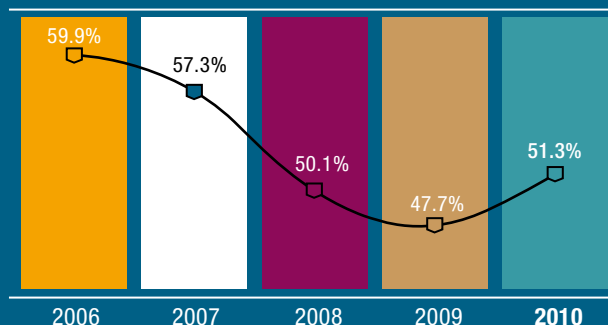
NET PROFIT (\$M)



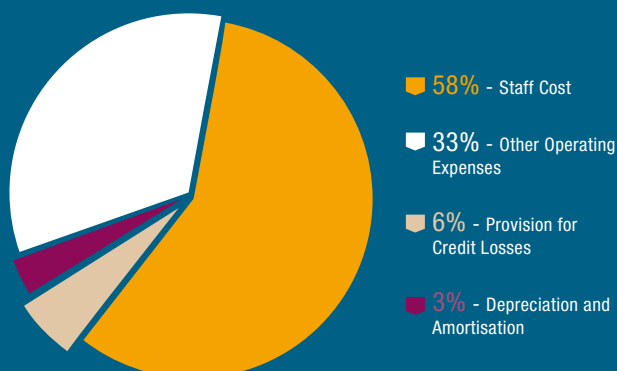
RETURN ON EQUITY (%)



COST TO INCOME (%)



OPERATING EXPENSES



NCBJ Total Shareholder Return

For The Year Ended September 30		2010	2009	2008	2007	2006
Closing Price of Common Shares (\$ per share)		17.51	13.00	20.00	22.40	18.21
Dividend Paid (\$ per share)		1.90	0.88	1.14	0.73	0.71
NCBJ Shareholder Return		49%	(31%)	(6%)	27%	5%
JSE Index Annual Movement (%)		5%	(22%)	6%	12%	(17%)

BUSINESS HIGHLIGHTS



NCBCM OUTLOOK & OPPORTUNITIES SEMINAR

Presenters Dennis Cohen (r) and Sushil Jain (2-r) engage participants at the NCB Capital Markets Limited Outlook & Opportunities Seminar.



AUTO DEALERS' COCKTAIL

Auto Channel Limited representatives proudly indicate their top position as Used Car Dealer of the year; a recognition bestowed at the NCB Auto Dealers' Cocktail Reception.



LONG SERVICE AWARDS

Over 220 employees were recognized at the Annual NCB Long Service Awards, staged under the theme "Hallmark of Service" where employees who contributed 10-40 years to the organization were feted. Rick Allen shares a moment with (l-r) Andrea, Lorna and Marva.



GET SMART

NCB Insurance Company (NCBIC) launched its new individual retirement product the "S.M.A.R.T (Secured Money At ReTirement) Retirement Plan" at the LIME Golf Academy. The SMART Retirement Plan is a personalized pension plan that provides contributors with a monthly income on retirement and contributions are accumulated tax-free.

L-R: Patrick Hylton, Group Managing Director; **Audrey Chin**, Snr. Vice President Business Dev. & Client Management; **Ann-Marie Hamilton**, General Manager, NCBIC and **Oliver Tomlinson**, Business Dev. Manager Individual Line.

FARMERS GROW WITH US



NCB SME, in association with the Ministry of Agriculture and Fisheries, created a special loan at 9% to help farmers with funding to produce Onions, Irish Potatoes, Hot Peppers, Carrots, Ginger and Sorrel.



www.CUTYOURBANKFEES.com



NCB AUTO EQUITY LOAN

Need Cash? Borrow the money from your car!

10 YEARS FINANCIAL STATISTICAL REVIEW

PROFIT & LOSS SUMMARY

	2010 (J\$'000)	2009 (J\$'000)	2008 (J\$'000)	2007 (J\$'000)
Net Profit	11,074,798	10,248,185	8,701,173	6,601,426
Gross Operating Income	43,319,677	45,130,831	39,524,726	33,752,955
Net Interest Income	20,649,643	18,879,974	15,826,304	12,796,777
Other Operating Income	8,659,574	8,261,017	8,893,754	7,754,802
Total Operating Income	29,309,217	27,140,991	24,720,058	20,551,579
Operating Expenses	16,021,817	13,969,265	14,076,150	12,128,301
Staff Costs	9,252,662	7,989,772	7,281,304	6,987,550
Provisions for Credit Losses	947,962	1,027,634	468,287	277,603
Depreciation & Amortisation Expenses	528,333	593,538	725,936	889,246

BALANCE SHEET SUMMARY

	2010 (J\$'000)	2009 (J\$'000)	2008 (J\$'000)	2007 (J\$'000)
Total Assets	334,970,011	315,096,477	291,153,397	254,183,354
Net Loans	85,995,102	88,178,270	82,169,396	56,525,564
Investment Securities	200,132,984	167,718,957	154,571,682	142,955,539
Customer Deposits	144,283,158	130,331,351	126,099,896	118,518,051
Repurchase Agreements	85,292,763	77,374,431	69,619,957	51,305,167
Securitisation Arrangements	20,456,162	27,157,180	26,259,740	26,409,833
Net Worth	48,807,933	41,015,946	31,312,662	28,554,026

PROFITABILITY RATIOS

	2010	2009	2008	2007
Return on Average Equity	24.66%	28.34%	29.07%	24.84%
Return on Average Total Assets	3.41%	3.38%	3.19%	2.77%
Non-Interest Income to Operating Income	29.55%	30.44%	35.98%	37.73%
Effective Tax Rate	17.89%	21.97%	19.49%	23.18%
Cost to Income Ratio	51.34%	47.68%	50.07%	57.27%

2006 (J\$'000)	2005 (J\$'000)	2004 (J\$'000)	2003 (J\$'000)	2002 (J\$'000)	2001 (J\$'000)
5,486,625	4,468,542	2,978,045	2,830,499	1,478,407	369,914
30,004,702	27,460,769	25,175,497	22,138,992	14,264,469	14,039,817
11,778,136	10,713,444	9,603,098	6,757,882	4,282,614	4,492,754
6,198,817	5,815,035	3,344,801	4,271,679	2,349,312	1,672,925
17,976,953	16,528,479	12,947,899	11,012,147	6,631,926	6,165,679
11,164,384	10,522,418	9,155,015	7,548,897	4,920,249	5,686,071
5,955,835	5,664,701	4,639,585	4,212,281	2,928,332	2,552,278
155,786	(28,071)	367,869	189,147	(172,499)	(726,121)
1,028,085	1,071,135	976,029	494,910	290,997	404,470

2006 (J\$'000)	2005 (J\$'000)	2004 (J\$'000)	2003 (J\$'000)	2002 (J\$'000)	2001 (J\$'000)
223,138,804	190,341,294	174,852,385	145,883,165	115,220,390	105,770,654
42,219,840	36,064,342	34,007,614	26,400,147	15,282,721	8,639,839
123,765,437	94,960,438	78,219,804	80,444,730	67,293,256	65,268,554
99,026,503	85,067,749	79,861,826	69,688,968	63,365,179	58,351,974
50,344,707	49,407,220	37,496,253	29,624,741	11,897,440	11,227,707
21,398,964	10,798,517	9,427,736	4,576,979	4,848,691	4,105,026
24,589,987	21,213,463	17,145,003	12,871,832	11,971,477	10,889,979

2006	2005	2004	2003	2002	2001
23.96%	23.30%	19.84%	22.79%	12.93%	3.66%
2.65%	2.45%	1.86%	2.17%	1.34%	0.37%
34.48%	35.18%	25.83%	38.79%	35.42%	27.13%
20.83%	23.45%	16.67%	19.02%	9.94%	8.42%
59.88%	62.40%	67.87%	66.83%	76.79%	104.00%

10 YEARS FINANCIAL STATISTICAL REVIEW cont'd

PER COMMON SHARE RATIOS

	2010	2009	2008	2007
Earnings per Share	\$4.50	\$4.16	\$3.54	\$2.68
Dividends Paid per Share	\$1.90	\$0.88	\$1.14	\$0.73
Book Value per Share	\$19.83	\$16.66	\$12.72	\$11.60

CAPITAL RATIOS

	2010	2009	2008	2007
Risk Based Capital Adequacy Ratio (Bank only) *	16.47%	14.63%	14.63%	14.50%
Net Worth to Total Assets	14.57%	13.02%	10.75%	11.23%

ASSET QUALITY RATIOS

	2010	2009	2008	2007
Non-Performing Loans to Gross Loans	3.45%	2.61%	2.34%	2.56%
Non-Performing Loans to Net Worth	6.21%	5.71%	6.25%	5.17%
Provision Coverage	136.29%	147.26%	152.88%	150.99%

BALANCE SHEET RATIOS

	2010	2009	2008	2007
Net Loans to Total Assets	25.67%	27.98%	28.22%	22.24%
Investment Securities to Total Assets	59.75%	53.23%	53.09%	56.24%
Net Fixed Assets to Total Assets	1.34%	1.35%	1.41%	1.60%
Net Loans to Customer Deposit Ratio	59.60%	67.66%	65.16%	47.69%
Net Loans to Borrowed Funds	73.97%	74.04%	73.73%	64.38%
Liquid Assets to Total Deposits	42.40%	33.22%	37.56%	32.72%

OTHER STATISTICS

	2010	2009	2008	2007
Share Price at Year End (JSE)	\$ 17.51	\$ 13.00	J\$ 20.00	J\$ 22.40
Share Price at Year End (TTSE)	TT\$1.50	TT\$0.95	TT\$ 1.85	TT\$1.95
Price Earnings Ratio	3.89	3.12	5.66	8.35
Dividends Paid** (J\$'000)	4,686,850	2,170,750	2,812,110	1,800,737
Dividend Yield	10.85%	6.77%	5.70%	3.26%
Dividend Payout Ratio	42.23%	21.14%	32.24%	27.21%
JSE Index at Year End	83,613.08	79,928.03	102,018.87	96,299.80

*This ratio represents the Bank's capital base to risk adjusted assets as prescribed by the Bank of Jamaica regulations. Risk weights are assigned to both on- and off-balance sheet items in determining the risk adjusted assets. The capital base is determined using Tier I capital (which consists of permanent statutory capital) and Tier II capital (which primarily consists of the general provision), and adjusted for prescribed deductions. Under these regulations, the overall minimum capital to be maintained in relation to risk assets is 10%.

** Represents gross dividends including payments made to the NCB Employee Share Scheme.

2006	2005	2004	2003	2002	2001
\$2.23	\$1.82	\$1.21	\$1.15	\$0.60	\$0.15
\$0.71	\$0.48	\$0.54	\$0.51	\$0.16	\$0.00
\$9.99	\$8.62	\$6.97	\$5.23	\$4.87	\$5.52

2006	2005	2004	2003	2002	2001
17.28%	19.08%	15.77%	16.70%	29.64%	41.28%
11.02%	11.14%	9.81%	8.82%	10.39%	10.30%

2006	2005	2004	2003	2002	2001
3.66%	4.24%	4.08%	5.26%	8.84%	17.00%
6.51%	7.58%	8.61%	11.68%	12.75%	17.63%
144.72%	135.42%	154.27%	148.77%	134.74%	138.45%

2006	2005	2004	2003	2002	2001
18.92%	18.95%	19.45%	18.10%	13.26%	8.17%
55.47%	49.89%	44.73%	55.14%	58.40%	61.71%
1.89%	2.30%	2.53%	2.69%	2.14%	1.43%
42.63%	42.39%	42.58%	37.88%	24.12%	14.81%
50.49%	51.00%	52.68%	51.06%	74.45%	49.93%
42.35%	37.94%	38.02%	27.56%	22.82%	40.14%

2006	2005	2004	2003	2002	2001
J\$ 18.21	J\$ 18.00	J\$ 25.20	J\$ 13.30	J\$ 5.70	J\$ 4.90
TT\$1.65	TT\$1.90	TT\$2.50			
8.17	9.91	20.82	11.56	9.49	32.67
1,751,402	1,184,046	1,332,052	1,258,049	340,413	0
3.91%	2.67%	2.15%	3.84%	2.81%	0.00%
31.84%	26.50%	44.73%	44.45%	23.03%	0.00%
86,195.99	103,332.61	99,819.82	57,769.14	39,219.55	33,892.44

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of National Commercial Bank Jamaica Limited will be held at the Wyndham Kingston Hotel, 77 Knutsford Boulevard, Kingston 5 in the parish of Saint Andrew on Thursday, February 24, 2011 at 3:00 p.m. to consider and if thought fit pass the following resolutions:

ORDINARY BUSINESS

Ordinary Resolutions

1. Audited Accounts

"THAT the Audited Accounts for the year ended September 30, 2010 and the Reports of the Directors and Auditors, circulated with the Notice convening the Meeting, be and are hereby adopted."

2. Election of Directors

Article 97 of the Company's Articles of Association provides that one-third of the Board (except the Managing Director and Deputy Managing Director) or, if the number of members of the board is not three or a multiple of three, then the number nearest to one-third shall retire from office at each Annual General Meeting. The Directors retiring under this Article are **Professor Alvin George Wint, Hon. Noel Arthur Anthony Hylton, O.J., Hon. LL.D, C.D., J.P. and Mr Robert Wilfred Almeida** and being eligible, offer themselves for re-election.

The proposed resolutions are therefore as follows:

- (i) **"THAT** Director, **PROFESSOR ALVIN GEORGE WINT**, retiring pursuant to Article 97 of the Articles of Association be and is hereby re-elected."
- (ii) **"THAT** Director, **HON. NOEL ARTHUR ANTHONY HYLTON, O.J., HON. LL.D, C.D., J.P.**, retiring pursuant to Article 97 of the Articles of Association be and is hereby re-elected."
- (iii) **"THAT** Director, **MR ROBERT WILFRED ALMEIDA**, retiring pursuant to Article 97 of the Articles of Association be and is hereby re-elected."

3. Directors' Remuneration

- (a) **"THAT** the Directors be and are hereby empowered to fix the remuneration of the Executive Directors."
- (b) **"THAT** the total remuneration of all of the Directors combined, other than the Executive Directors, for the financial year of the Company ending September 30, 2011, BE AND IS HEREBY fixed at **\$19,479,375**, which remuneration may include such share incentive scheme for directors, as may be determined by the Board.

4. Appointment of Auditors and their Remuneration

"THAT Messrs. PricewaterhouseCoopers, having signified their willingness to serve, continue in office as Auditors of the Company until the conclusion of the next Annual General Meeting, at a remuneration to be agreed with the Directors."

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

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

If you are unable to attend the Meeting, a Form of Proxy is enclosed for your convenience. When completed, this Form should be deposited with the Secretary, at the Registered Office of the Company, "The Atrium", 32 Trafalgar Road, Kingston 10, Jamaica, not less than 48 hours before the time appointed for the Meeting. The Proxy Form should bear stamp duty of \$100.00, before being signed. The stamp duty may be paid by adhesive stamps, which are to be cancelled by the person signing the Proxy.

DATED this 31st day of **DECEMBER 2010**

BY ORDER OF THE BOARD



Dave Garcia

COMPANY SECRETARY

“ NCB unlike other financial institutions has not only viewed us as their clients, but as partners and saw it fit to invest in our success by giving SME owners the opportunity to gain from Seminars and Training.”

- Winsome Halliman, Wynlee Distributors

“ The employees are extremely helpful and accessible at all levels. I enjoy an excellent relationship with my bank.”

- Eleanor Butler, 1-7 Knutsford Boulevard Customer

“ You are giving us a good start in our education. God will surely bless your business. I just don't know how to thank you.”

- Leshia O'Meally, Student, Tredgar Park All Age

“ Your sponsorship was invaluable in the attainment of our goal of encouraging the attitudes and the necessary life skills that our youth will need to grow into the great leaders of tomorrow.”

- Make your Mark, August 2010

“ I have been banking with NCB since 1944 and would encourage anyone to actively become a customer. You need not worry about integrity or strength; they have been around, will be around and there's no need to worry about flight of capital, they are Jamaicans who are building Jamaica.”

- Kester Thomas, JP, May Pen Branch Customer

“ I am writing to express how truly grateful I am for your assistance with my tertiary education at the University of the West Indies, Mona. Your contribution has imparted so much in my life. I assure you that your assistance will not be missed.”

- Lorrean Scarlett, NCB Foundation Scholarship Recipient 2010

“ It is with great pleasure that I express sincere gratitude to your organization for assisting with my financial constraints. It is because of this contribution that I am now able to attend the University of the West Indies to attain a tertiary education so that I may be able to assist my family and younger siblings later on in life.”

- Sandra Samuels, CEO Totally Male

“ I can assure you that your contribution was a source of encouragement to the teams and served to enhance the effectiveness of the preparation for their matches.”

- Glenmuir High School, Physical Education Department

“ I am pleased to be a part of the NCB team. Working with this institution gives me a great sense of pride and I am happy for the opportunities for growth and development that I have been afforded since I have been here. NCB fosters a culture of excellence and it is my joy to be able to share in this experience. I will continue to play my part in ensuring that the NCB banner keeps flying high.”

- Nichole Brackett Walters, NCB Employee

“ Jamaica's most wonderful banking Service glad to know I'm apart of it!!!! :)”

- Geovane Clarke, via Facebook

“ NCB A DI BOSSBIG UP NCB!”

- Cristal Watson, via Facebook

TOGETHER, **WE** MAKE IT HAPPEN...

CHAIRMAN'S MESSAGE



“THE ACHIEVEMENTS OF AN ORGANISATION
ARE THE RESULTS OF THE COMBINED
EFFORT OF EACH INDIVIDUAL.”

- VINCE LOMBARDI

My fellow shareholders,

I am sure I speak on your behalf when I say that our organization has demonstrated its capacity to sustain itself and to continue delivering value during a financial year when challenges were many and success was difficult.

The growth in profitability could not have happened by accident; it was indeed the result of the pro-active and prudent management of the Patrick Hylton-led team, guided by the supportive oversight of our Board. I thank the directors, executives and all other employees for their contribution to the financial year's results.

The socio-economic adjustments in the local environment, following on the heels of a global recession, had a direct impact on Jamaica's financial sector. As many are aware, the sector experienced unprecedented change arising from the government's Jamaica Debt Exchange (JDX) Programme. Our group of companies gave its full support to the JDX as we believe that it has the potential to redound to the greater long-term benefit of Jamaica. The immediate effect on the NCB group called for our company to carefully review its operating strategies, which resulted in aggressive asset and liability management, well-timed re-organization and consolidation decisions and key employee engagement opportunities to strengthen our ability to sell and to serve our clients.

The road ahead will be no less difficult, as the operating environment is still vulnerable to social, economic and political shocks. Our company stands ready to face the challenges and our strategic imperatives have been formulated precisely to provide us with the context to further strengthen our infrastructure, manage our risks, develop employee talent and enhance our sales and service delivery capabilities.

We remain committed to our involvement in the lives of the over one million Jamaicans whom we serve as bankers, wealth managers, financial planners, insurance advisors and pension fund managers and administrators. We are also proud of the role we play in creating a brighter future for those thousands of Jamaicans we touch through our corporate philanthropic activities year after year.

Thank you for your support of Jamaica's largest and most profitable financial institution. I look forward to our continued association as our company strives in its mission to **“BUILD A BETTER JAMAICA”**.



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

BOARD of DIRECTORS

THE YEAR 2010 MARKED THE END OF A PERIOD WHICH PRESENTED UNIQUE LOCAL AS WELL AS GLOBAL CHALLENGES. SOME EVENTS WERE GAME CHANGERS IN THE JAMAICAN ECONOMY.

Sound Corporate Governance framework, regulatory Compliance, Stakeholder Transparency and robust Risk Management are enablers to successful operations.



Hon. Michael LEE-CHIN

OJ, Hon. LL.D., B.Sc.

CHAIRMAN

MAIN POSITIONS: Chairman and President – Portland Holdings, Inc.; Chairman – NCB Jamaica Limited.

SPECIAL ACHIEVEMENTS: National honour of the Order of Jamaica [OJ], 2008. Recipient of several prestigious awards in the areas of business and community service, including the 2004 International Humanitarian Award from the American Friends of Jamaica.

Honorary Doctor of Laws degrees from: McMaster University – Ontario, Canada; University of Toronto, Canada; Northern Caribbean University – Mandeville, Jamaica; Wilfrid Laurier University School of Business & Economics – Waterloo, Canada; University of the West Indies – Mona, Jamaica; and York University – Toronto, Canada.



Wayne CHEN

LL.B. (Hons.)

MAIN POSITIONS: Chief Executive Officer – Super Plus Food Stores; President – Jamaica Employers' Federation.

CHAIRMAN OF THE FOLLOWING ORGANISATIONS: Urban Development Corporation; National Land Agency; The National Gallery of Jamaica; West Indies Trust Company Limited; NCB Insurance Company Limited. Director of: NCB (Cayman) Limited and AIC (Barbados) Limited.



Sandra GLASGOW

B.Sc., M.B.A.

MAIN POSITIONS: Chief Executive Officer – The Private Sector Organisation of Jamaica (PSOJ); Member of the Board of Directors of several organisations, including: The National Export-Import Bank of Jamaica (Ex-IM); The Planning Institute of Jamaica; The Jamaica Productivity Centre; The GraceKennedy Foundation. Co-Chair of the Caribbean-Canada Emerging Leaders Dialogue 2011.

CERTIFIED AS FOLLOWS: A Director by the Commonwealth Association for Corporate Governance (CACG); a Trainer of Trainers in Corporate Governance Board Leadership by the International Finance Corporation (IFC); and a Trainer of Trainers in Business Ethics by the Inter-American Investment Corporation and the US Department of Commerce.



Hon. Noel HYLTON

OJ, Hon. LL.D., CD, J.P.

MAIN POSITIONS: Chairman, President and Chief Executive Officer – the Port Authority of Jamaica. A member of the Board of Directors of: Jamaica Producers Shipping Limited; and Medical Associates Limited.

SPECIAL ACHIEVEMENTS: Recipient of the following national awards for service in the growth and development of the shipping industry: Commander of the Order of Distinction (C.D.); and the Order of Jamaica (O.J.). Recipient of several other awards, including: The Honorary Degree of Doctor of Laws (Hon. LL.D.) by the University of the West Indies; and Designation of "Caribbean Luminary" by the American Foundation for the University of the West Indies, for outstanding contribution to the Caribbean.



Patrick HYLTON

A.C.I.B., B.B.A., CD
GROUP MANAGING DIRECTOR

MAIN POSITIONS: Group Managing Director of NCB; Chairman of NCB Capital Markets Ltd. and Harmonisation Ltd.; Director of Caribbean Information and Credit Rating Services (CariCRIS).

PREVIOUS POSITIONS: President of Jamaica Bankers Association, Managing Director of FINSAC.

SPECIAL ACHIEVEMENTS: National Award of the Order of Distinction, Commander Class, 2002. Honours Graduate in Business Administration, Associate of the Chartered Institute of Bankers (ACIB) London.



Dennis COHEN

F.C.A., F.C.C.A., B.Sc
DEPUTY GROUP MANAGING DIRECTOR

MAIN POSITIONS: Deputy Group Managing Director for National Commercial Bank Jamaica Limited and CEO of NCB Capital Markets Limited. Director of NCB (Cayman) Limited, NCB Capital Markets Limited, NCB Insurance Company Limited, West Indies Trust Company Limited, the Jamaica Stock Exchange and Chairman for Mutual Security Insurance Brokers Limited.

PREVIOUS POSITIONS: Past member of the Institute of Chartered Accountants of Jamaica (ICAJ). Country Treasurer of Citibank N.A. Jamaica local Branch and its affiliates.



Robert ALMEIDA

MAIN POSITIONS: Executive Director – AIC Global Holdings Inc.; Founding Partner – Portland Private Equity; Managing Partner – AIC Caribbean Fund, a private equity fund with institutional investors in Europe, the U.S.A., Canada and the Caribbean; and Chartered Accountant.

FORMER EXECUTIVE AT: Canadian Imperial Bank of Commerce, one of Canada's largest banks; Loblaw Companies Limited, Canada's largest retailer where he was responsible for strategy and development, which was integral in Loblaw's successful entry into financial services.



Donovan LEWIS

Resigned effective January 01, 2011

MAIN POSITIONS: Founder of the Ideal Group of Companies which includes: Ideal Finance Corporation Limited, Ideal Portfolio Services Company Limited, Ideal Betting Company Limited and Donwis Limited. Chairman, NCB Staff Pension Fund, Member of the Audit Committee of the Board of NCB Jamaica Limited, Director of AIC (Barbados) Limited, NCB (Cayman) Limited, Advantage General Insurance Company Limited, Central Finance Corporation Limited and PowerSun Corporation (operators of Golden Seas Beach Resorts).



Thalia LYN

B.A.

MAIN POSITIONS: Founder & CEO – the Island Grill chain of Quick Service Restaurants; Chairman – NCB Foundation. Member of the Board of Directors of the following organisations: Jamaica Promotions Corporation [JAMPRO]; Jamaica Macaroni Factory Limited; Consolidated Bakeries Limited; Mustard Seed Communities; St. Patrick's Foundation; Port Royal Patties (UK).

Numerous business awards, including being 2-time winner of the title of Business Leader of the Year from the Florida International University MBA graduating classes. Jamaica's Honorary Consul General to the Kingdom of Thailand – appointed 2004.



Prof. Alvin G. WINT

B.Sc., M.B.A., D.B.A.

MAIN POSITIONS: Professor of International Business and a Pro Vice Chancellor – University of the West Indies; and Member of the Board of Directors of the following organisations: The Caribbean Policy Research Institute; The Planning Institute of Jamaica and Jamaica Producers Group.

PREVIOUS POSITIONS: Chairman – the Statistical Institute of Jamaica and Director of: The Bank of Jamaica; Jamaica Promotions Corporation [JAMPRO]; and Jamaica Exporters Association.

Dr. Nigel Clarke - resigned effective September 17, 2010

CORPORATE GOVERNANCE

The Board of Directors of National Commercial Bank Jamaica Limited is responsible for the Corporate Governance of the Bank and its subsidiaries. This statement outlines the main corporate governance policies and practices that have been established by the Board and were in place throughout the 2009/2010 financial year to safeguard the interests of our depositors and shareholders and ensure that confidence in the Group is maintained.

The Group's corporate governance framework reflects a number of governance standards, including the Bank of Jamaica's Standard of Best Practice for Effective Corporate Governance of Deposit-Taking Entities, published in July 2008 and the PSOJ Code of Corporate Governance 2nd Edition, published in 2009. Complying with all applicable legislation, regulations, standards and codes is a priority for the Board, which monitors compliance by means of reports from Management, including the Legal, AML and Corporate Compliance Division, and from Audit Committees of the Bank and its subsidiary companies. The Corporate Governance Charter, approved by the Board on July 27, 2006 is available on our website: www.jncb.com under "About NCB/Company Review/Corporate Governance."

BOARD OF DIRECTORS

Role of the Board

The Group conducts a range of businesses including banking, stock brokerage, securities trading and investment management, insurance and pensions fund management. In this regard, the Board gives general oversight to compliance with the prudential and solvency requirements mandated by the Bank of Jamaica, the Financial Services Commission and the Cayman Islands Monetary Authority.

The Board met fifteen (15) times for the year to consider matters relevant to the operations and performance of the Group. Details of the number of meetings of the Board and its Committees and attendance by individual directors are set out on page 21. The Board periodically meets with senior management to consider matters of strategic importance to the Group. The Corporate Governance Charter sets out principles relevant to the operation of the Board and delineates the functions of the Board and those of the management. These principles are founded in our tradition of integrity and are consistent with our Core Values.

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

- Approval of the Group's Strategic Plan

- Approval of the 2010-2011 operational plans and budgets
- Approving the Managing Director's and senior executives' performance targets; monitoring their performance, setting remuneration and managing succession plans
- Approval of major operating and capital expenditure and credit facilities in excess of the limits delegated to management
- Monitoring executive management performance in the implementation and achievement of strategic and business objectives and financial performance
- Monitoring and reviewing the risk management processes, the Group's risk profile; compliance with prudential regulations, standards and other regulatory requirements; reviewing and monitoring credit quality

Management is responsible for the execution of agreed strategy and for all operational matters.

The Bank has put in place directors' and officers' liability insurance in respect of legal actions against its directors; this insurance cover does not extend to fraudulent or dishonest behaviour.

Board Balance and Independence

Each of the non-executive directors brings considerable business and/or professional experience, independent challenge and rigour to the deliberations of the Board. The Board considers a director to have met the criteria for independence if he or she:

- does not represent a substantial shareholding;
- is not a close relative of a significant shareholder;
- does not have an employment relationship with the Bank or its parent companies.

7 YEARS
Minimum length
of continuous
service

The names of the directors deemed independent at the date of this statement are:

Length of continuous service (at the date of this statement)

Sandra Glasgow	7 years 4 months
Thalia Lyn	7 years 4 months
Professor Alvin Wint	7 years 4 months
Hon. Noel Hylton, OJ	7 years

Information and Professional Development

On appointment, all non-executive directors receive comprehensive briefing documents designed to familiarise them with the Group's operations, management and governance structures; these include the functioning of the Board and the role of the key Committees.

The directors have access to the advice and services of the Group's Legal Counsel and Corporate Secretary, who is responsible for advising the Board on all governance issues and for ensuring that the directors are provided with relevant information on a timely basis to enable them to consider issues for decision and to discharge their oversight responsibilities. The directors also have access to independent professional advice, at the Group's expense, if and when required.

Remuneration of Directors

A remuneration policy for non-executive directors has been approved by the Board to ensure that the Group is able to attract and retain directors of the standard appropriate for the successful guidance of the businesses in the group, and commensurate with that of companies of similar scope and size. The policy provides for the payment of a retainer for directors. The retainer of the Deputy Chair is 75% of that received by the Chair. Board members who chair committees receive 75% of the retainer received by the Deputy Chair, and Board members 75% of that received by Committee Chairs. In addition, Board members receive a fee for each Board meeting attended and 80% of that fee is payable in respect of each committee meeting attended. Fees are payable quarterly.

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

Internal Controls

The directors acknowledge their overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. Such systems are designed to control, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against

material misstatement or loss. Such losses could arise because of the nature of the Group's business in undertaking a wide range of financial services that inherently involve varying degrees of risk.

The Group's overall control systems include:

- a clearly defined organisation structure with defined authority limits and reporting mechanisms to higher levels of management and to the Board, which support the maintenance of a strong control environment;
- a comprehensive set of policies and procedures relating to financial controls, asset and liability management (including interest, currency and liquidity risk), operational risk and credit risk management;
- a Code of Conduct setting out the standards of behaviour expected of all employees. This covers arrangements, should the need arise, for the independent investigation and follow up of any concerns raised by staff regarding matters of financial reporting or other matters; and
- monthly reporting by business units which enables progress against business objectives to be monitored, trends to be evaluated and variances to be acted upon.

The Group's controls, which are embedded within its operations, are reviewed by the Group's Internal Auditors. In these reviews, emphasis is focused on areas of greater risk as identified by risk analysis.

The directors confirm that the Board, through its Committees, has reviewed the effectiveness of the Group's systems of internal control for the year ended 30 September 2010. This review involved consideration of the reports of internal audit and the risk management functions (including operational risk, regulatory risk and compliance) and establishing that appropriate action is being taken by management to address issues highlighted. In addition, the reports of the internal and external auditors, which contain details of any material control issues identified arising from their work, are reviewed by the Audit Committee. After each meeting of the Audit Committee, its Chairman reports to the Board on all significant issues considered by the Committee, and the minutes of meetings are circulated to all members of the Board.

Composition of the Board

As at 30 September 2010, the Board comprised eight non-executive directors and two executive directors (the Group Managing Director and the Deputy Group Managing Director). The names of the directors, including details of their qualifications and experience, are set out in the directors' profile section of the 2010 Annual Report as well as on the Bank's website, www.jncb.com

Board Committees

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

CORPORATE GOVERNANCE cont'd

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

Audit Committee

The members of the Committee are:

Professor Alvin Wint, Chairman
Sandra Glasgow
Hon. Noel Hylton, O.J.
Donovan Lewis

The Audit Committee comprises only non-executive directors, each of whom is expected to be financially literate and at least one member is required to have expertise in financial reporting. The Audit Committee assists the Board in fulfilling its responsibilities relating to:

- the integrity of the financial statements and any related formal announcements;
- overseeing the relationship between the Group and its external auditors;
- the review of the Group's internal controls, including financial controls;
- assessment of the effectiveness of the internal audit, compliance and risk management functions;
- the review of the internal and external audit plans and subsequent findings;
- the selection of accounting policies;
- the review of the auditors' report;
- obligations under applicable laws and regulations; and
- the review of the effectiveness of the services provided by the external auditors and other related matters.

The Audit Committee is chaired by an independent, external director, with financial and accounting knowledge and is comprised of a majority of independent Board members. This composition is in accordance with the Bank of Jamaica's Corporate Governance Standard and the requirements of the Jamaica and Trinidad & Tobago Stock Exchange Listing Agreements.

The Audit Committee met five (5) times during the year. The assigned Partner from the Group's External Auditor, PricewaterhouseCoopers, and the Chief Internal Auditor attended every scheduled meeting of the Audit Committee throughout the year.

Credit Committee

Members of the Committee are:

Donovan Lewis, Chairman - Resigned effective January 01, 2011
Patrick Hylton CD, Group Managing Director

Dennis Cohen, Deputy Group Managing Director
Sandra Glasgow
Professor Alvin Wint

** Dr. Nigel Clarke was a member of the Committee until his resignation on 17 September, 2010*

The Credit Committee met seven (7) times for the year. In pursuit of its mandate to assess, identify and mitigate the Bank's credit risk, the Committee undertook the following during the 2009/2010 financial year:

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

Corporate Governance Committee

Members of the Committee are:

Sandra Glasgow, Chairperson
Professor Alvin Wint
Thalia Lyn

The Corporate Governance Committee held one (1) meeting during the year, with its members also communicating by e-mail and telephone throughout the year. It proposed and the Board approved the following policies:

- Code of Conduct for Directors.
The Boards of Directors of the National Commercial Bank Jamaica Limited and its subsidiaries are committed to the highest standards of integrity and business conduct. The Board believes that operating with the highest level of honesty and integrity is critical to protect the interests of the Bank, subsidiary companies, employees, shareholders and the general public. Accordingly, by adopting, following and updating the Code of Conduct on a regular basis, in tandem with the Company's Charter, the Board confirms its commitment to demonstrably lead and promote good corporate governance and the highest standards of ethical and business conduct.

- Revised Securities Trading Policy.
The Committee also coordinated the annual Board evaluation process which is an important aspect of the governance of the National Commercial Bank Jamaica Limited. It provides directors with an opportunity to examine the effectiveness of the Board as a whole, as well as the efficacy of directors' own contributions, to provide a basis for discussion on how the Board's effectiveness may be enhanced.

Attendance at Board and Committee meetings

There were ten (10) scheduled meetings and five (5) special sittings of the Board, making a total of fifteen (15) meetings, for the financial year ended 30 September, 2010. Details of attendance by directors at meetings of the Board and its Committees during the year are set out below.

BOARD - Total Meetings 15	Total Present	Total Absent
Hon. Michael Lee-Chin, OJ, Chairman	13	2
Robert Almeida	13	2
Wayne Chen	13	2
Dr. Nigel Clarke* - Resigned effective September 17, 2010	11	3
Dennis Cohen	15	nil
Sandra A. C. Glasgow	12	3
Hon. Noel A. Hylton, OJ	13	2
Patrick A. Hylton, CD	15	nil
Donovan Lewis - Resigned effective January 01, 2011	12	3
Thalia Lyn	14	1
Professor Alvin Wint	15	nil
AUDIT COMMITTEE - Total Meetings 5		
Professor Alvin Wint, Chairman	5	nil
Sandra A. C. Glasgow	4	1
Hon. Noel Hylton, OJ	2	3
Donovan Lewis - Resigned effective January 01, 2011	3	2
CREDIT COMMITTEE - Total Meetings 7		
Donovan Lewis, Chairman	6	1
Patrick Hylton, CD, Group Managing Director	7	nil
Dennis Cohen, Deputy Group Managing Director	7	nil
Dr. Nigel Clarke* - Resigned on 17 September, 2010	3	3
Sandra A. C. Glasgow	6	1
Professor Alvin Wint	4	3
CORPORATE GOVERNANCE COMMITTEE - Total Meetings 1		
Sandra A. C. Glasgow, Chairperson	1	nil
Professor Alvin Wint	1	nil
Thalia Lyn	1	nil



Sandra A. C. Glasgow
Chair, Corporate Governance Committee

CORPORATE DISCLOSURE

THE FOLLOWING STATEMENT GIVES AN OVERVIEW OF THE REGULATION OF DISCLOSURE OF INFORMATION BY NCB ABOUT NCB AND ITS BUSINESS ACTIVITIES.

National Commercial Bank Jamaica Limited and its subsidiaries (NCB), has a Corporate Disclosure Policy which has been communicated to the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange. The policy regulates the disclosure of information by NCB about NCB and its business activities. It stipulates that NCB companies shall be responsible to make any disclosure that they are required, respectively, to make by virtue of any law, regulation or regulatory requirement.

The Policy contains the following:-

1. Objectives and Principles of Disclosure
2. A Media Communication Protocol
3. Details of the Persons Generally Authorized to Make Disclosures on Behalf of NCB
4. Rules for the Disclosure of Information
5. General stipulations for disclosure by NCB Companies Listed on a Stock Exchange and in respect of Financial Information and information that should be contained in the Annual Report to Stockholders, including a Management Discussion & Analysis (MD&A). The MD&A provides an analysis, by the company's management, of the operations of the past financial year, including an assessment of the key activities and future plans which impact the company's performance.

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

.....
"Rest assured that our goal is to do even more. We boldly accept the challenge of driving value creation and continuous improvement inspite of continued challenges..."
.....

- Patrick Hylton, Group Managing Director



DIVIDEND POLICY

Dividends, which are paid out of the profits of an organisation, influence shareholders' and potential investors' perception of the company's financial strength and ultimately share price.

Notwithstanding its importance to investors and shareholders, dividend payments reduce the level of profits retained in the company and consequently the level of capital. The maintenance of adequate capital is important in ensuring that the strategic objectives of an organisation are met while complying with all capital adequacy requirements.

The Board of Directors of National Commercial Bank Jamaica Limited recognizes the importance of capital in meeting the needs of shareholders, investors and the business. To this extent, a dividend pay out rate has been determined.

Dividend Pay Out Rate

The Board of Directors will declare, at its discretion, dividends to shareholders. These dividends will be paid from the realised earnings of NCB. The dividends will be subject to a maximum of 50% of the ordinary realised profit earned each year and will be applied after taking account

of all transfers. In the event that the payout is less than 50% in any one year, the Board of Directors reserves the right to increase future distributions proportionately. Further, the Board, at its discretion, may distribute to its shareholders the full amount of any and all realised gains arising from non-recurring or extraordinary transactions.

The Dividend Policy is consistent with the Capital Management Plan and is reviewed annually or more or less frequently as determined by the Board of Directors.

BUSINESS CONTINUITY HIGHLIGHTS

NCB's Business Continuity Plan has been crafted to ensure that the business is able to recover from disasters and other non financial disruptions in as little time as possible and with as little loss in revenue as possible. The Business Continuity Plan documents the response to be undertaken in specified scenarios and indicates the minimum resources required to ensure the continuity of key business functions in the event of disruptions.

The Plan is drafted in a modular format such that an individual subplan is maintained for the different

subsidiaries, divisions, branches and critical business units. The plans are stored in a central web-based repository, which facilitates plan distribution, sharing and updating.

For each business area, the Business Continuity Plan provides a map of specific instructions to be carried out in the event of a future significant business disruption and events of varying scope. Among other things, the Plan describes the role for recovery sites, backup data bases and system facilities. A Chief Command team is responsible for monitoring the effective execution of the Plan at the point of business disruption.

OUR LEADERSHIP TEAM

IT IS OUR COLLECTIVE POWER AS "TEAM NCB" THAT WILL KEEP US AHEAD IN THIS HIGHLY COMPETITIVE ENVIRONMENT.



