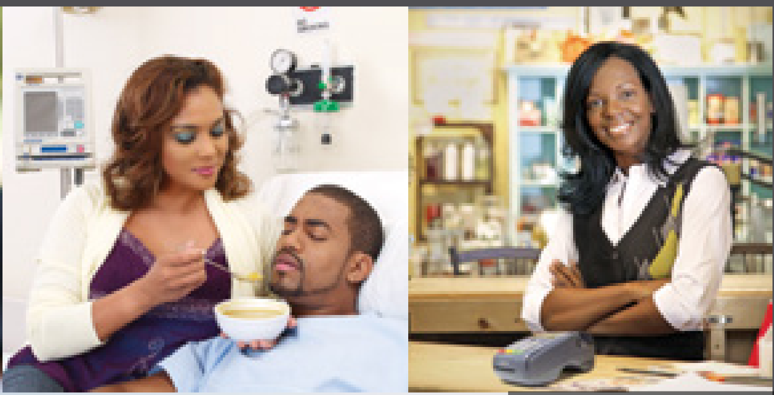
Annual Report **2012**

[Put Your Best **LIFE** Forward]

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

[Put your best **LIFE** forward]



The dynamic nature of change within our environment requires that we continuously review the tone and premise of our brand so that we can stay true and be relevant to our stakeholders in such a way that connects and reinforces our purpose — i.e. why we do what we do.

Having assessed our operating environment and listened to our customers it was very clear that even in the face of challenges, aspirations, determination, hope and success are paramount on the agenda of all our stakeholders. This translates to a desire to have a life well-lived.

What are the main characteristics of a well-lived life? Love, friendship, good health.... money? Possibly all four. Scientists and artists from different schools of thought may emphasize one over the other, but we can agree that the well-lived life ought to be a combination of all four. In fact, leading researchers have confirmed that these elements of well-living transcend countries and culture the world over. One of the core areas is financial wellbeing.

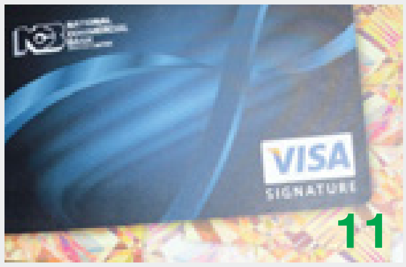
We know financial wellbeing to involve having a good understanding of your financial position and being proactive about preparing and planning for the future. This understanding and preparedness can best be realized when we budget, save, invest, insure, borrow and spend wisely. It is within this context that National Commercial Bank Jamaica Limited (NCB) is pleased to launch its new corporate campaign **Put Your Best Life Forward (PYBLF)** which is focused on helping you to make the best use of all your resources, not only your money, but your time, aspirations, plans and skills.

In recognition of our 175 years of service to Jamaica, we are proud to be the team that helps you to understand and strategically plan your own financial wellbeing which in turn will help to determine the quality of your life.

Visit **www.NCB175ways.com**

Review and apply the financial tips to your life.
Use our easy financial planning tools and let NCB help you to **Put Your Best Life FORWARD**.

What's Inside



VISION

To be the premier Caribbean financial institution delivering superior products and services to satisfy the needs of our customers while developing our employees and building the communities we serve.

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.

Strategic Focus

SALES AND SERVICE EXCELLENCE to efficiently and effectively provide solutions to enable our customers' financial wellbeing.

INCREASED EFFICIENCY AND PRODUCTIVITY to improve customer satisfaction and shareholder value.

ORGANISATIONAL HEALTH to drive and sustain a culture of continuous improvement and renewal.

