

NCB CAPITAL MARKETS LIMITED REPORTS NET PROFIT OF \$622 MILLION FOR THE THREE MONTHS ENDED 31 DECEMBER 2009

The Board of Directors is pleased to release the following unaudited results for the Company for the three months ended 31 December 2009.

PERFORMANCE HIGHLIGHTS

Three months ended December 2009 compared with three months ended December 2008 -

- Net Profit of \$622 million, grew by \$139 million or 29%.
- Earnings per Stock Unit of \$0.52, up from \$0.40.
- Operating Revenue of \$1,008 million, an increase of 83%.
- Operating Expenses of \$209 million, compared to \$131 million.
- Cost to Income Ratio of 20.73% vs. 23.9%.
- Risk-Based Capital Ratio of 62.8% vs. 64.41%.
- Investment Securities of \$65.8 billion, grew by \$8.6 billion over last year.
- Repurchase Agreements of \$63.5 billion, increasing by \$10.1 billion since last year.
- Return on Average Equity of 27.74% vs. 25.68%.
- Return on Average Assets of 3.31% vs. 2.93%.

NET PROFIT

The following is a summary of the unaudited results for the first quarter ended 31 December 2009:

	Quarter ended 31 Dec 2009	Quarter ended 31 Dec 2008
	\$'000	\$'000
Operating Revenue	1,007,612	550,136
Operating Expenses	208,873	131,241
Profit before taxation	798,739	418,895
Taxation (charge)/credit	(176,274)	64,352
Net Profit	622,465	483,247
Earnings per stock unit	\$0.52	\$0.40

Operating Revenue

Total income for the first quarter of the new financial year was \$1,007.6 million, representing an increase of \$457.5 million or 83.2% when compared to the quarter ended 31 December 2008. Net interest income for the three months increased by \$497.4 million or 130% of the corresponding prior year period's results.

Operating Expenses

Operating expenses totalled \$208.8 million, representing an increase of \$77.6 million or 59% when compared to the prior year's first quarter. Increased costs were driven mainly by the devaluation of the Jamaican dollar and the effects of inflation. The company's cost to income ratio at 31 December 2009 was 20.73%, having been reduced by 3.17% since December 2008. One of the areas of focus for the 2010 financial year will be to maximise operational efficiencies and pursue cost containment strategies.

Taxation

The taxation credit of \$64 million for the quarter ended 31 December 2008 was due to the utilisation of taxation losses brought forward from the year ended 30 September 2008. These tax losses were fully utilised during the 2009 financial year.

STATEMENT OF FINANCIAL POSITION

The Company's asset base as at 31 December 2009 was \$75.3 billion, reflecting an increase of \$9.7 billion or 14.8% compared to 31 December 2008. The growth in assets over the year was mainly funded by increases in repurchase agreements of \$10.1 billion or 18.8%. Total liabilities at 31 December 2009 amounted to \$66.3 billion, comprised mainly of repurchase agreements totalling \$63.5 billion.

At 31 December 2009, total stockholders' equity was \$9 billion, an increase of \$1.38 billion or 18% when compared to \$7.7 billion at 31 December 2008. The main contributing factors were the net increases in the fair value reserve and retained earnings by \$435 million and \$948 million, respectively.

At 31 December 2009, the company's capital to risk-weighted assets ratio was 62.8%, which significantly exceeds the minimum requirement of 10% stipulated by the Financial Services Commission.

The company maintains a solid capital base and remains a strong, stable player in the industry.

PREFERENCE SHARES - REDEMPTION AND FINAL DIVIDEND

On 5 November 2009, the Board of Directors approved the redemption of the 11.75% per annum cumulative redeemable preference shares on 27 January 2010 at a price of \$3.00 per stock unit.

On 9 December 2009, the Board of Directors approved the payment of the seventh and final semi-annual dividend of 11.9% per annum to all stockholders of the 11.75% per annum Cumulative Redeemable "A" Preference Stock Units on record as at 15 January 2010.

For the financial year ended 30 September 2009, the Company achieved an annualized average Return on Equity of 21.04%. A bonus dividend of 0.15% was therefore considered and approved by the Directors. The approved dividend represented a dividend of 17.85 cents per preference stock unit, and was paid on 27 January 2010.

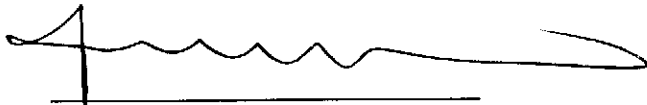
ORDINARY DIVIDEND

On 5 November 2009, the Board declared an interim dividend in respect of 2009 of \$0.50 per ordinary stock. The dividend was paid on 20 November 2009 and was accounted for in stockholders' equity as an appropriation of retained profits in the quarter ended 31 December 2009.