We continue to grow as an icon in the Jamaican landscape by providing sound financial services to our customers and by promoting a strong Jamaican brand recognized both locally and internationally for its financial strength, commitment to nation-building, corporate transparency, product innovation and the sound expertise of our team.



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

OUR LEADERSHIP TEAM PROFILES



Rickert Allen SENIOR GENERAL MANAGER **GROUP HUMAN RESOURCES**

Rickert Allen's core mandates are the development and direction of strategies for the effective and efficient management of the human capital of the NCB Group in keeping with the organisation's strategic direction, in order to create a work environment conducive to high levels of employee productivity, engagement and customer service excellence.

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

Septimus 'Bob' Blake SENIOR GENERAL MANAGER **TREASURY & CORRESPONDENT BANKING**

"Bob" Blake provides overall direction and leadership of the interest rate risk management, liquidity management, investment portfolio management, currency management, financial institutions relationship management functions and foreign exchange trading for the Bank. He is also responsible for the management of local financial institution and correspondent banking relationships.

Bob serves as Director on the Boards of NCB Remittance Services (Jamaica) Limited, NCB Remittance Services (UK) Limited and NCB Capital Markets Limited.



Major Ffrench Campbell SENIOR ASSISTANT GENERAL MANAGER **FACILITIES & SERVICES**

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

Yvonne Clarke GROUP CHIEF FINANCIAL OFFICER

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

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



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

Dennis Cohen is charged with oversight of the Bank's Business Segments which comprise retail, corporate, treasury and insurance. He also has oversight of the NCB subsidiary and largest stock brokerage in Jamaica, NCB Capital Markets Ltd., in the capacity of CEO.

Dennis is a member of Jamaica's Public Accountancy Board and serves as a resource person for accounting issues relating to the financial sector. He is a Director of NCB, NCB (Cayman) Ltd., NCB Capital Markets Ltd., NCB Insurance Co. Ltd. and West Indies Trust Co. Ltd. He is the Chairman for Mutual Security Insurance Brokers Ltd.

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

Dave Garcia is responsible for providing the Bank and its subsidiaries with general advice, leadership and direction on all legal, regulatory, compliance and corporate secretarial matters. His role also encompasses interaction and communication with external counsel acting on behalf of the NCB enterprise.

Dave is Co-Chair of the Jamaica Bankers Association's Compliance Committee; he is a member of the Jamaica Bar Association's Commercial Law Committee, and has previously served as its Convener.



Howard Gordon SENIOR GENERAL MANAGER **GROUP OPERATIONS AND TECHNOLOGY**

Howard Gordon is charged with reengineering the operating processes and practices to support the group's customer service strategies, implementing initiatives to promote operational efficiency across the NCB group and leading the creation of an operations environment consistent with international banking practices to support the group's risk, sales and service strategies. Howard's mandate includes direct responsibility for the vision, strategy, direction, planning and architecture of all information technology activities within the NCB Group. He leverages expertise within the IT and Network Operations framework to improve overall efficiency and realize significant cost containment for the NCB Group.



Ann Marie Hamilton GENERAL MANAGER **NCB INSURANCE COMPANY LIMITED**

Ann-Marie Hamilton provides leadership to her management team at NCB insurance Ltd. in her mandate to strengthen profit and balance sheet performance through strategic initiatives designed to generate improved revenue performance and establish a foundation for sustainable revenue growth.

Ann-Marie is also charged to improve sales team productivity and operational efficiency and enhance the company's suite of products in alignment with the Group's strategic direction.

Patrick Hylton, CD GROUP MANAGING DIRECTOR

Patrick Hylton has strategic oversight of the enterprise operation and has led the organization to achieve record growth in profitability. He is a Past President of the Jamaica Bankers Association, Chairman of Harmonisation Limited and sits on several boards including the Caribbean Information and Credit Rating Services (CariCRIS).

Patrick first received local and international acclaim when he was appointed to a leading role by the Government in the rehabilitation of the Jamaican financial sector during the mid 1990s. His successful completion of that undertaking culminated in the national award of the Order of Distinction Commander Class.



Sheree Martin GENERAL MANAGER **MARKETING, COMMUNICATIONS & SERVICE DELIVERY**

Sheree Martin is charged with oversight of all marketing, communications, service delivery and corporate philanthropic policies and functions of the Group. She directs the effective positioning of the Group's corporate image, suite of products and the implementation of service excellence standards throughout the enterprise to ensure desired customer experience.

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

Marjorie Seeberan GENERAL MANAGER **CORPORATE BANKING**

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

Marjorie serves on the Board of the Jamaica Chamber of Commerce (JCC) and on the Ministry of Education's Expert Team on Education. She is a member of N.C.B. Foundation and founding member of the American Foundation of the University of the West Indies (UFUWI).



Audrey Tugwell Henry SENIOR GENERAL MANAGER **RETAIL BANKING**

Audrey Tugwell Henry is charged to lead the evaluation of market trends and customer needs both locally and internationally in order to develop a wide array of banking solutions to meet consumer needs and drive the performance of the Division.

Audrey serves on the Boards of NCB Remittance Services (U.K.) Ltd and NCB Remittance Services Jamaica Limited, NCB Insurance Company Ltd. and J.E.T.S. Ltd.

Mukisa Wilson Ricketts CHIEF INTERNAL AUDITOR

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

Mukisa is a Certified Internal Auditor (CIA) with the Institute of Internal Auditors, a Fellow of the Association of Chartered Certified Accountants (FCCA), and a Fellow of the Institute of Chartered Accountants of Jamaica (FCA).



Allison Wynter GENERAL MANAGER **CREDIT & RISK MANAGEMENT**

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

Allison is a Chartered Accountant and a Chartered Financial Analyst. She is a member of the Accounting Standards Committee of the Institute of Chartered Accountants of Jamaica (ICAJ).

A photograph of Michelle Smith, Managing Director of Chocolate Dreams, and Patrick Hylton, NCB Nation Builder. They are standing in a chocolate factory, with Michelle in a white shirt and black trousers, and Patrick in a grey suit and striped tie. Patrick is holding a small box of Chocolate Dreams and a mobile phone, and they are both smiling. The background shows wooden cabinets filled with various chocolate products and decorations.

GROUP MANAGING DIRECTOR'S MESSAGE

Excellence in the SME Sector is encouraged and celebrated at NCB through our business focus, tailored products & services as well as our Nation Builders Awards, where courage, vision, innovation and strong sense of community involvement are recognized. We view our SMEs as not only customers but partners as together we concertedly work towards building Jamaica.

Michelle Smith, Managing Director, Chocolate Dreams & NCB Nation Builder - Startup Category 2008, hosted Patrick Hylton on his visit to the Chocolate Dreams Factory.

Dear Stakeholders,

2010 MARKED ANOTHER SUCCESSFUL
FINANCIAL YEAR FOR NCB. THIS WAS
ACHIEVED IN A YEAR OF UNPRECEDENTED
DEVELOPMENTS IN OUR NATION'S AFFAIRS.

The Jamaica Debt Exchange (JDX), the most game changing of all 2010 events saw the holders of highyielding Government of Jamaica bonds exchange those for Bonds with lower yields and longer maturities. This programme was fully supported by NCB as we knew this was in the best interest of the nation.

We also recognized the significant impact the JDX could have on our financial affairs and were proactive in undertaking a number of initiatives to enhance revenue, contain costs and maintain a strong capital base and liquidity. This is how we were able to deliver another successful financial year for our shareholders. We are grateful for the support of our directors, staff, customers and other stakeholders who helped to make this a reality.

Last year I indicated that we were on a mission to build our financial fortress. We strongly believe that it is in the best interest of all our stakeholders that NCB continue this process. For our customers it means that you can be confident that your financial assets are secure in our institution and that we will continue to innovate and deliver high value financial products and services to meet your needs. It means we will improve the efficiency of how we deliver those services to you, which in turn will lower your costs. A financial fortress affords us the opportunity to maintain and develop the capabilities of the largest private sector workforce in the country and provide solid returns to our shareholders. Finally, our financial fortress allows us to increase our investment in our community service activities and serve as a solid source of tax revenues for our government to support key programmes.

For the year ended September 30, 2010, we have demonstrated in many ways our desire to continue to meet the financial needs of our customers. We led the market in lowering auto loan rates to 16.95% and were the first to introduce the 9% FARM loan to help foster growth within our agricultural sector. Another key initiative was our Cut Your Bank Fees campaign which helped our customers reduce and eliminate banking fees by accessing low cost banking channels. We also continued our Money Matters campaign, which is geared towards helping NCB customers with budgeting tools and tips, saving options and debt consolidation.

Through the NCB Foundation we stepped up our nation building efforts by increasing our level of support of several education initiatives. We also provided staff members affected by our redundancy exercise earlier this year with grants to finance their entrepreneurial pursuits.

Rest assured that our goal is to do even more. We boldly accept the challenge of driving value creation and continuous improvement inspite of continued challenges, so each of you can continue to **MAKE YOUR DREAMS HAPPEN** with NCB.



Patrick A. Hylton, CD
Group Managing Director

MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

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MEMBERS OF THE FINANCE TEAM

L-R: Dwayne Millwood,
Lilieth Hamilton-Bailey,
Malcolm Sadler, Denzil
Whyte and Jacqueline De
Lisser



The management of National Commercial Bank Jamaica Limited is responsible for the integrity and objectivity of the information contained in the management discussion and analysis (MD&A). The financial information disclosed in the MD&A is consistent with the financial statements presented, which has been reviewed and approved by both the Audit Committee and Board of Directors.

The information conveyed is based on the informed judgment of management with an appropriate consideration to materiality. In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities fully recognized. Importantly, the system of control is continually reviewed for its effectiveness and is supported by written policies and guidelines, qualified personnel and strong internal audit procedures. The information produced is used internally for monitoring and decision making and is also communicated externally as required.

The MD&A is presented to enable readers to assess the operational results and financial condition of National Commercial Bank Jamaica Limited and its subsidiaries (the "NCB Group") for the year ended September 30, 2010, and to compare the current financial year and prior financial years. The MD&A should be read in conjunction with the audited consolidated financial statements and related notes included in this Annual Report.

CORE BUSINESS

National Commercial Bank Jamaica Limited (NCBJ) is listed on the Jamaica Stock Exchange and Trinidad & Tobago Stock Exchange and is a leading Caribbean full-service commercial bank that, together with its subsidiaries, provides a wide range of financial products and services to retail, small business and corporate customers, including traditional loan and deposit products, remittance services, trade finance, trust services, private banking services, payment services (including card acquiring and card issuing), brokerage services and insurance.

PERFORMANCE MEASUREMENT

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

Our financial measures include quantitative targets for net profit growth, return on equity, market share, capital strength, risk management and operational efficiency. Our non-financial targets include objectives in the areas of customer satisfaction, customer loyalty, employee satisfaction, employee engagement, corporate social responsibility, community involvement, and corporate governance.

MD&A cont'd

OUR OPERATING ENVIRONMENT

The 2010 Financial Year came with the expected challenges as soft domestic demand and rising unemployment stymied business activity in Jamaica. The financial sector was affected by the Jamaica Debt Exchange (JDX) programme which formed part of conditionalities for a \$1.27Bn Stand-by Agreement (SBA) with the International Monetary Fund (IMF).

Under the JDX, the government exchanged over \$700B worth of domestic debt for instruments with lower coupons and longer tenures. This essentially paved the way for lower interest rates in the market. Further, relative stability in the local currency helped by hard currency inflows from multilateral lending agencies and stable commodity prices on the international market, led to lower inflationary expectations and created the environment for the Bank of Jamaica to further reduce its benchmark interest rate.

The prospects for the economy improved later in the year given the recovery in the economies of the country's major trading partners. This resulted in increased remittance flows and an improvement in exports. However, in the second half of the financial year, growth in the major economies began to slow and adverse weather conditions created set-backs. That said, improvement in key sectors and continued reduction in interest rates could help to boost investment and eventually economic activity. Improved investor sentiment in the wake of lower interest rates and high Jamaican dollar liquidity could also contribute positively to activity in the local equity and bond markets.

Growth

Against the background of the global downturn, economic output contracted 2.8% in 2009 representing the second consecutive annual decline in economic activity. The global recession translated into weaker demand for several of the island's key exports and a contraction in prices. In particular, a sharp fall off in the prices of bauxite and alumina on the international market led to either a significant scale back of activities or closure of production plants in the island. This industry was the primary contributor to the decline in the Goods Producing sector offsetting the expansion in Agricultural production which had been buoyed by improved weather conditions and increased government support. In the Services sector, the Transport, Storage and Communications sub-sector was the hardest hit. Inflows from remittances fell sharply and this coupled with reduction in earnings from tourism meant that vital US dollar inflows to the island dwindled.

With falling hard currency inflows, the Government of Jamaica (GOJ) approached the International Monetary Fund (IMF) and secured a US\$1.27Bn Standby Agreement (SBA). Pre-conditions to the IMF agreement included a \$21.8Bn tax package, a debt exchange program, the divestment of certain non-core government assets and agreement to reform certain key aspects of the regulation of financial institutions. While the JDX and the subsequent IMF SBA have helped to put an end to the period of high interest rates, increased taxes and higher unemployment resulted in further weakening of business and consumer confidence and a reduction in consumer spending.

The recovery in the global economy renewed hopes of improved domestic economic activity. Further, the re-opening of the Windalco bauxite plant in Ewarton has renewed prospects of a rebound in the Mining sector. As such, although, the local economy contracted 0.8% in the second quarter, the Planning Institute of Jamaica projected growth in the 0.0% to 1.0% region in the September 2010 quarter. However, damage to the island's infrastructure and farming communities caused by the passage of Tropical Storm Nicole in late September could undermine the positives from the flow-through effect particularly in the December quarter. That said, although growth in the major economies has begun to slow, we anticipate a modest improvement in subsequent quarters helped by increased activity in the bauxite and tourism industries.

Foreign Exchange Market

Following rapid depreciation in the local currency in the first half of the financial year (September 2009 to March 2010), the local currency saw a significant revaluation in the second half. Since peaking at J\$89.77 in March 2010, the local currency has gained 4.0% relative to its US counterpart, closing September 2010 at \$86.25. The better than expected performance came on the heels of the signing of the Stand-by loan facility with the IMF which boosted the stock of international reserves and restored confidence in the local currency. Funds received from other multi-national organizations following the inking of the IMF deal also provided significant US dollar liquidity to the market. Further, weaker consumer disposable income meant a reduction

in the demand for imported goods and helped to ease pressures in the market.

Given foreign exchange market stability and inflows under the IMF agreement, the country's Net International Reserves stood at US\$1.97Bn as at the end of September 2010. At US\$2.79Bn or 21.5 weeks of goods and services imports, Gross Reserves were running well ahead of the targeted US\$2.05Mn (14.6 weeks) for the 2010/11 fiscal year under the SBA.

Inflation

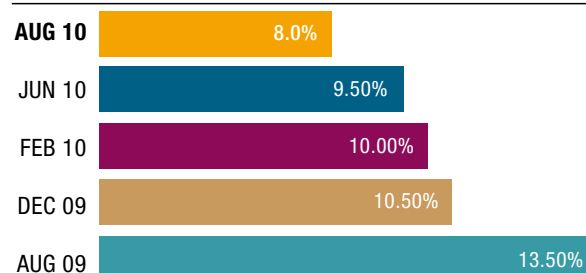
Impacted primarily by increases in the ad valorem component of the Special Consumption Tax (SCT) on fuels and increases in transportation costs across the Kingston Metropolitan Area, consumer prices rose during the 12-month period to September 2010. 12-month point-to-point inflation rose to 11.3% in September 2010 from 7.8% in September 2009. The strongest inflationary impulses were seen in "Transport" (+24.5%) and "Alcoholic Beverages and Tobacco" (+14.9%) as these consumer discretionary items faced another round of SCT increases. The "Housing, Water, Electricity, Gas and Other Fuels" prices also rose 13.2% due to the increase in ad valorem tax on fuels. The prices of Food and Non-Alcoholic Beverages, the most heavily weighted in the Consumer Price Index, also rose due in part to the pass through effects of higher fuel & energy costs. Despite increases in the prices of consumer goods in several of the more heavily weighted areas, weak consumer demand resulting from higher unemployment levels served to temper inflationary impulses. As such, consumer prices moderated over the last five months of the financial year.

consumer prices over the next year. However, relative currency stability and elevated unemployment levels are expected to temper the pace of increase in consumer prices.

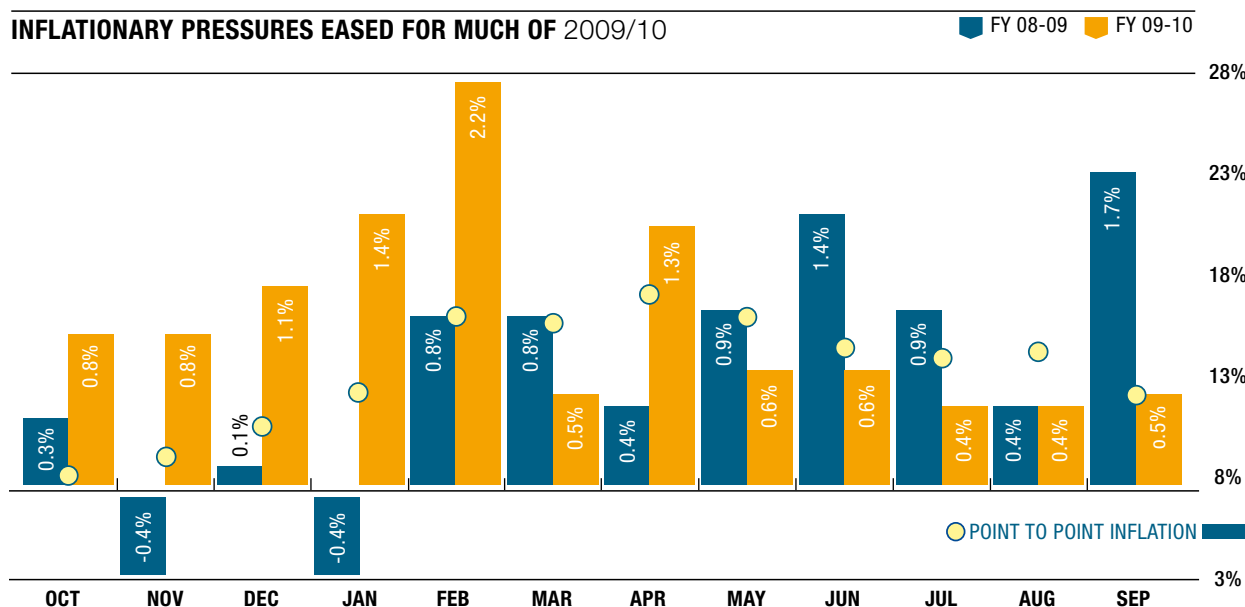
Interest Rates

Interest rates declined to the lowest level in over 30 years in the aftermath of the Jamaica Debt Exchange program. Relatively low inflationary expectations and continued improvement in the foreign exchange market paved the way for rate reductions by the Bank of Jamaica and a downtrend in market interest rates. With the longer tenors of BOJ instruments removed and a dearth of primary issues of fixed income instruments, investors had limited options outside of the BOJ 30-day CDs. Interest rates on the 30-day CD declined from 12.50% in October 2009 to 8.00% in September 2010. This means that the BOJ has cumulatively shed 450 basis points off its benchmark rate during the period.

BOJ 30-DAYS CD RATES (%)



INFLATIONARY PRESSURES EASED FOR MUCH OF 2009/10



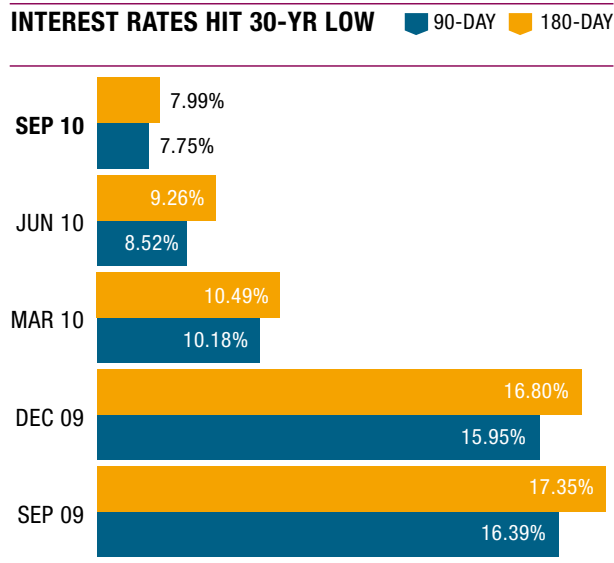
That said, flood damage to major farming communities across Jamaica in the wake of Tropical Storm Nicole has resulted in a reduction in the supply of local vegetables and starchy foods and is expected to contribute to a rise in consumer prices over the near term. Further, higher oil prices remain a latent risk to

Investors seemingly took their cue from the BOJ and have endorsed the new interest rate environment as Treasury Bill rates declined from 16.39% to 7.75% on the 90-day instrument and from 17.35% to 7.99% on the 180-day instrument over the one-year period to September 2010.

MD&A cont'd

OUR OPERATING ENVIRONMENT cont'd

INTEREST RATES HIT 30-YR LOW



With increased hard currency inflows from multi-lateral lending agencies and tighter reigns on central government spending, the Government of Jamaica has significantly reduced its borrowing activity in the domestic market. This has resulted in excess Jamaican liquidity in the local market. Continued high liquidity levels could keep rates near historic lows particularly if inflationary impulses remain subdued and the local currency remains stable.

Fiscal Performance

At the end of the fiscal year 2009/10 Central Government's operations resulted in a deficit of \$120.6Bn, or 10.9% of GDP. This exceeded both the initial deficit target of 5.5% and the revised target under the IMF Standby Agreement of 9.6%. The underperformance relative to target came on the back of weaker revenue receipts as the contraction in the local economy and higher unemployment levels curtailed consumer spending and consequently tax receipts. Despite the implementation of a new tax package in January 2010, revenue receipts amounted to just \$300.19Bn or just 88.4% of the budgeted amount. In terms of expenditures, domestic interest expense was much higher than anticipated and was the main contributor to the 4.2% overshoot of the \$404.64Bn expenditure target.

The fiscal situation, has however, taken a turn for the better in the 2010/11 fiscal year. This is due primarily to an improvement in international trade as higher than

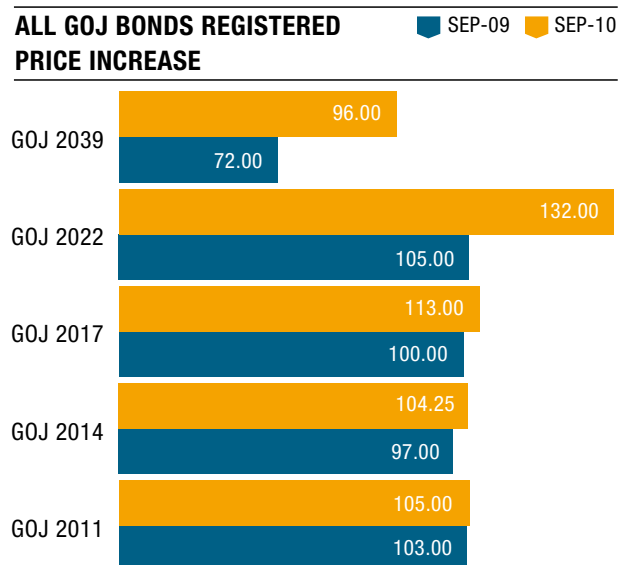
anticipated GCT on imports lifted overall tax receipts. Local GCT receipts and revenues from taxes on income and profits from non-bauxite companies were also above target. The government has also been able to successfully curtail capital expenditure. As a result, central government reported a fiscal deficit of \$42.6Bn for April to August, a positive deviation of \$11.29Bn (20.9%) from the budgeted \$53.9Bn.

Though the fiscal performance has been better than expected, preliminary estimates for repair to damaged infrastructure following the passage of the Tropical Storm has already hit the \$16.0Bn mark. This is likely to adversely impact the meeting of the initial targets given that the IMF has only approved \$7bn in additional funding to the budget for this fiscal year to deal with the repair of infrastructure damaged by recent flood rains. In addition, recent decisions to make payments to certain public sector groups could inflate recurrent expenditure. Further, with the public sector rationalization slated for the current fiscal year, higher unemployment levels could weaken revenues from Income and Profit and Production and Consumption. On a positive note though, continued reductions in market interest rates augurs well for lower than budgeted domestic interest expense.

Global Bond Market

Despite the weak local economy, an improving fiscal position and greater investor confidence helped GOJ global bonds to deliver strong returns over the last twelve months. Of note, most of the price appreciation took place after the successful completion of the debt exchange and upgrades from international ratings agencies. Standards & Poors upgraded both Jamaica's foreign and local currency sovereign credit rating to B- with a stable outlook from CCC and SD (Selective Default) ratings, respectively. Additionally, the steady decline in interest rates, improvements in foreign exchange market dynamics and the fact that the government passed its first two quarterly tests under the IMF Standby Agreement served to buoy investor confidence. Demand continues to be driven by both local and overseas investors, seeking attractive hard-currency investments following the decline in interest rates and increased risk appetites. Most of the price appreciation took place at the longer end of the curve with price increases ranging from 13% on the GOJ 2017s to 33.33% on the GOJ 2039s.

ALL GOJ BONDS REGISTERED PRICE INCREASE



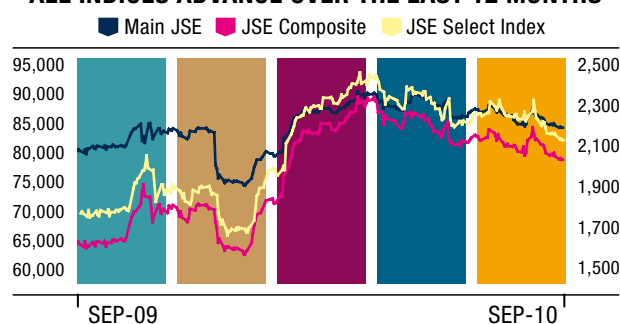
The government has expressed confidence that the country will pass the September 2010 IMF test, which could stimulate further upward movement in bond prices. However, challenges remain with respect to the risk of underperforming the initial fiscal targets.

Stock Market

All three stock market gauges registered gains in the last twelve months to September 2010. While the Main JSE Index reported a small gain of 4.6% to close September at 83,613.08 points, the other two indices returned double digit gains for investors. The JSE Composite Index advanced 20.25% to 78,169.33 followed closely by the Jamaica Select Index which moved up 18.52% to 2,111.05 points.

Despite significant reductions in interest rates in the post JDX environment, the stock market has yet to gather any further momentum since its rally in the March quarter. The contraction in the economy, foreign exchange losses and declining investment income have been and are likely to continue to impact the performance of listed companies. Balancing this with the consciousness of the current interest rate environment, buyers of local equities are seeking to pick up stocks at very steep discounts in order to seek compensation for any further deterioration in the economic prospects. As demand increases, however, sellers may become more reluctant to sell at these discounted prices and stock prices could rise further as a consequence.

ALL INDICES ADVANCE OVER THE LAST 12 MONTHS



During the Bank's financial year, the Jamaica Stock Exchange established the junior market which has provided an opportunity as well as incentives for smaller companies to raise capital on the open market. There have been six Initial Public Offerings (IPOs) since the launch of the Junior Market: Access Financial Services (AFS), Blue Power Limited, Jamaica Teas Limited, and the triple listing of companies in the Lasco Group. Of note, there has been just one new listing on the main market- Barita Investments Limited.

Outlook

It is expected that the local economy will eventually pull out of the recession in the latter half of the new financial year helped by the recovery in mining activity. The positives of the recovery in the larger economies, though at a much slower pace than anticipated, should filter down in the domestic economy and manifest in continued improvement in remittance inflows and tourism earnings. As such, consumer spending should gradually improve although high unemployment levels could temper the pace of this increase. The lower interest rate environment could also help to stimulate borrowing activity and boost domestic production. However, pending public sector rationalization poses a downside risk to consumer spending.

An improving economic outlook augurs well for the fiscal situation which should benefit in the form of increased tax receipts. It should be noted however, that pressures for increased payment of public sector workers and the risk of further damages caused by the adverse weather conditions continue to pose a challenge to the future fiscal performance.

While higher food prices could translate into higher inflation, expectations of relative stability in commodity prices and the exchange rate should keep inflationary pressures subdued. Low interest rates and improvement in the demand for imports could put pressure on the currency during the period. However, any depreciation in the exchange rate is likely to be very modest as the BOJ is expected to continue to intervene in the market to mitigate demand and supply imbalances as higher NIR levels means it has the resources to do so.

Sources:

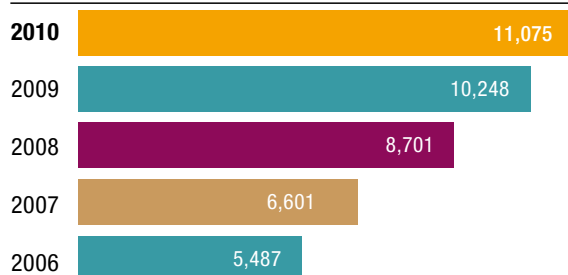
Bank of Jamaica (www.boj.org)
Jamaica Stock Exchange (jamstockex.com)
Ministry of Finance (www.mof.gov.jm)
Planning Institute of Jamaica (www.pioj.org)
Statistical Institute of Jamaica - (www.statinja.com)

MD&A cont'd

OUR FINANCIALS

We reported net income of \$11.1 billion for the financial year ended September 30, 2010, a \$827 million or 8% increase over the prior financial year. The results were driven by careful and strategic management of customer relationships and needs, expert liquidity management, cost management, and proactive and effective management of financial and operating risks in the challenging environment, described in 'Our Operating Environment'.

NET PROFIT (\$M)



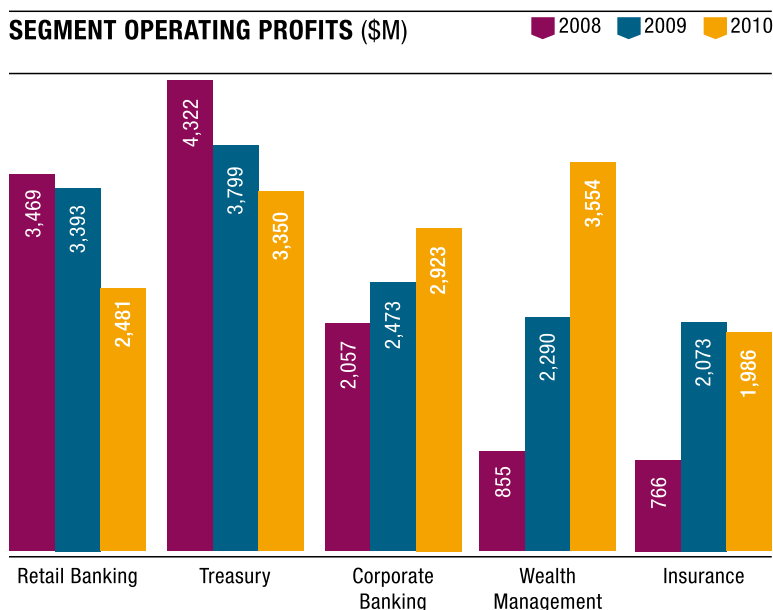
the 2009 financial year, but this was negated by operating costs which were higher in the 2010 financial year reflecting the increased staff costs (which included the cost of the restructuring exercise), and the increased cost of maintaining the branch and technology infrastructure.

Corporate Banking

- Our Corporate Banking segment generated profit before tax of \$2,923 million for the 2010 financial year, an increase of \$450 million or 18% over the 2009 financial year.

OPERATING SEGMENT RESULTS

SEGMENT OPERATING PROFITS (\$M)



Retail Banking

- Profit before tax for Retail Banking declined by 27% to \$2,481 million as economic conditions remained challenging. Our external operating revenue increased by 8% or \$969 million over

Treasury and Correspondent Banking

- We experienced a decline of \$450 million in our Treasury and Correspondent Banking segment, and this was a primarily as a result of the declining yields on open market interest rates and a significant reduction in gains on foreign currency and investment activities.

Wealth Management

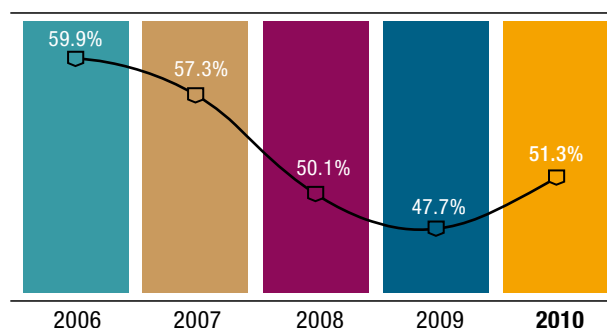
- For the 2010 financial year, wealth management recorded an increase in profit before tax of \$1,264 million over the 2009 financial year. This improved performance was driven by increased operating revenue which included a mix of net interest income, brokerage commissions and trading gains.

Insurance

- NCB Insurance Company Limited, which is the sole company in this segment, reported profit before taxes of \$1,986 million for the 2010 financial year, a decline of \$87 million when compared to the 2009 financial year.

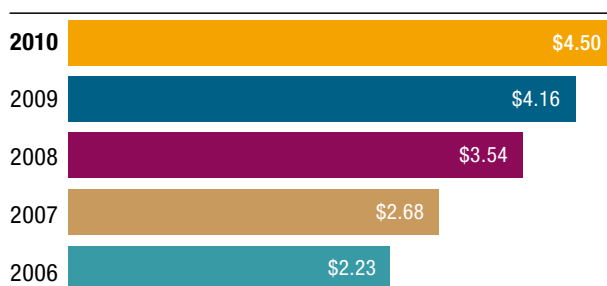
KEY PERFORMANCE MEASURES

COST TO INCOME (%)

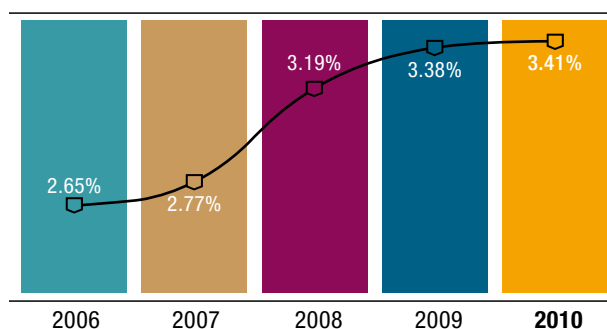


Cost to Income ratio indicates how much of our operating revenues is being used to cover operating expenses of the business and is a key measure of our operating efficiency. In 2010, this ratio increased from 47.7% to 51.3% and reflects the challenges that we encountered in managing our costs in the face of unavoidable increases in the cost of the inputs to the business and the sustained pressure on our revenues. One of our responses to these challenges was to restructure the business for improved efficiency; however, this came at significant redundancy cost and contributed to the increase in the cost to income ratio.

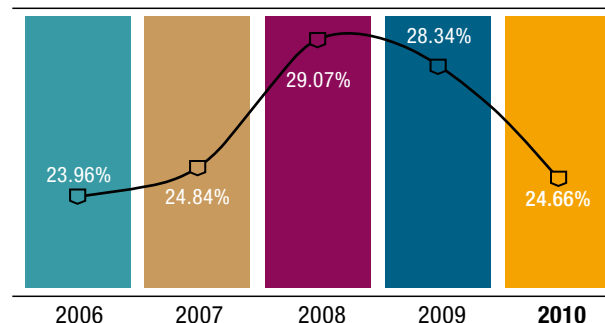
EARNINGS PER SHARE (\$)



RETURN ON ASSETS (%)



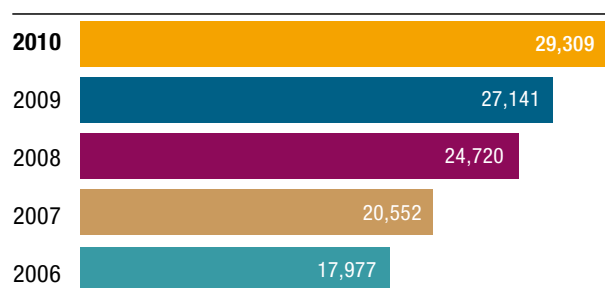
RETURN ON EQUITY (%)



ALTHOUGH RETURN ON EQUITY DECLINED IN 2010, THE RATIO OF 24.66% REPRESENTS A COMMENDABLE PERFORMANCE.

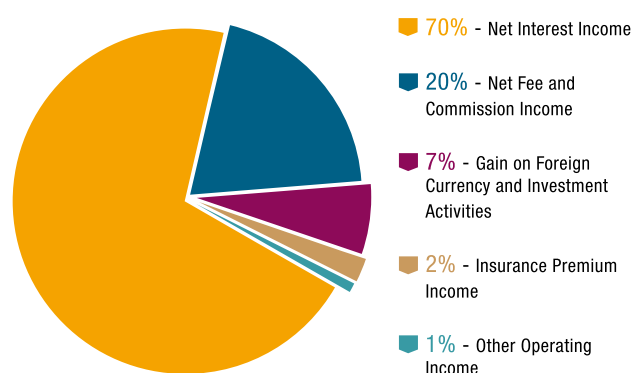
OPERATING INCOME

OPERATING INCOME (\$M)



Total operating income of \$29.3 billion in 2010 was 8% better than the 2009 financial performance; operating income continues to grow year over year. Operating income comprises net interest income, fees & commissions, gains on foreign currency and investment activities, insurance premium income as represented below.

OPERATING INCOME COMPOSITION (%)



MD&A cont'd

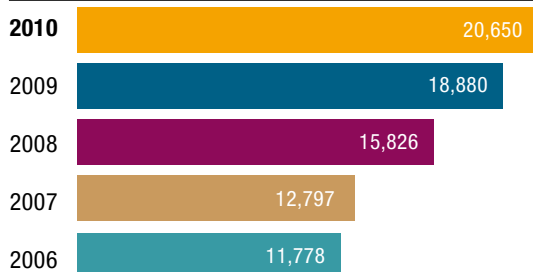
OUR FINANCIALS cont'd

NET INTEREST INCOME

The Group's net interest income of J\$20.6 billion for the 2010 financial year grew by J\$1.8 billion or 9% resulting from growth in the total interest earning assets.

- Our loan portfolio decreased by \$2.2 billion or 2% when compared to the prior year. The primary factors causing this were the decline of our US Dollar portfolio as a result of appreciation of the US dollar during the financial year, and the slow down in the rate of growth of new US dollar denominated loans.
- The investment securities portfolio grew by \$32.4 billion or 19% over the prior year, and decreases in the open market interest rates on government instruments following the Jamaican Debt Exchange (JDX) resulted in lower yields on investments, when compared to the prior year.
- On the interest expenses side, our funding portfolio increased over the prior year, by \$12.4 billion or 5%, and the average funding cost decreased from the prior year, in line with the decreases in market interest rates, both locally and internationally.

NET INTEREST INCOME (\$M)

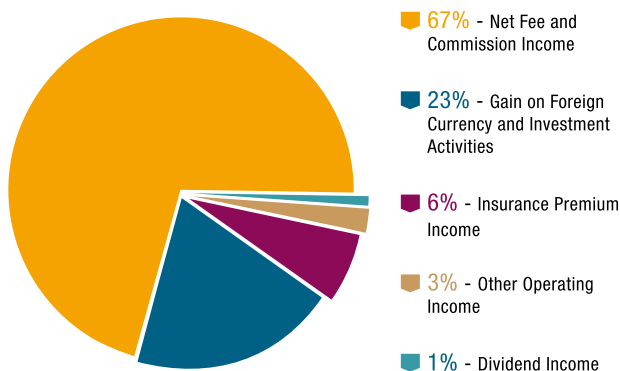


The group experienced growth in net interest income by growing the volumes of earning assets and funding liabilities, focusing on and managing the cost and currency mix of that funding.

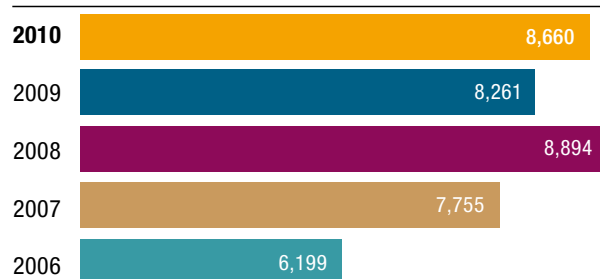
NON-INTEREST INCOME

Our non-interest income, which mainly comprises net fee & commission income and gains from foreign currency trading and investment activities, improved by 5% or J\$399 million in the 2010 financial year when compared to 2009. Net fees and commissions income, which accounts for 67% of the non-interest income, increased by J\$692 million or 26% when compared to the previous financial year and this growth is mainly as a result of increases in transaction volumes. Gains on foreign currency trading and investment activities decreased by J\$692 million or 16%; this decline was driven by prevailing market conditions.