Brand Pillars

Innovation

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

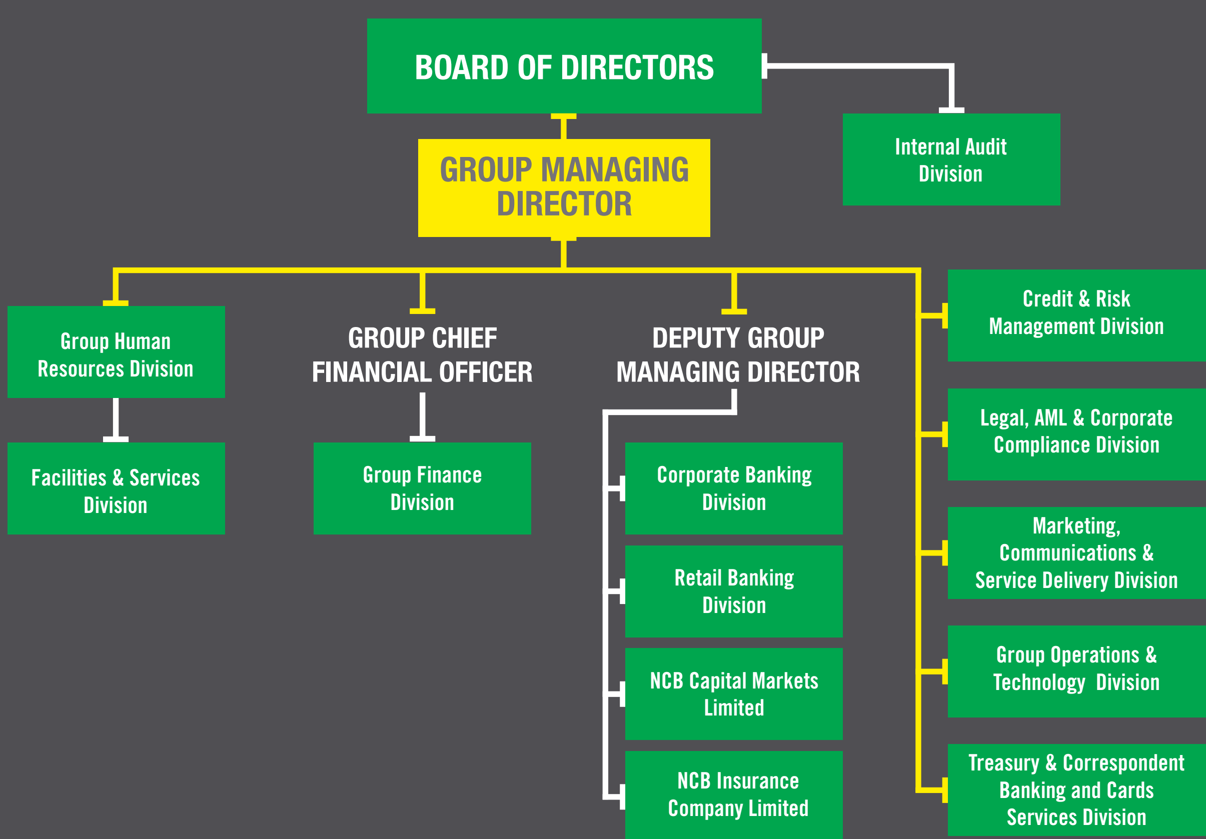
Expertise

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

STRENGTH

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

Organisational Chart



Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of National Commercial Bank Jamaica Limited will be held at the **Jamaica Pegasus Hotel, 81 Knutsford Boulevard, Kingston 5**, in the parish of Saint Andrew on **Thursday, February 28, 2013 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, 2012 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 95 of the Company's Articles of Incorporation provides that one-third of the Board (except the Managing Director and Deputy Managing Director) or, if the number of members of the board is not three or a multiple of three, then the number nearest to one-third shall retire from office at each Annual General Meeting. The Directors retiring under this Article are **Mrs Thalia Geraldine Lyn, OD, Hon. Noel Arthur Anthony Hylton, OJ, and Professor Alvin George Wint** and being eligible, offer themselves for re-election.

   The proposed resolutions are therefore as follows:

   (i) **"THAT** Director, **MRS THALIA GERALDINE LYN** retiring pursuant to Article 95 of the Articles of Incorporation be and is hereby re-elected."

   (ii) **"THAT** Director, **MR NOEL ARTHUR ANTHONY HYLTON**, retiring pursuant to Article 95 of the Articles of Incorporation be and is hereby re-elected."

   (iii) **"THAT** Director, **PROFESSOR ALVIN GEORGE WINT**, retiring pursuant to Article 95 of the Articles of Incorporation be and is hereby re-elected."

3. **Directors' Remuneration**

   (a) **"THAT** the Directors be and are hereby empowered to fix the remuneration of the Executive Directors."

   (b) **"THAT** the total remuneration of all of the Directors combined, other than the Executive Directors, for the financial year of the Company ending September 30, 2013, BE AND IS HEREBY fixed at **$19,479,375**, which remuneration may include such share incentive scheme for directors as may be determined by the Board."

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

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

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

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

DATED this 11th day of **JANUARY 2013**

BY ORDER OF THE BOARD

Dave L. Garcia
COMPANY SECRETARY

Our Business in Brief

NATIONAL COMMERCIAL BANK JAMAICA LIMITED (NCB) HAS SERVED GENERATIONS OF JAMAICANS BY OFFERING USEFUL FINANCIAL SERVICES FOR 175 YEARS.

The growth of the organisation dates as far back as 1837 when the Colonial Bank of London began operations on Harbour Street, Kingston. Through a series of mergers and acquisitions, the National Commercial Bank Jamaica Limited emerged in 1977, and today is truly proud to be a strong Jamaican operated financial institution.