THE JAMAICA DEBT EXCHANGE (JDX)

As detailed in Note 4(a) of the accompanying notes to the financial statements, we have accepted the Government of Jamaica's offer to voluntarily exchange our existing portfolio of locally issued Jamaican and United States dollars denominated Government of Jamaica Bonds.

While the reduction in the yields on the local bond portfolio will impact the Company's gross revenues, we have modeled the effect on our business based on the new bonds that we have selected, and we forecast that we will continue to produce significant levels of profitability while capital and liquidity will remain robust. In addition, we will be taking a number of steps to enhance other areas of revenue and improve efficiency.

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ON BEHALF OF THE BOARD

NCB Capital Markets Limited

Income Statement

Quarter ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Quarter Ended 31 Dec 2009 \$'000	Quarter Ended 31 Dec 2008 \$'000
Operating Income		
Interest income	2,448,219	1,845,694
Interest expense	(1,569,255)	(1,464,168)
Net interest income	<u>878,964</u>	<u>381,526</u>
Gains on investment activities	92,795	122,630
Dividend income	14,659	11,156
Other operating income	21,194	34,824
	<u>128,648</u>	<u>168,610</u>
	<u>1,007,612</u>	<u>550,136</u>
Operating Expenses		
Staff costs	116,298	45,770
Other operating expenses	92,575	85,471
	<u>208,873</u>	<u>131,241</u>
Profit before Taxation	798,739	418,895
Taxation (charge)/credit	(176,274)	64,352
NET PROFIT	<u>622,465</u>	<u>483,247</u>
EARNINGS PER STOCK UNIT	<u>\$0.52</u>	<u>\$0.40</u>

NCB Capital Markets Limited

Statement of Comprehensive Income

Quarter ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Quarter Ended 31 Dec 2009	Quarter Ended 31 Dec 2008
	\$'000	\$'000
Profit for the period	622,465	483,247
Other comprehensive income		
Unrealised gains/(losses) on available-for-sale investments, net of taxes	127,995	(203,527)
Realised fair value gains on sale and maturity of available- for-sale securities and loans and receivables instruments	(7,376)	(6,714)
Other comprehensive income, net of tax	120,619	(210,241)
Total comprehensive income for the year	743,084	273,006
Total comprehensive income attributable to shareholders of the parent company	743,084	273,006

NCB Capital Markets Limited

Statement of Financial Position

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	31 December 2009 \$'000	30 September 2009 \$'000	31 December 2008 \$'000
ASSETS			
Cash and deposits	1,243,025	1,157,415	826,395
Investment securities at fair value through profit or loss	710,848	752,578	499,887
Reverse repurchase agreements	6,982,698	5,549,675	6,344,306
Investment securities – available-for-sale	38,876,914	40,115,038	32,714,353
Investment securities – loans and receivables	26,238,463	26,672,668	23,969,351
Property, plant and equipment	8,821	10,452	14,905
Intangible assets – computer software	9,046	6,593	12,231
Retirement benefit asset	11,632	11,632	13,077
Deferred income tax asset	232,279	200,007	650,818
Income tax recoverable	301,534	383,415	433,712
Other assets	727,025	147,761	158,844
Total Assets	75,342,285	75,007,234	65,637,879
LIABILITIES			
Repurchase agreements	63,536,182	64,204,165	53,467,766
Promissory notes and certificates of participation	204,052	194,492	3,153
Redeemable preference shares	1,139,862	1,108,292	1,139,993
Other borrowed funds	408,006	390,434	2,374,162
Other liabilities	1,008,310	203,255	989,939
Total Liabilities	66,296,412	66,100,638	57,975,013
EQUITY			
Share capital	1,221,115	1,221,115	1,221,115
Fair value reserve	(732,187)	(852,806)	(1,166,951)
Capital reserve	11,142	11,142	11,142
Retained earnings	8,545,803	8,527,145	7,597,560
Total Equity	9,045,873	8,906,596	7,662,866
Total Liabilities and Equity	75,342,285	75,007,234	65,637,879

Approved for issue by the Board of Directors on 28 January 2010 and signed on its behalf by:



Patrick Hylton
Chairman

Dennis Cohen
Director

NCB Capital Markets Limited

Statement of Changes in Equity

Quarter ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Fair Value Reserve	Capital Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balances at 1 October 2008	1,221,115	(956,710)	11,142	7,114,313	7,389,860
Total comprehensive income for the period	-	(210,241)	-	483,247	273,006
Balances at 31 December 2008	1,221,115	(1,166,951)	11,142	7,597,560	7,662,866
Balances at 1 October 2009	1,221,115	(852,806)	11,142	8,527,145	8,906,596
Ordinary dividend paid	-	-	-	(603,807)	(603,807)
Total comprehensive income for the period	-	120,619	-	622,465	743,084
Balances at 31 December 2009	1,221,115	(732,187)	11,142	8,545,803	9,045,873

NCB Capital Markets Limited

Statement of Cash Flows

Quarter ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	31 December 2009 \$'000	31 December 2008 \$'000
Cash Flows from Operating Activities		
Net profit	622,465	483,247
Adjustments to reconcile net profit to cash flows	125,633	452,563
Changes in operating assets and liabilities	(906,342)	(461,665)
Net cash (used in)/provided by operating activities	<u>(158,244)</u>	<u>474,145</u>
Cash Flows from Investing Activities		
Acquisition of property, plant, equipment	(126)	(1,633)
Acquisition of intangible assets - computer software	(4,053)	(3,297)
Investment securities, net	1,787,646	(1,647,285)
Net cash provided by/(used in) investing activities	<u>1,783,467</u>	<u>(1,652,215)</u>
Cash Flows from Financing Activities		
Ordinary dividend paid	(603,807)	-
Other borrowed funds	17,572	7,860
Net cash (used in)/provided by financing activities	<u>(586,235)</u>	<u>7,860</u>
Net increase/(decrease) in cash and cash equivalents	1,038,988	(1,170,210)
Cash and cash equivalents at beginning of period	2,549,437	2,299,759
Effect of exchange rate changes on cash & cash equivalents	5,301	17,456
Cash and Cash Equivalents at End of Period	<u><u>3,593,726</u></u>	<u><u>1,147,005</u></u>
Comprising:		
Cash and deposits	1,243,025	826,395
Reverse repurchase agreements	2,350,701	320,610
	<u><u>3,593,726</u></u>	<u><u>1,147,005</u></u>

NCB Capital Markets Limited

Notes to the Financial Statements

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

NCB Capital Markets Limited (“the Company”) is a wholly-owned subsidiary of National Commercial Bank Jamaica Limited (“the Bank”). Both companies are incorporated under the laws of Jamaica. The Company is domiciled in Jamaica, with its registered office at 32 Trafalgar Road, Kingston 10. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael Lee-Chin, O.J.

The Company’s principal activities comprise those being a licensed securities dealer with the Financial Services Commission. The Company listed on the Jamaica Stock Exchange in September 2006, and has primary dealer status from the Bank of Jamaica.

2. Basis of preparation

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

There have been no changes in accounting policies since the most recent audited accounts as at 30 September 2009.

Where necessary, comparative figures for the period ended 31 December 2008 have been reclassified to conform with changes in presentation in the current period.

All amounts are stated in Jamaican dollars unless otherwise indicated.

3. New and revised standards adopted by the Company

During the period ended 31 December 2009 the Company adopted the following revised standard:

- *IAS 1 (Revised) Presentation of Financial Statements*

On 1 October 2009 the Company adopted the revised IAS 1. The revision aims to improve users’ ability to analyse and compare the information provided in the 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 Company 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 the ‘Income Statement’ and the ‘Statement of Financial Position’, respectively.

NCB Capital Markets Limited

Notes to the Financial Statements

31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

4. Subsequent events

- (a) On 14 January 2010, the Government of Jamaica extended a debt exchange offer to the holders of its local debt instruments under the Jamaica Debt Exchange transaction. The debt exchange is expected to reduce the government's interest cost by \$42 billion annually. Approximately \$700 billion of local currency fixed rate and variable rate bonds and US dollar bonds issued prior to 31 December 2009 will be affected.

Under the offer, the Government of Jamaica is asking holders of its local securities to voluntarily exchange these securities for new notes with lower coupons and longer maturities. The settlement date for the offer is 16 February 2010.

Government of Jamaica local debt instruments totalling \$32.1 billion and US\$47.6 million which are held by the Company as at 31 December 2009 will be exchanged under this offer.

- (b) On 27 January 2010, the Company redeemed all 350,768,080 units of the 11.75% Cumulative Redeemable "A" Preference shares and thereafter delisted these shares from the Jamaica Stock Exchange.