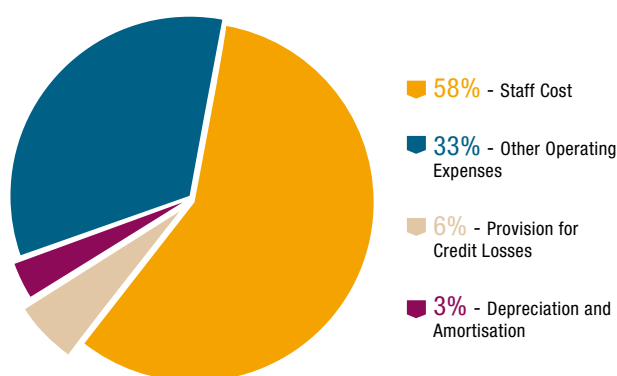
NON-INTEREST INCOME COMPOSITION (%)



NON-INTEREST INCOME (\$M)



OPERATING EXPENSES

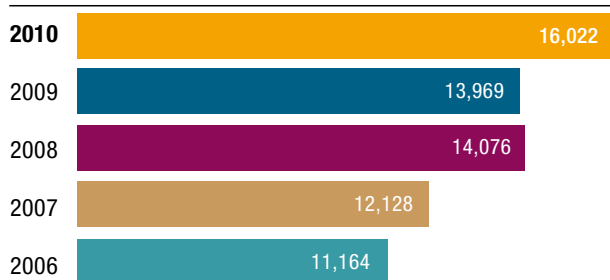


Operating expenses increased by J\$2.1 billion or 15% over the prior year which was mainly attributable to increased staff costs and operating expenses.

- Staff costs grew by J\$1.3 billion or 16% primarily due to the negotiated annual increases in wages and benefits, higher performance-related compensation, and redundancy costs resulting from the restructuring exercise which was carried out during the second quarter.
- Policyholders' benefits and reserves increased by \$318 million over the prior year.

- Repairs and maintenance costs for computer equipment increased by \$83 million or 20%.
- Electricity charges grew by \$77 million or 25% over the prior financial year.
- Insurance premiums increased by 24% or \$73 million.
- Expenses arising from frauds and forgeries increased by \$42 million or 82%.

OPERATING EXPENSES (\$M)

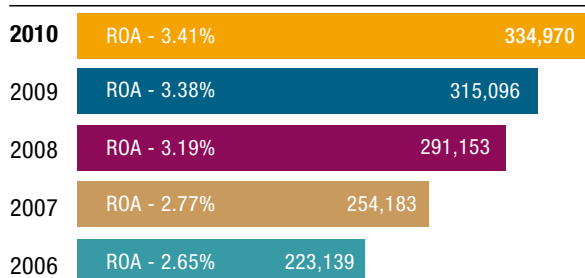


ASSET PERFORMANCE

The asset base of the group was J\$335.0 billion as at September 2010 representing a 6% or J\$19.9 billion increase over 2009. This was funded by increases in repurchase agreements, customer deposits, policyholders' liabilities and retained earnings.

We have pursued initiatives in the 2010 financial year to improve asset utilization, thereby maximizing shareholder return. One of our key strategic measures, the Return on Average Assets ratio, improved from 3.38% in 2009 to 3.41% in 2010 which shows that despite the reduction in market yields, we have been able to improve the efficiency of our assets.

TOTAL ASSETS (\$M)



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

Balances at the BoJ represent amounts deposited at the BoJ as required to meet the rate of 12% (2009 – 14%) of prescribed liabilities for Jamaican dollars (9% of prescribed liabilities for foreign exchange liabilities).

Investment Securities

Our investment securities portfolio grew by J\$32.4 billion or 19% over the prior year. This comprises debt securities (Government of Jamaica, foreign governments and corporate bonds) and equity securities (quoted and unquoted).

Net Loans

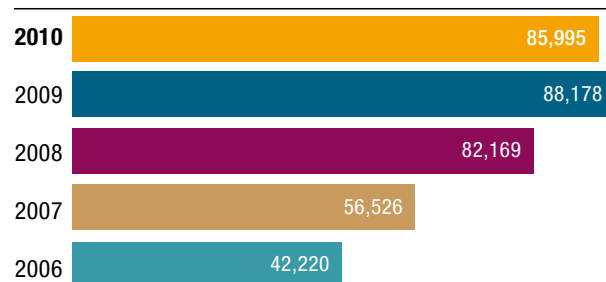
Loans and advances, net of provisions for credit losses, decreased from J\$88.2 billion at September 2009 to J\$86.0 billion at September 2010. This resulted from a reduction in the rate of growth of loans in our Corporate Banking Division and the appreciation of the Jamaican dollar against the US dollar. These factors also affected our net loans to total assets ratio which at September 2010 was 25.67% compared with 27.98% at September 2009.

The provision for credit losses increased from J\$2.7 billion at September 2009 to J\$3.0 billion at September 2010. This provides provision coverage of 136.3% (September 2009 – 147.3%). The difference between the statutory provision for credit losses and the International Financial Reporting Standards (IFRS) provision is credited to a non-distributable reserve – Loan Loss Reserve. The balance in the Loan Loss Reserve was J\$1,135 million as at September 2010. The Bank's provisioning policy is in compliance with the Bank of Jamaica regulations.

As at 30 September 2010, our loan portfolio was 50% denominated in US dollar loans compared with 56% for the previous financial year. The change in this ratio is influenced both by the reduced growth in the US\$ portfolio as well as the growth of 20% in the Jamaican dollar retail portfolio.

NCBJ earned the #1 market share position for loans during the 2009 financial year and returned this position as at 30 June 2010 with a market share of 34.6%.

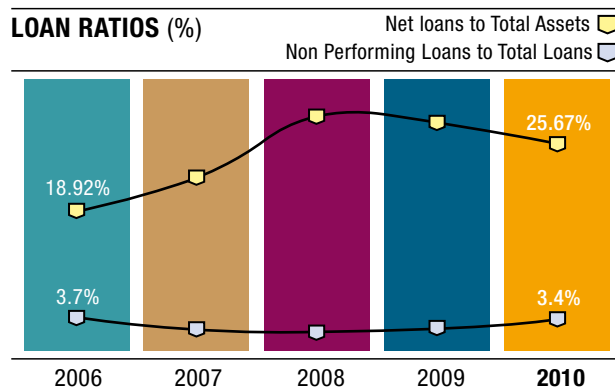
NET LOANS (\$M)



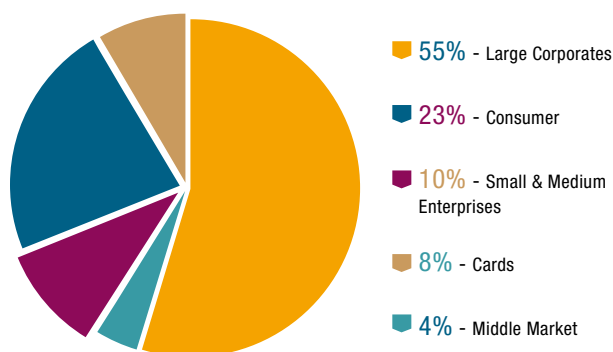
The non-performing loans to gross loans ratio has been impacted both by the reduction in the gross loans as well as the increased provisioning required for our portfolio. Despite the worsening of this ratio, our provision for loan losses expenses decreased by J\$80 million as we have enhanced our delinquency management and loan origination processes, as well as implemented several initiatives to provide our customers with tools and options to ensure financial stability.

MD&A cont'd

OUR FINANCIALS cont'd



Loan Portfolio by Segment



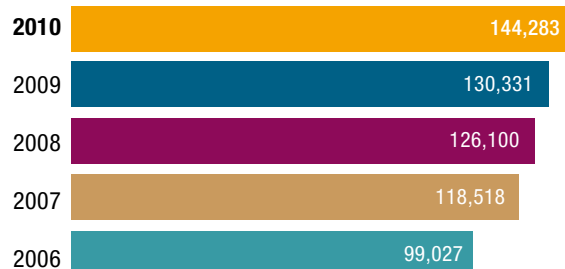
Total Funding Portfolio as at September 2010
J\$280.9 billion

FUNDING PERFORMANCE

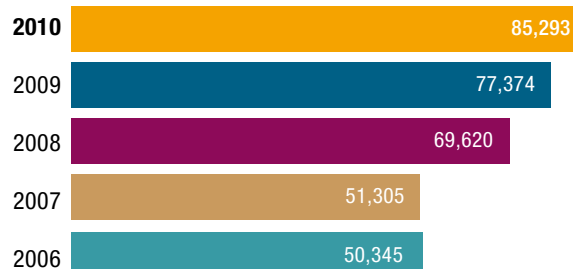
Our customer deposits of J\$144.3 billion grew by J\$14.0 billion over the previous financial year. Repurchase Agreements increased by J\$7.9 billion or 10% which was primarily attributable to increased funds managed by our Wealth Management subsidiaries.

Policyholders' liabilities grew by J\$1.3 billion or 7% and this was primarily due to the growth in gross premiums. Obligations under securitisation arrangements held at the end of the 2010 financial year decreased by \$6.7 billion from the previous financial year. The loan growth for the 2010 financial year was lower than anticipated and we therefore took the opportunity to reduce expensive sources of funding. The average repurchase funding for the commercial bank was \$14.7 billion for the 2010 financial year compared with \$16.7 billion for 2009.

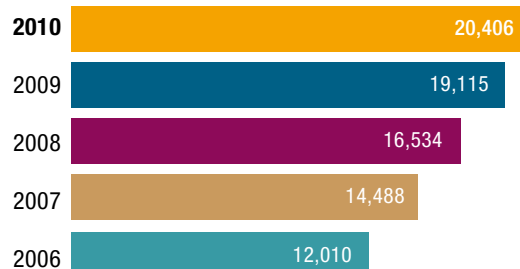
CUSTOMER DEPOSITS (\$M)



REPURCHASE AGREEMENTS (\$M)



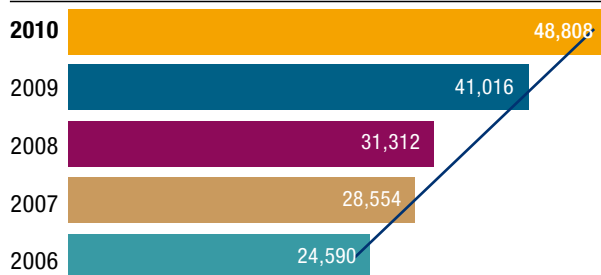
POLICYHOLDERS' FUND (\$M)



Stockholders' Equity

The Group's Stockholders' Equity of J\$48.8 billion increased by J\$7.8 billion or 19% during the 2010 financial year, and this growth was driven by the profit after tax of \$11.1 billion as well as a favourable increase of J\$1.4 billion in fair value and other reserves. The return on equity for the Group was 24.7% at September 2010 compared with 28.3% in September 2009.

NET WORTH (\$M)



CAPITAL

The Statutory Capital base was \$20.5 billion at September 2010, an increase of \$838 million over the capital base at the end of the 2009 financial year. This increase was a result of the transfer of retained earnings to the banking reserve fund which is maintained to provide increased protection to depositors and further buttress the capital base.

DIVIDENDS & SHAREHOLDERS' RETURN

The dividend payout ratio for the financial year was 42.2% compared to 21.1% at September 2009.

The dividends paid in 2010 were \$1.90 per share or \$4.7 billion, compared to \$0.88 per share or J\$2.2 billion in the prior year.

The share price as at September 30, 2010 was J\$17.51 per share (September 30, 2009 – J\$13.00) which has resulted in a dividend yield of 10.9% (September 2009 – 6.8%).

Our total shareholder return which combines share price appreciation and dividends paid to show the total amount returned to the investor was 49% for the 2010 financial year. At the close of business on 30 September 2010, the JSE All Jamaican Composite Index stood at 83,613.08, an increase of 5% over the prior year.

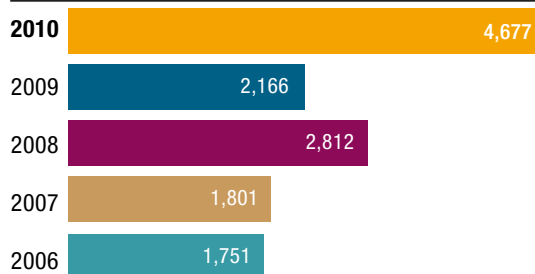
As at September 30, 2010					
National Commercial Bank Jamaica Limited		NCB Capital Markets Limited		NCB Insurance Company Limited	
Regulated by the Bank of Jamaica		Regulated by the Financial Services Commission		Regulated by the Financial Services Commission	
Regulatory Capital to Risk Weighted Assets	16.5%	Regulatory Capital to Risk Weighted Assets	97.8%	Solvency Ratio	26.5%
Regulatory Requirement	10%	Regulatory Requirement	10%	Regulatory Requirement	10%

NCBJ Total Shareholder Return						
For The Year Ended September 30		2010	2009	2008	2007	2006
Closing Price of Common Shares (\$ per share)		17.51	13.00	20.00	22.40	18.21
Dividend Paid (\$ per share)		1.90	0.88	1.14	0.73	0.71
NCBJ Shareholder Return		49%	(31%)	(6%)	27%	5%
JSE Index Annual Movement (%)		5%	(22%)	6%	12%	(17%)

“Financial reporting is no longer limited to providing a framework that delivers sound and timely financial reports. It must now drive corporate performance and transparency by enabling better decision making and by ensuring that business strategy is translated into financial outcomes and appropriate metrics that are used to monitor performance. These are essential elements of an organisation’s success.”

— Yvonne Clarke, Group Chief Financial Officer

DIVIDENDS (\$M)



MD&A cont'd

RISK MANAGEMENT

The NCB Group takes an enterprise-wide approach to the identification, measurement, monitoring, reporting and management of risks. The principal risks faced by the NCB GROUP are identified as: credit, market, interest rate and liquidity risks. The Organisation's Risk governance framework has been structured around the main objective of preserving and maximising value to our investors.

The Group's risk management framework guides its risk taking activities and ensures that it is in conformity with regulatory requirements, applicable laws, the Board's risk appetite, shareholders' expectations and standards of best practice. The framework incorporates a comprehensive risk governance structure and appropriate policies and procedures.

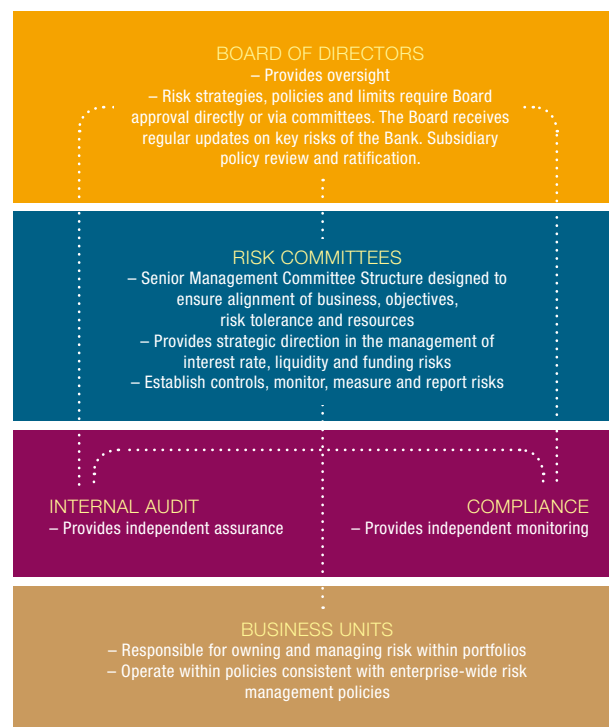
Our risk management framework is supported by five main components: our business units, our independent risk management function, internal audit, compliance and our risk committees. The resources and processes used to enforce this risk management strategy are designed to enable all our businesses to understand the risks they are exposed to and develop the strategies they need to manage them appropriately. Our business units are responsible for identifying, quantifying, mitigating and managing all risks. We believe that our management processes, structures and policies allow us to place the ownership and accountability for risk with the business units, since they are intimate with the changing nature of risks and best able to act on our behalf in managing and mitigating those risks.

Our risk management function proactively works with the business units and senior management to ensure we have a continuous, strategic focus on key risks and emerging trends which may change our risk oversight. All business units are managed within the approved risk limits set by the risk management team which has an objective view of our risk-taking activities.

The Internal Audit Division of the Group acts as an objective unit within the organization, providing a reasonable assessment of our internal control environment which includes our management systems, risk governance and policies and procedures and applicable laws and regulations.

The Risk Committees provide a mechanism to bring together the many perspectives of our management team to discuss risk issues, monitor risk-taking activities and to evaluate specific transactions and exposures. All risk management committees are

charged with monitoring the direction and trend of risks relative to business strategies, market conditions and other external factors.



Risk Governance Structure

NCB's risk governance structure seeks to manage risk reward by promoting revenue-generating activities, which are compliant with the Group's standards and risk tolerance, while driving the maximisation of long term shareholder value. The Group's comprehensive risk governance structure incorporates:

- administrative controls effected through the Board, relevant committees (The Audit Committee, The Credit Committee, The Asset and Liability Committee, The Risk Management Committee, The Investment Management Committee) and the establishment of policies, and
- organizational controls effected through segregation of duties. These controls are

reviewed on an ongoing basis to ensure that they provide effective governance of the Group's risk taking activities.

Risk Limits are integral to the risk management process, as they characterize the Board's risk tolerance and also that of the regulator. Limits are established for:

- (i) Credit and Counterparty risk - exposures to individuals, group, counterparty, country
- (ii) Market risk - rate gap exposure, currency exposure, market value exposure
- (iii) Liquidity risk - liquidity gaps, funding exposures/ liability diversification and liquid assets levels.

Limits are monitored on an ongoing basis and reported to the relevant governance committees.

Policies & Procedures

Rigorous policies and operational procedures are established throughout the organization and are approved by the relevant management personnel, committees and/or the Board. These policies and procedures incorporate requirements for compliance monitoring, maintenance of contingency plans and the provision of reports to management and the relevant governance committees.

OVERVIEW OF RISKS

Credit Risk

Credit risk is defined as the potential for loss to the organization arising from failure of a borrower, guarantor or counterparty to honour their contractual obligations to the Group. In managing this risk, we have established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations. Our primary objective is to be methodical in our credit risk assessment so that we can better understand, select and manage our exposures to reduce significant fluctuations in earnings.

.....
"We must work to maintain a strong and robust management framework that protects our group from external shocks and unnecessary risk exposure. Our stakeholders rely on us to exercise prudent business decisions that safeguard value at all times and we continue to strive for this in the execution of our risk management practices."

— *Allison Wynter, General Manager, Credit & Risk Management*

Market Risk

The Group takes on exposure to market risk which is defined as the potential for loss arising from changes in the market value of the organisation's financial instruments due to changes in certain market variables, such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads. In managing this risk, we take a comprehensive governance approach in accordance with the enterprise-wide risk management framework, supported by the utilisation of tools and models to measure market risk exposure, limit setting mechanisms, and the utilisation of scenario analysis and stress testing for worst case events.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is embedded in all our activities and failure to manage it can result in direct or indirect financial loss, business disruption, regulatory censure, theft and fraud, workplace injury, penalties and reputational impact. In managing this risk, we maintain a formal enterprise-wide operational risk management framework that emphasises a strong risk management and internal control culture throughout the Group.

Insurance Risk

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

MD&A cont'd

RISK MANAGEMENT

Regulatory & Legal Risk

Regulatory risk is the risk of not complying with regulatory and comparable requirements. Legal risk is the risk of non-compliance with legal requirements, including the effectiveness of preventing and handling litigation. Financial services is one of the most closely regulated industries, and the management of a financial services business such as ours is expected to meet high standards in all business dealings and transactions. Failure to meet regulatory and legal requirements not only poses a risk of censure or penalty, and may lead to litigation, but also puts our reputation at risk. Business units are responsible for managing day-to-day regulatory and legal risk, while the Legal AML and Corporate Compliance Division assists them by providing advice and oversight.

Reputational Risk

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

.....
"The internal audit process is a key component of the corporate governance and risk management frameworks within NCB. Our role facilitates the fulfillment of critical internal control responsibilities and ensures that the Board and management are kept abreast of systemic issues that may hamper optimal business performance. We safeguard the policies that are designed to preserve the organization's 'checks and balances', which ultimately seeks to protect our stakeholders."
.....

—— **Mukisa Wilson Ricketts**, Chief Internal Auditor

[The various types of risk are further defined within the Financial Management Risk Notes (# 47) of the Financial Statements.]



CUT Banking FEES!

You can cut your business banking expenses with **NCB SME**. We offer comprehensive packages which reduce or eliminate fees.

Benefit from:

Business Premium Package with

- ✓ Free automated payroll services
- ✓ Free cheque leaves

Business Start-Up Package with

- ✓ 3 – month waiver on service charges on your account
- ✓ Discount on standing instructions

Plus much more!



***FREE** Online | Telephone | ABM

*Conditions apply.

For further details, call 1-888-NCB-FIRST | www.cutyourbankfees.com

MD&A cont'd

OUR OPERATIONS

The organization continues to maintain a strong focus on improving its operational efficiency by reviewing processes and leveraging technology where these will provide better cost management and improved performance in our service delivery channels.

GROUP OPERATIONS & TECHNOLOGY

During the year, the Information Technology (IT) Division and Network Operations were merged to take advantage of the natural synergies between operations and technology. The newly named division, Group Operations and Technology (GOTD) embarked on a five year strategic plan designed, inter alia, to enhance our technology platform so that our operating systems may better respond to the changing business needs. This strategy will facilitate:-

- [1] Institutionalizing of IT best practices
- [2] Implementation of a more robust IT governance framework
- [3] Better alignment of IT activities with the business objectives of NCB.
- [4] An improved IT risk management framework
- [5] A more stable IT infrastructure to better enable business continuity.

The Division also enhanced its focus on operational efficiency within the Group. To maximize efficiency, and to take advantage of opportunities for automation, its Business Process Improvement Team started a review of branch operations, embarking on a comprehensive analysis of processes, procedures and structure of the branches, with the intention of improving efficiencies and supporting the business' drive to enhance the customer experience. There was also a continued focus on identifying functions and processes best suited for centralization in order to maximize economies of scale and scope.

.....
"Operations and IT are strategic enablers; we are the engine that drives the running of our business, and our focus has to be on building and sustaining an engine that is anticipatory, responsive, reliable and above all, efficient at meeting the needs of the business, and ultimately our customers."
.....

— **Howard Gordon**, Senior General Manager,
Operations and Technology

As one of its main areas of emphasis going forward, the Division will be instrumental in facilitating the conversion of payments to electronic transfer systems such as the Automated Clearing House (ACH) and Real Time Gross Settlement (RTGS), which will provide faster and more cost effective processing of payments made by our customers.

FACILITIES & SERVICES

Our operational efficiency activities extend to the management of our physical assets, procurement of supplier services, safety and security of our operating environment. The Division charged with this responsibility is Facilities and Services (FSD). During the year, FSD undertook a number of initiatives, including the following:-

- [1] the launch of a Master Space Plan project in order to consolidate office spaces and reduce the organization's lease cost, involving for example:-

- a] acquisition of land at 126 Constant Spring Road in St. Andrew to construct a modern branch and to merge the current Manor Park and Manor Center locations.
- b] acquisition of premises at 29 Trafalgar Road in Kingston, in order to convert it into an office complex and relocate some units from leased property.

- [2] Improvement in our ABM infrastructure so as to create a safer environment for our customers and help to reduce the incidents of fraud.

- [3] Improvement in the centralized procurement strategy with greater emphasis on supplier

.....

“Organizations are moving further and further towards more efficient use of physical resources, and at NCB, we will not be left behind. How we manage our supplier relationships will be one critical component in this regard. We therefore see our future in optimizing a modern, secure and safe operating environment, to the benefit of our employees and our customers.”

.....

— **Major Ffrench Campbell**, Senior Assistant
General Manager, Facilities and Services

management in order to obtain greater value for money spent.

- [4]** The launch of an aggressive energy conservation program to reduce our energy cost.
- [5]** Enhancement in the safety of our staff and customers by identifying and training Safety Monitors for all branch locations. This is expected to provide improved emergency responses to both civil unrest and natural disasters such as hurricane, earthquake, fire, etc.

LEGAL & COMPLIANCE

During the year, we merged the Legal and Compliance functions, creating one Division focused on managing these aspects of our operations. The organization's legal and compliance framework continue to be strengthened as we ensure that the business risks can be mitigated and that our employees are sufficiently armed with information that will ensure our adherence to the relevant laws and regulations that govern sound and prudent business practices.

In the area of Compliance, we made further steps towards implementing an appropriate anti-money laundering software solution. When implemented,

this system will enhance our ability to report qualified transactions to the relevant authorities in a more timely and efficient manner, thereby preserving our full cooperation in combating money laundering and the financing of terrorism.

THE WAY FORWARD

Our operations are driven by a fundamental focus on efficiency and sound business practices. It is our aim to not only be proactive in this regard, but to also ensure that we are vigilant in compliance and capable of anticipating business needs that can be driven by streamlined processes, appropriate technology and comprehensive management of our supplier relationships and assets, in order to compliment the performance of our revenue-generating activities, while safeguarding our organization against unwanted risks.

We believe that we possess or can acquire the resources required to support our strategic business units as they pursue the objective of providing superior service to our customers.

.....

“We operate in a global environment and we are prepared to meet the demands that come with this, from the perspective of cross border legal and regulatory frameworks that serve to ensure our infrastructure is not used to enable illegal activity. At the same time, we recognize and embrace our responsibility in making financial services transactions easy and convenient for our customers – the two can co-exist comfortably. At NCB, this is what we strive to maintain at all times.”

.....

— **Dave Garcia**, General Manager, Legal, AML
and Corporate Compliance

MD&A cont'd

OUR CUSTOMERS

The organization operates within a key strategic communication framework designed to optimize customer contact, both pro-actively and in response to changing market signals. This framework drives the development of market campaigns and other communication initiatives around our parent brand, NCB, as well as our products and services.

MARKETING, COMMUNICATIONS & SERVICE DELIVERY

During the 2010 Financial Year, we implemented a number of campaigns to promote to existing and prospective customers, products and services which sought to meet an identified need within respective market segments. These included the major promotion of two new credit cards for individuals and two special loan facilities at a concessionary rate of 9% to businesses in the agricultural, manufacturing and tourism sectors. On the insurance side, we went to market with a new Individual Retirement Product called SMART (**S**ecured **M**oney **A**t **R**etirement).

In February 2010, we were the first commercial bank to launch a comprehensive and wide-scale customer education campaign designed to inform the market on options available to reduce and/or eliminate some of the more commonly used banking fees such as withdrawals, transfers, balance enquiries, bill payments and business current account service fees and payroll charges. The **CutYourBankFees** campaign provided our customers with the choices they could make to reduce the cost of doing business. Over 200,000 NCB individual and business customers currently enjoy the use of specially designed account packages that significantly reduce or eliminate fees. We continue to explore ways to ensure that our customers have more cost-effective means to do their banking.

During the year, we sought to increase customer loyalty and ensure retention through a series of innovative and novel client experiences. Through a host of sponsorships and NCB hosted events, many of our customers got to know us better and we got the opportunity to enjoy shared lifestyle interests in sports, entertainment, fine dining, literary arts and culture.

.....
“Our brand is such a powerful and valuable asset to our business; building and preserving its strength will not wane. Marketing says what you can expect when you interact with our brand; Service Delivery is your actual brand experience. These two elements cannot be in opposition. Our customers and other stakeholders expect consistent delivery of our brand promise and we must live up to that expectation, at all times.”
.....

— **Sheree Martin**, General Manager,
Marketing, Communications & Service Delivery

The 2010 Financial Year was also one in which we aggressively stepped up our foray into social media, another communication touch-point through which we can facilitate two-way contact with existing and new customers, particularly in the personal segment. We view the use of social media networks such as Facebook and Twitter as strategic in our pursuit for real time monitoring of our brand perception and engagement with our market.

Our Service Delivery Unit was merged with our Marketing and Communications Division in February 2010, in order to give full oversight of the customer experience from the point of engaging clients with our marketing messages to the actual delivery of our services at each channel.

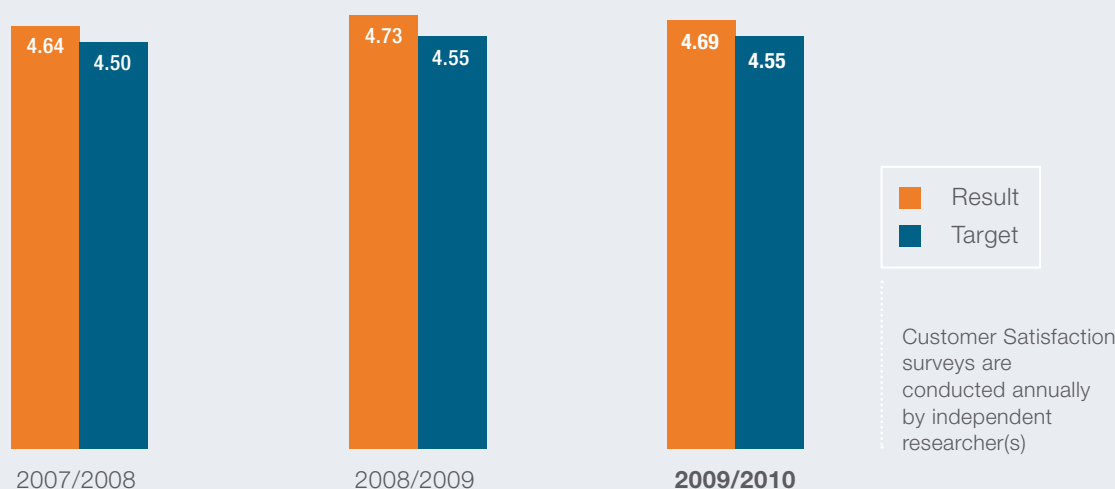
The Service Delivery Unit continued its close monitoring of our performance against established service standards, through the use of Mystery Shoppers

and other such survey tools.

During the year, the Service Quality Unit was responsible for monitoring and reporting on the quality of customer service being provided, both externally and internally. In this regard, the unit:-

- ◆ Developed and implemented a new Customer Service Orientation programme for new employees

Customer Satisfaction Survey Results



- ◆ Implemented quarterly refresher Customer Service E-Learning Tutorials for all employees
- ◆ Revamped the survey tools used by the organization to measure external and internal service
- ◆ Spearheaded training of frontline employees for a new Account Opening Process which the Bank piloted.

Our Customer Care Centre continues to be hailed as an ultra-convenient touchpoint for our customers to enquire on and conduct routine day-to-day banking needs. The volume of calls showed a significant increase over the prior year and we are therefore developing an enhanced resource plan that will ensure that timely access to the Centre is not compromised.

economic downturn both locally and internationally, and the negative spin off effects on our customers in both the business and personal sectors.

The growth in revenue was driven by the strong performance of our Card Business which contributed approximately 21% of the revenues, while new Retail Loans grew by approximately 40% over the previous year. We believe our pro-active stance in providing competitive lending terms and rates, attractive needs-based products, as well as working with our customers to manage their finances, were the main factors for success in the face of weak business and consumer confidence and an intensely competitive environment.

However, even in this environment our Card Acquiring merchant base continued to increase as we deployed additional Point-Of-Sale machines. Additionally, customers signalled their continued confidence in our strength and performance by increasing their deposits and pension flows and continued to use our remittance services.

BUSINESS LINES

The Commercial Bank has three main business lines – Retail Banking (which oversees the remittance business), Corporate Banking and Treasury and Correspondent Banking. The commercial banking arm, along with NCB Capital Markets, NCB (Cayman) Limited and NCB Insurance Company Limited, comprise the major operations of the NCB group.

RETAIL BANKING

The Retail Banking Division continued to be a major contributor to the organisation's income stream contributing \$13.68B in revenues from its operations. This was despite significant reductions in market rates,

.....
“The face of retail banking is changing and we must arm our people with the right skills and products to meet the evolving needs of a wide range of individuals and businesses. A trip to the branch must be value-added, for our customers and for us. We will achieve this through a concerted focus on effective selling and superior service delivery.”

— **Audrey Tugwell Henry**, Senior General Manager, Retail Banking

Delighting our customers was at the centre of activities and initiatives during the financial year. Highlighted below are some of the areas on which we focused:

Products and Services:

Our products and services represent our stock in trade and like any well run business, the appropriate inventory should always be on hand to satisfy our customers' demands. We observed that our Private Banking customers' demands for products were not being fully met. As such, we commenced the process of completely revamping the

MD&A cont'd

OUR CUSTOMERS cont'd

Private Banking Centre to include an improved image and an expanded suite of services.

During the year, we launched the **NCB Nation Builder Credit Line**, which was a J\$1B pool of funds offered at 9% to our small and medium sized business customers. We also launched the **NCB Financial Access for Responsible Members (F.A.R.M.) Credit Line** which was a collaboration with the Ministry of Agriculture to provide financing for farmers producing a defined range of agricultural crops.

In May the **Auto Equity Loan** was introduced to help those customers who needed to access financing by leveraging the equity in their motor vehicles, while in August we offered a **Computer Loan Product** in collaboration with Digicel to help improve computer literacy by bringing computers and the internet to more households in Jamaica.

Driven by the need to remain relevant to our customers, we also revised a number of our **consumer loan and deposit products** including the **NCB Max Deposit** and **Christmas Saver's Club** which was enhanced to give our customers the opportunity to save consistently over a period of ten (10) months to meet end-of-year obligations.

Additionally the **Visa Classic** and **Visa Gold Credit Cards** were launched to provide customers with the convenience of shopping internationally but paying in JA\$. This capability allows customers to manage currency risks while they benefit from a programme that rewards them for spending responsibly.

We expect remittance inflows to Jamaica and the region to improve during the coming year. As such, steps are now being taken to grow our **Remittance Business** by creating alliances which will provide easier access and more convenience to our remittance customers.

Process Improvements:

Based on a review of some of our practices and processes, along with feedback from our customers, we embarked on a number of procedural changes to improve the timeliness of service delivery and the ease with which our customers can access our services. We launched a **"Middle Market Unit"** to address the needs of that group of business customers that were considered too small for our Corporate Banking Division, but whose requirements and operations were sufficiently large and complex to warrant specialized focus.

Aspects of our **Credit Card Operations** were re-organised and streamlined to allow for greater control



Over forty of National Commercial Bank's small & medium enterprise (SME) customers received business skills training and useful advice during a series of seminars, conducted by the Bank in collaboration with the world's number one business coaching firm, ActionCOACH.

and efficiency, along various stages of the process from the receipt of the card application to the production of the actual credit card. For customers, this means a quicker turnaround time from application to card delivery as well as more efficient resolution of customer issues.

With the increased proliferation of electronic banking and eCommerce, we have successfully implemented our **3D Secure** authorisation system which facilitates safer and more secure processing of credit card transactions on our Merchants' eCommerce websites. This system should help to protect our Merchants and their customers by minimizing the fraudulent use of credit cards.

Informing and Engaging our Customers:

Keeping our customers informed and engaged has been an effective tool in ensuring increased customer satisfaction as well as fostering greater loyalty. We were therefore not surprised at the level of positive feedback we received for the following customer initiatives.

At the start of the 2010 financial year we kicked off our **Money Matters Road Shows**, where customers were provided with practical solutions to managing their finances, including tips on how to save and budget.



Over four hundred budget templates were downloaded by individuals to help with their financial planning. We also provided re-structuring and debt consolidation for a number of customers, which helped to reduce monthly payments.

A Loan and Credit Card Amnesty Programme was also launched to help selected customers to clear burdensome long standing bad debt balances and improve their credit history.

For the second consecutive year, we staged the Nation Builders' Awards where the achievements, performance and contribution to "building a better Jamaica" of our SME customers were recognised. Customers were recognised and rewarded in the following categories: "Nation Builder", "Start Up Company", "Innovation" and "Women in Business".

"Click SME", a new monthly online magazine was launched in an effort to inform, educate and market to our customers. Each issue has a business focus and seeks to provide customers with valuable, practical information that should be useful in the operation of their businesses.

"Know How" and "Fraud Prevention" Seminars were hosted as we sought to strengthen our relationship with our Card Merchants and SME customers. These seminars covered a variety of issues ranging from fraud identification and prevention practices to accessing financing, best practices in manufacturing and exporting and other topics relevant to the business operations of this important segment.

In an effort to strengthen the technical capacity of our SME customers, we embarked on several business training seminars, partnering with the HEART Trust NTA and ActionCOACH, a leading business trainer in the USA, to provide skills in key business areas.

For the new financial year, the

Retail Banking business will build on the foundations that were laid in the previous year. We will continue to:

- ◆ Make the customer the centre of everything we do. Renewed emphasis will be placed on improving our ability to identify and address the needs of our key customer segments. We will seek opportunities to understand our customers better and in so doing identify and customize appropriate financial solutions. We believe this approach will help to build customer loyalty, increase profitability and promote higher product utilization.
- ◆ Focus on increasing staff engagement and building expertise across key businesses and leadership at all levels of the business.
- ◆ Build value for our shareholders by strengthening the bottom-line, improving the efficiency and reliability of our electronic channels and helping our customers to see the benefits afforded by these service channels, while working with our service partners to improve process efficiency as well as the productivity of our people.

CORPORATE BANKING DIVISION

For the 2010 Financial Year, the Corporate Banking Division met and conquered the challenges of sluggish economic growth and the effects of the Jamaica Debt Exchange Programme which resulted in the downward re-pricing of various credit facilities and the pre-payment of debt by various government agencies.

Corporate Banking managed to deliver an 18% increase in its unit bottom-line profit by attracting new clients and by giving careful attention to portfolio pricing to ensure appropriate reflection of risk. Also favourably impacting the Division's performance was the 18.4% year-over-year growth in our corporate deposit portfolio, driven mainly by increased foreign currency deposit balances.

The Division's fee-based revenues grew as a result of direct marketing of the e-channel options

.....
"NCB's corporate banking team provides unique expertise when it comes to handling large complex deals. The needs of corporate companies are diverse and financial solutions must be customized and innovative. Our responsiveness to this important challenge has been rewarded with the confidence of an impressive client list comprising Jamaica's top blue-chip companies. We will not lose this advantage."
.....

— **Marjorie Seeberan**, General Manager,
Corporate Banking

MD&A cont'd

OUR CUSTOMERS cont'd

for cash management, particularly Corporate Internet Banking and Funds Direct, an Automated Clearing House (ACH) electronic transfer facility. This was critical to deposit growth, retention of an excellent customer base and an overall lessening of Corporate Banking's reliance on alternate funding.

Our corporate clients have not been immune to the global financial crisis, the impact of which still continues to be felt in the local and external economies. We have thus far responded to these shocks by working closely with affected companies to restructure their facilities and in some cases, we have assisted in the repositioning of their balance sheet within the context of significant unplanned changes in projected cash flows.

In the 2010-2011 Financial Year, we will be focusing on carefully measured growth, continuing to add value to our clients' financing solutions, while seeking to maintain the overall quality of the portfolio.

The quality of the Corporate Banking personnel continues to be a strong factor in our success. Our portfolio of business is managed by a team of twenty-six (26) who are dedicated, experienced and highly motivated, with the desire to excel. With their input a number of initiatives were successfully undertaken during the year, most notable of which was our completion of the largest financing package offered to date culminating in the opening of the flagship Secrets Hotel.

Outlook

Our Corporate Banking business has maintained its competitive advantage by demonstrating agility and flexibility in crafting financial solutions to meet the needs of existing and potential clients. With the marginal growth outlook continuing over the next year, we will continue to focus on meeting the entire needs of clients by leveraging the products and services offered through our various divisions and subsidiaries and selectively find cross-border options for lower cost financing where possible. Strategic targeting of new clients will enable us to further grow our market share.

We will remain as the Bank of choice for large, complex credit facilities.