As the largest home-grown financial institution, NCB has remained a market leader in the industry and continues to meet the needs of individuals, families, entrepreneurs, professionals and companies. Through its relevant product offerings and network of 41 locations and over 170 ABMs islandwide, NCB offers a wealth of financial services that enable our customers to meet all their financial goals at their various stages of life. These services include chequing and savings accounts, credit card facilities, personal and commercial loans, insurance, wealth management and remittance services supported by its online banking – www.jncb.com – along with telephone banking and a toll-free 24/7 Customer Care Centre at **1-888-NCB-FIRST (622-3477)**.

The NCB Group of Companies also continues to provide customers with end to end unique product offerings available through its diversified business model accessible via:

NCB CAPITAL MARKETS LIMITED

NCB Capital Markets Limited is the wealth and asset management arm of the NCB Group, offering securities and stock brokerage services. Through NCB Capital Markets (Cayman) Limited, similar services are extended from the Cayman Islands.

NCB CAPITAL MARKETS (CAYMAN) LIMITED

NCB INSURANCE COMPANY LIMITED

NCB Insurance Company Limited offers solutions to meet the insurance, long-term life investment, and pension needs of individuals and group clients.

NCB (CAYMAN) LIMITED

NCB (Cayman) Limited provides banking and trust services from the Cayman Islands.

WEST INDIES TRUST COMPANY

West Indies Trust Company provides estate and trust management services.

NCB REMITTANCE SERVICES (JAMAICA) LIMITED

NCB REMITTANCE SERVICES (UK) LIMITED

NCB Remittance Services (Jamaica) Limited provides extensive remittance services also accessible in UK through NCB Remittance Services (UK) Limited.

N.C.B. JAMAICA (NOMINEES) LIMITED

NCB Jamaica (Nominees) Limited offers comprehensive registrar and special issues services for corporations and employee share schemes.

NCB FOUNDATION

NCB regards critically its role as a leading socially responsible corporate citizen and through its strategic philanthropic arm, the NCB Foundation, continues to significantly impact lives, by focusing on education, community development, youth leadership and entrepreneurship.

Business Highlights

CELEBRATING OUR PEOPLE

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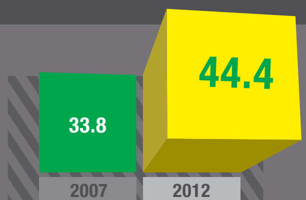
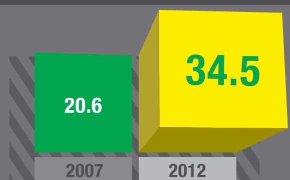
[1] SIGMA CORPORATE RUN: Team NCB came out in their numbers to support the Chain of Hope and placed 5th in the Best Corporate Run Team for 2012 **[2] FAST LANE TO LONDON COMPETITION:** With heightened enthusiasm surrounding the London 2012 Olympics, NCB employees were given the opportunity to join in the experience through the Fast Lane to London competition. Winners of the competition enjoy a moment with some of the Executives. <L-R> Dennis Cohen, Deputy Group Managing Director ▸ Stanley Thompson, Corporate Wealth Advisor, NCB Capital Markets Limited (NCBCM) ▸ Tracy-Ann Reboe, Business Development Representative, Duke Street ▸ Kirk Palmer, Insurance Advisor, Knutsford Boulevard ▸ Giselle Trail, Agent, Customer Care Centre ▸ Audrey Tugwell Henry, Senior General Manager, Retail Banking Division (RBD) ▸ Kevin Ingram, Branch Manager, May Pen ▸ Nepaul Knight, Personal Banker, Mandeville ▸ Patrick Hylton, Group Managing Director ▸ Tamieshe Lue, Sales & Relationship Officer, Cards Centre ▸ <center> T'Ka Vaz, Senior Financial Analyst, RBD ▸ Andrew Holt, Business Development Representative, RBD ▸ Tricia Moulton, Business Banker, Duke Street ▸ <missing> Francine Lewis, Senior Customer Relations & Service Recovery Officer, Service Quality Unit **[3] CLC EXCELLENCE AWARDS:** Corporate Learning Campus (CLC) is an accredited institution (by the University Council of Jamaica) which designs programmes aimed towards the professional development of employees. More than 100 employees across the organisation who have successfully completed leadership and development programmes were recognized at the CLC Excellence Awards in February. <L-R> Audrey Tugwell Henry, Senior General Manager, RBD, presents a certificate to graduate, Sandra Josephs, Credit Underwriter, Middle Market Unit. **[4] LONG SERVICE AWARDS:** A record number of 430 employees were recognized at the Long Service Awards ceremony which seeks to honour employees for their dedication and contributions to the success of NCB. Patrick Hylton, Group

Performance Highlights

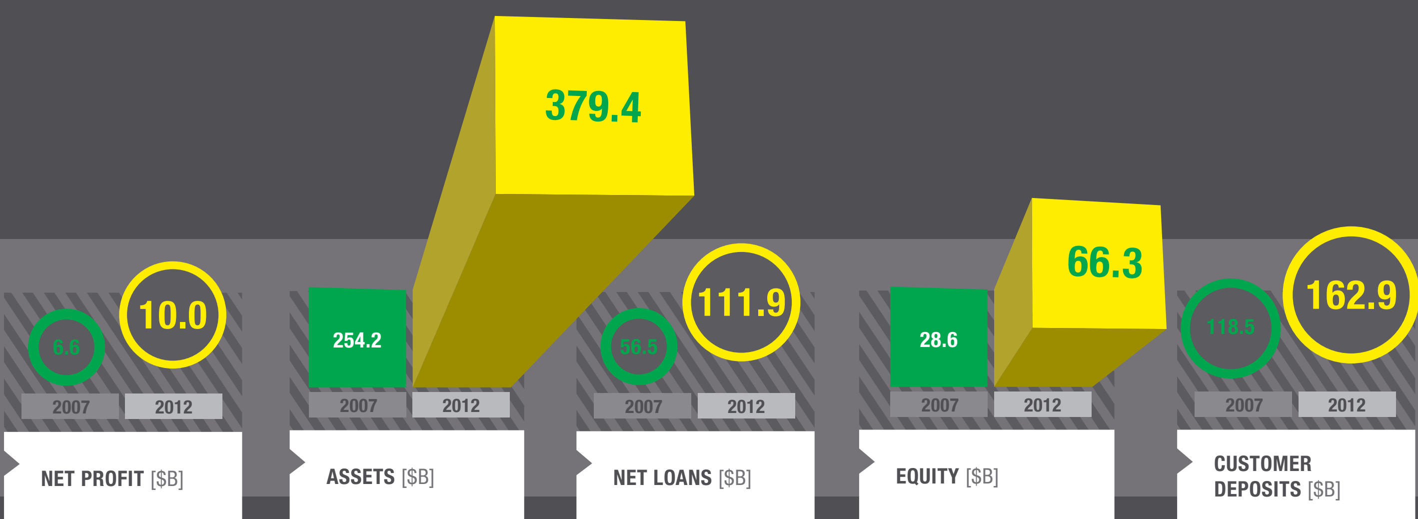


GROSS INCOME [$B]



OPERATING INCOME [$B]

Managing Director <2nd left> and **Rickert Allen**, Senior General Manager, Group Human Resources <2nd right> congratulate the 40 year awardees <L-R> **Jennifer Eastwood, Claudette Latore and Myrtle Hennie.** [5] **PINNACLE – BRANCH AWARDS:** Recognizing Retail Champions <L-R> **Bernadette Barrow**, Assistant General Manager, Small & Medium Enterprises (SME) ▸ **Dennis Cohen**, Deputy Group Managing Director ▸ **Audrey Tugwell Henry**, Senior General Manager, RBD ▸ **Tracy-Ann Reboe**, Business Development Representative, Duke Street ▸ **Marcia Reid-Grant**, Assistant General Manager, RBD ▸ **Patrick Hylton**, Group Managing Director and **Loren Edwards**, Regional Manager, Eastern Division, RBD <right> celebrate with members of the Duke Street Branch which copped the Branch of the Year award at Pinnacle 2011.



Business Highlights

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ENHANCING OUR BUSINESS

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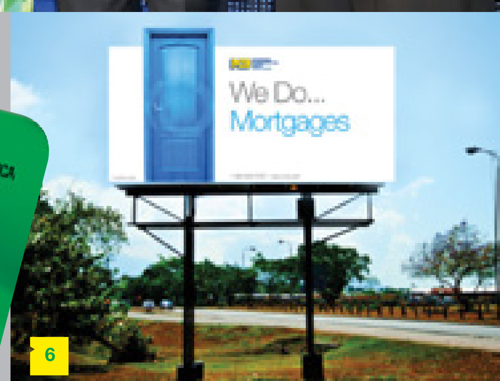