TREASURY & CORRESPONDENT BANKING DIVISION

The Treasury & Correspondent Banking Division maintained strong financial discipline and achieved a net contribution of J\$3.35B to the Group's results.

This robust financial performance occurred despite the negative impact of the Government of Jamaica's Debt Exchange programme (JDX) on the Division's interest income. This strong performance was achieved by:

- ◆ Expertly monetizing views on interest rates, exchange rates, securities prices and other macroeconomic variables.
- ◆ Managing the concentration and maturity profile of assets & liabilities.
- ◆ Astute management of the interest rate sensitivity of the Bank's investment portfolio.

Enhanced Framework for Liquidity & Funding Management

During the year, the Division utilized the Bank's robust liquidity position in all currencies as a tool of competitive advantage. This ensured that:

- ◆ All prudential requirements and funding commitments were met.
- ◆ Access to the wholesale market was coordinated & cost effective.
- ◆ The Bank maintained a diversified funding base with the ability to respond swiftly and smoothly to unforeseen liquidity requirements.

The Real Time Gross Settlement System (RTGS) and the Central Securities Depository (JAMCLEAR) were also leveraged to:

- ◆ Improve real time management of local liquidity positions.
- ◆ Increase volume & speed of transactions.
- ◆ Minimize/eliminate settlement risk in securities & foreign exchange transactions.
- ◆ Facilitate Straight Through Processing (STP).
- ◆ Reduce operational costs.

Foreign Exchange

Internationally there were sharp movements in exchange rates while in the local market demand for the US Dollar weakened generally, reflecting a contracting economic environment. Against this background the Bank's foreign currency positions were astutely managed to ensure that the Bank suffered no undue losses. We maintained market share and dominance in the purchase and sale of foreign currency. Key components of the strategy in foreign

Youlan Laidlaw [foreground], Senior Business Analyst shares some calculations with Septimus 'Bob' Blake [standing], Senior General Manager, Treasury & Correspondence Banking. Captured in the photo are **R-L** Dominic Miller, Investment Officer; Peter Higgins, AGM, Foreign Exchange Trader and Roger Roomes, Foreign Exchange Trader.



exchange are as follows:

- ◆ Volume leader in all major currencies
- ◆ Competitive pricing & innovative solutions
- ◆ Convenient disbursement/distribution
- ◆ Robust risk management

Financial Institutions Relationship Management

During the year significant emphasis was placed on customer satisfaction and retention. To this end the Division:

- ◆ **Leveraged NCB's expertise and depth in payments to the clients' benefit:**
 - We possess in-depth understanding of the cash flow management requirements of local financial institutions and the need to have cost effective collection and payment solutions locally and internationally.
- ◆ **Developed and delivered sustainable and innovative products & services:**
 - Extensively promoted

the utilization of the Bank's various electronic payment options; eCorporate, NCB Funds Direct, eMerchant Services, Point of Sale machines & RTGS.

◆ Increased responsiveness to the needs of our financial institution clients:

- Provided the widest range of credit & liquidity facilities to support the cash flow management needs of our clients.

Correspondent Banking

The Division leveraged NCB's Correspondent Banking Relationships to further deepen these relationships, improve operational efficiencies and to introduce new services/products to NCB.

Important developments included:

- ◆ Improved STP for transaction execution & settlement (resulting in reduced transaction costs)
- ◆ Real time access & visibility of all accounts (enabling improved liquidity management and enhanced decision making)
- ◆ Development and execution of payment strategies.

.....
"Banks that have weathered the challenges of the global financial crisis have done so primarily through expert asset and liability management and diversified funding capabilities which minimise risk to external shocks. This, to a large extent, represented NCB's formula - one which we have consistently applied pre and post financial meltdown. We are at the forefront of treasury management and will continue to prove our value to the business and our clients."

— *Septimus 'Bob' Blake, Senior General Manager, Treasury & Correspondent Banking*

MD&A cont'd

OUR CUSTOMERS cont'd

NCB CAPITAL MARKETS LIMITED

Despite lower investment yields as a result of the JDX, the company continued to improve its financial performance due to prudent spread management strategies. As such, the company achieved a net profit of \$2.49 billion compared to \$1.71 billion, an increase of 45%.

- Funds under Management grew by \$8.7 billion, or 13% to \$73.49 billion.
- Cost to Income ratio improved 6.37 percentage points to 18.87%
- The company has the largest capital base among its peers. The capital base amounted to \$10.83 billion an increase of 22%

During the 2009-2010 Financial Year, the company continued on the path of extracting further efficiencies by leveraging the group's infrastructure. We also continued to pursue efficiencies through the acquisition and implementation of new technology.

The company undertook a process of review of its sales and distribution capabilities with the view of improving the service to its clients, while an expanded product offering was being developed, given the realities of the new operating environment for investors. A new wealth management training programme geared towards improving the knowledge base and advisory ability of our sales forces was also initiated, so as to ensure the skills set and servicing capabilities of our employees could be enhanced.

In the past year we also renewed our focus on the quality of our investor research services and we were pleased to achieve the first and second places in the 2009/10 Jamaica Stock Exchange (JSE) Analyst competition.



SEATED L-R:

Steven Gooden, Vice President, Investments & Trading • **Dennis Cohen**, Chief Executive Officer • **Vernon James**, Vice President, Sales & Client Services • **Dylan Coke**, Assistant Vice President

NCB (CAYMAN) LIMITED

NCB (Cayman) Limited's service model is based on professionalism and sincerity. We focus on building personal relationships with our clients and providing acceptable solutions to their personal and business needs.

With our recently upgraded banking and communications technology platform we are better able to communicate more efficiently and securely with our clients. Our new asset management and custody service is being well received and is poised to grow significantly in the coming year.



.....

“The world economy is becoming ever more integrated and financially globalised. It is critical therefore that we fully understand what drives investor behavior and be in a position to match our capital market solutions with their investment objectives. Our client servicing capabilities must be second-to-none and the brand must fulfill its mission to be *serious about wealth*.”

.....

— **Dennis Cohen**, Deputy Group Managing Director & CEO, NCB Capital Markets Limited

STANDING L-R:

Kerry-Ann Spencer, Manager, Corporate Client Services • **Najah Peterkin**, Regional Manager • **Stephen Ricketts**, Financial Controller • **Eleith Baxter**, Assistant Manager, Finance • **Tracy-Ann Spence**, Portfolio Manager

MISSING:

Howard Pottinger, Regional Manager • **Annya Walker**, Research Manager • **Herbert Hall**, Corporate Solutions Manager

Financial Highlights for the 2010 Financial Year

Net profit	USD3.1 million
Cost income ratio	26%
Return on average equity	17%
Total assets	USD113 million

We augmented our corporate governance structure during the year with the establishment of a risk management

committee in addition to the existing investment management committee. Our Anti-money Laundering compliance framework was also enhanced to facilitate early detection and prevention of suspicious transactions.

We continue to commit resources to the continual development of our employees through in-house training, NCB eCampus and external programmes aligned to our business needs.

MD&A cont'd

OUR CUSTOMERS cont'd

NCB INSURANCE COMPANY LIMITED

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

The Company now boasts over 21 years of service to the Jamaican people; providing investment linked insurance, pure insurance coverage products and pension administration and investment management services for over 100,000 clients. At September 2010 we recorded Policyholder funds of approximately \$20.9 billion and pension funds under management of some \$47.8 billion.

In 2009-2010, NCBIC:

- ◆ Introduced the SMART Retirement Plan, an approved retirement scheme, to support the Jamaican work force in preparing for life in retirement.
- ◆ Increased the coverage offering on our ProCare Critical Illness protection product to provide a benefit of up to \$3,000,000 insurance, covering the nine (9) most common critical illnesses, without a medical examination.
- ◆ Was awarded the World Finance Global Pension Fund Award for "Best Pension Fund Manager Caribbean 2010" in recognition of the premium service provided by the Company and through the NCB Group for more than 49 years.
- ◆ Continued our commitment to education through sponsorship of the TVJ's Junior Schools' Challenge Quiz programme with our OMNI Educator product. In 2010 some 120 students benefited from the NCBIC OMNI Educator Grant as they enrolled or continued their studies in a variety of tertiary educational institutions in Jamaica and abroad.
- ◆ Continued to live our service motto "Quality our Focus...Serving our Pleasure" as independent

.....
"NCBIC remains committed to meeting the long term needs of our fellow Jamaicans ... working with and supporting our clients in preparing for real life. Whether your need is to plan for; a child's education, long term investment towards a special goal, financial support in the event of a life challenge such as serious illness or planning for retirement for yourself or your employees...NCB Insurance will help you make it happen."
.....

— **Ann Marie Hamilton**, General Manager, NCB Insurance Company Limited



customer service surveys showed the Company enjoying a 93% satisfaction rate among our customers.

For the 2009-2010 financial year the Company recorded profit after tax of \$1.673 billion and remains well capitalized with the main Capital ratios performing well in excess of regulatory minimums as follows:

Solvency Ratio of 22% vs. regulatory minimum of 10%
Capital to Total Assets of 20% vs. regulatory minimum
6% Minimum Continuing Capital Surplus Ratio (MCCSR) of 897% vs. regulatory minimum of 150%. While the Company earned significantly less in 2010 from interest income, due to the impact of the JDX, all other lines of revenue grew with Insurance Premium Income showing the best performance, growing by 31% from \$402 million in 2008-2009 to \$525 million in 2009-2010.



SEATED L-R:

Shala Dinald, Assistant Finance Manager ▪ **Audrey Chin**, Senior Vice President, Business Development and Client Management ▪ **Avril Bailey**, Assistant Finance Manager

STANDING L-R:

Oliver Tomlinson, Business Development Manager- Individual Line ▪ **Shereen Spence Wilson**, Business Analyst ▪ **Sharla Cornwall**, Investment Manager ▪ **Angela Morse**, Senior Underwriter ▪ **Andre Ho Lung**, Vice President, Finance ▪ **Audrey Williams**, Investment Manager ▪ **Georgia Nelson**, Senior Business Analyst ▪ **Antonio Spence**, Regional Manager

MISSING

Ann-Marie Hamilton- General Manager, NCBIC ▪ **Dianne Mullings**, Manager – Administration & Service Management

We continued to improve our processes in the 2009-2010 financial year, particularly in respect of the Pensions' Administration and Annuities business. In the near term, enhancements will also be implemented for our pension administration system to provide visible improvements in customer service.

Towards the end of the year we also implemented new sales support software (Navigator) primarily to simplify the capture of vital customer information which will help us to better serve our customers in the future and to improve the technology platform.

As we sharpen our focus on the retirement planning and services market much of our staff development was focused around improving staff expertise across the business.

Several members of staff either completed or started the international Life Office Management Association (LOMA), Associate Annuity Products & Administration (AAPA) programme, and the Investments Management Team were also enrolled for the Jamaica Stock Exchange Post

Graduate Diploma in Financial Services Management.

Twenty five percent (25%) of NCBIC's Insurance Advisors qualified for the prestigious Million Dollar Round Table for Insurance and Financial Advisors and attended the conference in Vancouver, Canada.

As is true for all companies in the NCB Group, we continuously look for new opportunities to improve the skills set and expertise of our most valued assets...our employees.

Our outlook for the coming year is positive and the Company will be focused even more intensely on growing our customer base to generate increased revenues from all lines of business.

MD&A cont'd

OUR PEOPLE

We are cognizant that employee empowerment and engagement are the avenues through which talent and creativity are unleashed and as an organization, we share the collective responsibility to make it happen.

LEARNING AND DEVELOPMENT

This year, the four Schools of Learning which support the mandate of our Corporate Learning Campus, and which are driven by the NCB Business Model, reviewed their operations and realigned their focus along with their activities in keeping with the changes in the corporate business strategy. The Branch Management Programme, a targeted intervention to build leadership depth and capability within our Retail business, was launched and a second cohort will commence in the new financial year. A course of study intended to enhance the skills and exposure of our Operations Management team began in the latter half of the year and we have concluded work on a Wealth Management Programme projected to further expand the skills and capabilities of our wealth advisory personnel. This latter Programme will also commence in the upcoming financial year.

The Management Training Programme was accorded Post Graduate Diploma status by the University Council of Jamaica.

To capture holistic information for analytical and strategic management purposes, we developed an application to centrally house data on learning interventions that occur across the business. This development, while providing a robust platform for data manipulation, has removed our dependency on an external application and is expected to yield savings of approximately \$17 million per year.

LEADERSHIP AND PEOPLE DEVELOPMENT

The suite of programmes offered within the NCB Institute of Leadership and Organizational Development (ILOD) were rationalized and revised to incorporate a Junior and a Middle Management Programme. A total of 26 employees are enrolled in these Programmes and are slated to graduate at the next scheduled commencement exercise. We will continue our internal leadership



talent pool development by enrolling new cohorts in the upcoming year.

We expanded our online learning portal (eCampus) to include thirty (30) new e-courses and seven (7) e-books. A Caribbean search component has been added to our electronic library which allows our employees to have access to more information for research and analysis on the CARICOM region.

The increased opportunities for research and learning over the financial year resulted in a total of 28,342

28,342 **cumulative training hours** were devoted to self initiated learning by our employees due to the increased opportunities for research and learning over the financial year.



MD&A cont'd

OUR PEOPLE cont'd

training hours being devoted to self initiated learning by our employees – an average of 11.5 hours per employee.

ENHANCED PERFORMANCE MANAGEMENT

We recognize that effective performance management is an integral component of business success. To better leverage the performance management process to achieve the objective of a ready pool of talent for succession planning, we reconfigured the employee performance appraisal tool to incorporate the results of a previously implemented competency matrix that allowed the respective business lines to critically assess the persons identified as successors and identify the knowledge and experiential gaps.

We subjected our online performance appraisal system and AutoPro, our web based automated workflow solution, to external scrutiny by a panel of judges representing the Human Resources Management Association of Jamaica and we were awarded the **2009 HRMAJ Golden Leader in HR Innovation Award**.

POSITIVE EMPLOYEE CLIMATE

It is our firm belief that a positive employee climate enhances employee commitment and productivity. Earlier in the financial year, in order to better position the organization to withstand external economic shocks, we undertook a corporate restructuring exercise. As a precursor, a series of dialogue sessions were conducted sensitizing and preparing the employees for the pending events. Once the separation process was completed, island wide consultative sessions entitled "Reframing for Sustainability" were held to facilitate the readjustment of the remaining employees. We formalized and implemented a framework for employee counseling to make sure that our employees had immediate and ongoing structured access to external support services.

Our assistance to the displaced employees extended beyond outplacement services, to include an entrepreneurial workshop that imparted information

and advice on how to start a business. In addition, the NCB Post Redundancy Entrepreneurship Programme (PREP) was launched with the objective of making available funding up to a maximum of \$250,000 to any displaced employee who presented plans for a viable business venture. Thirty-four (34) applications for this programme were received with the review process for the applications still underway.

.....
"The objective of Group Human Resources is to manage a fit-for-purpose HR function in order to achieve operational excellence. We ensure that the business has the right capability, capacity and requisite organizational design so that employees are fully engaged, work collaboratively and possess in-depth understanding of the drivers that create value."
.....

— **Rickert Allen**, Senior General Manager,
Group Human Resources

We also delivered two (2) Industrial Relations Competency Builder sessions to our branch management personnel with the intention of honing their industrial relations management skills in order to minimize breaches of the NCB Disciplinary Policy and employee grievances, while ensuring transparent and objective judgement in the management of conflict. The internal disciplinary case management system was also enhanced to facilitate swifter action between the occurrence of an infraction and the organization's decision.

During the financial year NCB was judged the overall winner of the **Jamaica Employers' Federation (JEF) Employer of Choice Awards Competition**. The Company was also awarded **1st place Employer of Choice for companies with 500+ employees** and **1st place for**

companies with the highest employee satisfaction levels. The Company was judged based 9 criteria:

- » Learning Opportunities
- » Compensation
- » Fringe Benefits
- » Profitability
- » Career Choice
- » Treatment by Management
- » Health & Safety
- » Good Corporate Image
- » Long Term Goals

COMMUNICATION

The primary objective of our communications strategy is to provide real time information that is strategic, business relevant, technology enabled at minimal-to-zero cost and supportive of evidence based decision making.

With this objective in mind, each Division was provided with an automated, electronic dashboard (updated on



Team Members of GHRD meet to collaborate ahead of one of their weekly meetings. [Foreground] **L-R:** Euton Cummings and Sandra Grey. [Background] **L-R:** Dwayne Nesbeth, Ann-Marie Francis and Marcus Christian.

a monthly basis), which presented critical workforce analytic information, trends and benchmarks for use in planning and effective people management. The organization's collaborative information sharing capability was enhanced by the introduction of features such as a global dashboard which displayed a flashcard view of important organizational information.

To ensure that we channeled our resources into the appropriate human resource interventions, we created and mobilized an HR Community of Excellence within each Division. These Community meetings directly engaged leaders in the respective lines of business, facilitated open dialogue regarding HR matters of concern and resulted in timely and relevant interventions to address the identified concerns.

WELLNESS AND RECREATION

Being mindful of the need to maintain the balance between employee talent and skill development and the ability to pursue and fulfill personal objectives, we continued our activities to educate our employees regarding better life options through workplace education programmes on heart disease, screening for cancer and events intended to promote fitness and a healthy lifestyle.

THE WAY FORWARD

Leadership/People Development

We will continue to prepare for the 2020 workplace by leveraging social media to facilitate increased capture

and share of knowledge across the business using an internally developed system branded as iSociety. This feature utilizes integrative Web 2.0 technologies such as Forum, Blog, Wiki, Friends and Chat and allows employees to upload information, discuss and share ideas across various groups within the business. Based on the current and forecasted demographics of our workforce, it is expected that increased use of social media will assist with maintaining the level of employee engagement by providing tools ideally suited for our employees' preferred modes of learning.

Performance Management

- » We have integrated into the performance appraisal tool a professional development plan which outlines a roadmap to assist the employee to address the identified gaps. We expect to fully integrate use of the enhanced tool in the ensuing year.
- » As part of the workforce restructuring initiative and in keeping with our commitment to ensuring that the Organization operates with the most efficient and effective organization design, we conducted a divisional organization structure assessment to determine the optimal allocation and utilization of resources. This assessment sought to identify and recommend the removal of functional redundancies and ascertain whether the activities being performed supported the overall execution of our business objectives. This exercise will continue in the ensuing year.

OUR COMMUNITIES



Chevell **Burke** – *Top Girl All Island Champion*

My outlook is principled along the philosophy of **Marcus Gravey**: "If you have no confidence in self you are twice defeated in the race of life. With confidence, you have won even before you have started."



Princeton **Brown** – *Top Boy All Island Champion*

"I am a great promise and have within me great potential which I would like to develop by furthering my studies at a tertiary institution."

\$8.5M
CXC/CSEC - POB and POA
FEES PAID

262
scholarships islandwide



National Commercial Bank Jamaica Limited being the primary indigenous financial institution in Jamaica takes seriously its responsibility and duty to help make Jamaica a strong Nation. As a good corporate citizen we continue to pursue strategic philanthropic activities that seek to support economic and social change with an ultimate goal of uplifting and positively impacting the Jamaican society, especially the lives of our youth.

Over the past year, despite operating within a capricious environment, we remained committed to delivering on our promise of building a better Jamaica. In so doing we fulfilled our enterprise led commitments and also strategically aligned ourselves to projects that provided life-changing experiences in the areas of Education, Community Development, Sports Development, Youth Leadership and Entrepreneurship.

Little people. Big dreams. Change agents

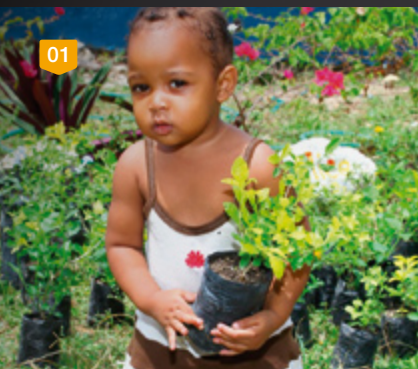


EDUCATION

Education continues to be the Foundation's primary area of focus. During the financial year, \$22 million was allocated towards Scholarships and the CXC/CSEC Fee Sponsorship Programmes.

The Foundation awarded 262 scholarships to students islandwide of which more than half of the awardees were tertiary students. Under the scholarship programme students receive financial benefits through the Parish Champion Awards where thirteen (13) students at the tertiary level are selected and awarded full scholarships valued at \$200,000 for the duration of their studies. This is in addition to one person receiving the overall National Award. This year based on the highly competitive quality of the entrants, two students were recipients of the coveted National Champion Awards which currently guarantees a prized sum of \$500,000 per annum each for the duration of their studies. Students are also given grants through the 'We Believe in Fund'. Awards are determined based on academic excellence, leadership qualities, and active participation in community initiatives.

Since 2003, the NCB Foundation has continued to pay exam fees for high school students sitting their CXC/ CSEC Principles of Business (POB) and Principles of Accounts (POA). This year, \$8.5 million was paid out for 4,484 student entries. The programme, which has created national impact, was specifically designed in



01

4,484

POB/POA - Student entries

20 Schools

Tree planting exercise



02

tandem with the Ministry of Education's Secondary School mandate to assist students at the secondary level in meeting the minimum qualification requirement for entry to a tertiary institution.

Some projects which enabled practical and safe facilities and environments conducive to learning had our support. The sum of \$7 million was spent for equipment and infrastructural improvements in schools and public education institutions such as libraries across the island. Projects included the completion of the Ardenne High School's Science Lab, the refurbishing of the Point Hill Leased Primary and Junior High canteen and multipurpose room. In addition, contribution was made towards renovations to GC Foster College's library facility and Mannings High School's Bathroom rehabilitation project.



03



04

Other institutions that received assistance from the Foundation were the Runaway Bay Basic School, St. Ann's Bay Parish Library and Green Island High located in Negril Westmoreland.

In observance of World Environment Day this year the NCB Foundation School Tree Planting Initiative was established in partnership with the Forestry of Jamaica to empower students across the island to take pride in their school environs and build awareness of the importance of trees to the environment. NCB employees across

the island turned out in support of this initiative and planted trees with students from 20 schools located in communities they served. Schools such as Orangefield Primary, Kinloss Primary, Annotto Bay All Age, Middlesex Corner Primary, Mandeville Primary, Goshen Primary, Morant Bay Primary, Galina Primary, Blake's Basic School and Barbary Hall Basic School all participated in this initiative.

Developing communities in which we serve remains a passion embraced by employees throughout the enterprise. With a staff complement of over 2000 we found meaningful ways to touch and transform lives within these communities. Partnerships with community based organizations such as the Rotray Club of Santa Cruz, St. Elizabeth



300

NCB Employees
Volunteered for Labour
Day Projects Islandwide

Homecoming, Portland Chamber of Commerce, FISH, JHTA Negril Chapter, Area 4 Civic Communities, Organized Crime Unit based in St. Catherine and Rise Life Management Services enabled our having a national presence.

In addition, we donated 10 Global Positioning System Units (GPS) to the Crime Mapping and Analysis Unit of the Jamaica Constabulary Force in the aid of fighting crime. The Units were used by the JCF to mark, define and assess the incidence of crime as well as in establishing a database for the better management of gang activity and serious violence. We also donated \$2 million towards the restoration of the Darling Street Police Station in response to the civil unrest that occurred in the West Kingston region in May 2010.

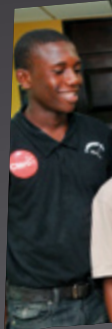
The Foundation also donated computers to the Nursing Staff Development Division of the University Hospital of the West Indies to assist with the teaching methods employed by the nurses at the Hospital while addressing the educational needs of the nursing staff.

In furtherance of our commitment towards promoting the awareness of protecting our environment we partnered with the Jamaica Environment Trust (JET) in support of protecting our country's environment. The Foundation's partnership with JET started in 2006 with our commitment to supporting the organization's School's Environment Programme (SEP). Since then our commitment to JET has not wavered and as such we have continued to support the organization with their various initiatives. In June 2010, we participated in the organization's Environmental Action Awards and sponsored the Wild-life Conservation category which was won by the Windsor Research Centre located in Sherwood Content, Trelawny.

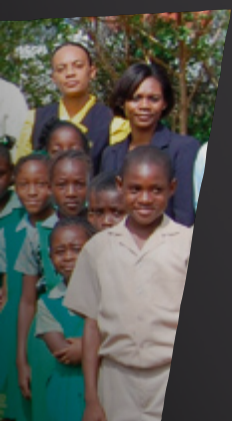
A major part of our community development initiatives is demonstrated through staff volunteerism. In support of the National Labour Day theme: Show our nation's children that we care, over 300 NCB employees turned out on Labour Day to participate in an islandwide national Labour Day Project. The project valued at over \$1.1 million involved the painting of the Mandeville Regional Hospital; the renovation of the Morant Bay Bus Park and the Lysson's Primary School's pedestrian crossing as well as the upgrading of the Play and Learn Park at the Ocho Rios Primary School.

The Morant Bay Bus Park and Lyssons bus stop received a facelift as employees from the Morant Bay Branch and residents from surrounding communities refurbished and re-roofed the well used bus sheds, painted the pedestrian crossing and sidewalks and erected well needed stop signs at relevant sections throughout the town. The waiting area of the Mandeville Hospital was made new as its walls were given a fresh coat of paint as nurses, doctors and employees of NCB Mandeville Branch worked tirelessly to get it finished. The Play and Learn Park in Ocho Rios received planted flowers and potted grass, while the play equipment were cleaned and painted.

Employees turned out on Teacher's Day in support of our nation's teachers. Several schools embraced our presence which represented our continued support of establishing national social partnerships that would benefit those persons who relentlessly serve our nation such as our principals and teachers. Employees across the branch network also participated in Read Across Jamaica Day held in May.



\$7M
SCHOOL INFRASTRUCTURE
& EQUIPMENT



Be the
CHANGE
you want to see





\$2M
DARLING STREET
POLICE STATION



\$22M
EDUCATION



YOUTH LEADERSHIP & ENTREPRENEURSHIP

Over the years we have continued to encourage young people to become change agents within their schools and communities while assisting in the nation building process. This is done by supporting projects that are geared towards empowering them to make the changes they want to see in their schools and communities.

Our 'Be the Change' initiative continues to be a signature project aimed at inspiring our youth and Jamaicans on a whole to make positive changes not only in their communities but in their lives. Incorporated in this initiative is the 'Be the Change' Graffiti Wall where patrons pledge their support for change. For every signature, the Foundation donates \$100 up to a maximum of \$50,000 towards a charity.

During this financial year several charities benefited from this programme such as the Shaggy Make a Wish Foundation, Jamaica Redevelopment Project, Jamaica Cancer Society, Best Care Children's Home and Fathers Incorporated.

As we continued to focus on developing leadership skills and engendering an entrepreneurial spirit among the Jamaican youth, the Foundation partnered and supported several youth-led initiatives across the Island.

Among the projects we supported was one with the Jamaica Manufacturers Association (JMA) to formalize the JMA/NCB Foundation Tertiary Entrepreneurship Challenge. Tertiary students were asked to develop self-start manufacturing companies that would produce local products suited for competing on the local market. The competition was well received by tertiary students from across the Island. Winners of the competition produced products such as a Barbi-Fry Sauce, organic cosmetic products as well as a T-shirt line.

The NCB Foundation also supported the Make Your Mark summer programme by sponsoring five tertiary students from inner-city communities to attend the programme. The programme was geared towards empowering students to become future business leaders and nation builders. They received training in the areas of leadership development, human resource development, protocol and image management.

To advance the agenda for our youth, the NCB Foundation partnered with the AGanar Alliance of Partners of the Americas, along with the United States Agency for International Development (USAID) and the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB) to formalize a sports based Youth Workforce Development programme. In support of the programme, the Foundation contributed \$890,000.00 towards the translation of the programme's curriculum manuals. The project has helped over 200 at-risk Jamaican youth by using sports such as cricket and football to learn principles such as respect, peace, loyalty and love. The participants also received vocational and entrepreneurship skills training.

CONCLUSION

Over the past year we were proud of the many projects we supported and were privileged to have formed partnerships that contributed towards national development.

We look forward to yet another year where we will be able to evoke great passion among our Jamaican people through NCB led initiatives that will only seek to create a wave of transformation for a better Jamaica. We wish to thank all our customers, employees and partners for their continued support and expressions of encouragement as together we work to **BUILD A BETTER JAMAICA.**

CAPTIONS AS NUMBERED:

[1] Labour Day 2010 – Ocho Rios Primary School [2] Make your Mark Summer Camp [3] Read Across Jamaica – VOUCH Basic School [4] City life Ministries Back to school Initiative [5] Grace Kennedy Education Fund Run [6] NCB Foundation School Tree Planting Initiative [7] Teacher's Day - Windward Road Primary & Junior High [8] Aganar Launch [9] Point Hill Primary School – Upgrades to the School's canteen facility and multi purpose room [10] Teacher's Day- Windward Road Primary & Junior High [11] NCB Foundation Scholarship Cocktails [12] National Blood Appeal – National Chest Hospital [13] Kiwanis Youth in Excellence Awards [14] Success Jamaica – Surviving the Corporate Jungle Seminar [15] Rotaract Club of Kingston Inner-City Art Competition [16] Haiti Relief Efforts [17] St. Richards Early Childhood Centre – Donation of Equipment [18] Emmanuel Christian Academy - donation of Fans [19] Excelsior High School Sixth Form Building [20] Darling Street Police Station Restoration Project [21] NCB Foundation School Tree Planting Initiative [22] Phoenix All Stars Football Summer Camp [23] Kingston High School Scholarship Fund [24] PATH Programme – GSAT Top Boy and Top Girl [25] Jamaica Bankers Association Week – Duhaney Park Primary School [26] Jamaica Constabulary Force – Crime Mapping and Analysis Unit [27] NCB Foundation Scholarship Cocktails [28] Y.M.C.A – Library Upgrades [29] University Hospital of the West Indies -Nursing Staff Development Division [30] Barbican Violence Prevention Fun Day [31] CXC/CSEC POA & POB Fee Sponsorship Programme [32] JMA/NCB Foundation Tertiary Entrepreneurship Challenge Competition [33] Grace Kennedy Education Fund Run [34] Logos Book Ship - Trench Town Primary's Library Upgrades [35] Jamaica Environment Action Awards (JET) [36] Teachers Day- Windward Road Primary & Junior High [37] The Gleaner's Spelling Bee Top Three Winners [38] UTECH's Annual Marketing Seminar



OUR STRATEGIC ROADMAP

NCB Strategic Focus 2011

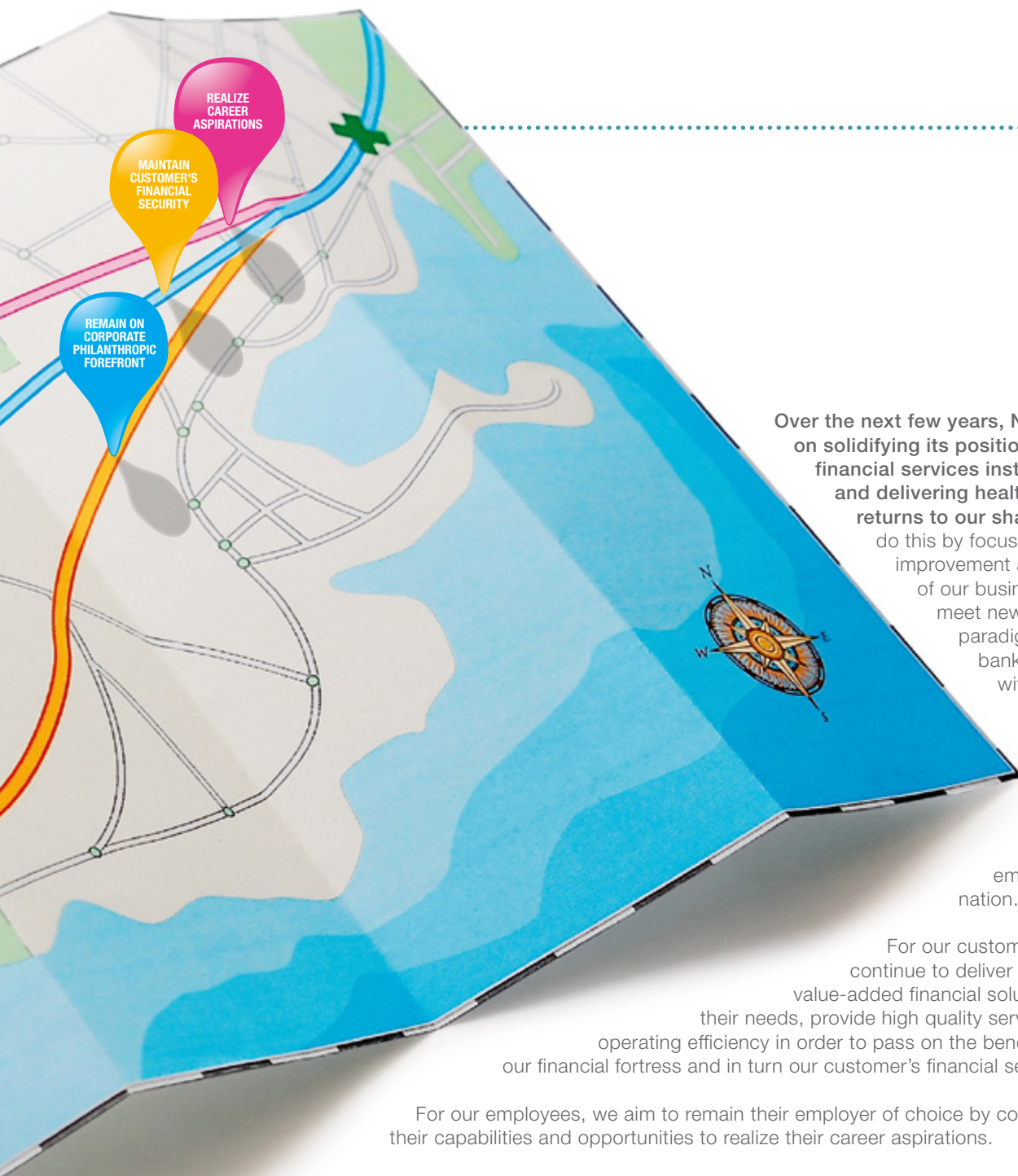
The year 2010 was a game changing year for Jamaica as a nation. The Jamaica Debt Exchange Programme ("JDX") and the subsequent IMF agreement, while not sufficient, were a necessary first step in placing Jamaica on a path toward fiscal and macroeconomic sustainability, a prerequisite for any meaningful strides in economic development of the nation. While the medium to long-term outlook for Jamaica is more positive than we've seen in recent history, challenges remain in the short term.

It is within this context that NCB decided to take a step back to assess the implications of these game changing events for the organisation, as part of identifying the way forward. Through this process we developed a new Vision for the organization and our strategy for the next few years.

Our NEW Vision is:

TO BE THE PREMIER FINANCIAL INSTITUTION, DELIVERING SUPERIOR PRODUCTS AND SERVICES TO SATISFY THE NEEDS OF OUR CUSTOMERS, WHILE DEVELOPING OUR EMPLOYEES AND **BUILDING A BETTER JAMAICA.**





Over the next few years, NCB will focus on solidifying its position as the premier financial services institution in Jamaica and delivering healthy financial returns to our shareholders. We will do this by focusing on continuous improvement and the alignment of our business model to meet new and emerging paradigms within the banking sector and within Jamaica. This in turn will ensure we are able to sustainably deliver on our promise to our customers, our employees, and our nation.

For our customers, we will continue to deliver innovative and value-added financial solutions to meet their needs, provide high quality service, improve our operating efficiency in order to pass on the benefits, and maintain our financial fortress and in turn our customer's financial security.

For our employees, we aim to remain their employer of choice by continuing to develop their capabilities and opportunities to realize their career aspirations.

For our nation, we strive to develop the most capable workforce to help stem the nation's declining labour productivity. The NCB Foundation will also continue to be on the forefront of corporate philanthropy in Jamaica, providing support in key areas for our nation's development.

While focused and prepared for the next few years, we recognize that uncertainty around Jamaica's short term outlook remains. As such, we are sufficiently aligned to remain agile and responsive to changes in the environment or new opportunities that may arise.

innova

The year 2010 required keen focus on relationships. We creatively engaged all customers and innovatively undertook business partnerships that lent to building and maintaining relationships to keep our customers engaged and delighted.

CAPTION AS NUMBERED: 1. NCBIC Smart launch 2-3. Jamaica Manufacturer's Association (JMA) Expo Jamaica 4. Premier of the movie 'The Twilight Saga: Eclipse' 5-6. NCB hosts NOBU- International Japanese Cuisine Experience 7. Nation Builders' Awards - Chris Blackwell, Keynote Speaker; Jason Henzell, Nation Builder 2010 and Patrick Hylton 8. NCB Visa Gold Launch 9. Premier of the movie 'Sex and the City 2' 10. NCB CM Sporting Clays 11. NCBIC Smart launch 12. NCB Sunshine Series 13. BMW Amcham Golf Tournament 14. Private Banking's Barefoot in the Park

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own

We strive to safeguard the welfare of our employees and continue to find innovative ways to building a world class institution. We have invested in our human capital by educating, and building the skills of all employees across the Group, ensuring that our core values of Innovation, Expertise and Strength are evidenced through our employees' performance.

CAPTION AS NUMBERED: **1. Pinnacle Awards:** Branch Staff of the Year **2. Pinnacle Personal Bankers of the Year** **3. Strategic Planning and Research Team** **4.-5. NCB Long Service Awards** **6. Pinnacle Awards:** Top Sales Agents of the Year **7. NCB Long Service Awards Recipients** **8. Pinnacle Awards:** Merchant Sales Team

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rtisan



rtise



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NCB has been rewarded with both international and local awards and recognitions over the past year. These awards have been bestowed upon NCB based on its achievement of the highest standards in innovation, profitability, operations, human resource management, governance, communications and financial services among other established criteria which makes up the financial fortress. They endorse the strength of our brand which enhances our industry reputation and bolsters consumer confidence in our ability to effectively serve their financial needs.

CAPTION AS NUMBERED: **1. World Finance:** Most Innovative Bank Jamaica **2. The Banker Awards:** Bank of the Year, Jamaica **3. Jamaica Stock Exchange:** Best Annual Report, Investor Relations & Corporate Disclosure **4. Jamaica Stock Exchange:** Best Practices Awards **5. Jamaica Exporters Association:** Best Exporter Support Services - Financial Services Category **6. Private Sector of Jamaica:** Jamaica Stock Exchange Award for Corporate Governance **7. HRMAJ Golden Leader in HR:** Innovation Award 009 **8. World Finance:** Best Banking Group, Jamaica **9. Project Management Institute of Jamaica:** Doctor Bird Chapter. Project Organization of the Year 2010 Award

Stre

WORLD FINANCE
BANKING
AWARDS
2010

01

The Banker



Bank of the Year 2010
JAMAICA

02



03



04



Jamaica Exporters'
Association

05



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growth



reguli





FINANCIAL STATEMENTS

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National Commercial Bank Jamaica Limited

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National Commercial Bank Jamaica Limited

DIRECTORS' REPORT

30 September 2010

The directors submit herewith the Consolidated Income Statement of National Commercial Bank Jamaica Limited and its subsidiaries for the year ended 30 September 2010, together with the Consolidated Statement of Financial Position as at that date:

Operating Results

	\$'000
Gross operating revenue	43,319,677
Profit before taxation	13,488,113
Taxation	(2,413,315)
Net profit	11,074,798

Dividends

The following dividends were paid during the year:

- \$0.89 per ordinary stock unit was paid in December 2009
- \$0.61 per ordinary stock unit was paid in May 2010
- \$0.40 per ordinary stock unit was paid in August 2010

Directors

The Board of Directors comprises:

Hon. Michael A. Lee-Chin, OJ - Chairman
 Mr. Patrick A.A. Hylton, CD – Group Managing Director
 Mr. Dennis Cohen – Deputy Group Managing Director
 Mr. Robert W. Almeida
 Mr. Wayne C. Chen
 Dr. Nigel Andrew Lincoln Clarke (resigned 17 September 2010)
 Mrs. Sandra A.C. Glasgow
 Hon. Noel A.A. Hylton, OJ, CD, Hon. LL D
 Mr. Donovan Anthony Lewis
 Mrs. Thalia Lyn
 Professor Alvin G. Wint

Company Secretary

The Company Secretary is Mr. Dave L. Garcia (appointed 1 March 2010).