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[1] **SUPPORTING THE JAMAICA CANCER SOCIETY'S TREE OF HOPE:** Audrey Tugwell Henry, Senior General Manager, Retail Banking Division (RBD), makes a pledge on behalf of NCB by placing a pink ribbon on the Jamaica Cancer Society's (JSC) Tree of Hope in recognition of Breast Cancer Awareness Month. Bernadette Barrow, Assistant General Manager, Small & Medium Enterprises (SME), awaits her turn to do the same while Yulit Gordon, Executive Director, JSC, looks on. [2] **PARTNERING WITH THE PRIVATE SECTOR ORGANISATION OF JAMAICA:** Garfield Palmer, Relationship Manager, Government & Business Sector, RBD, presents a token to Kelly Tomblin, President & CEO, Jamaica Public Service Company, who was the guest speaker at the PSOJ Chairman's Club Breakfast. [3] **PRIVATE BANKING CLIENTS TOUR APPLETON:** Clients and staff of the NCB Private Banking Centre share a photo moment following their completion of the Appleton Estate Rum Tour. [4] **NCB NATION BUILDER AWARDS:** Canco Limited celebrated their victory as the Nation Builder Award winner 2012. <L-R> Keadine Callum ▸ GeAnne Dwyer ▸ Dorothy Ramsay and Norman McDonald. Sharing in the moment is Patrick Hylton, Group Managing Director. [5] **KEYCARD:** The limited edition commemorative Jamaica 50 Keycard [6] **MORTGAGES:** NCB's billboard heralding the game changing 9.5% re-entry into the mortgage business. [7] **FASHION'S NIGHT OUT 2012:** Stacy Goodin, Senior Marketing Officer, and a customer look on as Anup Chandiram, Owner, Bijoux swipes a Visa Classic card at The Jamaica Observer Celebrates Fashion's Night Out 2012. [8] **VISA SIGNATURE LAUNCH:** <L-R> Hostesses, Davia Lynch and Anneka Bynes-Thompson, Customer Care Representatives, welcome guests at the launch of the premium Visa Signature credit card. [9] **MERCHANT FRAUD SEMINAR:** Tony Taffe, e-Channels Officer, Card Centre, presents an award to Bruce Clarke of Clarke's Wholesale for achieving the lowest fraud-to-sale ratio in their category, at the Merchant

Performance Highlights

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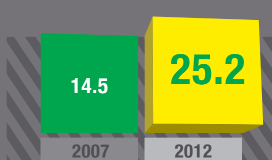
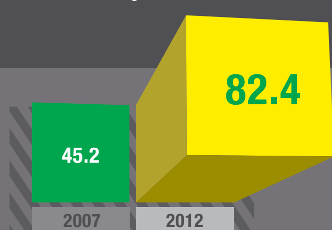
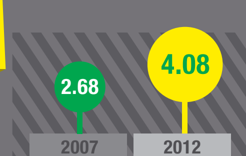


LIABILITIES UNDER ANNUITY AND INSURANCE CONTRACTS (NCBIC) [$B]



FUNDS UNDER MANAGEMENT (NCBCM) [$B]



EARNINGS PER SHARE [$]

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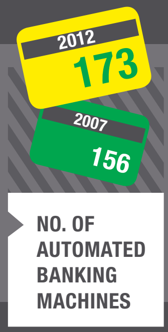
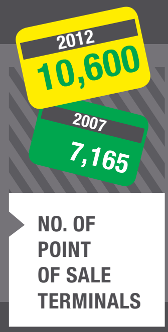
Fraud Seminar hosted in Negril, Westmoreland. [10] **CLIENT APPRECIATION:** Dennis Cohen, CEO, NCB Capital Markets Limited (NCBCM) <left> holds the attention of Howard Pottinger, Regional Manager, NCBCM and Patrick Hylton, Group Managing Director during the NCB Capital Markets client appreciation event held at Murray's Farm in Clarendon. [11] **YOUTH CHESS CHAMPIONSHIPS:** Jonathan Pitterson analyzes his next move while Rachel Miller puts her counter attack strategy together at the Jamaica Chess Federation and NCB Insurance Company Limited "Challenge Your Mind" – Youth Chess Championships. The tournament was held at the Dinthill Technical High School and hosted competitors as young as 5 years old to 19 years old in age categories. [12] **ART AT THE ATRIUM:** Art at the Atrium hosts <right> Dylan Coke, Assistant Vice-President, Corporate Solutions, NCBCM, and colleague <3rd right> Kerry Spencer, Head of Corporate Clients services, give a personal welcome to clients <L-R> Michael Campbell, Managing Director, Island Car Rentals ▸ Janette Stewart, Philanthropist ▸ John Makinson, and Sonia Parchment, Director, Trafalgar Travel Limited. [13] **ART AT THE ATRIUM 2:** Dr Pauline Milbourn Lynch, Client, NCBCM admires sculptures by featured ceramicist Gene Pearson, the guest of honour at the NCBCM Corporate Solutions event, Art at the Atrium. [14] **STEP BY STEP PRODUCTION:** Tracy-Ann Spence, Portfolio Manager, NCBCM <centre> smiles alongside colleagues Maria Beyna, Wealth Advisor, NCBCM <left> and Alana Scott, Client Relations Officer, NCBCM, ahead of biting into our branded cupcake treats at the staging of Step By Step preschool's inaugural drama production, "2 Sides to Every Story".