National Commercial Bank Jamaica Limited

DIRECTORS' REPORT

30 September 2010

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

Auditors

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

On behalf of the Board



Dave L. Garcia
Company Secretary



PricewaterhouseCoopers

Scotiabank Centre
Duke Street
Box 372
Kingston, Jamaica
Telephone (876) 922-6230
Facsimile (876) 922-7581

INDEPENDENT AUDITORS' REPORT

To the Members of
National Commercial Bank Jamaica Limited

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of National Commercial Bank Jamaica Limited and its subsidiaries ("the Group"), and the accompanying financial statements of National Commercial Bank Jamaica Limited ("the Bank") standing alone, set out on pages 85 to 193, which comprise the consolidated and the Bank statements of financial position as of 30 September 2010 and the consolidated and the Bank income statements, statements of comprehensive income, statements of changes in stockholders' equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



PricewaterhouseCoopers

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Kingston, Jamaica
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Facsimile (876) 922-7581

INDEPENDENT AUDITORS' REPORT CONT'D

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as of 30 September 2010, and of the financial performance and cash flows of the Group and the Bank for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

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

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

A stylized, handwritten-style signature of the PricewaterhouseCoopers firm, rendered in black ink.

Chartered Accountants

3 November 2010
Kingston, Jamaica

M.G. Rochester P.W. Pearson E.A. Crawford J.W. Lee C.D.W. Maxwell P.E. Williams
G.L. Lewars L.A. McKnight L.E. Augier A.K. Jain B.L. Scott B.J. Denning G.A. Reece P.A. Williams

National Commercial Bank Jamaica Limited

CONSOLIDATED INCOME STATEMENT

Year ended 30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Operating Income			
Interest income		33,304,294	35,460,698
Interest expense		(12,654,651)	(16,580,724)
Net interest income	6	20,649,643	18,879,974
Fee and commission income	7	7,197,456	6,367,621
Fee and commission expense		(1,355,809)	(1,409,116)
Net fee and commission income		5,841,647	4,958,505
Gain on foreign currency and investment activities	8	1,962,633	2,654,504
Dividend income	9	77,331	95,923
Insurance premium income		493,057	371,778
Other operating income		284,906	180,307
		2,817,927	3,302,512
		29,309,217	27,140,991
Operating Expenses			
Staff costs	11	9,252,662	7,989,772
Provision for credit losses	24	947,962	1,027,634
Depreciation and amortisation		528,333	593,538
Impairment losses on securities	12	27,520	-
Other operating expenses	10	5,265,340	4,358,321
	14	16,021,817	13,969,265
Operating Profit		13,287,400	13,171,726
Share of profit/(loss) of associate	26	200,713	(38,091)
Profit before Taxation	13	13,488,113	13,133,635
Taxation	15	(2,413,315)	(2,885,450)
NET PROFIT	16	11,074,798	10,248,185
Earnings per stock unit (expressed in \$ per share)			
Basic and diluted	18	4.50	4.16

National Commercial Bank Jamaica Limited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

	2010	2009
	\$'000	\$'000
Net Profit	11,074,798	10,248,185
Other Comprehensive Income, net of tax –		
Currency translation (losses)/gains	(57,956)	248,043
Unrealised gains on available-for-sale investments	432,214	1,672,152
Realised fair value losses/(gains) on sale and maturity of investments	1,019,329	(299,156)
Unrealised losses transferred from equity on impairment of available-for-sale investments	-	(29)
	1,393,587	1,621,010
TOTAL COMPREHENSIVE INCOME	12,468,385	11,869,195

National Commercial Bank Jamaica Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

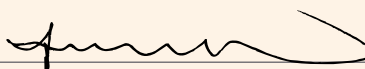
30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)


	Note	2010 \$'000	2009 \$'000
ASSETS			
Cash in hand and balances at Bank of Jamaica	19	19,472,761	24,668,011
Due from other banks	20	17,048,849	14,405,493
Derivative financial instruments	21	12,864	52,191
Investment securities at fair value through profit or loss	22	698,711	752,578
Reverse repurchase agreements	23	1,143,581	8,185,227
Loans and advances, net of provision for credit losses	24	85,995,102	88,178,270
Investment securities	25	199,434,273	166,966,379
Investment in associates	26	2,320,723	2,133,994
Investment property	27	12,000	13,000
Intangible asset – computer software	28	359,980	246,781
Property, plant and equipment	29	4,114,155	4,011,495
Retirement benefit asset	30	-	11,632
Deferred income tax assets	31	119,794	803,279
Income tax recoverable		1,855,938	1,705,001
Customers' liability - letters of credit and undertaking		291,106	399,983
Other assets	32	2,090,174	2,563,163
Total Assets		334,970,011	315,096,477

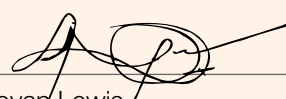
National Commercial Bank Jamaica Limited
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
LIABILITIES			
Due to other banks	33	3,708,232	6,556,209
Customer deposits		144,283,158	130,331,351
Promissory notes and certificates of participation		223,154	194,492
Repurchase agreements		85,292,763	77,374,431
Obligations under securitisation arrangements	34	20,456,162	27,157,180
Derivative financial instruments	35	25,930	126,848
Other borrowed funds	36	6,575,623	7,815,552
Income tax payable		3,095	10,803
Deferred income tax liabilities	31	104,332	213,080
Policyholders' liabilities	37	20,405,624	19,114,764
Provision for litigation	38	13,300	28,506
Retirement benefit obligations	30	445,873	421,641
Liability – letters of credit and undertaking		291,106	399,983
Other liabilities	39	4,333,726	4,335,691
Total liabilities		<u>286,162,078</u>	<u>274,080,531</u>
STOCKHOLDERS' EQUITY			
Share capital	40	6,465,731	6,465,731
Shares held by NCB Employee Share Scheme	40	(3,388)	(3,388)
Fair value and other reserves	41	1,457,864	64,277
Loan loss reserve	42	1,135,012	744,159
Banking reserve fund	43	5,200,206	4,362,102
Retained earnings reserve	44	8,875,761	8,875,761
Retained earnings	17	25,676,747	20,507,304
Total stockholders' equity		<u>48,807,933</u>	<u>41,015,946</u>
Total equity and liabilities		<u>334,970,011</u>	<u>315,096,477</u>

Approved for issue by the Board of Directors on 3 November 2010 and signed on its behalf by:


Patrick Hylton Group Managing Director


Sandra Glasgow Director


Donovan Lewis Director


Misheca Seymour-Senior Assistant Company Secretary

National Commercial Bank Jamaica Limited

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
Year ended 30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Shares Held by Share Scheme	Fair Value and Other Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 September 2008	6,465,731	(3,388)	(1,556,733)	697,061	3,663,000	8,875,761	13,171,230	31,312,662
Total comprehensive income	-	-	1,621,010	-	-	-	10,248,185	11,869,195
Dividends paid	-	-	-	-	-	-	(2,165,911)	(2,165,911)
Transfer to Loan Loss Reserve	-	-	-	47,098	-	-	(47,098)	-
Transfer to Banking Reserve Fund	-	-	-	-	699,102	-	(699,102)	-
Balance at 30 September 2009	6,465,731	(3,388)	64,277	744,159	4,362,102	8,875,761	20,507,304	41,015,946
Total comprehensive income	-	-	1,393,587	-	-	-	11,074,798	12,468,385
Dividends paid	-	-	-	-	-	-	(4,676,398)	(4,676,398)
Transfer to Loan Loss Reserve	-	-	-	390,853	-	-	(390,853)	-
Transfer to Banking Reserve Fund	-	-	-	-	838,104	-	(838,104)	-
Balance at 30 September 2010	6,465,731	(3,388)	1,457,864	1,135,012	5,200,206	8,875,761	25,676,747	48,807,933

National Commercial Bank Jamaica Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Cash Flows from Operating Activities			
Net cash provided by operating activities	45	43,443,237	23,752,838
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	29	(582,657)	(767,108)
Acquisition of intangible asset – computer software	28	(200,007)	(72,088)
Proceeds from disposal of property, plant and equipment		40,096	219,545
Dividends received from associate	26	13,984	9,322
Purchases of investment securities		(272,767,320)	(277,637,823)
Sales/maturities of investment securities		264,637,390	255,788,639
Net cash used in investing activities		(8,858,516)	(22,459,513)
Cash Flows from Financing Activities			
Repayments under securitisation arrangements		(5,992,336)	(4,830,126)
Repayments of other borrowed funds		(1,482,249)	(2,133,077)
Proceeds from other borrowed funds		833,568	4,105,446
Dividends paid		(4,676,398)	(2,165,911)
Net cash used in financing activities		(11,317,415)	(5,023,668)
Effect of exchange rate changes on cash and cash equivalents		(1,134,505)	3,334,274
Net increase/(decrease) in cash and cash equivalents		22,132,801	(396,069)
Cash and cash equivalents at beginning of year		18,594,234	18,990,303
Cash and Cash Equivalents at End of Year		40,727,035	18,594,234
Comprising:			
Cash in hand and balances at Bank of Jamaica	19	4,388,167	8,486,363
Due from other banks	20	17,048,849	14,405,493
Investment securities	25	22,998,251	2,258,587
Due to other banks	33	(3,708,232)	(6,556,209)
		40,727,035	18,594,234

National Commercial Bank Jamaica Limited

INCOME STATEMENT

Year ended 30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Operating Revenue			
Interest income		21,525,187	23,508,228
Interest expense		(6,205,778)	(8,562,348)
Net interest income	6	15,319,409	14,945,880
Fee and commission income	7	6,304,407	5,460,325
Fee and commission expense		(1,355,809)	(1,385,674)
Net fee and commission income		4,948,598	4,074,651
Gain on foreign currency and investment activities	8	1,103,533	1,890,515
Dividend income	9	2,018,445	350,820
Other operating income		287,099	206,843
		3,409,077	2,448,178
		23,677,084	21,468,709
Operating Expenses			
Staff costs	11	8,209,505	7,021,261
Provision for credit losses	24	947,962	1,027,634
Depreciation and amortisation		473,681	532,370
Other operating expenses		4,349,848	3,912,848
	14	13,980,996	12,494,113
Profit before Taxation	13	9,696,088	8,974,596
Taxation	15	(1,315,043)	(1,983,548)
NET PROFIT	16	8,381,045	6,991,048

National Commercial Bank Jamaica Limited STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

	2010 \$'000	2009 \$'000
Net Profit	8,381,045	6,991,048
Other Comprehensive Income, net of taxes –		
Unrealised gains on available-for-sale investments	633,354	851,284
Realised fair value gains on sale and maturity of investments	(179,522)	(123,406)
	453,832	727,878
TOTAL COMPREHENSIVE INCOME	<u>8,834,877</u>	<u>7,718,926</u>

National Commercial Bank Jamaica Limited

STATEMENT OF FINANCIAL POSITION

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
ASSETS			
Cash in hand and balances at Bank of Jamaica	19	19,470,565	24,649,048
Due from other banks	20	16,075,050	13,673,852
Derivative financial instruments	21	12,864	52,191
Reverse repurchase agreements	23	783,760	808,271
Loans and advances, net of provision for credit losses	24	85,643,530	87,772,045
Investment securities	25	93,974,458	79,367,306
Investment in associates	26	471,534	471,534
Investment in subsidiaries		1,609,609	1,609,609
Intangible asset – computer software	28	259,524	120,715
Property, plant and equipment	29	4,085,466	3,972,689
Deferred income tax assets	31	91,028	529,175
Income tax recoverable		783,990	87,393
Customers' liability - letters of credit and undertaking		291,106	399,983
Other assets	32	1,778,859	1,411,030
Total Assets		<u>225,331,343</u>	<u>214,924,841</u>

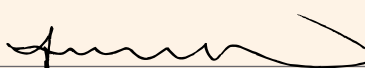
National Commercial Bank Jamaica Limited

STATEMENT OF FINANCIAL POSITION

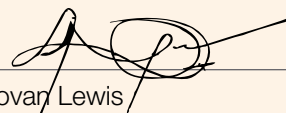
30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

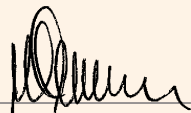
	Note	2010 \$'000	2009 \$'000
LIABILITIES			
Due to other banks	33	3,708,232	6,496,891
Customer deposits		143,889,802	129,308,470
Repurchase agreements		16,444,684	15,465,912
Obligations under securitisation arrangements	34	20,456,162	27,157,180
Derivative financial instruments	35	25,930	126,848
Other borrowed funds	36	6,118,382	6,316,826
Provision for litigation	38	13,300	28,506
Retirement benefit obligations	30	445,873	421,641
Liability – letters of credit and undertaking		291,106	399,983
Other liabilities	39	3,737,361	3,150,100
Total liabilities		<u>195,130,832</u>	<u>188,872,357</u>
STOCKHOLDERS' EQUITY			
Share capital	40	6,465,731	6,465,731
Fair value and other reserves	41	(189,855)	(643,687)
Loan loss reserve	42	1,135,012	744,159
Banking reserve fund	43	5,200,206	4,362,102
Retained earnings reserve	44	8,875,761	8,875,761
Retained earnings	17	8,713,656	6,248,418
Total stockholders' equity		<u>30,200,511</u>	<u>26,052,484</u>
Total equity and liabilities		<u>225,331,343</u>	<u>214,924,841</u>

Approved for issue by the Board of Directors on 3 November 2010 and signed on its behalf by:


Patrick Hylton Group Managing Director


Sandra Glasgow Director


Donovan Lewis Director


Misheca Seymour-Senior Assistant Company Secretary

National Commercial Bank Jamaica Limited
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
Year ended 30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Fair Value and Other Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 September 2008	6,465,731	(1,371,565)	697,061	3,663,000	8,875,761	2,174,320	20,504,308
Total comprehensive income	-	727,878	-	-	-	6,991,048	7,718,926
Dividends paid	-	-	-	-	-	(2,170,750)	(2,170,750)
Transfer to Loan Loss Reserve	-	-	47,098	-	-	(47,098)	-
Transfer to Banking Reserve Fund	-	-	-	699,102	-	(699,102)	-
Balance at 30 September 2009	6,465,731	(643,687)	744,159	4,362,102	8,875,761	6,248,418	26,052,484
Total comprehensive income	-	453,832	-	-	-	8,381,045	8,834,877
Dividends paid	-	-	-	-	-	(4,686,850)	(4,686,850)
Transfer to Loan Loss Reserve	-	-	390,853	-	-	(390,853)	-
Transfer to Banking Reserve Fund	-	-	-	838,104	-	(838,104)	-
Balance at 30 September 2010	6,465,731	(189,855)	1,135,012	5,200,206	8,875,761	8,713,656	30,200,511

National Commercial Bank Jamaica Limited

STATEMENT OF CASH FLOWS

Year ended 30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Cash Flows from Operating Activities			
Net cash provided by operating activities	45	27,252,340	2,227,848
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	29	(567,569)	(756,388)
Acquisition of intangible asset – computer software	28	(192,119)	(37,799)
Proceeds from disposal of property, plant and equipment		36,047	219,545
Purchases of investment securities		(158,028,117)	(103,850,398)
Sales/maturities of investment securities		161,392,820	103,062,115
Net cash provided by/(used in) investing activities		2,641,062	(1,362,925)
Cash Flows from Financing Activities			
Repayments under securitisation arrangements		(5,992,336)	(4,830,126)
Repayments of other borrowed funds		(558,253)	(439,241)
Proceeds from other borrowed funds		529,711	4,105,446
Dividends paid		(4,686,850)	(2,170,750)
Net cash used in financing activities		(10,707,728)	(3,334,671)
Effect of exchange rate changes on cash and cash equivalents		(1,051,120)	3,265,832
Net increase in cash and cash equivalents		18,134,554	796,084
Cash and cash equivalents at beginning of year		17,097,235	16,301,151
Cash and Cash Equivalents at End of Year		35,231,789	17,097,235
Comprising:			
Cash in hand and balances at Bank of Jamaica	19	4,385,971	8,467,400
Due from other banks	20	16,075,050	13,673,852
Investment securities	25	18,479,000	1,452,874
Due to other banks	33	(3,708,232)	(6,496,891)
		35,231,789	17,097,235

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (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 54.11% (2009 – 57.09%) subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael A. Lee-Chin, OJ. The Bank's registered office is located at 32 Trafalgar Road, Kingston 10, Jamaica.

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

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

	Principal Activities	Percentage Ownership by Group	
		30 September 2010	30 September 2009
Data-Cap Processing Limited	Security Services	100	100
Mutual Security Insurance Brokers Limited	Insurance Brokerage Services	100	100
NCB Capital Markets Limited	Primary Dealer and Stock Brokerage Services	100	100
NCB (Cayman) Limited	Commercial Banking	100	100
NCB Remittance Services (Cayman) Limited	Money Remittance Services	100	100
NCB Capital Markets (Cayman) Limited	Securities Dealer	100	100
NCB Insurance Company Limited	Life Insurance, Investment and Pension Fund Management Services	100	100
N.C.B. (Investments) Limited	Dormant	100	100
N.C.B. Jamaica (Nominees) Limited	Registrar Services	100	100
NCB Remittance Services (Jamaica) Limited	Money Remittance Services	100	100
NCB Remittance Services (UK) Limited	Money Remittance Services	100	100
West Indies Trust Company Limited	Trust and Estate Management Services	100	100
NCB Employee Share Scheme	Employee Share Ownership Plan	100	100

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

The Group's associates are as follows:

	Principal Activities	Percentage ownership by Group	
		30 September 2010	30 September 2009
Kingston Wharves Limited	Wharf Operations and Stevedoring	43.45	43.45
Dyoll Group Limited	Coffee cultivation and other activities	44.47	44.47

National Commercial Bank Jamaica Limited NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies

(a) Basis of preparation

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

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

Standards and interpretations adopted by the Group during the current year

- **IAS 1 (Revised) Presentation of Financial Statements** (effective for annual periods beginning on or after 1 January 2009). The revision aims to improve users' ability to analyse and compare the information provided in financial statements. All changes in equity arising from transactions with owners in their capacity as owners are presented separately from other changes in equity. The adoption of the revised standard has no impact on the results reported in the financial statements. However, it has resulted in certain presentational changes in the financial statements of the Group as follows:
 - Income and expenses are presented in two statements: the income statement and the statement of comprehensive income
 - The profit and loss account and the balance sheet have been renamed 'income statement' and 'statement of financial position', respectively.
- **IFRS 7 (Amendment) - Financial instruments: Disclosure** (effective for annual periods beginning on or after 1 January 2009). This amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The disclosures have been presented in Note 48.
- **IAS 19 (Amendment), 'Employee benefits'** (effective for annual periods beginning on or after 1 January 2009) - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
 - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
 - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
 - IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.There has been no significant impact from the adoption of this amendment.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards and interpretations adopted by the Group during the current year (continued)

- **IAS 23 (Amendment), Borrowing costs** (effective for annual periods beginning on or after 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. There has been no significant impact from the adoption of this amendment as there are no qualifying assets.
- **IAS 27 (Revised) Consolidated and separate financial statements** (effective for annual periods beginning on or after 1 July 2009) requires that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity instead of through the income statement. This revision also requires where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied. The amendment did not have an impact on the Group's operations because it is the Group's policy for an investment in a subsidiary to be recorded at cost in the stand alone accounts of each entity.
- **IAS 28 (Amendment), Investments in associates** (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective for annual periods beginning on or after 1 January 2009). An investment in an associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group has applied the IAS 28 (Amendment) to impairment tests related to investments in associates and any related impairment losses from 1 October 2009 and has determined that there is no impairment.
- **IAS 36 (Amendment), Impairment of assets** (effective for annual periods beginning on or after 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculations should be made. There was no significant impact from the adoption of this amendment.
- **IFRS 3 (Revised), Business Combinations** (effective for annual periods beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 October 2009. There were no business combinations during the year.
- **IFRS 8, Operating Segments** (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of this standard has no financial impact on the consolidated financial statements; however, it has resulted in an insignificant revision of the composition of the segment categories for the Group.

National Commercial Bank Jamaica Limited NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards and interpretations issued but not yet effective and have not been early adopted by the Group

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

- **IFRS 9, 'Financial Instruments'** (effective for annual periods beginning on or after 1 January 2013). This standard specifies how an entity should classify and measure financial instruments, including some hybrid contracts. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and subsequently measured at amortised cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the two impairment methods in IAS 39 that arise from the different classification categories. The Group is still assessing the potential impact of IFRS 9 and whether it should adopt the standard prior to the effective date to take advantage of the transitional arrangements which vary depending on the date of initial adoption.
- **IFRS 2 (Amendment), 'Group cash-settled and share-based payment transactions'** (effective for annual periods beginning on or after 1 January 2010). In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the financial statements. The Group will apply the amendment from 1 October 2010, but it is not expected to have a material impact on the financial statements.

The Group has concluded that all other standards, interpretations and amendments to existing standards, which are published but not yet effective are either relevant to its operations but will have no material impact on adoption; or are not relevant to its operations and will therefore have no impact on adoption; or contain inconsequential clarifications that will have no material impact when they come into effect.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Consolidation

The consolidated financial statements comprise those of the Bank and its subsidiaries presented as a single economic entity. Intra-group transactions, balances and unrealised gains and losses are eliminated in preparing the consolidated financial statements.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associates

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

The Group uses the financial statements of Kingston Wharves Limited as at 30 June for the purposes of consolidation. Adjustments are made for significant transactions or events that occur between that date and 30 September. The investment in Dyoll Group Limited is fully provided for.

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

National Commercial Bank Jamaica Limited NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the income statement (applicable for trading securities), or within other comprehensive income if non-monetary financial assets are classified as available-for-sale.

(iii) Group companies

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

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

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(e) Revenue recognition

(i) Interest income and expense

Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective interest method based on the actual purchase price.

Interest income includes coupons earned on fixed income investments and accrued discount on treasury bills and other discounted instruments.

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

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

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on the cash basis.

IFRS require that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

(ii) Fee and commission income

Fee and commission income is generally recognised on an accrual basis when the service has been provided. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective interest on the loan. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

(iii) Dividend income

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

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(f) Income taxes

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

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

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

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

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

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

(g) Investments

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

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

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

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

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(g) Investments (continued)

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

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

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

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

(h) Repurchase and reverse repurchase transactions

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

(i) Derivative financial instruments

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

Derivative instruments are initially recognised at fair value on the date a derivative contract is entered into, and subsequently are re-measured at their fair value at the date of each statement of financial position. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives (interest rate swaps and foreign exchange forward contracts) are included in income statement. This includes derivative transactions which, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules in International Accounting Standard (IAS) 39, Financial Instruments: Recognition and Measurement.

Gains and losses from changes in the fair value of derivatives that do not qualify for hedge accounting are included in the income statement.

National Commercial Bank Jamaica Limited NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(j) Loans and advances and provisions for credit losses

Loans and advances are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any origination fees and transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

A provision for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

The provision for credit losses also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the date of the statement of financial position. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and the current economic climate in which the borrowers operate.

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. Jamaican banking regulations require that interest on non-performing loans be taken into account on the cash basis. IFRS require that interest income on non-performing loans be accrued, to the extent collectible, and that the increase in the present value of impaired loans due to the passage of time be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

Write-offs are made when all or part of a loan is deemed uncollectible or is forgiven. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries in part or in full of amounts previously written-off are credited to provision for credit losses in the income statement.

Statutory and other regulatory loan loss reserve requirements that exceed the amounts required under IFRS are dealt with in a non-distributable loan loss reserve as an appropriation of retained earnings.

(k) Cash and cash equivalents

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

(l) Investment property

Investment property is held for long-term rental yields and is not occupied by the Group. Investment property is treated as a long-term investment and is carried at fair value, representing open market value determined annually by the directors or by independent valuers. Changes in fair values are recorded in the income statement.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(m) Property, plant and equipment

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

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

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

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

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

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

National Commercial Bank Jamaica Limited NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(n) Intangible assets

Computer Software

Costs that are directly associated with acquiring and developing identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, 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.

(o) Leases

(i) As Lessee

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

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

(ii) As Lessor

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

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

Classification

The Group issues contracts that transfer insurance risk or financial risk or both.

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

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

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(p) Insurance and investment contracts – classification, recognition and measurement (continued)

Recognition and measurement

(i) Insurance contracts

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

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

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

(ii) Investment contracts

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

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

(q) Reinsurance contracts held

The Group enters into contracts with reinsurers under which it is compensated for losses on contracts it issues and which meet the classification requirements for insurance contracts as in note 2(p). The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets.

(r) Receivables and payables related to insurance contracts and investment contracts

These are recognised when due and include amounts due to and from agents, brokers and insurance contract holders.

(s) Borrowings

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

National Commercial Bank Jamaica Limited NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(t) Provisions

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

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

(u) Employee benefits

(i) Pension plans

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

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

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

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

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to privately administered pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are charged to the income statement in the period to which they relate.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(u) Employee benefits (continued)

(ii) Other post-employment obligations

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

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

Where the Bank's obligations under acceptances, guarantees, indemnities and letters of credit and undertakings are not considered to be contingent the amounts are reported as a liability on the statement of financial position. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset. Where the Bank's obligations are considered to be contingent, the amounts are disclosed in Note 55.

(w) Share capital

(i) Share issue cost

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

(ii) Dividends on ordinary shares

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

(iii) Treasury shares

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

(x) Fiduciary activities

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

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
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3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made no significant judgements on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

- (i) **Income taxes**
There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.
- (ii) **Impairment losses on loans and advances**
The Group reviews its loan portfolio to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.
- (iii) **Estimates of future benefit payments and premiums from long term insurance contracts**
The determination of the liabilities under long-term insurance contracts represents the liability for future benefits payable by the Group based on contracts for the life assurance business in force at the date of the statement of financial position using the Policy Premium Method. These liabilities represent the amount which, together with future premiums and investment returns will, in the opinion of the actuary, be sufficient to pay future benefits relating to contracts of insurance in force, as well as meet the expenses incurred in connection with such contracts. The Policy Premium Method of valuation is based on assumptions of mortality, persistency, investment income, renewal expenses and other assumptions considered appropriate to be included in the basis for the determination of the liabilities of the Group under the terms of its policy contracts in force. A margin for risk or uncertainty (adverse deviations) in these assumptions is added to the liability. The assumptions are examined each year in order to determine their validity in light of current best estimates or to reflect emerging trends in the Group's experience.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

4. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors of the insurance subsidiary pursuant to the Insurance Act appoints the Actuary. His responsibility is to carry out an annual valuation of the Group's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders.

In performing the valuation using the Policy Premium Method, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Group and the insurance policies in force.

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

5. Segment Reporting

The Group is organised into the following business segments:

- (a) Retail banking – This incorporates the provision of banking services to individual and small and medium business clients, money remittance and card services.
- (b) Corporate banking – This incorporates the provision of banking services to large corporate clients.
- (c) Treasury – 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 trading services.
- (d) Wealth management – This incorporates stock brokerage, securities trading, investment management, and other financial services provided by overseas subsidiaries.
- (e) Insurance – This incorporates life insurance, pension and investment management services.

Other operations of the Group include insurance brokerage services, trustee services and registrar and transfer agent services.

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

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
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5. Segment Reporting (Continued)

Year ended 30 September 2010	Banking					Wealth Management \$'000	Insurance \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
	Retail \$'000	Corporate \$'000	Treasury \$'000							
External operating revenue	13,678,397	5,275,433	10,299,153			9,497,058	4,491,205	78,431	-	43,319,677
Operating revenue from other segments	5,349,179	1,602	1,260,334			476,522	121,330	251,787	(7,460,754)	-
Operating revenue	19,027,576	5,277,035	11,559,487			9,973,580	4,612,535	330,218	(7,460,754)	43,319,677
Segment result	2,481,408	2,922,965	3,349,581			3,554,301	1,986,282	156,105	58,670	14,509,312
Unallocated corporate expenses										(1,221,912)
Operating profit										13,287,400
Share of profits of associate										200,713
Profit before tax										13,488,113
Taxation expense										(2,413,315)
Net profit										11,074,798
Segment assets	124,222,612	46,140,396	134,564,133			93,861,623	25,603,109	856,862	(94,413,608)	330,835,127
Associates										2,320,723
Unallocated assets										1,814,161
Total assets										334,970,011
Segment liabilities	115,709,477	36,694,537	122,724,878			81,657,683	20,728,562	144,925	(92,168,984)	285,491,078
Unallocated liabilities										671,000
Total liabilities										286,162,078
Net interest income	9,403,393	3,203,025	2,715,863			3,623,465	1,736,414	(32,517)	-	20,649,643
Impairment losses	-	-	-			26,420	1,100	-	-	27,520
Capital expenditure	633,738	19,568	39,141			33,212	44,596	12,409	-	782,664
Depreciation and amortisation	422,204	12,971	10,185			28,040	50,184	4,749	-	528,333

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
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5. Segment Reporting (Continued)

Year ended 30 September 2009	Banking					Wealth Management \$'000	Insurance \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
	Retail \$'000	Corporate \$'000	Treasury \$'000							
External operating revenue	12,709,461	6,019,104	12,390,525			9,507,467	4,407,365	96,909	-	45,130,831
Operating revenue from other segments	7,486,977	1,994	2,647,489			503,844	479,262	40,097	(11,159,663)	-
Operating revenue	20,196,438	6,021,098	15,038,014			10,011,311	4,886,627	137,006	(11,159,663)	45,130,831
Segment result	3,392,578	2,473,309	3,799,487			2,289,874	2,073,098	44,766	(284,005)	13,789,107
Unallocated corporate expenses										(617,381)
Operating profit										13,171,726
Share of losses of associate										(38,091)
Profit before tax										13,133,635
Taxation expense										(2,885,450)
Net profit										10,248,185
Segment assets	116,438,331	53,645,299	136,131,956			84,508,597	22,789,743	801,353	(105,485,341)	308,829,938
Associates										2,133,994
Unallocated assets										4,132,545
Total assets										315,096,477
Segment liabilities	104,686,986	46,658,771	129,447,521			75,348,180	19,244,999	85,851	(103,488,164)	271,984,144
Unallocated liabilities										2,096,387
Total liabilities										274,080,531
Net interest income	9,792,238	2,786,123	2,366,142			2,372,510	1,511,526	51,435	-	18,879,974
Capital expenditure	705,637	18,425	1,450			36,241	56,482	20,961	-	839,196
Depreciation and amortisation	471,210	13,521	8,658			37,514	57,887	4,748	-	593,538

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

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6. Net Interest Income

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Interest income				
Loans and advances	12,670,671	13,086,462	12,643,210	13,048,085
Investment securities –				
Available-for-sale	15,032,535	16,258,385	5,768,610	7,336,614
Loans and receivables	5,351,598	5,248,349	2,961,983	2,954,781
Securities at fair value through profit or loss	36,207	52,896	-	-
Other	213,283	814,606	151,384	168,748
	<u>33,304,294</u>	<u>35,460,698</u>	<u>21,525,187</u>	<u>23,508,228</u>
Interest expense				
Customer deposits	4,123,788	5,578,432	3,786,980	5,219,294
Repurchase agreements	5,451,311	6,804,754	1,022,275	1,412,374
Policyholders' benefits	1,579,057	2,142,234	-	-
Securitisation arrangements	870,335	1,195,099	870,335	1,195,099
Other	630,160	860,205	526,188	735,581
	<u>12,654,651</u>	<u>16,580,724</u>	<u>6,205,778</u>	<u>8,562,348</u>
Net interest income	<u>20,649,643</u>	<u>18,879,974</u>	<u>15,319,409</u>	<u>14,945,880</u>

7. Fee and Commission Income

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Retail banking fees	1,425,982	1,255,223	1,425,982	1,255,223
Credit related fees	2,809,419	2,200,852	2,809,419	2,200,852
Fees from point-of-sale transactions	1,577,956	1,577,011	1,577,956	1,577,011
Pension management fees	484,216	450,975	-	-
Other fees	899,883	883,560	491,050	427,239
	<u>7,197,456</u>	<u>6,367,621</u>	<u>6,304,407</u>	<u>5,460,325</u>

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

8. Gain on Foreign Currency and Investment Activities

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Foreign exchange translation and trading	868,718	2,322,952	738,172	1,736,581
Fixed income securities held for trading	67,591	(19,251)	-	-
Other fixed income securities	993,454	414,731	365,361	153,934
Equity securities held for trading	4,361	(61,103)	-	-
Other equity securities	29,509	(2,825)	-	-
Investment property (Note 27)	(1,000)	-	-	-
	<u>1,962,633</u>	<u>2,654,504</u>	<u>1,103,533</u>	<u>1,890,515</u>

Foreign exchange translation and trading income includes gains and losses arising from translation of assets and liabilities denominated in foreign currencies as well as those arising from foreign currency trading activity.

9. Dividend Income

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Subsidiary companies	-	-	1,957,614	301,904
Associated company	-	-	10,824	7,216
Other equity securities	77,331	95,923	50,007	41,700
	<u>77,331</u>	<u>95,923</u>	<u>2,018,445</u>	<u>350,820</u>

10. Other Operating Expenses

Insurance claims for the Group of \$162,893,000 (2009 – \$120,019,000) are included as part of other operating expenses for the insurance subsidiary.

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11. Staff Costs

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	5,713,709	5,200,594	5,053,137	4,557,414
Statutory contributions	675,380	612,874	610,372	551,373
Pension costs – defined contribution plans	220,468	206,177	195,789	179,496
Pension costs – defined benefit plans (Note 30)	11,865	2,122	-	-
Other post-employment benefits (Note 30)	87,317	68,074	87,317	68,074
Allowances and benefits	1,358,741	974,501	1,265,721	839,362
Staff profit share	1,185,182	925,430	997,169	825,542
	<u>9,252,662</u>	<u>7,989,772</u>	<u>8,209,505</u>	<u>7,021,261</u>

12. Impairment Losses on Securities

The Group has recognised impairment losses on investment securities as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Loans and receivables	26,420	-	-	-
Available-for-sale – equity securities	1,100	-	-	-
	<u>27,520</u>	<u>-</u>	<u>-</u>	<u>-</u>

As at 30 September 2010, two of the Bank's subsidiaries held corporate debt securities and equities totaling US\$718,756 and J\$5,000,000, respectively, which were assessed for impairment. Arising from the assessment, impairment losses of US\$307,133 and J\$1,100,000, respectively, were recognised in the income statement.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

13. Profit before Taxation

The following have been charged/(credited) in arriving at profit before taxation:

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Directors' emoluments -				
Fees	16,987	16,698	9,785	9,581
Management remuneration	157,286	125,878	157,286	125,878
Auditors' remuneration -				
Current year	28,755	27,494	14,641	14,245
Prior year	-	1,500	-	-
Gain on disposal of property, plant and equipment	(1,626)	(119,584)	(1,626)	(119,584)
Operating lease rentals	111,721	112,571	111,721	102,475

14. Expenses by Nature

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Staff costs (Note 11)	9,252,662	7,989,772	8,209,505	7,021,261
Depreciation and amortisation	528,333	593,538	473,682	532,370
Impairment losses on securities (Note 12)	27,520	-	-	-
Provision for credit losses (Note 24)	947,962	1,027,634	947,962	1,027,634
Licensing and processing fees	707,441	711,029	631,673	660,851
Irrecoverable General Consumption Tax	396,460	366,458	349,259	324,146
Property maintenance and utilities	1,458,418	1,308,348	1,347,582	1,236,558
Insurance	364,143	279,495	370,881	300,501
Communication, courier and transportation	510,792	488,697	475,341	460,060
Stationery	127,921	109,403	105,958	95,583
Marketing, advertising and donations	478,786	415,617	342,590	342,026
Technical, consultancy and professional fees	283,422	276,620	133,175	134,781
Other	937,957	402,654	593,388	358,342
	16,021,817	13,969,265	13,980,996	12,494,113

National Commercial Bank Jamaica Limited
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15. Taxation

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Current:				
Income tax at 33 $\frac{1}{3}$ %	2,083,861	1,931,261	1,083,952	1,653,027
Premium tax at 3%	73,114	100,743	-	-
Investment income tax at 15%	403,131	205,010	-	-
Prior year (over)/under provision	(22,116)	(49,653)	2,186	(43,180)
Deferred income tax (Note 31)	(124,675)	698,089	228,905	373,701
	<u>2,413,315</u>	<u>2,885,450</u>	<u>1,315,043</u>	<u>1,983,548</u>

The tax on profit differs from the theoretical amount that would arise using the basic statutory rate of 33 $\frac{1}{3}$ % as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Profit before tax	<u>13,488,113</u>	<u>13,133,635</u>	<u>9,696,088</u>	<u>8,974,596</u>
Tax calculated at a tax rate of 33 $\frac{1}{3}$ %	4,496,038	4,377,878	3,232,029	2,991,532
Income not subject to tax or in respect of which tax has been remitted	(1,405,104)	(1,244,399)	(1,675,662)	(1,010,773)
Expenses not deductible for tax purposes	41,673	46,561	40,263	45,969
Effect of different tax regime applicable to life insurance subsidiary	(313,510)	(287,437)	-	-
Effect of share of associates' (profit)/loss included net of tax	(66,904)	12,697	-	-
Prior year (over)/under provision	(22,116)	(49,653)	2,186	(43,180)
Other	(316,762)	29,803	(283,773)	-
Taxation expense	<u>2,413,315</u>	<u>2,885,450</u>	<u>1,315,043</u>	<u>1,983,548</u>

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

16. Net Profit

	2010 \$'000	2009 \$'000
Dealt with in the financial statements of:		
The Bank	8,381,045	6,991,048
Subsidiaries	2,507,023	3,304,550
Associates	186,730	(47,413)
	<u>11,074,798</u>	<u>10,248,185</u>

17. Retained Earnings

	2010 \$'000	2009 \$'000
Reflected in the financial statements of:		
The Bank	8,713,656	6,248,418
Subsidiaries	16,205,988	13,688,513
Associates	757,103	570,373
	<u>25,676,747</u>	<u>20,507,304</u>

18. Earnings per Stock Unit

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

	2010	2009
Net profit attributable to stockholders (\$'000)	11,074,798	10,248,185
Weighted average number of ordinary stock units in issue ('000)	2,461,469	2,461,469
Basic and diluted earnings per stock unit (\$)	<u>4.50</u>	<u>4.16</u>

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

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19. Cash in Hand and Balances at Bank of Jamaica

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Cash in hand	2,092,302	2,474,885	2,092,302	2,474,885
Balances with the Bank of Jamaica other than statutory reserves	2,295,865	6,011,478	2,293,669	5,992,515
Included in cash and cash equivalents	4,388,167	8,486,363	4,385,971	8,467,400
Statutory reserves with the Bank of Jamaica – interest-bearing	4,973,969	5,567,639	4,973,969	5,567,639
Statutory reserves with the Bank of Jamaica – non-interest-bearing	10,110,610	10,613,846	10,110,610	10,613,846
	19,472,746	24,667,848	19,470,550	24,648,885
Interest receivable	15	163	15	163
	19,472,761	24,668,011	19,470,565	24,649,048

Statutory reserves with the Bank of Jamaica represent the required ratio of 12% (2009 – 14%) of prescribed liabilities. They are not available for investment, lending or other use by the Group.

20. Due from Other Banks

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Items in course of collection from other banks	910,420	551,139	910,410	551,139
Placements with other banks	16,136,923	13,853,895	15,164,393	13,122,662
	17,047,343	14,405,034	16,074,803	13,673,801
Interest receivable	1,506	459	247	51
	17,048,849	14,405,493	16,075,050	13,673,852

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

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21. Derivative Financial Assets

Derivatives are carried at fair value in the statement of financial position as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group's counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group was to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis.

The fair value of the foreign exchange currency forwards at 30 September 2010 was positive \$12,864,000 (USD 150,000).

The fair value of the foreign exchange currency forwards at 30 September 2009 was positive \$52,191,000 (GBP 8,500,000) and negative \$11,530,000 (JPY 2,755,110,000) (Note 35).

22. Investment Securities at Fair Value through Profit or Loss

	The Group	
	2010	2009
	\$'000	\$'000
Quoted equity securities	95,995	179,026
Government of Jamaica debt securities	285,609	387,351
Corporate bonds	312,288	171,021
	693,892	737,398
Interest receivable	4,819	15,180
	698,711	752,578

23. Reverse Repurchase Agreements

The Group and the Bank enter into collateralised reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Included within reverse repurchase agreements is related accrued interest receivable for the Group and the Bank of \$1,505,000 (2009 – \$763,451,000) and \$16,585,000 (2009 – \$5,760,000), respectively.

At 30 September 2010, the Group and the Bank held \$1,162,017,000 (2009 – \$8,342,991,000) and \$827,390,000 (2009 – \$888,654,000), respectively, of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

National Commercial Bank Jamaica Limited
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24. Loans and Advances

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Gross loans and advances	87,935,911	89,859,232	87,578,318	89,454,007
Provision for credit losses	(2,994,252)	(2,706,554)	(2,989,693)	(2,701,854)
	84,941,659	87,152,678	84,588,625	86,752,153
Interest receivable	1,053,443	1,025,592	1,054,905	1,019,892
	85,995,102	88,178,270	85,643,530	87,772,045

The current portion of loans and advances amounted to \$33,018,748,000 (2009 – \$35,933,724,000) for the Group and \$33,016,705,000 (2009 – \$35,827,807,000) for the Bank.

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

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	2,706,554	2,295,673	2,701,854	2,291,534
Provided during the year	1,869,644	1,917,155	1,869,644	1,917,155
Recoveries	(921,682)	(889,521)	(921,682)	(889,521)
Net charge to the income statement	947,962	1,027,634	947,962	1,027,634
Write-offs	(660,264)	(616,753)	(660,123)	(617,314)
Balance at end of year	2,994,252	2,706,554	2,989,693	2,701,854

The aggregate amount of non-performing loans on which interest was not being accrued as at 30 September 2010 amounted to \$3,029,733,000 (2009 – \$2,343,292,000).

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

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Specific provision	3,417,280	2,624,746	3,412,721	2,620,046
General provision	711,984	825,967	711,984	825,967
	4,129,264	3,450,713	4,124,705	3,446,013
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 42)	1,135,012	744,159	1,135,012	744,159

National Commercial Bank Jamaica Limited

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30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

25. Investment Securities

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Available-for-sale securities – at fair value				
Debt securities -				
Government of Jamaica	129,587,746	96,314,308	60,568,276	40,862,557
Foreign governments	308,044	565,697	-	-
Corporate	6,820,937	2,329,802	1,089,720	1,045,941
Equity securities -				
Quoted	1,048,140	864,922	526,026	475,996
Unquoted	47,498	47,498	18,255	18,255
	<u>137,812,365</u>	<u>100,122,227</u>	<u>62,202,277</u>	<u>42,402,749</u>
Loans and receivables – at amortised cost				
Debt securities -				
Government of Jamaica	42,130,823	43,855,331	22,519,429	25,682,067
Corporate	16,304,762	17,168,111	7,714,909	8,238,041
	<u>58,435,585</u>	<u>61,023,442</u>	<u>30,234,338</u>	<u>33,920,108</u>
Interest receivable	3,213,843	5,820,710	1,537,843	3,044,449
	<u>199,461,793</u>	<u>166,966,379</u>	<u>93,974,458</u>	<u>79,367,306</u>
Less provision for impairment of securities (Note 12)	<u>(27,520)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>199,434,273</u>	<u>166,966,379</u>	<u>93,974,458</u>	<u>79,367,306</u>

The current portion of investment securities amounted to \$47,673,449,000 (2009 – \$32,732,030,000) for the Group and \$40,811,872,000 (2009 - \$19,982,358,000) for the Bank.

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

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Debt securities with an original maturity of less than 90 days	<u>22,998,251</u>	<u>2,258,587</u>	<u>18,479,000</u>	<u>1,452,874</u>

National Commercial Bank Jamaica Limited
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25. Investment Securities (Continued)

At the end of the prior year, The Bank of Jamaica held as security, Government of Jamaica Local Registered Stocks and Certificates of Securities Held with a face value of \$1,700,000,000 for the Group and \$1,500,000,000 for the Bank against possible shortfalls in the operating account. The Bank of Jamaica no longer holds security for overdraft facilities. The Bank of Jamaica now uses intraday liquidity which allows the Bank to pledge securities for funds requested from the Bank of Jamaica during the day and return the securities by the end of the day.

The Financial Services Commission holds as security, Government of Jamaica Local Registered Stocks with a face value of \$90,000,000 (2009 - \$90,000,000) for the life insurance subsidiary, in accordance with Section 8(1)(B) of the Insurance Regulations 2001.

On 1 October 2008, the Group and the Bank reclassified Government of Jamaica Global Bonds from the available-for-sale category to the loans and receivables category due to the market for these investments becoming inactive in October 2008. The Group and the Bank have the intention and ability to hold these reclassified loans and receivables for the foreseeable future or until maturity at the date of reclassification.

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

The carrying value and fair value of these securities at year end were as follows:

	The Group		The Bank	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$'000	\$'000	\$'000	\$'000
At 30 September 2010	49,893,940	50,848,110	29,237,833	29,775,017
At 30 September 2009	60,874,817	55,276,709	33,920,108	27,734,181

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

25. Investment Securities (Continued)

- (a) Fair value losses of \$2,163,393,000 (2009 – \$2,661,624,000) for the Group and \$1,101,244,000 (2009 – \$1,652,326,000) for the Bank were included in other comprehensive income at the end of the year in relation to the above reclassified investments, using the fair values as at 1 October 2008.
- (b) Fair value gains/(losses) of \$1,337,653,000 (2009 – (\$7,427,482,000)) for the Group and \$943,406,000 (2009 – (\$5,175,407,000)) for the Bank would have been included in other comprehensive income at the end of the year had the investments not been reclassified. These amounts were estimated on the basis of the mid-price of the securities as at the date of the statement of financial position. Management does not believe that these prices are necessarily indicative of the amounts that the securities would have been valued if an active market for the securities actually existed at that date.
- (c) The weighted average effective interest rate of the investments at the date of reclassification was 8.30%. The undiscounted cash flows to be recovered from the investment reclassified for the Group and the Bank are \$77,677,199,000 (2009 – \$99,020,192,000) and \$43,495,040,000 (2009 – \$56,273,188,000), respectively.
- (d) Interest income on said reclassified securities for the Group and the Bank amounted to \$4,845,378,000 (2009 – \$5,248,349,000) and \$2,961,983,000 (2009 – \$2,954,781,000), respectively.
- (e) Foreign exchange (losses)/gains on said reclassified assets for the Group and the Bank amounted to (\$1,853,126,000) (2009 – \$10,721,014,000) and (\$1,081,670,000) (2009 – \$6,408,179,000), respectively.

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

	The Group			
	Less than	1 to 2	2 to 5	Over 5
	1 year	years	years	years
	\$'000	\$'000	\$'000	\$'000
Reclassified debt securities	14,949,009	709,520	14,347,122	47,671,548

	The Bank			
	Less than	1 to 2	2 to 5	Over 5
	1 year	years	years	years
	\$'000	\$'000	\$'000	\$'000
Reclassified debt securities	11,209,406	695,638	5,670,849	25,919,147

National Commercial Bank Jamaica Limited

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26. Investment in Associates

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
At the beginning of the year	2,133,994	2,181,407	471,534	471,534
Share of profit/(loss)	200,713	(38,091)	-	-
Dividends received	(13,984)	(9,322)	-	-
At end of year	2,320,723	2,133,994	471,534	471,534

The assets, liabilities, revenue and net profit/(loss) of the associates as at and for the periods ended as indicated below are as follows:

	Assets	Liabilities	Revenue	Net Profit/(loss)
	\$'000	\$'000	\$'000	\$'000
2010				
Kingston Wharves Limited (30 June 2010)	12,124,708	4,445,496	2,800,226	471,353
Dyoll Group Limited (31 December 2007)	172,259	43,021	-	-
	12,296,967	4,488,517	2,800,226	471,353
2009				
Kingston Wharves Limited (30 June 2009)	12,234,812	4,994,774	2,649,452	(80,170)
Dyoll Group Limited (31 December 2007)	172,259	43,021	-	-
	12,407,071	5,037,795	2,649,452	(80,170)

	The Group			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2010	2010	2009	2009
	\$'000	\$'000	\$'000	\$'000
Kingston Wharves Limited	2,320,723	2,125,375	2,133,994	1,920,295
Dyoll Group Limited	-	-	-	-
	2,320,723	2,125,375	2,133,994	1,920,295

	The Bank			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2010	2010	2009	2009
	\$'000	\$'000	\$'000	\$'000
Kingston Wharves Limited	471,534	1,645,281	471,534	1,486,525
Dyoll Group Limited	-	-	-	-
	471,534	1,645,281	471,534	1,486,525

National Commercial Bank Jamaica Limited

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27. Investment Property

	The Group	
	2010	2009
	\$'000	\$'000
Balance at beginning of year	13,000	13,000
Fair value losses (Note 8)	(1,000)	-
Balance at end of year	12,000	13,000

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

28. Intangible Asset – Computer Software

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Net book value at beginning of year	246,781	282,264	120,715	151,260
Additions	200,007	72,088	192,119	37,799
Amortisation charge	(86,808)	(107,571)	(53,310)	(68,344)
Net book value at end of year	359,980	246,781	259,524	120,715

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Cost	2,302,737	2,102,730	1,989,469	1,797,351
Accumulated amortisation	(1,942,757)	(1,855,949)	(1,729,945)	(1,676,636)
Net book value	359,980	246,781	259,524	120,715

National Commercial Bank Jamaica Limited
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29. Property, Plant and Equipment

	The Group					
	Freehold Land and Buildings	Leasehold Improvements	Motor Vehicles Furniture & Equipment	Assets Capitalised Under Finance Leases	Work-in- Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost -						
At 1 October 2008	3,085,048	500,054	3,993,105	1,016,479	55,336	8,650,022
Additions	49,910	1,151	57,692	75,178	583,177	767,108
Disposals	(80,599)	-	(52,190)	(81,063)	-	(213,852)
Transfers	391,250	7,932	152,982	39,079	(591,243)	-
Reclassifications and adjustments	432	1,725	(102,251)	100,094	-	-
At 30 September 2009	3,446,041	510,862	4,049,338	1,149,767	47,270	9,203,278
Additions	12,078	142	68,905	110,959	390,573	582,657
Disposals	-	-	(17,055)	(113,427)	-	(130,482)
Transfers	174,291	1,308	94,221	6,834	(276,654)	-
Reclassifications and adjustments	-	-	(11,249)	11,249	-	-
At 30 September 2010	3,632,410	512,312	4,184,160	1,165,382	161,189	9,655,453
Accumulated Depreciation -						
At 1 October 2008	386,703	392,604	3,136,415	903,986	-	4,819,708
Charge for the year	51,221	29,773	311,376	93,597	-	485,967
Disposals	(14,271)	-	(36,304)	(63,317)	-	(113,892)
Reclassifications & adjustments	295	861	(15,528)	14,372	-	-
At 30 September 2009	423,948	423,238	3,395,959	948,638	-	5,191,783
Charge for the year	51,159	25,888	269,994	94,484	-	441,525
Disposals	-	-	(10,137)	(81,873)	-	(92,010)
Reclassifications and adjustments	-	-	(375)	375	-	-
At 30 September 2010	475,107	449,126	3,655,441	961,624	-	5,541,298
Net Book Value -						
30 September 2010	3,157,303	63,186	528,719	203,758	161,189	4,114,155
30 September 2009	3,022,093	87,624	653,379	201,129	47,270	4,011,495

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

29. Property, Plant and Equipment (Continued)

	The Bank					
	Freehold Land and Buildings \$'000	Leasehold Improvements \$'000	Motor Vehicles Furniture & Equipment \$'000	Assets Capitalised Under Finance Leases \$'000	Work-in- Progress \$'000	Total \$'000
Cost -						
At 1 October 2008	3,085,048	418,411	3,903,141	1,018,613	52,206	8,477,419
Additions	49,910	1,151	46,971	75,178	583,178	756,388
Disposals	(80,599)	-	(52,058)	(81,063)	-	(213,720)
Transfers	391,250	7,932	152,982	39,079	(591,243)	-
Reclassifications and adjustments	432	1,725	(102,251)	100,094	-	-
At 30 September 2009	3,446,041	429,219	3,948,785	1,151,901	44,141	9,020,087
Additions	12,078	(558)	54,517	110,959	390,573	567,569
Disposals	-	-	(8,956)	(113,428)	-	(122,384)
Transfers	174,291	1,308	94,221	6,834	(276,654)	-
Reclassifications and adjustments	-	-	(11,249)	11,249	-	-
At 30 September 2010	3,632,410	429,969	4,077,318	1,167,515	158,060	9,465,272
Accumulated Depreciation -						
At 1 October 2008	386,703	336,467	3,069,978	903,985	-	4,697,133
Charge for the year	51,221	27,320	291,887	93,598	-	464,026
Disposals	(14,271)	-	(36,172)	(63,318)	-	(113,761)
Reclassifications and adjustments	295	861	(15,528)	14,372	-	-
At 30 September 2009	423,948	364,648	3,310,165	948,637	-	5,047,398
Charge for the year	51,159	23,865	250,864	94,484	-	420,372
Disposals	-	-	(6,088)	(81,876)	-	(87,964)
Reclassifications and adjustments	-	-	(375)	375	-	-
At 30 September 2010	475,107	388,513	3,554,566	961,620	-	5,379,806
Net Book Value -						
30 September 2010	3,157,303	41,456	522,752	205,895	158,060	4,085,466
30 September 2009	3,022,093	64,571	638,620	203,264	44,141	3,972,689

National Commercial Bank Jamaica Limited
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30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

29. Property, Plant and Equipment (Continued)

Assets capitalised under finance leases comprise motor vehicles and equipment.

30. Retirement Benefits

(Assets)/liabilities recognised in the statement of financial position are as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Pension schemes	-	(11,632)	-	-
Other retirement benefits	445,873	421,641	445,873	421,641

The amounts recognised in the income statement are as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Pension schemes	11,865	2,122	-	-
Other retirement benefits	87,317	68,074	87,317	68,074

(a) Pension schemes

The Bank and its subsidiaries have established a number of pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. Defined benefit plans are valued by independent actuaries annually using the projected unit credit method. The latest actuarial valuations were carried out as at 30 June 2010.

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

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Present value of funded obligations	9,803,363	5,876,062	9,780,228	5,858,847
Fair value of plan assets	(16,309,872)	(14,285,671)	(16,279,564)	(14,257,355)
	(6,506,509)	(8,409,609)	(6,499,336)	(8,398,508)
Unrecognised actuarial (losses)/gains	(28,920)	2,568,713	(21,844)	2,572,789
Limitation on asset due to uncertainty of obtaining economic benefits	6,535,429	5,829,264	6,521,180	5,825,719
Asset in the statement of financial position	-	(11,632)	-	-

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

30. Retirement Benefits (Continued)

(a) Pension schemes (continued)

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

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Beginning of year	5,876,062	6,666,214	5,858,847	6,652,609
Current service cost	1,247	1,114	-	-
Interest cost	1,051,337	805,682	1,048,053	804,071
Actuarial losses/(gains)	3,562,632	(657,400)	3,558,888	(662,943)
Benefits paid	(687,915)	(939,548)	(685,560)	(934,890)
End of year	9,803,363	5,876,062	9,780,228	5,858,847

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

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Beginning of year	14,285,671	14,885,186	14,257,355	14,856,910
Expected return on plan assets	1,672,770	1,729,693	1,669,749	1,726,736
Actuarial gains/(losses)	1,038,690	(1,391,528)	1,038,020	(1,391,401)
Contributions	656	1,868	-	-
Benefits paid	(687,915)	(939,548)	(685,560)	(934,890)
End of year	16,309,872	14,285,671	16,279,564	14,257,355

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

30. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in the income statement are as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Current service cost	824	(77)	-	-
Interest cost	1,051,337	805,682	1,048,053	804,071
Expected return on plan assets	(1,672,770)	(1,729,693)	(1,669,749)	(1,726,736)
Net actuarial gains recognised	(73,691)	(125,567)	(73,765)	(125,567)
Change in limitation on asset	706,165	1,051,777	695,461	1,048,232
Total, included in staff costs (Note 11)	11,865	2,122	-	-

Plan assets for the Bank are comprised as follows:

	2010		2009	
	\$'000		\$'000	
Debt securities	8,906,829	54.71%	7,639,876	53.59%
Equity securities	3,879,532	23.83%	3,171,000	22.24%
Other	3,493,203	21.46%	3,446,479	24.17%
	16,279,564	100.00%	14,257,355	100.00%

These plan assets include:

- Ordinary stock units of the Bank with a fair value of \$1,240,150,000 (2009 – \$943,243,000).
- Repurchase obligations, promissory notes and lease obligations of the Group aggregating \$392,063,000 (2009 – \$331,884,000).
- Properties occupied by the Group with a fair value of \$404,950,000 (2009 - \$404,950,000).

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

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

The actual return on plan assets was \$2,711,460,000 (2009 – \$338,165,000) and \$2,707,769,000 (2009 – \$335,335,000) for the Group and the Bank, respectively.

Expected contributions to post-employment benefit plans for the year ending 30 September 2011 are nil.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

30. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The principal actuarial assumptions used were as follows:

	The Group and The Bank	
	2010	2009
Discount rate	11.50%	19.00%
Expected return on plan assets	10.00%	12.00%
Future salary increases	8.00%	14.00%
Future pension increases	5.0%	7.0%

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

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

	The Group and The Bank	
	2010	2009
Male	21.33	21.33
Female	25.09	25.09

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

	Pension schemes – The Group				
	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
Fair value of plan assets	16,309,872	14,285,671	14,885,186	12,145,202	10,387,387
Defined benefit obligation	9,803,363	5,876,062	6,666,214	7,158,130	5,723,849
Surplus	6,506,509	8,409,609	8,218,972	4,987,072	4,663,538
Experience adjustments –					
Fair value of plan assets	1,038,690	(1,391,528)	2,152,742	1,133,621	(1,206,029)
Defined benefit obligation	4,265	423,347	63,958	1,166,623	211,897

	Pension schemes – The Bank				
	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
Fair value of plan assets	16,279,564	14,257,355	14,856,910	12,119,779	10,364,557
Defined benefit obligation	9,780,228	5,858,847	6,652,609	7,144,609	5,711,489
Surplus	6,499,336	8,398,508	8,204,301	4,975,170	4,653,068
Experience adjustments –					
Fair value of plan assets	1,038,020	(1,391,401)	2,153,025	1,133,551	(1,206,291)
Defined benefit obligation	3,674	420,751	63,797	1,166,476	213,847

National Commercial Bank Jamaica Limited
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30. Retirement Benefits (Continued)

(b) Other retirement benefits

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

In addition to the assumptions used for pension schemes, the main actuarial assumption is a long-term increase in health costs of 10% per year (2009 – 14%).

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

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Present value of unfunded obligations	883,257	420,751
Unrecognised actuarial (losses)/gains	(437,384)	890
Liability in the statement of financial position	<u>445,873</u>	<u>421,641</u>

The movement in the defined benefit obligation is as follows:

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Beginning of the year	420,751	402,255
Current service cost	12,599	14,543
Interest cost	74,718	53,031
Actuarial losses/(gains)	421,291	(31,339)
Benefits paid	(46,102)	(17,739)
End of year	<u>883,257</u>	<u>420,751</u>

The amounts recognised in the income statement are as follows:

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Current service cost	12,599	14,543
Interest cost	74,718	53,031
Actuarial gains recognised	-	500
Total, included in staff costs (Note 11)	<u>87,317</u>	<u>68,074</u>

National Commercial Bank Jamaica Limited

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30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

30. Retirement Benefits (Continued)

(b) Other retirement benefits (continued)

The effects on other retirement benefits of a 1% movement in the assumed medical cost trend rate were as follows:

	Increase 2010 \$000	Decrease 2010 \$000
Effect on the aggregate of the current service cost and interest cost	15,799	12,619
Effect on the defined benefit obligation	185,890	143,828

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

	Other retirement benefits – The Group and The Bank				
	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
Defined benefit obligation	883,257	403,707	402,255	424,233	283,229
Experience adjustments – Defined benefit obligation	78,431	77,796	(51,997)	186,268	44,914

National Commercial Bank Jamaica Limited
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31. Deferred Income Taxes

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

The asset recognised in the statement of financial position is as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	(119,794)	(803,279)	(91,028)	(529,175)
Deferred tax liabilities	104,332	213,080	-	-
Net assets	<u>(15,462)</u>	<u>(590,199)</u>	<u>(91,028)</u>	<u>(529,175)</u>

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

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Net asset at beginning of year	(590,199)	(1,567,050)	(529,175)	(1,059,940)
Deferred tax (credited)/charged in the income statement (Note 15)	(124,675)	698,089	228,905	373,701
Deferred tax charged to other comprehensive income on investment securities	699,412	278,762	209,242	157,064
Net asset at end of year	<u>(15,462)</u>	<u>(590,199)</u>	<u>(91,028)</u>	<u>(529,175)</u>

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

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31. Deferred Income Taxes (Continued)

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

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets:				
Property, plant and equipment	171,318	23,094	160,722	14,737
Investment securities at fair value through profit or loss	15,581	28,183	-	-
Investment securities	459,422	1,124,312	354,042	563,284
Loan loss provisions	-	27,269	-	27,269
Pensions and other post-retirement benefits	148,624	143,254	148,624	140,547
Interest payable	220,359	401,359	-	-
Interest rate swaps	4,355	24,886	4,355	24,886
Unrealised foreign exchange loss	448	-	-	-
Other temporary differences	177,926	74,595	133,080	51,992
	<u>1,198,033</u>	<u>1,846,952</u>	<u>800,823</u>	<u>822,715</u>
Deferred income tax liabilities:				
Property, plant and equipment	76	9,838	-	-
Investment securities at fair value through profit or loss	3,071	497	-	-
Investment securities	54,644	20,121	-	-
Interest receivable	407,825	894,916	-	-
Unrealised foreign exchange gains	584,775	325,383	578,815	293,540
Loan loss provisions	130,980	-	130,980	-
Other temporary differences	1,200	5,998	-	-
	<u>1,182,571</u>	<u>1,256,753</u>	<u>709,795</u>	<u>293,540</u>

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

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets to be recovered after more than 12 months	(778,605)	(194,531)	(663,388)	(155,284)
Deferred tax liabilities to be settled after more than 12 months	<u>133,755</u>	<u>5,998</u>	<u>130,981</u>	<u>-</u>

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

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32. Other Assets

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Accounts receivable	1,563,955	2,296,648	1,286,505	1,171,890
Prepayments	526,219	266,515	492,354	239,140
	<u>2,090,174</u>	<u>2,563,163</u>	<u>1,778,859</u>	<u>1,411,030</u>

33. Due to Other Banks

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Items in course of payment	1,646,803	1,840,590	1,646,803	1,840,590
Deposits from other banks	2,054,256	4,702,032	2,054,256	4,642,714
	<u>3,701,059</u>	<u>6,542,622</u>	<u>3,701,059</u>	<u>6,483,304</u>
Interest payable	7,173	13,587	7,173	13,587
	<u>3,708,232</u>	<u>6,556,209</u>	<u>3,708,232</u>	<u>6,496,891</u>

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

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34. Obligations under Securitisation Arrangements

	The Group and The Bank	
	2010 \$'000	2009 \$'000
Credit card and cash advance		
Principal outstanding - US\$155 million (2009 – US\$196 million)	13,303,699	17,405,388
Diversified payment rights		
Principal outstanding - US\$83 million (2009 – US\$110 million)	7,119,054	9,744,770
	20,422,753	27,150,158
Unamortised transaction fees	(80,793)	(140,355)
	20,341,960	27,009,803
Interest payable	114,202	147,377
Net liability	20,456,162	27,157,180

The current portion of obligations under securitisation arrangements amounted to US\$71.7 million (2009 – USD\$68.1 million).

Credit Card and Cash Advance

In 2001, the Bank entered into an arrangement for the sale of Future Accounts Receivable amounting to US\$125,000,000 in respect of credit card and cash advance transactions in Jamaica between Visa International Service Association and Master Card International Incorporated and cardholders holding cards issued by banks outside of Jamaica (primarily in the U.S.A.). This took the form of variable funding certificates issued by Citibank N.A. through Citicorp administered commercial paper conduits. Payments under the arrangement were due quarterly commencing in October 2001 and ending October 2006. In September 2004, the arrangement was amended to extend the scheduled final payment date from October 2006 to October 2009 and to increase the facility limit to US\$200,000,000. On 14 September 2006, the arrangement was further amended to extend the scheduled final payment date from October 2009 to October 2013. Additionally the facility limit was increased from US\$200,000,000 to US\$225,000,000. A final drawdown of US\$92,500,000 was made in September 2006.

Interest is due and payable on a quarterly basis and calculated monthly based on one month LIBOR plus 250 basis points.

National Commercial Bank Jamaica Limited
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34. Obligations under Securitisation Arrangements (Continued)

Diversified Payment Rights

On 22 March 2006, the Bank raised US\$100,000,000 in structured financing backed by the securitisation of Diversified Payment Rights arising under its existing and future US dollar Payment Advice and Payment Order (MT100 Series) and US dollar remittances.

Interest is due and payable on a quarterly basis calculated at three month US dollar LIBOR plus 230 basis points beginning 15 June 2006. Principal repayments are due quarterly commencing on 15 June 2008 and ending 15 March 2013.

On 20 July 2007, the Bank raised an additional US\$50,000,000 in financing backed by the securitisation of its Diversified Payment Rights.

The transaction was structured with an interest only period of one year and thereafter principal amortisation on a straight line basis, beginning 15 June 2008 to final maturity on 15 June 2015. Interest is due and payable on a quarterly basis at a fixed rate of 7.435%.

	The Group and The Bank			
	Carrying Value 2010 \$'000	Fair Value 2010 \$'000	Carrying Value 2009 \$'000	Fair Value 2009 \$'000
Fair valuation of securitisation arrangements	20,456,162	20,536,955	27,157,180	27,297,535

35. Derivative Financial Liabilities

	The Group and The Bank	
	2010 \$'000	2009 \$'000
Interest rate swaps	25,930	115,318
Foreign Exchange Forward Contracts (Note 21)	-	11,530
	<u>25,930</u>	<u>126,848</u>

Related to the obligations under securitisation arrangements (Note 34), the Bank entered into an interest rate swap agreement with Citibank N.A. on a notional amount of US\$75,000,000 effective June 2006. The Bank pays a fixed rate of 5.65% and receives three months US dollar LIBOR on the notional amount every quarter. The notional amount is being amortised commencing September 2006 and ending June 2011. At 30 September 2010, the notional amount was US\$11,250,000 (2009 – US\$26,250,000).

The fair value of the interest rate swap at 30 September 2010 was negative (US\$301,000); (2009 - negative (US\$1,298,000)).

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

36. Other Borrowed Funds

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
(a) Preference shares	-	1,077,381	-	-
(b) International Finance Corporation	759,017	940,949	759,017	940,949
(c) Inter-American Development Bank	845,701	3,905,722	845,701	3,905,722
(d) Development Bank of Jamaica	3,941,217	947,511	3,941,217	947,511
(e) European Investment Bank	208,002	252,862	208,002	252,862
(f) Customer long-term investments	444,851	375,299	-	-
(g) IBM Global Financing	114,572	-	114,572	-
(h) Finance lease obligations	230,494	249,657	230,494	249,657
	6,543,854	7,749,381	6,099,003	6,296,701
Unamortised transaction fees	(12,159)	(18,103)	(12,159)	(18,103)
Interest payable	43,928	84,274	31,538	38,228
	6,575,623	7,815,552	6,118,382	6,316,826

The current portion of other borrowed funds amounted to \$2,657,815,000 (2009 - \$1,689,265,000) for the Group and \$2,657,815,000 (2009 - \$611,884,000) for the Bank.

- (a) On 25 July 2006, 100,000,000 11.75% cumulative redeemable preference shares of \$3 each in NCB Capital Markets Limited were offered to the public and fully subscribed. The shares are redeemable at par at the company's option but in any event no later than January 2010. The shares were subsequently listed on the Jamaica Stock Exchange on 22 September 2006.

In June 2007, the company executed a renounceable rights issue of 100,000,000 preference shares at a price of \$3.10 per share. The preference shares were to existing shareholders on record at 18 June 2007, who had the right to accept the shares and/or renounce some or all of the shares provisionally allotted. The company retained the right to upsize the offer and did so on two occasions, offering an additional 200,000,000 preference shares to existing preference shareholders. When the offer closed on 17 August 2007, a total of 250,768,080 preference shares had been allotted.

All preference shares in issue were redeemed in January 2010.

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

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

36. Other Borrowed Funds (Continued)

- (c) In January 2009, the Inter-American Development Bank (IDB) through the Government of Jamaica established a revolving line of credit of US\$300 million under their Liquidity Programme for Growth and Sustainability. This facility is accessed through the Development Bank of Jamaica by Approved Financial intermediaries (AFIs) for on-lending to eligible sub-borrowers in the productive sector. Loans under this facility are priced at 6-month USD LIBOR plus 400bps (reset quarterly) with a maximum tenor of 36 months inclusive of a 2 year moratorium on principal repayments. At 30 September 2010 the Bank has drawn down US\$45,816,000 (2009 – US\$43,950,000) under this facility.
- (d) The loans from Development Bank of Jamaica are granted in both Jamaican dollar and US dollar currencies and are utilised by the Bank to finance customers with viable projects in agricultural, agro-industrial, manufacturing, mining and tourism sectors of the economy. The loans to customers for terms up to 12 years and at rates of 10 – 13%.
- (e) The loans from European Investment Bank are granted in Euro dollar currencies and are utilised by the Bank for on lending. The loans are repayable over 8 – 10 years at a rate of 6.76%.
- (f) Customer long-term investments represent investments placed by customers for a minimum period of five (5) years. The investments are at variable interest rates and are not subject to withholding tax if held to maturity. They are repayable between 2010 and 2011 and attract interest at 0.5% - 16% (2009: 0.5% - 20%) per annum.
- (g) The Bank acquired computer equipment during the financial year which are financed by IBM Global Financing. The loans are secured by a lien on the equipment and are repayable over 2 years at rates up to 3% per annum.
- (h) The finance lease obligations are as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Minimum lease payments under finance leases:				
Not later than 1 year	133,929	139,532	133,929	139,532
Later than 1 year and not later than 5 years	154,048	175,753	154,048	175,753
	287,977	315,285	287,977	315,285
Future finance charges	(57,483)	(65,628)	(57,483)	(65,628)
Present value of finance lease obligations	230,494	249,657	230,494	249,657

The present value of finance lease obligations is as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	98,237	100,049	98,237	100,049
Later than 1 year and not later than 5 years	132,257	149,608	132,257	149,608
	230,494	249,657	230,494	249,657

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

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37. Policyholders' Liabilities

	The Group	
	2010 \$'000	2009 \$'000
(a) Composition of policyholders' liabilities:		
Life assurance fund	20,920,640	19,747,144
Insurance risk reserve	(559,818)	(675,676)
Benefits and claims payable	21,075	14,294
Unprocessed premiums	23,727	29,002
	<u>20,405,624</u>	<u>19,114,764</u>
(b) Change in policyholders' liabilities:		
Life assurance fund:		
At the beginning of the year	19,747,144	17,005,999
Gross premiums	2,976,639	3,873,568
Premium refunds	(14,218)	(24,914)
Mortality charges transferred to the income statement	(33,291)	(31,369)
Fees transferred to the income statement	(193,135)	(200,271)
Claims and benefits	(3,141,557)	(3,018,103)
Interest credited	1,579,058	2,142,234
At the end of the year	<u>20,920,640</u>	<u>19,747,144</u>

National Commercial Bank Jamaica Limited
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37. Policyholders' Liabilities (Continued)

	The Group	
	2010	2009
	\$'000	\$'000
(b) Change in policyholders' liabilities (continued):		
Insurance risk reserve:		
At the beginning of the year	(675,676)	(516,608)
Effect of change in assumptions:		
Base renewal expense levels	(291,612)	204,669
Issue of new policies	143,288	110,497
Investment returns	450,055	(800,032)
Lapse and surrender rates	-	278,374
Mortality rates	(32,748)	(36,261)
Normal changes	(153,125)	83,685
At the end of the year	<u>(559,818)</u>	<u>(675,676)</u>
Benefits and claims payable:		
At the beginning of the year	14,294	18,143
Policyholders' claims and benefits	62,790	39,356
Benefits and claims paid	<u>(56,009)</u>	<u>(43,205)</u>
At the end of the year	<u>21,075</u>	<u>14,294</u>
Unprocessed premiums:		
At the beginning of the year	29,002	26,450
Premiums received	3,501,161	4,275,189
Premiums applied	<u>(3,506,436)</u>	<u>(4,272,637)</u>
At the end of the year	<u>23,727</u>	<u>29,002</u>

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

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37. Policyholders' Liabilities (Continued)

Policy assumptions

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

i. Mortality and morbidity

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

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

ii. Investment yields

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

	Individual with Investment Options	Individual & Group Life	Annuities
Year 1	11.8%	11.5%	13.3%
Year 2 – 10	Decreasing to 9.0%	Decreasing to 9.0%	-
Year 11 – 21	Decreasing to 6.3%	Decreasing to 6.3%	-
Year 22 onwards	6.0%	6.0%	-
Year 30 onwards	-	-	10.00%

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

iii. Persistency

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

National Commercial Bank Jamaica Limited NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

37. Policyholders' Liabilities (Continued)

Policy assumptions (continued)

iv. Renewal expenses and inflation

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

Year 1	7.2%
Year 2 – 10	Decreasing to 5.2%
Year 11 – 13	Decreasing to 4.2%
Year 15 onwards	4.0%

v. Taxation

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

vi. Provisions for adverse deviations

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

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

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

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38. Provision for Litigation

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
At beginning of year	28,506	39,000
Provided during the year	10,500	27,000
Utilised/reversed during the year	(25,706)	(37,494)
At end of year	13,300	28,506

39. Other Liabilities

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Accrued liabilities	3,323,919	2,642,697	3,016,770	2,113,950
Other	1,009,807	1,692,994	720,591	1,036,150
	4,333,726	4,335,691	3,737,361	3,150,100

40. Share Capital

	2010	2009
	\$'000	\$'000
Authorised		
5,750,000,000 (2009 – 5,750,000,000) ordinary shares		
Issued and fully paid up -		
2,466,762,828 ordinary stock units of no par value	6,465,731	6,465,731
5,293,916 ordinary stock units held by NCB Employee Share Scheme	(3,388)	(3,388)
Issued and outstanding	6,462,343	6,462,343

National Commercial Bank Jamaica Limited

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41. Fair Value and Other Reserves

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Fair value reserve	(180,616)	(1,632,159)	(538,323)	(992,155)
Translation reserve	460,402	518,358	-	-
Capital reserve	308,118	308,118	348,468	348,468
Share of movement in reserves of associate	415,176	415,176	-	-
Other	454,784	454,784	-	-
	<u>1,457,864</u>	<u>64,277</u>	<u>(189,855)</u>	<u>(643,687)</u>
Capital reserve comprises:				
Realised:				
Capital gains from the scheme of arrangement	-	-	300,564	300,564
Surplus on revaluation of property, plant and equipment	92,991	92,991	-	-
Retained earnings capitalised	98,167	98,167	-	-
Unrealised:				
Surplus on revaluation of property, plant and equipment	116,960	116,960	47,904	47,904
	<u>308,118</u>	<u>308,118</u>	<u>348,468</u>	<u>348,468</u>

42. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 24).

43. Banking Reserve Fund

This fund is maintained in accordance with the Banking Act 1992 which requires that a minimum of 15% of the net profits, as defined by the Act, of the Bank be transferred to the reserve fund until the amount of the fund is equal to 50% of the paid-up capital of the Bank and thereafter 10% of the net profits until the amount of the fund is equal to the paid-up capital of the Bank.

44. Retained Earnings Reserve

Section 2 of the Banking Act 1992 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers.

The deposit liabilities of the Bank and other indebtedness for borrowed money together with all interest accrued should not exceed twenty-five times its capital base.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

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45. Cash Flows from Operating Activities

	Note	The Group		The Bank	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Net profit		11,074,798	10,248,185	8,381,045	6,991,048
Adjustments to reconcile net profit to cash flow provided by operating activities:					
Depreciation	29	441,525	485,967	420,372	464,026
Amortisation of intangible asset	28	86,808	107,571	53,310	68,344
Impairment losses	12	27,520	-	-	-
Share of after tax (profits)/losses of associate	26	(200,713)	38,091	-	-
Provision for credit losses	24	947,962	1,027,634	947,962	1,027,634
Interest income	6	(33,304,294)	(35,460,698)	(21,525,187)	(23,508,228)
Interest expense	6	12,654,651	16,580,724	6,205,778	8,562,348
Income tax expense	15	2,413,315	2,885,450	1,315,043	1,983,548
Unrealised exchange (gain)/loss on securitisation arrangements		(731,913)	5,775,414	(731,913)	5,775,414
Amortisation of upfront fees on securitisation arrangements		56,408	32,425	56,408	32,425
Unrealised exchange (gain)/loss on other borrowed funds		(168,702)	323,200	(168,702)	323,200
Amortisation of upfront fees on other borrowed funds		5,491	6,290	5,491	6,290
Change in retirement benefits		35,864	67,320	24,232	67,320
Unrealised exchange gain on investments		(719,743)	(1,736,581)	(738,172)	(1,736,581)
Gain on disposal of property, plant and equipment and intangible asset		(1,626)	(119,584)	(1,626)	(119,584)
Fair value loss on investment property		1,000	-	-	-
Fair value gains on derivative financial instruments		(61,591)	(30,097)	(61,591)	(30,097)
Changes in operating assets and liabilities:					
Statutory reserves at Bank of Jamaica		1,096,906	(4,456,575)	1,096,906	(4,456,575)
Reverse repurchase agreements		6,329,891	4,784,632	35,336	425,135
Loans and advances		1,263,057	(6,640,222)	1,215,567	(6,691,025)
Customer deposits		14,274,064	3,954,759	14,903,589	5,247,102
Repurchase agreements		7,930,562	7,771,279	991,003	(4,418,958)
Promissory notes and certificates of participation		28,662	189,866	-	-
Policyholders' liabilities		1,290,860	2,580,780	-	-
Other		142,671	(837,128)	209,612	(11,980)
		24,913,433	7,578,702	12,634,463	(9,999,194)
Interest received		34,260,607	35,852,341	22,985,907	22,846,036
Interest paid		(13,034,168)	(16,464,886)	(6,585,295)	(8,446,510)
Income tax paid		(2,696,635)	(3,213,319)	(1,782,735)	(2,172,484)
Net cash provided by operating activities		43,443,237	23,752,838	27,252,340	2,227,848

National Commercial Bank Jamaica Limited
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46. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The volumes of related party transactions, outstanding balances at the year end and related expenses and income for the year are as follows:

	The Group							
	The parent and entities with significant influence over the entity		Fellow subsidiaries and associates		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Loans and advances								
Balance at 1 October	-	-	6,445	8,238	56,914	44,221	745,877	1,032,443
Issued during the year	-	-	174,379	114,898	40,098	100,348	560,923	543,573
Repayment during the year	-	-	(173,175)	(116,691)	(60,048)	(87,655)	(799,528)	(830,139)
Balance at 30 September	-	-	7,649	6,445	36,964	56,914	507,272	745,877
Provision for loan losses	-	-	-	-	-	-	6,951	65,264
Interest income earned (loans and advances)	-	-	548	627	3,409	4,914	103,614	209,434
Investment securities								
Balance at 30 September	-	-	180,964	180,259	-	-	-	-
Interest income earned (investment securities)	-	378	-	-	-	-	-	-
Other assets								
Balance at 30 September	-	-	-	20,114	-	-	42,086	35,871
Fees and commissions earned								
Other operating income	-	-	1,054	36,451	1,016	1,596	27,674	67,350
	-	-	2,070	2,243	-	-	202,282	193,074

The Group (Continued)

The Group (continued)									
The parent and entities with significant influence over the entity			Fellow subsidiaries and associates		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship		
	2010	2009	2010	2009	2010	2009	2010	2009	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Customer deposits									
Balance at 30 September	7,388	9,481	189,789	90,330	93,668	167,933	1,411,140	1,193,637	
Interest expense (customer deposits)	1,139	1,067	847	22,910	1,652	1,513	5,549	1,329	
Repurchase agreements									
Balance at 30 September	-	-	-	5,357	241,721	166,492	153,083	140,722	
Interest expense (repurchase agreements)	-	-	1,058	-	145	8,633	17,410	44,643	
Other liabilities									
Balance at 30 September	-	-	1,191	3,604	1,294	1,023	20,567	12,782	
Operating expenses									
	-	-	32,254	30,737	-	-	8,369	17,514	

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

46. Related Party Transactions and Balances (Continued)

	The Bank							
	The parent and entities with significant influence over the entity		Subsidiaries, fellow subsidiaries and associates		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Loans and advances								
Balance at 1 October	-	-	6,445	8,238	56,914	44,221	745,877	1,032,443
Issued during the year	-	-	174,379	114,898	40,098	100,348	560,923	543,573
Repayment during the year	-	-	(173,175)	(116,691)	(60,048)	(87,655)	(799,528)	(830,139)
Balance at 30 September	-	-	7,649	6,445	36,964	56,914	507,272	745,877
Provision for loan losses	-	-	-	-	-	-	6,951	65,264
Interest income earned (loans and advances)	-	-	548	627	3,409	4,914	103,614	209,434
Reverse repurchase agreements								
Balance at 30 September	-	-	783,760	657,959	-	-	-	-
Interest income earned (reverse repurchase agreements)	-	-	61,631	70,798	-	-	-	-
Other assets								
Balance at 30 September	-	-	44,442	51,284	-	-	-	-
Fees and commissions earned								
Other operating income	-	-	92,979	90,420	1,016	1,596	27,674	40,508
	-	-	12,532	12,225	-	-	1,527	3,924

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
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46. Related Party Transactions and Balances (Continued)

	The Bank (Continued)					
	The parent and entities with significant influence over the entity		Subsidiaries, fellow subsidiaries and associates		Directors and key management personnel (and their families)	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Customer deposits						
Balance at 30 September	7,388	9,481	7,699,855	7,123,729	93,668	44,491
Interest expense (customer deposits)	1,139	1,067	359,779	399,362	1,652	1,001
Repurchase agreements						
Balance at 30 September	-	-	2,855,667	1,031,621	-	-
Interest expense (repurchase agreements)	-	-	142,170	238,112	-	-
Borrowings from Correspondent Bank						
Interest expense (borrowings)	-	-	-	4,837	-	-
Other liabilities						
Balance at 30 September	-	-	11,956	4,698	1,294	1,023
Operating Expenses						
	-	-	110,745	103,353	-	-
					8,369	17,514

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

46. Related Party Transactions and Balances (Continued)

	The Group		The Bank	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Key management compensation:				
Salaries and other short-term benefits	451,665	394,117	416,649	349,185
Post-employment benefits	14,068	11,710	12,889	10,502
Termination benefits	23,647	-	23,647	-
	<u>489,380</u>	<u>405,827</u>	<u>453,185</u>	<u>359,687</u>

47. Financial Risk Management

The Group takes an enterprise-wide approach to the identification, measurement, monitoring, reporting and management of all its risks. The principal financial risks faced by the organisation are identified as: credit, market, interest rate and liquidity risks.