Business Highlights

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CELEBRATING NCB 175TH AND JAMAICA 50TH


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[1] : JAMAICA DEFENCE FORCE (JDF) MILITARY TATTOO 2012: NCB served as the official Banking Partner of the JDF Military Tattoo 2012 committing $7.5M in support of the world-class military extravaganza which unfolded over a four day period. As one of the main highlights on the Jamaica 50 programme, the event featured over eight hundred local and overseas military and civilian performers and depicted the chronological growth and development of the JDF while projecting its future relevance. Here, Little Aiden demonstrates the proper way to salute. **[2] JAMAICA OLYMPIC ASSOCIATION:** An investment in sport can serve as a vehicle of change for communities, while contributing to the economic prosperity of the nation. With this focus, NCB is now the exclusive financial services provider for the Jamaica Olympic Association (JOA), and has committed $12M over the next four years to assist in preparing members of the Jamaica Olympic team for several regional and international games. Belinda Williams, Manager, Group Corporate Communications, NCB is all smiles when signing the JOA contract. Looking on are <L-R> Donald Anderson, 1st Vice-President, JOA ▸ Compton Rodney, Honorary Treasurer, JOA ▸ Mike Fennel, President, JOA and Chris Vendryes, Senior Marketing Officer, NCB. **[3] NCB SURPRISE CUSTOMER APPRECIATION AT THE ATRIUM:** Amidst the euphoric celebrations surrounding Jamaica's Independence, the Olympic Games and NCB's 175th anniversary, we hosted a Surprise Customer Appreciation Day at the NCB Head Office where customers were treated to a wide array of Jamaican food and music. **[4] ROYAL PHILHARMONIC ORCHESTRA (RPO):** As part of the Jamaica 50 Strategic Programme— "A Nation on a Mission", NCB partnered with the National Youth Orchestra of Jamaica (NYOJ) and several other corporate entities to organize the visit of the Royal Philharmonic Orchestra. During their weeklong visit, classical workshops were conducted at several high schools and music centres. NCB staff members were also treated to a delightful lunch-hour, staff appreciation concert courtesy of NCB Capital Markets. **[5] POWER AND THE GLORY:** Jamaica in World Athletics, from WWII to the Diamond League Era, written by Michael Grant, Hubert Lawrence and Brian Cummings chronicles Jamaica's feats in athletics on the World Stage. NCB was one of the main sponsors of this project and as part of its 175th celebrations invited some of its longstanding customers, and active sports enthusiasts to share in the release of the publication and to also be among the first recipients of the commemorative book of Jamaica's athletic accomplishments. Derrick Cotterel, NCB customer, gladly accepts a copy of the text from Belinda Williams, Manager, Group Corporate Communications. Also included are the authors <L-R>, Brian Cummings ▸ Hubert Lawrence ▸ Michael Grant; and in the background - Glen Shields, Branch Manager, Cross Roads. **[6] PRIVATE SECTOR ORGANISATION OF JAMAICA (PSOJ) 50 UNDER 50:** Business Leaders shaping Jamaica's Future. NCB partnered with PSOJ on the 50 under 50 initiative that recognises influential business moguls who have

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NCB is proud to be the largest and most resilient home-grown institution in Jamaica. Indeed the history of NCB is inextricably intertwined with the journey of Jamaica since 1837 and so as we celebrated our 175th Anniversary, we were also very strategic with partnering with Jamaica 50 by extending support of $52M towards our jubilee festivities.