The Group's risk management framework guides its risk-taking activities and ensures that it is in conformity with regulatory requirements, applicable laws, the Board's risk appetite, stockholders expectations and standards of best practice. The framework incorporates a comprehensive risk governance structure and appropriate policies and procedures.

Jamaica Debt Exchange

In February 2010, the Group participated in the Jamaica Debt Exchange (JDX) transaction under which the Group exchanged its holdings of domestic debt instruments issued by the Government of Jamaica for new, longer-dated debt instruments available to the Group under the election options contained in the agreement. The JDX transaction resulted in a reduction in yields and an increase in the tenor of locally issued Government of Jamaica securities.

Risk Governance Structure

The Group's risk governance structure seeks to manage risk/reward by ensuring that revenue-generation activities are compliant with the Group's standards and risk tolerance, while driving the maximisation of long term shareholder value. The Group's comprehensive risk governance structure incorporates; (a) administrative controls effected through the Board, relevant committees (The Audit Committee, The Credit Committee, The Asset and Liability Committee, The Risk Management Committee, The Investment Management Committee) and the establishment of policies; and (b) organisational controls effected through segregation of duties. These controls are reviewed on an ongoing basis to ensure that they provide effective governance of the Group's risk-taking activities.

Risk Limits are integral to the risk management process, as they characterise the Board's risk tolerance and also that of the Regulator. Limits are established for:

- (i) Credit and Counterparty risk - exposures to individuals, group, counterparty, country
- (ii) Market risk - rate gap exposure, currency exposure, market value exposure
- (iii) Liquidity risk - liquidity gaps, funding exposures/liability diversification and liquid assets levels.

Limits are monitored on an ongoing basis and reported to the relevant governance committees.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

Policies & Procedures

Rigorous policies and operational procedures are established throughout the organisation and are approved by the relevant management personnel and/or governance committees.

These policies and procedures incorporate requirements for compliance monitoring, maintenance of contingency plans and the provision of reports to management and the relevant governance committees and/or the Board of Directors.

(a) Credit risk

This is defined as potential for loss to the organisation arising from failure of a borrower, guarantor or counterparty to honour their contractual obligations to the Group.

The Group incurs credit and counterparty risk primarily in its loan business, reverse repurchase arrangements, and certain investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit Risk Management is facilitated by a cadre of loans officers and credit risk personnel, who together operate within a control framework which employs a hierarchical level of authorisations for transactions that expose the organisation to credit risk. Operating practices include the establishment of limits, ongoing monitoring of credit risk exposures, a disciplined approach to provisioning and loan loss evaluation in addition to ongoing reporting of portfolio exposures to the relevant governance committees and the regulators.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Group to risks similar to loans and these are mitigated by the same control policies and processes.

Credit review process

The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

- (i) Loans - The Group employs the following classifications in assessing its exposures to its borrowing customers. The classifications are in line with the BOJ regulations and are as follows:

Description

Standard
Special Mention
Sub-Standard
Doubtful
Loss

Exposure to credit risk is mitigated by the taking of financial or physical assets.

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(a) Credit risk (continued)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

- (i) Loans - mortgages over residential properties, charges over business assets such as premises, inventory and accounts receivable and charges over financial instruments such as debt securities.
- (ii) Securities lending and reverse repurchase transactions – cash or securities.

The Group may also obtain guarantees from parent companies for loans to their subsidiaries.

Collateral values are monitored with a view to requesting additional collateral where market values are compromised or the terms in the loan agreements dictate.

Impairment loss provision methodology

Provisions for impairment losses are assessed under three categories as described below:

Sub-standard, Doubtful or Loss rated loans

The Group identifies substandard, doubtful or loss rated loans as determined by Bank of Jamaica Regulations. The calculated provision is adjusted by the future cash flow from the realisation of the related collateral.

Individually significant Standard and Special Mention loans

Individual significant loans are reviewed to determine whether the loans show objective evidence of impairment and to determine the extent of provision required. Impairment may be determined through assessment of a number of factors, which includes:

- (i) Any significant financial difficulty being experienced by the borrower.
- (ii) Breach of contract, such as default term, delinquency in principal and interest.
- (iii) High probability of bankruptcy or other financial reorganisation by the borrower.

Collectively assessed provisions

All loans, excluding those that are impaired, are assessed on a portfolio basis, reflecting the homogenous nature of the loans. The provision is determined by a quantitative review of the respective portfolios.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(a) Credit risk (continued)

The tables below show the Group's and Bank's loans and the associated impairment provision for each internal rating class:

	The Group			
	2010		2009	
	Loans \$'000	Impairment provision \$'000	Loans \$'000	Impairment provision \$'000
Standard	68,396,894	827,659	78,979,857	768,557
Special Mention	2,492,127	285,514	3,765,077	308,157
Sub-Standard	14,463,173	297,951	5,067,129	222,530
Doubtful	557,990	244,348	490,628	337,278
Loss	2,025,727	1,338,780	1,556,541	1,070,032
	<u>87,935,911</u>	<u>2,994,252</u>	<u>89,859,232</u>	<u>2,706,554</u>

	The Bank			
	2010		2009	
	Loans \$'000	Impairment provision \$'000	Loans \$'000	Impairment provision \$'000
Standard	68,095,473	827,659	78,644,482	768,557
Special Mention	2,487,482	280,955	3,720,110	303,457
Sub-Standard	14,460,162	297,951	5,042,246	222,530
Doubtful	509,474	244,348	490,628	337,278
Loss	2,025,727	1,338,780	1,556,541	1,070,032
	<u>87,578,318</u>	<u>2,989,693</u>	<u>89,454,007</u>	<u>2,701,854</u>

The ageing analysis of Special Mention loans was as follows:

	The Group		The Bank	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Unimpaired –				
31 to 60 days	1,629,401	2,528,259	1,624,756	2,483,292
61 to 90 days	862,726	1,236,818	862,726	1,236,818
	<u>2,492,127</u>	<u>3,765,077</u>	<u>2,487,482</u>	<u>3,720,110</u>

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(a) Credit risk (continued)

The ageing analysis of Sub-Standard loans was as follows.

	The Group		The Bank	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Unimpaired –				
Current	9,795,415	3,609,979	9,795,415	3,609,979
Less than 30 days	2,340,157	501,644	2,337,146	476,761
31 to 60 days	366,481	388,038	366,481	388,038
61 to 90 days	1,302,074	247,544	1,302,074	247,544
	13,804,127	4,747,205	13,801,116	4,722,322
Impaired	659,046	319,924	659,046	319,924
	14,463,173	5,067,129	14,460,162	5,042,246

The table below represents a worst case scenario of credit risk exposure of the Group and the Bank at 30 September 2010 and 2009, without taking account of any collateral held or other credit enhancements. For on-balance-sheet assets, the exposures set out below are based on net carrying amounts as reported in the statement of financial position.

	The Group		The Bank	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Credit risk exposures relating to on-balance sheet assets are as follows:				
Balances with Bank of Jamaica	17,380,459	22,193,126	17,378,263	22,174,163
Due from other banks	17,048,849	14,405,493	16,075,050	13,673,852
Derivative financial instruments	12,864	52,191	12,864	52,191
Investment securities at fair value through profit or loss	698,711	752,578	-	-
Reverse repurchase agreements	1,143,581	8,185,227	783,760	808,271
Loans, net of provision for credit losses	85,995,102	88,178,270	85,643,530	87,772,045
Investment securities	198,338,635	166,053,958	93,430,177	78,873,055
Customers' liability – letters of credit and undertaking	291,106	399,983	291,106	399,983
	320,909,307	300,220,826	213,614,750	203,753,560
Credit risk exposures relating to off-balance sheet items are as follows:				
Loan commitments	20,539,326	20,013,778	20,539,326	20,013,778
Acceptances, guarantees and indemnities	3,673,775	5,608,339	3,051,199	3,668,532
	24,213,101	25,622,117	23,590,525	23,682,310

National Commercial Bank Jamaica Limited

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30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans

Credit quality of loans is summarised as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Unimpaired	85,092,899	87,489,701	84,735,306	87,084,476
Impaired	2,843,012	2,369,531	2,843,012	2,369,531
Gross	87,935,911	89,859,232	87,578,318	89,454,007
Less: provision for credit losses	(2,994,252)	(2,706,554)	(2,989,693)	(2,701,854)
Net	84,941,659	87,152,678	84,588,625	86,752,153

Included in unimpaired loans are loans amounting \$20,336,354,000 (2009 – \$11,299,375,000) for the Group and \$20,280,182,000 (2009 – \$11,082,282,000) for the Bank which are past due but are not considered impaired.

There are no financial assets other than loans that are past due.

Of the aggregate amount of gross past due but not impaired loans, the fair value of collateral that the Group and the Bank held were \$11,300,254,000 (2009 – \$7,320,762,000) and \$11,300,254,000 (2009 – \$7,320,762,000), respectively.

The ageing analysis of past due but not impaired loans was as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Less than 30 days	16,095,455	7,079,375	16,051,398	6,907,216
31 to 60 days	2,112,481	2,592,886	2,105,034	2,556,530
61 to 90 days	2,128,418	1,627,114	2,123,750	1,618,536
	20,336,354	11,299,375	20,280,182	11,082,282

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(a) Credit risk (continued)

Financial assets – individually impaired

Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Investment securities	66,829	-	-	-
Loans	<u>2,843,012</u>	<u>2,369,531</u>	<u>2,843,012</u>	<u>2,369,531</u>

There are no financial assets other than those listed above that were individually impaired.

Restructured loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. The Group's and the Bank's renegotiated loans that would otherwise be past due or impaired totalled \$9,312,772,554 (2009 – \$4,750,091,000) and \$9,312,772,544 (2009 – \$4,750,091,000), respectively.

Repossession collateral

The Group and the Bank obtained assets by taking possession of collateral held as security. Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposures

(i) Loans

The following table summarises the Group's and the Bank's credit exposure for loans at their carrying amounts, as categorised by the industry sectors:

	The Group		The Bank	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Agriculture	1,050,388	1,070,865	1,050,388	1,070,865
Central Government	8,882,800	9,702,310	8,882,800	9,702,310
Construction and Land Development	13,176,376	11,275,940	13,176,376	11,073,327
Other Financial Institutions	9,662	259	9,662	259
Distribution	7,428,969	6,383,046	7,428,969	6,383,046
Electricity, Water & Gas	1,065,982	1,092,265	1,065,982	1,092,265
Entertainment	72,218	147,792	72,218	147,792
Manufacturing	1,653,621	1,888,362	1,653,621	1,888,362
Mining and Processing	158,370	249,535	158,370	249,535
Personal	30,955,780	27,356,148	30,598,187	27,153,536
Professional and Other Services	2,367,033	2,460,968	2,367,033	2,460,968
Tourism	15,090,936	19,603,480	15,090,936	19,603,480
Transportation Storage and Communication	1,286,898	3,726,996	1,286,898	3,726,996
Overseas Residents	4,736,878	4,901,266	4,736,878	4,901,266
Total	87,935,911	89,859,232	87,578,318	89,454,007
Total provision	(2,994,252)	(2,706,554)	(2,989,693)	(2,701,854)
	84,941,659	87,152,678	84,588,625	86,752,153
Interest receivable	1,053,443	1,025,592	1,054,905	1,019,892
Net	85,995,102	88,178,270	85,643,530	87,772,045

The majority of loans are made to customers in Jamaica.

(ii) Debt securities

The following table summarises the Group's and the Bank's credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	The Group		The Bank	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Government of Jamaica	171,718,569	140,169,639	83,087,705	66,544,624
Corporate	23,099,279	19,497,913	8,804,629	9,283,982
Foreign government	308,044	565,697	-	-
	195,125,892	160,233,249	91,892,334	75,828,606
Interest receivable	3,213,843	5,820,710	1,537,843	3,044,449
	198,339,735	166,053,959	93,430,177	78,873,055

National Commercial Bank Jamaica Limited
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30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(b) Liquidity risk

The Group's liquidity policy is designed to ensure that it can meet cash obligations when they fall due and take advantage of unanticipated earnings enhancement opportunities.

Liquidity management within the Group, which incorporates funding risk management, ensures that there is sufficient level of liquid assets available in addition to stable funding lines to meet ongoing cash commitments even during periods of stress. The management of liquidity risk is executed within a framework which comprises:

- (i) Oversight by relevant governance committees;
- (ii) Daily management of liquidity by the relevant treasury units within each group company;
- (iii) Use of tools to measure the organisation's exposures;
- (iv) Establishment and monitoring of limits/benchmarks for maturity mismatches and funding concentrations;
- (v) Diversification of funding sources;
- (vi) Maintenance of committed lines of credits and
- (vii) Monitoring of adherence to regulatory ratios.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

The Cash Flows of Financial Liabilities

The tables below present the contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the Group's and the Bank's financial assets and liabilities based on the remaining period.

	The Group					
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 September 2010:						
Due to other banks	2,446,238	1,107,388	65,725	141,067	-	3,760,418
Customer deposits	122,032,951	9,634,398	12,577,838	260,770	-	144,505,957
Repurchase agreements	32,851,881	36,441,069	13,879,294	5,151,883	-	88,324,127
Obligations under securitisation arrangements	1,030,863	1,599,569	7,991,666	10,945,700	-	21,567,798
Other borrowed funds	131,002	523,263	4,681,571	1,612,982	123,826	7,072,644
Policyholders' liabilities	315,930	722,160	3,255,805	16,571,935	35,941,583	56,807,413
Other	1,710,700	1,550,353	327,462	238,969	54,798	3,882,282
Total financial liabilities (contractual maturity dates)	160,519,565	51,578,200	42,779,361	34,923,306	36,120,207	325,920,639
Total financial liabilities (expected maturity dates)	70,747,204	51,578,358	43,307,582	34,925,085	125,362,410	325,920,639
Total financial assets (expected maturity dates)	73,091,348	14,657,484	53,461,388	132,418,187	157,699,271	431,327,678

	The Group					Total \$'000
	Within 1 Month \$'000	2 to 3 Months \$'000	4 to 12 Months \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	
As at 30 September 2009:						
Due to other banks	3,213,316	3,173,019	125,481	102,682	-	6,614,498
Customer deposits	106,611,856	11,107,007	12,679,421	178,285	-	130,576,569
Repurchase agreements	18,166,849	20,531,897	29,491,809	11,326,452	1,644	79,518,651
Obligations under securitisation arrangements	1,021,103	1,597,810	4,807,881	20,747,644	672,181	28,846,619
Other borrowed funds	78,682	457,823	1,739,497	5,812,719	617,866	8,706,587
Policyholders' liabilities	293,344	672,721	3,081,904	16,171,528	36,107,911	56,327,408
Other	1,505,747	1,436,203	262,743	281,944	46,042	3,532,679
Total financial liabilities (contractual maturity dates)	130,890,897	38,976,480	52,188,736	54,621,254	37,445,644	314,123,011
Total financial liabilities (expected maturity dates)	40,897,011	38,976,480	52,039,900	54,621,254	127,588,366	314,123,011
Total financial assets (expected maturity dates)	58,841,961	26,561,799	48,055,586	141,875,830	129,777,730	405,112,906

National Commercial Bank Jamaica Limited
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47. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

The Cash Flows of Financial Liabilities (continued)

	The Bank					Total \$'000
	Within 1 Month \$'000	2 to 3 Months \$'000	4 to 12 Months \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	
As at 30 September 2010:						
Due to other banks	2,446,238	1,107,388	65,725	141,067	-	3,760,418
Customer deposits	127,307,479	7,863,207	8,968,015	32,811	-	144,171,512
Repurchase agreements	4,488,150	3,759,878	4,352,787	4,931,943	-	17,532,758
Obligations under securitisation arrangements	1,030,863	1,599,569	7,991,666	10,945,700	-	21,567,798
Other borrowed funds	31,810	297,822	4,546,754	1,612,982	123,826	6,613,194
Other	1,665,554	1,536,171	307,410	-	33,202	3,542,337
Total financial liabilities (contractual maturity dates)	136,970,094	16,164,035	26,232,357	17,664,503	157,028	197,188,017
Total financial liabilities (expected maturity dates)	46,991,785	16,164,035	26,968,462	17,664,504	89,399,231	197,188,017
Total financial assets (expected maturity dates)	71,773,395	5,076,533	32,350,013	80,017,881	71,490,826	260,708,648
	The Bank					Total \$'000
	Within 1 Month \$'000	2 to 3 Months \$'000	4 to 12 Months \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	
As at 30 September 2009:						
Due to other banks	3,153,998	3,173,019	125,481	102,682	-	6,555,180
Customer deposits	110,514,361	10,095,874	8,775,743	54,048	-	129,440,026
Repurchase agreements	3,095,524	2,877,565	2,727,665	8,469,460	-	17,170,214
Obligations under securitisation arrangements	1,021,103	1,597,810	4,807,881	20,747,644	672,181	28,846,619
Other borrowed funds	78,682	301,953	459,680	5,746,774	617,866	7,204,955
Other	1,332,068	1,424,350	161,819	35,070	46,043	2,999,350
Total financial liabilities (contractual maturity dates)	119,195,736	19,470,571	17,058,269	35,155,678	1,336,090	192,216,344
Total financial liabilities (expected maturity dates)	29,000,116	19,470,571	17,111,168	35,155,678	91,478,811	192,216,344
Total financial assets (expected maturity dates)	56,164,680	14,824,565	23,068,820	93,323,091	80,881,133	268,262,289

National Commercial Bank Jamaica Limited

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30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

The Cash Flows of Financial Liabilities (continued)

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection, investment securities and other eligible bills, loans and advances to banks, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

Off-balance sheet items

The table below shows the contractual expiry by maturity of the Group's and the Bank's contingent liabilities and commitments.

	The Group			Total \$'000
	No later than 1 year \$'000	2 to 5 years \$'000	Over 5 years \$'000	
At 30 September 2010				
Credit commitments	20,539,326	-	-	20,539,326
Guarantees, acceptances and other financial facilities	1,172,829	1,773,363	727,583	3,673,775
Operating lease commitments	43,524	74,245	-	117,769
Capital commitments	681,854	-	-	681,854
	<u>22,437,533</u>	<u>1,847,608</u>	<u>727,583</u>	<u>25,012,724</u>
At 30 September 2009				
Credit commitments	20,013,778	-	-	20,013,778
Guarantees, acceptances and other financial facilities	2,543,767	2,265,973	798,599	5,608,339
Operating lease commitments	53,424	24,696	-	78,120
Capital commitments	365,083	5,495	-	370,578
	<u>22,976,052</u>	<u>2,296,164</u>	<u>798,599</u>	<u>26,070,815</u>
	The Bank			Total \$'000
	No later than 1 year \$'000	2 to 5 years \$'000	Over 5 years \$'000	
At 30 September 2010				
Credit commitments	20,539,326	-	-	20,539,326
Guarantees, acceptances and other financial facilities	550,253	1,773,363	727,583	3,051,199
Operating lease commitments	43,524	74,245	-	117,769
Capital commitments	681,854	-	-	681,854
	<u>21,814,957</u>	<u>1,847,608</u>	<u>727,583</u>	<u>24,390,148</u>
At 30 September 2009				
Credit commitments	20,013,778	-	-	20,013,778
Guarantees, acceptances and other financial facilities	603,960	2,265,973	798,599	3,668,532
Operating lease commitments	53,424	24,696	-	78,120
Capital commitments	365,083	5,495	-	370,578
	<u>21,036,245</u>	<u>2,296,164</u>	<u>798,599</u>	<u>24,131,008</u>

National Commercial Bank Jamaica Limited
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47. Financial Risk Management (Continued)

(c) **Market risk**

The Group takes on exposure to market risk, which is defined as the potential for loss arising from changes in the market value of the organisation's financial instruments due to changes in certain market variables, such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads.

The Group and the Bank incur market risk primarily in treasury, trading and structural banking activities. The Group and the Bank take a comprehensive governance approach in accordance with the enterprise-wide risk management framework. This includes:

- Oversight provided by the relevant governance committees.
- An independent market risk oversight function.
- The utilisation of tools and models to measure market risk exposure.
- Limit setting mechanisms and a monitoring process.
- The utilisation of scenario analysis and of stress testing for worst case events.

There has been no change to the manner in which the Group manages and measures this risk.

(i) **Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Group takes on open position in a currency. To control this exchange risk the Risk Management Committee (RMC) has approved limits for net open positions in each currency for both intra-day and overnight. This limit may vary from time to time as determined by the RMC.

The Group also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments

The table below summarises the Group's and the Bank's exposure to foreign currency exchange rate risk as at 30 September.

	The Group					
	J\$	US\$	GBP	CAN\$	Other	Total
30 September 2010	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Assets						
Cash in hand and balances at Bank of Jamaica	13,891,886	4,566,274	854,274	128,273	32,054	19,472,761
Due from other banks	1,946,909	9,857,739	4,238,834	753,777	251,590	17,048,849
Investment securities at fair value through profit and loss	427,079	271,632	-	-	-	698,711
Reverse repurchase agreements	878,065	265,516	-	-	-	1,143,581
Loans and advances net of provision for credit losses	43,627,758	42,367,362	-	(18)	-	85,995,102
Investment securities	130,214,802	66,795,359	974,262	-	1,449,850	199,434,273
Other	1,002,658	493,651	7,784	167	119	1,504,379
Total assets	191,989,157	124,617,533	6,075,154	882,199	1,733,613	325,297,656
Liabilities						
Due to other banks	1,863,434	1,740,195	50,727	30,522	23,354	3,708,232
Customer deposits	86,645,027	48,634,933	7,223,680	852,870	926,648	144,283,158
Repurchase agreements	36,665,683	46,680,229	1,149,561	441,280	356,010	85,292,763
Obligations under securitisation arrangements	-	20,536,955	-	-	-	20,536,955
Other borrowed funds	1,447,932	5,139,850	-	-	-	6,587,782
Policyholders' liabilities	20,376,933	28,691	-	-	-	20,405,624
Other	4,175,239	642,526	890	972	-	4,819,627
Total liabilities	151,174,248	123,403,379	8,424,858	1,325,644	1,306,012	285,634,141
Net position on-balance sheet position	40,814,909	1,214,154	(2,349,704)	(443,445)	427,601	39,663,515
Guarantees, acceptances and other financial facilities	2,618,923	1,048,536	-	-	6,316	3,673,775
Credit commitments	14,811,558	5,727,768	-	-	-	20,539,326

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments (continued)

	The Group					
	J\$	US\$	GBP	CAN\$	Other	Total
30 September 2009	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Assets						
Cash in hand and balances at Bank of Jamaica	18,258,790	5,277,839	934,538	161,687	35,157	24,668,011
Due from other banks	568,458	6,654,966	5,570,820	645,850	965,399	14,405,493
Investment securities at fair value through profit and loss	479,589	272,989	-	-	-	752,578
Reverse repurchase agreements	7,293,994	891,233	-	-	-	8,185,227
Loans and advances net of provision for credit losses	37,862,648	50,315,642	-	(20)	-	88,178,270
Investment securities	91,515,376	72,170,516	1,327,385	-	1,953,102	166,966,379
Other	2,283,406	138,762	162,369	21,344	421,088	3,026,969
Total assets	158,262,261	135,721,947	7,995,112	828,861	3,374,746	306,182,927
Liabilities						
Due to other banks	2,015,629	1,649,322	74,292	29,686	2,787,280	6,556,209
Customer deposits	71,692,356	49,854,007	6,629,510	973,955	1,181,523	130,331,351
Repurchase agreements	29,204,927	46,496,049	1,131,922	52,231	489,302	77,374,431
Obligations under securitisation arrangements	-	27,297,535	-	-	-	27,297,535
Other borrowed funds	2,617,203	5,216,452	-	-	-	7,833,655
Policyholders' liabilities	19,084,424	30,340	-	-	-	19,114,764
Other	4,621,641	817,903	14,259	(25)	24,875	5,478,653
Total liabilities	129,236,180	131,361,608	7,849,983	1,055,847	4,482,980	273,986,598
Net position on-balance sheet position	29,026,081	4,360,339	145,129	(226,986)	(1,108,234)	32,196,329
Guarantees, acceptances and other financial facilities	3,642,925	1,827,656	-	-	137,758	5,608,339
Credit commitments	7,060,611	12,953,167	-	-	-	20,013,778

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments (continued)

	The Bank					Total
	J\$	US\$	GBP	CAN\$	Other	
30 September 2010	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Assets						
Cash in hand and balances at Bank of Jamaica	13,995,434	4,528,297	818,843	114,709	13,282	19,470,565
Due from other banks	1,946,565	8,893,058	4,238,834	752,487	244,106	16,075,050
Reverse repurchase agreements	79,024	704,736	-	-	-	783,760
Loans and advances net of provision for credit losses	43,627,759	42,015,790	-	(19)	-	85,643,530
Investment securities	57,241,968	34,591,958	974,262	-	1,166,270	93,974,458
Other	990,832	479,256	7,784	167	119	1,478,158
Total assets	117,881,582	91,213,095	6,039,723	867,344	1,423,777	217,425,521
Liabilities						
Due to other banks	1,863,433	1,740,195	50,727	30,522	23,355	3,708,232
Customer deposits	86,645,026	48,364,588	7,215,766	851,580	812,842	143,889,802
Repurchase agreements	406,040	15,511,863	144,818	-	381,963	16,444,684
Obligations under securitisation arrangements	-	20,536,955	-	-	-	20,536,955
Other borrowed funds	1,014,243	5,116,298	-	-	-	6,130,541
Other	3,141,299	399,176	890	972	-	3,542,337
Total liabilities	93,070,041	91,669,075	7,412,201	883,074	1,218,160	194,252,551
Net on-balance sheet position	24,811,541	(455,980)	(1,372,478)	(15,730)	205,617	23,172,970
Guarantees, acceptances and other financial facilities	2,069,223	975,660	-	-	6,316	3,051,199
Credit commitments	14,811,558	5,727,768	-	-	-	20,539,326

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments (continued)

	The Bank					
	J\$	US\$	GBP	CAN\$	Other	Total
30 September 2009	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Assets						
Cash in hand and balances at Bank of Jamaica	18,289,447	5,277,839	884,918	161,687	35,157	24,649,048
Due from other banks	949,905	6,019,820	5,539,626	644,373	520,128	13,673,852
Reverse repurchase agreements	268,367	539,904	-	-	-	808,271
Loans and advances net of provision for credit losses	37,862,648	49,909,417	-	(20)	-	87,772,045
Investment securities	40,036,125	36,646,207	1,014,840	-	1,670,134	79,367,306
Other	786,727	274,210	16,783	212	52,721	1,130,653
Total assets	98,193,219	98,667,397	7,456,167	806,252	2,278,140	207,401,175
Liabilities						
Due to other banks	1,956,311	1,649,322	74,292	29,686	2,787,280	6,496,891
Customer deposits	78,938,053	41,769,454	6,605,447	972,324	1,023,192	129,308,470
Repurchase agreements	1,082,846	13,881,558	501,508	-	-	15,465,912
Obligations under securitisation arrangements	-	27,297,535	-	-	-	27,297,535
Other borrowed funds	1,146,613	5,188,316	-	-	-	6,334,929
Other	2,450,099	539,639	7,652	(25)	1,983	2,999,348
Total liabilities	85,573,922	90,325,824	7,188,899	1,001,985	3,812,455	187,903,085
Net on-balance sheet position	12,619,297	8,341,573	267,268	(195,733)	(1,534,315)	19,498,090
Guarantees, acceptances and other financial facilities	1,930,183	1,600,591	-	-	137,758	3,668,532
Credit commitments	7,060,611	12,953,167	-	-	-	20,013,778

Government of Jamaica US\$ indexed bonds are included in the US\$ category for currency risk disclosure.

Foreign currency sensitivity

The following tables indicate the currencies to which the Group and the Bank have significant exposures on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for changes in foreign currency rates. The sensitivity analysis includes loans and advances to customers, investment securities and deposits. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in each variable, variables had to be considered on an individual basis. It should be noted that movements in these variables are non-linear.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

The Group						
	% Change in Currency Rate 2010	Effect on Net Profit 2010 \$'000	Effect on Equity 2010 \$'000	% Change in Currency Rate 2009	Effect on Net Profit 2009 \$'000	Effect on Equity 2009 \$'000
Currency:						
USD	4%	(6,054)	(6,054)	4%	(408,669)	(408,669)
	(10%)	15,133	15,133	(10%)	1,021,673	1,021,673
GBP	4%	54,329	54,329	4%	(10,601)	(10,601)
	(10%)	(135,825)	(135,825)	(10%)	26,503	26,503
CAN	4%	(809)	(809)	4%	7,487	7,487
	(10%)	2,024	2,024	(10%)	(18,718)	(18,718)
The Bank						
	% Change in Currency Rate 2010	Effect on Net Profit 2010 \$'000	Effect on Equity 2010 \$'000	% Change in Currency Rate 2009	Effect on Net Profit 2009 \$'000	Effect on Equity 2009 \$'000
Currency:						
USD	4%	509	509	4%	(336,196)	(336,196)
	(10%)	(1,273)	(1,273)	(10%)	840,490	840,490
GBP	4%	54,905	54,905	4%	(10,766)	(10,766)
	(10%)	(137,264)	(137,264)	(10%)	26,915	26,915
CAN	4%	638	638	4%	7,836	7,836
	(10%)	(1,595)	(1,595)	(10%)	19,590	19,590

(ii) Interest rate risk

Interest rate risk arises when the Group's principal and interest cash flows from on- and off-balance sheet items have mismatched repricing dates. The short term impact is experienced on the Group's net interest income and long term impact is felt on its equity.

The Group incurs interest rate mismatches from its interest bearing assets and liabilities with the size of such exposure being heavily dependent on the direction and degree of interest rate movements in addition to the size and maturity structure of the mismatched position. The Group's policy requires that such mismatches are managed. Accordingly, The Board requires that a comprehensive system of limits, gap analysis and stress testing are all used to manage the Group's exposure.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken. These limits are monitored by the Asset and Liability Committee.

The following tables summarise the Group's and the Bank's exposure to interest rate risk. It includes the Group's and the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						Total
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	
30 September 2010	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash in hand and balances at Bank of Jamaica	2,435,517	-	-	-	-	17,037,244	19,472,761
Due from other banks	15,000,431	659,551	-	-	-	1,388,867	17,048,849
Investment securities at fair value through profit or loss	3,442	96,379	261,583	-	-	337,307	698,711
Reverse repurchase agreements	140,829	726,938	258,066	-	-	17,748	1,143,581
Loans and advances net of provision for credit losses	56,088,586	17,723,652	807,930	8,556,963	2,249,907	568,064	85,995,102
Investment securities	35,739,412	55,214,928	58,485,048	25,861,062	20,149,873	3,983,950	199,434,273
Other	101,318	-	-	-	-	1,403,061	1,504,379
Total assets	109,509,535	74,421,448	59,812,627	34,418,025	22,399,780	24,736,241	325,297,656
Liabilities							
Due to other banks	797,377	1,092,891	53,543	110,446	-	1,653,975	3,708,232
Customer deposits	94,034,258	7,713,414	9,046,285	30,490	-	33,458,711	144,283,158
Repurchase agreements	32,409,952	34,919,541	12,743,089	4,496,510	-	723,671	85,292,763
Obligations under securitisation arrangements	13,303,699	4,449,409	741,568	1,928,077	-	114,202	20,536,955
Other borrowed funds	120,036	1,055,048	4,304,054	862,286	79,291	167,067	6,587,782
Policyholders' funds	19,967,496	225,001	727,945	-	-	(514,818)	20,405,624
Other	43,279	25,930	-	-	-	4,750,418	4,819,627
Total liabilities	160,676,097	49,481,234	27,616,484	7,427,809	79,291	40,353,226	285,634,141
On-balance sheet interest sensitivity gap	(51,166,562)	24,940,214	32,196,143	26,990,216	22,320,489	(15,619,985)	39,663,515
Cumulative interest sensitivity gap	(51,166,562)	(26,226,348)	5,969,795	32,960,011	55,280,500	39,663,515	

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group						Total
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	
30 September 2009	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash in hand and balances at Bank of Jamaica	11,607,587	-	-	-	-	13,060,424	24,668,011
Due from other banks	12,431,171	704,640	-	-	-	1,269,682	14,405,493
Investment securities at fair value through profit or loss	2,992	41,332	63,143	279,884	-	365,227	752,578
Reverse repurchase agreements	1,529,757	1,791,230	4,420,444	-	-	443,796	8,185,227
Loans and advances net of provision for credit losses	73,394,532	10,579,380	230,014	2,678,715	275,738	1,019,891	88,178,270
Investment securities	15,685,229	32,197,127	22,217,201	43,377,371	47,571,849	5,917,602	166,966,379
Other	115,019	-	1,199,163	-	-	1,712,787	3,026,969
Total assets	114,766,287	45,313,709	28,129,965	46,335,970	47,847,587	23,789,409	306,182,927
Liabilities							
Due to other banks	1,392,785	3,125,959	79,207	143,138	-	1,815,120	6,556,209
Customer deposits	45,812,999	21,339,116	33,505,523	132,208	-	29,541,505	130,331,351
Repurchase agreements	32,964,214	19,963,132	15,710,698	7,347,292	912	1,388,183	77,374,431
Obligations under securitisation arrangements	17,351,492	9,658,311	-	-	-	287,732	27,297,535
Other borrowed funds	93,495	1,169,382	5,218,430	707,281	573,603	71,464	7,833,655
Policyholders' funds	17,600,349	350,685	1,665,874	-	-	(502,144)	19,114,764
Other	199,691	192,024	-	192,353	-	4,894,585	5,478,653
Total liabilities	115,415,025	55,798,609	56,179,732	8,522,272	574,515	37,496,445	273,986,598
On-balance sheet interest sensitivity gap	(648,738)	(10,484,900)	(28,049,767)	37,813,698	47,273,072	(13,707,036)	32,196,329
Cumulative interest sensitivity gap	(648,738)	(11,133,638)	(39,183,405)	(1,369,707)	45,903,365	32,196,329	

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Bank						Total
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	
30 September 2010	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash in hand and balances at Bank of Jamaica	2,190,000	-	-	-	-	17,280,565	19,470,565
Due from other banks	14,026,635	659,551	-	-	-	1,388,864	16,075,050
Reverse repurchase agreements	79,000	430,110	258,066	-	-	16,584	783,760
Loans and advances net of provision for credit losses	56,088,586	17,723,652	456,358	8,556,963	2,249,907	568,064	85,643,530
Investment securities	23,668,575	14,619,477	18,441,588	20,004,782	15,157,911	2,082,125	93,974,458
Other	-	-	-	-	-	1,478,158	1,478,158
Total assets	96,052,796	33,432,790	19,156,012	28,561,745	17,407,818	22,814,360	217,425,521
Liabilities							
Due to other banks	797,377	1,092,891	53,543	110,446	-	1,653,975	3,708,232
Customer deposits	94,034,258	7,713,414	8,652,929	30,490	-	33,458,711	143,889,802
Repurchase agreements	4,369,135	3,712,803	3,882,886	4,301,093	-	178,767	16,444,684
Obligations under securitisation arrangements	13,303,699	4,449,409	741,568	1,928,077	-	114,202	20,536,955
Other borrowed funds	24,038	824,284	4,194,532	862,286	79,291	146,110	6,130,541
Other	-	25,930	-	-	-	3,516,407	3,542,337
Total liabilities	112,528,507	17,818,731	17,525,458	7,232,392	79,291	39,068,172	194,252,551
On-balance sheet interest sensitivity gap	(16,475,711)	15,614,059	1,630,554	21,329,353	17,328,527	(16,253,812)	23,172,970
Cumulative interest sensitivity gap	(16,475,711)	(861,652)	768,902	22,098,255	39,426,782	23,172,970	

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Bank						Total
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	
30 September 2009	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash in hand and balances at Bank of Jamaica	11,513,639	-	-	-	-	13,135,409	24,649,048
Due from other banks	11,635,148	704,640	-	-	-	1,334,064	13,673,852
Reverse repurchase agreements	351,091	451,420	-	-	-	5,760	808,271
Loans and advances net of provision for credit losses	73,373,382	10,571,560	166,563	2,619,885	20,765	1,019,890	87,772,045
Investment securities	4,672,463	17,936,906	9,322,297	21,465,191	22,431,749	3,538,700	79,367,306
Other	-	-	-	-	-	1,130,653	1,130,653
Total assets	101,545,723	29,664,526	9,488,860	24,085,076	22,452,514	20,164,476	207,401,175
Liabilities							
Due to other banks	1,294,409	3,125,959	79,207	143,138	-	1,854,178	6,496,891
Customer deposits	49,782,156	20,341,579	29,591,003	52,227	-	29,541,505	129,308,470
Repurchase agreements	2,990,034	2,824,993	2,128,326	7,331,561	-	190,998	15,465,912
Obligations under securitisation arrangements	17,405,388	9,744,770	-	-	-	147,377	27,297,535
Other borrowed funds	-	1,041,503	3,974,679	706,917	573,603	38,227	6,334,929
Other	-	115,317	-	-	-	2,884,031	2,999,348
Total liabilities	71,471,987	37,194,121	35,773,215	8,233,843	573,603	34,656,316	187,903,085
On-balance sheet interest sensitivity gap	30,073,736	(7,529,595)	(26,284,355)	15,851,233	21,878,911	(14,491,840)	19,498,090
Cumulative interest sensitivity gap	30,073,736	22,544,141	(3,740,214)	12,111,019	33,989,930	19,498,090	

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The table below summarises the effective interest rates by major currencies for financial instruments of the Group and the Bank.

	The Group				The Bank			
	J\$	US\$	CAN\$	GBP	J\$	US\$	CAN\$	GBP
30 September 2010	%	%	%	%	%	%	%	%
Assets								
Balances at Bank of Jamaica	0.7	0.1	0.1	0.1	0.7	0.1	0.1	0.1
Due from other banks	7.1	0.1	0.5	0.3	7.1	0.1	0.5	0.3
Investment securities at fair value through profit or loss – debt securities	12.7	6.2	-	-	-	-	-	-
Reverse repurchase agreements	7.8	5.0	-	-	8.9	7.2	-	-
Loans and advances	21.5	9.0	6.6	-	21.5	9.0	6.6	-
Investment securities	12.0	8.4	-	8.1	11.9	9.7	-	8.1
Liabilities								
Due to other banks	8.4	3.6	-	-	8.4	3.6	-	-
Customer deposits	3.1	2.6	1.3	1.7	3.1	2.6	1.3	1.7
Repurchase agreements	8.8	4.6	1.4	3.2	15.2	6.6	-	5.6
Obligations under securitisation arrangements	-	3.4	-	-	-	3.4	-	-
Other borrowed funds	11.2	4.9	-	-	11.5	5.0	-	-

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The table below summarises the effective interest rates by major currencies for financial instruments of the Group and the Bank.

	The Group				The Bank			
	J\$	US\$	CAN\$	GBP	J\$	US\$	CAN\$	GBP
30 September 2009	%	%	%	%	%	%	%	%
Assets								
Balances at Bank of Jamaica	1.0	0.2	2.4	4.1	1.0	0.2	2.4	4.1
Due from other banks	7.1	0.2	3.5	4.9	7.1	0.2	3.5	4.9
Investment securities at fair value through profit or loss – debt securities	18.0	9.6	-	-	-	-	-	-
Reverse repurchase agreements	17.7	7.4	-	-	13.6	8.2	-	-
Loans and advances	23.2	8.7	5.4	-	23.2	8.7	5.4	-
Investment securities	18.8	7.2	-	8.0	18.6	7.3	-	8.0
Liabilities								
Due to other banks	14.6	5.4	-	-	14.6	5.4	-	-
Customer deposits	4.8	3.3	1.3	1.8	4.8	3.3	1.3	1.8
Repurchase agreements	17.3	6.6	-	-	17.8	6.7	-	-
Obligations under securitisation arrangements	-	4.1	-	-	-	4.1	-	-
Other borrowed funds	13.0	5.6	-	-	12.3	5.8	-	-

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Group's and the Bank's income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of non-trading financial assets and financial liabilities. The sensitivity of stockholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

The Group				
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2010	2010	2009	2009
	\$'000	\$'000	\$'000	\$'000
Change in basis points:				
-200	(1,037,830)	4,378,996	(1,302,497)	1,791,827
+200	1,037,830	(4,378,996)	1,302,497	(1,791,827)

The Bank				
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2010	2010	2009	2009
	\$'000	\$'000	\$'000	\$'000
Change in basis points:				
-200	(528,319)	582,933	(683,708)	427,531
+200	528,319	(582,933)	683,708	(427,531)

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(d) Derivative financial instruments

The Group's derivative transactions are primarily directed at hedging its risk exposures which arise during the normal course of its treasury and investment activities. When entering into derivative transactions, the Group employs the same credit risk management procedures to assess and approve potential credit exposures that are used for traditional lending.

(e) Insurance risk

The Group issues contracts that transfer insurance risk or financial risk or both.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract this risk is random and therefore unpredictable. Experience shows that the larger the portfolio of similar insurance contracts, the smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency of or severity of claims and benefits will vary from year to year from the estimate established using statistical techniques. The Group issues contracts that have a maximum period determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the Group has to assess the cash flows which may be attributable to the contract. The process of underwriting may also be undertaken and may include specific medical tests and other enquiries which affect the Group's assessment of the risk.

Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, resulting in earlier or more claims than expected.

The Group charges for mortality risks on a monthly basis for insurance contracts with investment options and has the right to alter these charges based on mortality experience and hence to minimise its exposure to mortality risk on these contracts. Delays in implementing increases in mortality charges, and contractual, market or regulatory restraints over the extent of any increases, may reduce this mitigating effect.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Frequency and severity of claims (continued)

The Group also manages mortality risks on its contracts through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to minimise the risk of anti-selection. The Group's underwriting strategy has a two fold approach:

- a) products that are subject to traditional methods of application and assessment are controlled by traditional underwriting methods including medical and financial selection with benefits being limited to reflect the health and/or financial condition of applicants and by the application of retention limits on any single life insured.
- b) products which are not subject to traditional methods of application and assessment contain pre-existing conditions and exclusionary clauses for certain types of high-risk medical and financial events, with claims on these types of policies examined for breaches to those clauses and denied or settled accordingly.

The table below indicates the concentration of insured benefits across bands of insured benefits per individual life assured. The Group uses catastrophe re-insurance cover against its Individual contracts as the main risks faced by these contracts are interest rate and liquidity:

	Total Benefits Assured - Individual			
	2010		2009	
	\$'000 Contracts with Investment Options	\$'000 Contracts without Investment Options	\$'000 Contracts with Investment Options	\$'000 Contracts without Investment Options
Benefits assured per life assured (\$'000)				
0 – 1,000	11,473,429	1,279,707	11,484,843	1,066,194
1,000 – 2,000	3,408,569	5,300,120	3,152,094	4,676,738
2,000 – 5,000	4,340,734	2,404,214	3,684,935	1,187,214
5,000 – 10,000	2,757,284	-	2,942,452	-
Over 10,000	3,621,922	-	3,449,510	-
	<u>25,601,938</u>	<u>8,984,041</u>	<u>24,713,834</u>	<u>6,930,146</u>

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(e) Insurance risk (continued)

	Total Benefits Assured - Group			
	2010		2009	
	\$'000	\$'000	\$'000	\$'000
Benefits assured per life assured (\$'000)	Before Re-insurance	After Re-insurance	Before Re-insurance	After Re-insurance
0 – 1,000	11,184,512	11,184,473	6,060,331	6,060,321
1,000 – 2,000	3,638,023	3,636,875	3,635,333	3,635,213
2,000 – 5,000	7,621,802	7,284,541	6,753,128	6,426,506
5,000 – 10,000	9,222,322	5,463,364	6,164,002	3,676,947
Over 10,000	8,093,728	2,206,731	2,928,984	784,203
	<u>39,760,387</u>	<u>29,775,984</u>	<u>25,541,778</u>	<u>20,583,190</u>

The following table for annuity contracts illustrates the concentration of risk in relation to the amount payable as if the annuity were in payment at the year end. The Group does not hold any re-insurance against the liabilities in these contracts.

Annuity payable per annum per annuitant (\$'000)	Total Annuities Payable	
	2010	2009
	\$'000	\$'000
0 -100	2,511	2,011
100 - 300	19,127	2,214
300 – 500	7,482	3,519
500 – 1,000	23,387	8,607
Over 1,000	<u>106,306</u>	<u>62,716</u>
	<u>158,813</u>	<u>79,067</u>

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to pay reduced or no future premiums, or to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holders' behaviour. The Group has factored the impact of contract holders' behaviour into the assumptions used to measure these liabilities.

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
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47. Financial Risk Management (Continued)

(f) Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirements set by the regulators of the financial markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

(i) The Banking segment

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Bank of Jamaica (BOJ), the Credit and Risk Management Division, the Asset and Liability Committee (ALCO) and Basel II as implemented by the BOJ for supervisory purposes. The required information is filed with the respective Authority at the stipulated intervals.

The BOJ requires the Bank to:

- Hold the minimum level of the regulatory capital, and
- Maintain a ratio of total regulatory capital to the risk-weighted assets.

The Bank's regulatory capital is divided into two tiers:

Tier 1 capital: ordinary share capital, non-redeemable non-cumulative preference shares, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill and net unrealised loss positions arising from fair value accounting are deducted in arriving at Tier 1 capital; and

Tier 2 capital: non-redeemable cumulative preference shares, qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on fair valuation of instruments held as available-for-sale.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(f) Capital management (continued)

(i) The Banking segment (continued)

Investments and share of accumulated losses in associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 30 September 2010 and 2009. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject.

	The Bank	
	2010	2009
	\$'000	\$'000
Tier 1 capital	20,003,374	18,711,438
Tier 2 capital	711,984	825,967
Prescribed deduction – associated companies	(2,149,970)	(2,173,774)
Total regulatory capital	18,565,388	17,363,631
Risk-weighted assets:		
On-balance sheet	93,705,650	85,466,371
Off-balance sheet	19,029,795	33,202,383
Total risk-weighted assets	112,735,445	118,668,754
Tier one capital ratio	18%	16%
Total capital ratio	16%	15%
Required ratio	10%	10%

The increase of the regulatory capital in 2010 is mainly due to the transfer of realised profits to the banking reserve from current year profit and a reduction in fair value losses.

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(f) Capital management (continued)

(ii) NCB Insurance Company Limited

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

In reporting financial strength, capital and solvency are measured using the regulations prescribed by the Financial Services Commission (FSC). These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written by the insurance subsidiary.

The relevant capital requirement is the Minimum Continuing Capital Surplus Ratio (MCCSR) determined in accordance with the FSC regulations. This ratio is calculated by the Appointed Actuary and reviewed by executive management, the Audit Committee and the Board of Directors. This measure is a risk-based formula that compares available capital and surplus to a minimum requirement set by the FSC in regard to the asset and liability profile of the company. The FSC currently requires a minimum ratio of 150%. Companies that operate with a comparable formula and which are seen as financially strong tend to set targets for capital in the range of 180%-215%. The company has set an internal target ratio of 200%. As at 31 December 2009, the MCCSR was measured at 897% (31 December 2008 – 503%).

The company's capital position is sensitive to changes in market conditions, due to both changes in the value of assets and the effect that changes in investment conditions may have on the value of the liabilities. The most significant sensitivities arise from changes in interest rates and expenses. The company's capital position is also sensitive to assumptions and experience relating to mortality and persistency.

Dynamic capital adequacy testing (DCAT)

DCAT is a technique used to assess the adequacy of an insurer's financial position and financial condition in different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the statement of financial position at a given date.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(f) Capital management (continued)

(ii) NCB Insurance Company Limited (continued)

The results of the latest DCAT are as follows.

The DCAT conducted has not tested any correlation that may exist between assumptions. The following table represents the sensitivity of the MCCSR and the Insurance Risk Reserve in each of the above scenarios. The 2010 information relates to the DCAT report for December 2009. The 2009 information relates to the DCAT report for December 2008.

		2010		2009	
			Change in Liability \$'000		Change in Liability \$'000
Variable		MCCSR		MCCSR	
Worsening rate of lapses	+3% for 5 yrs	1,651%	123,369	759%	(157,645)
High interest rates	+100 bp for 5 yrs	1,687%	(5,078,205)	994%	(5,260,768)
Low interest rates	-100 bp for 5 yrs	1,020%	2,084,139	522%	884,367
Worsening of mortality	-3% for 5 yrs	1,384%	209,613	632%	200,102
Higher expenses	+5% for 5 yrs	1,092%	2,335,449	517%	958,714
No sales growth	0% for 5 yrs	1,535%	236,587	857%	(401,617)
High sales growth	+50% for 5 yrs	1,358%	(121,655)	578%	198,462
Extreme lapse and termination rates	x3 for 5 yrs	1,712%	1,013,347	601%	547,524
Fall in interest rates to 7%	-8% for 5 yrs	37%	7,211,174	327%	2,359,070

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

47. Financial Risk Management (Continued)

(f) Capital management (continued)

(iii) NCB Capital Markets

The company is regulated by the Financial Services Commission (FSC) and is subjected to regulatory capital tests employed by the regulator. Under the FSC regulations, the level of capital adequacy determines the maximum amount of liabilities including repurchase agreements the company is able to offer to clients. In addition to the requirements of the FSC, the company also engages in periodic internal testing which is reviewed by the Risk and Compliance Unit. Capital adequacy is managed at the operational level of the company.

The regulatory capital of the company is divided into two tiers:

- (i) Tier 1 capital: share capital, retained earnings and reserves created from appropriations of retained earnings.
- (ii) Tier 2 capital: qualifying subordinated debt or loan capital, qualifying capital reserves and unrealised gains derived from the fair valuation of equity instruments classified as available for sale.

The FSC requires that the company maintains a capital base comprising at least 50% of Tier 1 capital.

In addition, the FSC employs certain ratios to test capital adequacy and solvency. The results of these ratios are included in a mandatory quarterly report submitted to the FSC. Two of the critical early warning ratios relating to the test for capital adequacy are 'Capital over Total Assets' and the 'Capital Base over Risk Weighted Assets (RWA)'. The results of these ratios at 30 September 2010 and the comparatives for 30 September 2009 are highlighted in the table below:

	FSC Benchmark	2010	2009
Capital Base / Total Assets	Greater than 6%	12.69%	11.87%
Capital Base / RWA	Minimum 10%	97.80%	60.75%
Tier 1 Capital / Capital Base	Greater than 50%	99.90%	99.87%

The capital position is sensitive to changes in market conditions. This sensitivity is due primarily to changes in the value of assets and liabilities resulting from changes in interest rates.

There was no change in relation to how the company manages its capital during the financial year. During the year the company met all the requirements of the FSC relating to capital adequacy.

National Commercial Bank Jamaica Limited

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30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

48. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following tables provide an analysis of financial instruments held as at 30 September 2010 that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

	The Group			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Government of Jamaica debt securities	-	129,587,746	-	129,587,746
Foreign government debt securities	-	308,044	-	308,044
Corporate debt securities	-	5,114,502	1,706,435	6,820,937
Quoted equity securities	1,048,140	-	-	1,048,140
	1,048,140	135,010,292	1,706,435	137,764,867

	The Bank			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Government of Jamaica debt securities	-	60,568,276	-	60,568,276
Corporate debt securities	-	774,197	315,523	1,089,720
Quoted equity securities	526,026	-	-	526,026
	526,026	61,342,473	315,523	62,184,022

The movement in securities classified as Level 3 during the year was as follows:

	The Group \$'000	The Bank \$'000
At start of year	530,484	290,568
Acquisitions	1,195,300	-
Fair value losses recognised in other comprehensive income	18,317	24,955
Disposals	(37,666)	-
At end of year	1,706,435	315,523

National Commercial Bank Jamaica Limited
NOTES TO THE FINANCIAL STATEMENTS
30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

48. Fair Values of Financial Instruments (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The values derived from applying fair value techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

- (a) Investment securities at fair value through profit or loss, derivatives and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount for these items;
- (b) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;
- (c) The fair value of liquid assets and other assets maturing within one year (Cash and Balances at Bank of Jamaica, Due from other banks) is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- (d) The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the date of the statement of financial position;
- (e) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts;
- (f) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values; and
- (g) The quoted market price for investment in associate was deemed by management not to be fair value as the market is inactive. The fair value is based on pricing models or other recognised valuation techniques.

The fair values of the obligations under securitisation arrangements are disclosed in Note 34. The fair values for all other financial instruments approximate their carrying values.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

49. Banking Act

- (i) At 30 September 2010 and 30 September 2009, the Bank was in breach of Section 13(1)(b)(i) of the Banking Act prohibiting the acquisition of property for purposes other than banking business or staff housing. These properties were formerly utilised in banking operations and though management has made efforts to dispose of them, to date, no purchasers have been found.
- (ii) At 30 September 2010 and 30 September 2009, the Bank was in breach of Section 13(1)(d)(i) of the Banking Act. This section deals with unsecured lending to connected persons. These lendings represent approximately 0.00042% (2009 – 0.001%) of the Bank's loans and advances.

50. Commitments

Capital expenditure contracted for at the date of the statement of financial position but not recognised in the financial statements is as follows:

	The Group and The Bank	
	2010	2009
	\$'000	\$'000
Authorised and contracted	394,111	102,834
Authorised but not yet contracted	287,743	267,744
	<u>681,854</u>	<u>370,578</u>

51. Pledged Assets

	The Group		The Bank	
	Asset	Related Liability	Asset	Related Liability
	\$'000	\$'000	\$'000	\$'000
Balances at Bank of Jamaica	15,084,579	-	15,084,579	-
Due from other banks	4,737,828	3,941,179	4,737,828	3,941,179
Securities	95,961,550	90,099,477	20,739,933	16,265,960
Property, plant and equipment	205,892	230,494	205,892	230,494

Assets are pledged as collateral for repurchase agreements, loans from other institutions, possible shortfall in the Bank of Jamaica operating account, security deposits relating to stock exchange membership and in accordance with the Insurance Regulations. Assets are also pledged to third parties under various other agreements.

Statutory reserves are also held with the Bank of Jamaica. These deposits are not available to finance the Group's day-to-day operations.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

52. Fiduciary Activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At 30 September 2010, the Group had financial assets under administration of approximately \$47,800,000,000 (2009 – \$42,600,000,000).

53. Dividends

The following dividends were paid during the year:

- \$0.89 per ordinary stock unit was paid in December 2009
- \$0.61 per ordinary stock unit was paid in May 2010
- \$0.40 per ordinary stock unit was paid in August 2010

On 3 November 2010, the Board declared a final interim dividend in respect of 2010 of \$0.45 per ordinary stock unit. The dividend is payable on 1 December 2010 for stockholders on record as at 18 November 2010. The financial statements for the year ended 30 September 2010 do not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the year ending 30 September 2011.

54. Litigation and Contingent Liabilities

(i) Litigation

The Bank and its subsidiaries are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both its financial position and results of operations.

Significant matters are as follows:

- (a) Suit has been filed by the Bank's Staff Association against the Bank seeking various declarations regarding the Bank's profit sharing scheme. The Association has not quantified the claim. No provision has been made in the financial statements as the Bank's attorneys are of the opinion that the suit against the Bank is unlikely to succeed.
- (b) Suit has been filed by a customer against the Bank for breach of contract, breach of trust and negligence and damages. The claim for damages includes a sum equivalent to the profit of the business foregone as a result of an inability to access a loan approved by the Bank and the cost of interim financing. No provision has been made in these financial statements for this claim as the Bank's attorneys are of the view that the suit against the Bank is unlikely to succeed.
- (c) Suit has been filed by a customer against the Bank for damages suffered as a result of the Bank's alleged negligence in relation to the sale of property. The proper value of the property, which had been owned by the customer, is in issue, along with the amount properly to be applied to the customer's loan balance. Based on the advice of the Bank's attorneys, a provision has been made in the financial statements in respect of this claim.

National Commercial Bank Jamaica Limited

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010 (expressed in Jamaican dollars unless otherwise indicated)

54. Litigation and Contingent Liabilities (Continued)

(i) Litigation (continued)

- (d) Suit has been filed by a customer against the Bank for unlawful, wrongful and/or improper use of power in the appointment of a Receiver and manager of the customer's business property and assets. Damages, interest and costs have been claimed against the Bank. The Bank's attorneys are unable to determine the outcome of the suit and no provision has been made in the financial statements.
- (e) Suit has been filed against the Bank by customers seeking declarations and damages as compensation for breach of contract/statutory duties in connection with facilities the customers have with the Bank. The claim for damages is approximately \$166 million. Based on the advice of the Bank's attorneys, no provision has been made in the financial statements.
- (f) Suit has been filed by a customer seeking specific performance, damages for breach of contract, interest and costs. No provision has been made in these financial statements for this claim as the Bank's attorneys are of the view that the suit against the Bank is unlikely to succeed.
- (g) Suit has been filed against the Bank by customers seeking various declarations and orders including specific performance of an Agreement for Sale. No provision has been made in the financial statements for this claim as the Bank's attorneys are of the opinion that the suit against the Bank is unlikely to succeed.
- (h) Suit has been filed against the Bank by customers seeking damages for loss and an account of trust property as it relates to the Bank's predecessor acting as executor of an estate. The claim against the Bank is approximately \$504,680,000. No provision has been made in the financial statements for this claim as the Bank's attorneys are of the opinion that the suit against the Bank is unlikely to succeed.

A number of other suits claiming damages in excess of \$5 million each have been filed by customers of the Bank. In some instances counter claims have been filed by the Bank. Provision has been made in the financial statements for certain of these claims. No provision has been made where the Bank's attorneys are of the view that the Bank has a good defence against these claims.

(ii) Contingent Liability

In the prior year, one of the Bank's subsidiaries received income tax assessments in respect of the years 2003 and 2005 from the Commissioner, Taxpayer Audit & Assessment Department (TAAD), for additional income taxes totaling \$2.7 billion. Subsequent to the receipt of the assessment and after discussions and clarifications, the TAAD indicated that it would reverse the additional assessment, with the exception of \$585 million which would remain. On this basis, tax assessment of \$585 million was disclosed in the financial statements for the year ended 30 September 2009. During the current year, the TAAD amended its position on the proposed reversal of the additional assessments. The subsidiary has objected to the assessments and discussions with the TAAD continue. No provision has been made in the financial statements as the Group's management and advisors are of the opinion that there is no proper basis in law for the assessments and they ought to be discharged.

55. Acceptances, Guarantees and Indemnities

As at 30 September 2010, the Group and the Bank have made commitments for off-balance sheet financial instruments (acceptances, guarantees and indemnities) amounting to \$3,673,775,000 (2009 - \$5,608,339,000) for the Group and \$3,051,199,000 (2009 - \$3,668,532,000) for the Bank. There is an equal and offsetting claim against customers in the event of a call on these commitments.

Shareholdings

10 LARGEST SHAREHOLDERS

as at September 30, 2010

	Units	Percentage Ownership
AIC Barbados Limited	1,334,896,728	54.11
AIC Global Holdings Inc.	85,479,457	3.47
Portland (Barbados) Limited	75,766,232	3.07
Harprop Limited	74,800,000	3.03
LOJ PIF Equity Fund	66,083,038	2.68
Advantage General Insurance Co. Ltd.	49,430,043	2.00
N.C.B. INSURANCE CO. LTD WT 109	45,874,302	1.86
Ideal Portfolio Services Company Limited	35,423,626	1.44
Capital & Credit Merchant Bank Limited	27,831,817	1.13
SJIML A/C 3119	19,574,981	0.79

SHAREHOLDINGS OF DIRECTORS

as at September 30, 2010

	TOTAL	DIRECT	CONNECTED
Robert Almeida	148,176,039	129,064	148,046,975
Wayne Chen	1,410,684,504	14,044	1,410,670,460
Dennis G. Cohen	89,480	86,480	3,000
Sandra Glasgow	73,007,586	57,609	72,949,977
Hon. Noel A.A. Hylton, OJ, CD	204,074	14,044	190,030
Patrick Andrew Hylton, CD	425,072	425,072	-
Hon. Michael Lee-Chin, OJ	1,560,417,353	1,707,418	1,558,709,935
Donovan Lewis - resigned effective January 01,2011	171,584,999	29,044	171,555,955
Thalia Lyn	61,664	46,544	15,120
Prof. Alvin Wint	45,044	45,044	-

SHAREHOLDINGS OF LEADERSHIP TEAM

as at September 30, 2010

	TOTAL	DIRECT	CONNECTED
Rickert George Allen	113,696	113,696	-
Septimus Blake	10,050	10,050	-
Ffrench Campbell	57,660	57,660	-
Yvonne Clarke	67,871	67,871	-
Dennis G. Cohen	89,480	86,480	3,000
Dave Garcia	10,000	10,000	-
Howard Gordon	-	-	-
Ann-Marie Hamilton	-	-	-
Patrick Andrew Hylton, CD	425,072	425,072	-
Sheree Martin	12,436	12,436	-
Majorie Seeberan	76,339	76,339	-
Audrey Tugwell Henry	-	-	-
Mukisa Wilson Ricketts	-	-	-
Allison Wynter	192,784	100,789	91,995

Branch Leaders



BRANCH MANAGERS REGION 2: Back row (l-r): - **Robert Brooks** St. James Street, **Norman Reid** - Regional Manager - Region 2, **Dave Wilson** - Santa Cruz, **Kevin Ingram** - St. Ann's Bay, **Xavier Allen** - Port Maria, **Conroy Ward** - Black River, **Orette Bryant** - Junction, **Brian Baggoo** - Falmouth, **Prince Myers** - Christiana (Front row l-r) **Stuart Barnes** - Mandeville, **Phyllis Smith** - Half Moon, **Damion Hylton** - Negril, **Maxine Brown Cowan** - Brown's Town, **Khanai Skeen** - Lucea, **Doreen Pindling** - Annotto Bay, **Odel Laing** - Chapleton, **Jacqueline Lucas** - Ocho Rios, Kevin Walker- Savanna-La-Mar



ASSISTANT BRANCH MANAGERS, REGION 2:
M. Earl Leaky - St. James Street,
Andrea Arscott Allen - Mandeville

BRANCH MANAGERS, REGION 1:

Standing (l-r): **Peter Jennings** - May Pen, **Leroy Harding** - Duke Street, **Joan Guthrie** - Newport West, **Glen Shields** - Cross Roads, **Dwight Hyde** - Washington Blvd, **Donna Clarke** - Hagley Park, **Stuart Reid** - Knutsford Blvd, **Loren Edwards** - Regional Manager Region 1, **Lloyd Richardson** - Morant Bay, **Wayne Hunter** - St. Jago Shopping Centre. **Sitting (l-r):** **Cheryl Parkinson** - Old Harbour (actgn), **Donna-Marie Solomon** - Winward Road, **Lorna Brown** - Red Hills Mall, **Marva Peynado** - Half Way Tree, **Sharon Williams** - Private Banking Centre, **Audrey McIntosh** - Matilda's Corner



ASSISTANT BRANCH MANAGERS & OPERATIONS MANAGERS REGION 1:

Standing (l-r): **Barbara Cohen** - May Pen, **Myrtella Skeine** - Knutsford Blvd Operations Manager, **Rennie Clarke** - Knutsford Blvd, **Karen Clarke** - Duke Street, **Loren Edwards** - Regional Manager, Region 1 **Sitting (l-r):** **Marjorie Johnson** - Cross Roads, **Jennifer Eastwood** - Half Way Tree Operations Manager, **Marcia Clarke Palmer** - Duke Street Operations Manager, **Patricia Cole** - Half Way Tree

Branch directory

Annotto Bay

Main Street
Annotto Bay
St. Mary
996-2213,
996-2219

Manager – Doreen Pindling

Operations Manager – Denise Wallace

Barnett Street

93 Barnett Street
Montego Bay
St. James
952-6539

Baywest Agency

Harbour Street
Montego Bay
St. James
952-0077,
952-3640-3

Manager – Robert Brooks

Asst. Manager – Earl Leaky

Operations Manager – Marcia O'Reggio

Black River

Chambers Plaza
1 Brigade Street
Black River
St. Elizabeth
965-2207,
965-9027

Manager – Conroy Ward

Operations Manager – Lindon Ramsay

Browns Town

17 Main Street
Brown's Town
St. Ann
975-2242
975-2275

Manager – Maxine Brown Cowan

Operations Manager – Ophelia Allen

Chapelton

40 Main Street
Chapelton
Clarendon
987-2225,
987-2395

Relationship Manager – Odel Laing

Operations Manager – Lorna Robertson

Christiana

Main Street
Christiana
Manchester
964-2235,
964-2426

Manager – Prince Myers

Operations Manager – Caroline Calbert

Cross Roads

90-94 Slipe Road
Kingston 5
St. Andrew
926-7420-1,
926-7428-9

Manager – Glen Shields

Asst. Manager – Marjorie Johnson

Operations Manager – Jacqueline Murray

Duke Street

37 Duke Street
Kingston
Kingston
922-6710-9
922-6732-6

Manager – Leroy Harding

Asst. Manager – Karen Young

Operations Manager – Marcia Clarke-Palmer

Falmouth

Water Square
Falmouth
Trelawny
954-3232,
954-3233

Manager – Brian Baggoo

Operations Manager – Jean Gaynor

Hagley Park

211 Hagley Park Road
Kingston 11
St. Andrew
923-5391-5,
923-0560-2

Manager – Donna Clarke

Operations Manager – Lourine Martin

Half Moon

Half Moon Shopping Village
St. James
953-9281

Manager – Phyllis Smith

Operations Manager – Patricia Murray-Reid

Half Way Tree

94 Half Way Tree Road
Kingston 10
St. Andrew
920-8313,
920-8315

Manager – Marva Peynado

Asst. Manager – Patricia Cole

Operations Manager – Jennifer Eastwood

Junction

Junction P.O.
St. Elizabeth
965-8611, 965-8612

Relationship Manager – Orette Bryant

Operations Manager – Angella Carey

Knutsford Boulevard

1-7 Knutsford Boulevard
Kingston 5,
St. Andrew
926-9015-23, 926-1040-9

Manager – Stuart Reid

Asst. Manager – Rennie Clarke

Operations Manager – Myrtella Skeine

Linstead

29 King Street
Linstead
St. Catherine
985-2257,
985-9295

Manager – Dean Simpson

Operations Manager – Yvonne Stone

Lucea

Hanover
956-2204,
956-2348

Relationship Manager – Khanai Skeen

Operations Manager – Evette Moxie-Daley

Mandeville

6 Perth Road
962-2083,
962-2886

Manager – Stuart Barnes

Assistant Manager – Andrea Arscott-Allen

Operations Manager – Pamela Harrison

Manor Centre

195C Constant Spring Rd
Kingston 8
St. Andrew
755-1804

Manor Park

Manor Park Plaza
184 Constant Spring Road
Kingston 8
St. Andrew
925-9039,
924-1388

Manager – Jacqueline Mighten

Operations Manager – Christine Whittingham

Matilda's Corner

15 Northside Drive, Northside Plaza,
Kingston 6
St. Andrew
702-2421-3,
977-2534-5

Manager – Audrey McIntosh

Operations Manager – Ann-Marie Mason

May Pen

41 Main Street
May Pen, Clarendon
986-2343,
986-2411

Manager – Peter Jennings

Asst. Manager – Barbara Cohen

Operations Manager – Marjorie Bish

Morant Bay

39 Queen Street
Morant Bay, St. Thomas
982-2225,
982-2272

Manager – Lloyd Richardson

Operations Manager – Paulette Forsythe

Negril

Sunshine Village Complex
West End Road
Negril
Westmoreland
957-4117,
957-4119

Manager – Damion Hytltton

Operations Manager – Patricia Hudson-Buck

Newport West

54 2nd Street
Kingston 11
Kingston
923-9004-5,
923-9011-2

Manager – Joan Guthrie

Operations Manager – Cecile Myers

Ocho Rios

40 Main Street
Ocho Rios
St. Ann
974-2522,
974-2580

Manager – Jacqueline Lucas

Operations Manager – Peta-Gay Rodney

Old Harbour

Old Harbour
St. Catherine
983-2279,
983-2671

Manager – Donovan Reid

Operations Manager – Paulette Lewis

Oxford Place

NCB Towers
2 Oxford Road
Kingston 5
St. Andrew
926-6623-4,
926-6628

Manager – Jeffery Johnson

Operations Manager – Patricia Hall- Todd

Port Antonio

Portland
1 Gideon Street
Port Antonio

Manager – Carlos Gordon

Operations Manager – Janice McKenzie

Port Maria

8 Main Street
Port Maria
St. Mary
994-2219,
994-2551

Manager – Xavier Allen

Operations Manager – Erica Barrett
Malcolm

Portmore

13 - 14 West Trade Way, St. Catherine
Portmore Mall
St. Catherine
988-7433-7,
988-5505

Manager – Laurie Spencer

Operations Manager – Kevin McDonald

Private Banking

"The Atrium"
32 Trafalgar Road
Kingston 5
St. Andrew
929-7717,
929-8735

Manager – Sharon Williams

Operations Manager – Lorna Jaddoo

Red Hills Mall

105 Red Hills Road
Kingston 19
St. Andrew
925-3313,
925-3314

Manager – Lorna Brown

Operations Manager – Sharon Tate

Santa Cruz

7 Coke Drive
St. Elizabeth
St. Elizabeth
966-2204,
966-2664

Manager – Dave Wilson

Operations Manager – Ann Marie Pinto

Savanna-La-Mar

68 Great George Street
Savanna-la-mar
Westmoreland
955-2672,
955-2338-9

Manager – Kevin Walker

Operations Manager – Joan Graveney-
Grizzle

Spalding

Spalding
Manchester
964-2268

St. Anns Bay

19-21 Main Street
St. Anns Bay
St. Ann

972-2490-1, 972-0722

Manager – Kevin Ingram

Operations Manager – Paulette Mignott

St. Jago Shopping Centre

Burke Road
Spanish Town
St. Catherine
984-5604,
984-0672-6

Manager – Wayne Hunter

Operations Manager – Anthony Butler

St. James Street

41 St. James Street
Montego Bay
St. James
952-6540-9,
952-6112

Manager – Robert Brooks

Asst. Manager – Earl Leaky

Operations Manager – Marcia O'Reggio

University (UWI)

Mona Campus
Kingston 7
Kingston & St. Andrew
927-1057,
927-1898

Manager – Lavern Francis

Operations Manager – Santeta Beckford

Washington Boulevard SuperCentre

45 Elma Crescent
Kgn 20
St. Andrew
934-1817,
9341081-21

Relationship Manager – Dwight Hyde

Operations Manager – Sandra Chambers-
Green

Windward Road

89-91 Windward Road
Kingston 2
Kingston & St. Andrew
928-1167,
928-2922

Manager – Donna-Marie Solomon

Operations Manager – Norda Lewis-
Harris

Corporate directory

Corporate Banking

Marjorie Seeberan	– General Manager
Brian Boothe	– Senior Assistant General Manager (Western Region)
Nadienne Neita	– Assistant General Manager
Deryck Russell	– Assistant General Manager

Credit & Risk Management

Allison Wynter	– General Manager
Lincoln McIntyre	– Assistant General Manager
Henry Pratt	– Assistant General Manager

Facilities & Services

French Campbell	– Senior Assistant General Manager
Stacey Hamilton	– Manager, Planning, Performance & Special Projects
Rodney O. Davis	– Purchasing Manager
Glenroy Findlay	– Security, Safety & Environmental Manager
Shevene Logan	– Quantity Surveyor

Financial Control

Josephine Bennett Darmand	– Assistant General Manager
Malcolm Sadler	– Assistant General Manager
Denzil Whyte	– Group Regulatory & Taxation Manager
Lilieth Bailey	– Oracle General Ledger

Group Human Resources

Rickert Allen	– Senior General Manager
Euton Cummings	– Assistant General Manager
Sandra Grey	– HR Relationship Manager

Group Operations and Technology Division

Howard Gordon	– Senior General Manager
Nicole Brown	– Assistant General Manager, IT Applications
Ramon Lewis	– Assistant General Manager, IT Infrastructure
Wayne Lewis	– Assistant General Manager, IT Operations
Alison Lynn	– Assistant General Manager, Centralized Operations
Ann McMorris Cover	– Assistant General Manager

Internal Audit

Mukisa Wilson Ricketts	– Chief Internal Auditor
Michael Hamm	– Internal Audit Manager
Allan Holmes	– Internal Audit Manager
Alric Tate	– Internal Audit Manager

Legal, AML & Corporate Compliance Division

Dave L. Garcia	– General Manager
Lana A. Smith	– Senior Legal Counsel
Janelle Muschette Leiba	– Legal Counsel
Nicola Whymys-Stone	– Legal Counsel
Fiona Briscoe	– Senior Compliance Manager
Misheca Seymour Senior	– Compliance Manager and Assistant Company Secretary
Patricia Tennant	– Compliance Manager

Marketing, Communications and Service Delivery

Sheree Martin	– General Manager
Claudell Robinson	– Customer Service Manager
Belinda Williams	– Corporate Communications Manager
Kerine Hamilton	– Consumer Services Marketing Manager
Charmaine Wright	– Wealth & Business Marketing Manager

Retail Banking

Audrey Tugwell Henry	– Senior General Manager
Norman Reid	– Senior Assistant General Manager, Regional Manager
Loren Edwards	– Senior Assistant General Manager, Regional Manager
Barbara Hume	– Senior Assistant General Manager, Middle Market Unit
Bernadette Barrow	– Assistant General Manager, Small & Medium Enterprises
Marcia Reid-Grant	– Assistant General Manager, Consumer Portfolio and Performance Management
Claudette Rodriquez	– Assistant General Manager, Card Services & e-Channels
Sharon Williams	– Private Banking Manager

Treasury & Correspondent Banking

Septimus (Bob) Blake	– Senior General Manager
Tanya Watson	– Senior Assistant General Manager, Fixed Income
Peter Higgins	– Assistant General Manager, F/X Trading
Youlan Laidlaw	– Senior Business Analyst
Karen Watson	– Financial Institutions Relationship Manager

NCB Subsidiaries & N.C.B. Foundation

NCB Capital Markets Limited

Directors

Patrick Hylton (Chairman)
Dennis Cohen (CEO)
Michael Ammar (Jr.)
John L.M. Bell
Cecil Batchelor
Shamena Khan
Yvonne Clarke
Septimus (Bob) Blake
Harry Smith
Misheca Seymour-Senior (Company Secretary) - appointed
March 12, 2010

NCB Insurance Company Limited

Directors

Wayne Chen (Chairman)
Ann Marie Hamilton (General Manager)
Patrick Hylton
Milverton Reynolds
Professor Alvin Wint
William Mahfood
Dr. Colin McKenzie
Dennis Cohen
Yvonne Clarke
Hilary Reid
Audrey Tugwell Henry
Dave Garcia (Company Secretary)

NCB (Cayman) Limited

Directors

Wayne Chen (Chairman)
Phillip Harrison (Managing Director)
Donovan Lewis - resigned effective January 01, 2011
Patrick Hylton
Dennis Cohen
Prof. Alvin Wint
Darcy Parkins
Misheca Seymour-Senior (Company Secretary)

NCB Capital Markets (Cayman) Limited

(Subsidiary of NCB (Cayman) Ltd.)

Directors

Wayne Chen (Chairman)
Phillip Harrison
Dennis Cohen
Patrick Hylton
Donovan Lewis - resigned effective January 01, 2011
Prof. Alvin Wint
Dave Garcia (Company Secretary)

West Indies Trust Company Limited

Directors

Wayne Chen (Chairman)
Patrick Hylton
Dennis Cohen
Misheca Seymour-Senior (Company Secretary)

Data-Cap Processing Limited

Yvonne Clarke (Chairman)
Josephine Bennett-Darmand
Rickert Allen
Ffrench Campbell
Dave Garcia (Company Secretary)

N.C.B. (Investments) Limited

The company is presently dormant

N.C.B. Jamaica (Nominees) Limited

Directors

Yvonne Clarke (Chairman)
Josephine Bennett-Darmand
Malcolm Sadler
Misheca Seymour-Senior (Company Secretary)

Mutual Security Insurance Brokers Limited

Directors

Dennis Cohen (Chairman)
Diana E. McCaulay
David Williams
Josephine Bennett-Darmand
Janelle Muschette Leiba (Company Secretary)

NCB Remittance Services (Cayman) Limited

Directors

Wayne Chen (Chairman)
Phillip Harrison (Managing Director)
Donovan Lewis - resigned effective January 01, 2011
Patrick Hylton
Dennis Cohen
Prof. Alvin Wint
Darcy Parkins
Dave Garcia (Company Secretary)

NCB Remittance Services (Jamaica) Limited

Directors

Prof. Alvin Wint (Chairman)
Darcy Parkins (Managing Director)
Dr. Dillion Alleye - resigned effective December 08, 2009
Ronald Graham
Yvonne Clarke
Septimus (Bob) Blake
Audrey Tugwell Henry
Nicola Whymms-Stone (Company Secretary) - appointed March 12, 2010

NCB Remittance Services (UK) Limited

Directors

Yvonne Clarke (Chairman)
Leonard Mahipalamudali (Business Development Manager)
Audrey Tugwell Henry
Franklyn Johnston
Septimus (Bob) Blake
Darcy Parkins
Dave Garcia (Company Secretary)

N.C.B. Foundation

Directors

Thalia Lyn (Chairman)
Sheree Martin (Chief Executive Officer)
Dr. Joy Callendar
Irene Walter
Lisa Lakhan Chen
Diana Thorburn
Diana Oddi
Yvonne Clarke
Andrew Pairman
Janelle Muschette Leiba (Company Secretary)



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Notes

Notes

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Service Delivery Division

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