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been instrumental in bringing about change in their organisation while enabling development in various sectors of the economy. NCB's Group Managing Director, Patrick Hylton, was one of the pioneers acknowledged for his wealth of experience in the financial services sector. [7] **JAMAICA MANUFACTURERS' ASSOCIATION (JMA)/JAMAICA EXPORTERS' ASSOCIATION (JEA) EXPO JAMAICA 2012:** NCB understands that the economic prosperity of the society is determined by the level of investment made in the local industry. With this understanding NCB consistently supports various sectors in order to ensure the economic growth of the nation. Over the years, Expo Jamaica has been successful in promoting Brand Jamaica by showcasing the highest quality of local Jamaican brands. NCB was again proud to partner on this event and donated $2M towards its execution. Included in the photo are <L-R> Julian Patrick, Manager, Sponsorships & Promotions, NCB ▸ Brian Pengelley, President, Jamaica Manufacturers' Association ▸ Vitus Evans, (former) President, Jamaica Exporters' Association ▸ Joseph Montaque, Senior Marketing Officer, NCB. [8] **A CONVERSATION WITH JOCHEN ZEITZ:** As we commemorate Jamaica's 50th year of Independence, and in tandem with our 175th Anniversary, NCB aims to foster further development of the nation through the strengthening of the next generation of young entrepreneurs. Against this objective, NCB was the main sponsor of the event, A Conversation with Jochen Zeitz, which provided 50 of the youngest entrepreneurs the opportunity to meet the international business leader and Chairman of PUMA. The event took the form of a Question and Answer session hosted by Sheree Martin, General Manager, Marketing, Communications & Service Delivery, NCB and allowed guests to gain invaluable insights from the business giant. Here, Sheree Martin <left> listens attentively while Jochen Zeitz <right> imparts his business insights. [9] **ONE PEOPLE DOCUMENTARY:** One People is a seminal documentary celebrating Jamaica's 50th anniversary of independence with interviews of notable Jamaicans across the globe. As a home-grown financial Group, NCB was honoured to support this initiative and contributed $4M towards the project, which at its core celebrates the resilience, creativity, innovation and strength of Jamaica; values that NCB embodies and reflects. One People also formed part of our 175th celebrations as we feted some of our key stakeholder groups – employees, customers, media and analysts – to experience an evening of relaxation and enjoyment at our special showing of the Documentary at the Carib Cinema in Kingston. Patrick Hylton, Group Managing Director, joins Zachary Harding, Producer, One People Documentary in signalling "One" at the event launch.

10 Year Financial Statistical Review

	2012	RESTATED 2011	2010	2009
Consolidated Income Statement Summary (J$'000)				
Net profit	**10,045,862**	13,885,301	11,074,798	10,248,185
Gross operating income	**44,425,230**	44,791,704	43,023,151	44,868,803
Net interest income	**21,784,090**	21,150,860	20,649,643	18,879,974
Other operating income	**12,762,859**	13,521,336	8,773,712	8,392,348
Operating income	**34,546,949**	34,672,196	29,423,355	27,272,322
Operating expenses	**22,279,491**	19,184,458	16,135,955	14,100,596
Staff costs	**9,755,916**	9,240,116	9,252,662	7,989,772
Provision for credit losses	**2,462,811**	768,881	947,962	1,027,634
Depreciation and amortisation	**812,512**	580,132	528,333	593,538
Consolidated Statement of Financial Position Summary (J$'000)				
Total assets	**379,435,519**	359,618,113	334,970,011	315,096,477
Loans and advances, net of provision for credit losses	**111,904,854**	91,728,138	85,995,102	88,178,270
Investment securities	**210,653,557**	204,748,127	200,132,984	167,718,957
Customer deposits	**162,930,350**	155,800,401	144,283,158	130,331,351
Liabilities under annuity and insurance contracts	**25,194,324**	23,564,275	20,405,624	19,114,764
Repurchase agreements	**101,890,449**	84,075,103	85,292,763	77,374,431
Obligations under securitisation arrangements	**2,593,201**	14,378,119	20,456,162	27,157,180
Equity	**66,343,321**	61,977,264	48,807,933	41,015,946
Profitability Ratios				
Return on average equity (1)	**15.66%**	25.07%	24.66%	28.34%
Return on average total assets (2)	**2.72%**	4.00%	3.41%	3.38%
Non-interest income to operating income	**36.94%**	39.00%	29.82%	30.77%
Effective tax rate (3)	**23.91%**	21.06%	17.89%	21.97%
Cost to income ratio (4)	**56.01%**	52.36%	51.53%	47.93%
Per Share Information				
Earnings per share (5)	**$4.08**	$5.64	$4.50	$4.16
Dividends paid per share	**$1.10**	$1.36	$1.90	$0.88
Book value per share	**$26.95**	$25.18	$19.83	$16.66

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

2008	2007	2006	2005	2004	2003
8,701,173	6,601,426	5,486,625	4,468,542	2,978,045	2,830,499
39,255,256	33,752,955	30,004,702	27,460,769	25,175,497	22,138,992
15,826,304	12,796,777	11,778,136	10,713,444	9,603,098	6,757,882
9,084,754	7,754,802	6,198,817	5,815,035	3,344,801	4,271,679
24,806,110	20,551,579	17,976,953	16,528,479	12,947,899	11,012,147
14,162,202	12,128,301	11,164,384	10,522,418	9,155,015	7,548,897
7,281,304	6,987,550	5,955,835	5,664,701	4,639,585	4,212,281
468,287	277,603	155,786	(28,071)	367,869	189,147
725,936	889,246	1,028,085	1,071,135	976,029	494,910

291,153,397	254,183,354	223,138,804	190,341,294	174,852,385	145,886,165
82,169,396	56,525,564	42,219,840	36,064,342	34,007,614	26,400,147
154,571,682	142,955,539	123,765,437	94,960,438	78,219,804	80,444,730
126,099,896	118,518,051	99,026,503	85,067,749	79,861,826	69,688,968
16,533,984	14,487,602	12,010,182	9,117,241	6,912,610	4,287,658
69,619,957	51,305,167	50,344,707	49,407,220	37,496,253	29,624,741
26,259,740	26,409,833	21,398,964	10,798,517	9,427,736	4,576,979
31,312,662	28,554,026	24,589,987	21,213,463	17,145,003	12,871,832

29.07%	24.84%	23.96%	23.30%	19.84%	22.79%
3.19%	2.77%	2.65%	2.45%	1.86%	2.17%
36.62%	37.73%	34.48%	35.18%	25.83%	38.79%
19.49%	23.18%	20.83%	23.45%	16.67%	19.02%
50.25%	57.27%	59.88%	62.40%	67.87%	66.83%

$3.54	$2.68	$2.23	$1.82	$1.21	$1.15
$1.14	$0.73	$0.71	$0.48	$0.54	$0.51
$12.72	$11.60	$9.99	$8.62	$6.97	$5.23

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

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

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

10 Year Financial Statistical Review Cont'd

	2012	RESTATED 2011	2010	2009
Capital Ratios				
Risk-based capital adequacy ratio (NCB Jamaica) (6)	**12.96%**	15.18%	16.30%	14.61%
Capital to risk weighted assets (NCB Capital Markets) (7)	**26.20%**	35.71%	97.82%	60.75%
Solvency ratio (NCB Insurance) (8)	**34.64%**	34.73%	27.10%	23.20%
Equity to total assets	**17.48%**	17.23%	14.57%	13.02%
Asset Quality Ratios				
Non-performing loans as a percentage of gross loans and advances (9)	**7.14%**	7.16%	3.45%	2.61%
Non-performing loans as a percentage of total assets	**2.18%**	1.87%	0.90%	0.74%
Non-performing loans as a percentage of stockholders' equity	**12.47%**	10.87%	6.21%	5.71%
Total provision for credit losses as a percentage of non-performing loans	**113.99%**	115.91%	136.29%	147.26%
Total provision for credit losses as a percentage of gross loans and advances	**8.14%**	8.29%	4.70%	3.84%
Consolidated Statement of Financial Position Ratios				
Loans and advances, net of provision for credit losses, as a percentage of total assets	**29.49%**	25.51%	25.67%	27.98%
Investment securities as a percentage of total assets	**55.52%**	56.93%	59.75%	53.23%
Fixed assets as a percentage of total assets	**1.68%**	1.45%	1.34%	1.35%
Loans and advances, net of provision for credit losses, as a percentage of customer deposits	**68.68%**	58.88%	59.60%	67.66%
Liquid assets as a percentage of customer deposits (10)	**32.32%**	40.91%	42.40%	33.22%
Other Statistics				
Share price at September 30 (JSE)	**$21.90**	$27.29	$ 17.51	$ 13.00
Share price at September 30 (TTSE)	**TT$1.60**	TT$2.09	TT$1.50	TT$0.95
Price earnings ratio	**5.37**	5.15	3.89	3.12
Dividends paid (J$'000)	**2,713,439**	3,354,797	4,686,850	2,170,750
Dividend yield	**5.02%**	4.98%	10.85%	6.77%
Dividend payout ratio	**26.96%**	25.68%	42.23%	21.14%
JSE Index at September 30	**87,188.38**	91,731.84	83,613.08	79,928.03
Inflation Rate (Twelve months ended September 30)	**6.65%**	8.05%	11.28%	7.18%

6. Risk-based capital adequacy ratio (Bank only) is calculated as qualifying capital divided by total risk weighted assets. Qualifying capital is the sum of Tier 1 and Tier 2 capital less prescribed deductions for investment in associated companies and subsidiaries, intangible assets and any accumulated losses in subsidiaries. Under Bank of Jamaica regulations, the overall minimum capital to be maintained in relation to risk weighted assets is 10%.

7. Capital to risk weighted assets (NCB Capital Markets only) is calculated as qualifying capital divided by total risk assessed assets. Under Financial Services Commission regulations, the overall minimum capital to be maintained in relation to risk assessed assets is 10%.

2008	2007	2006	2005	2004	2003
14.58%	14.33%	17.28%	19.08%	15.77%	16.70%
77.88%	99.86%				
16.20%	14.00%	13.40%	10.20%	10.10%	10.00%
10.75%	11.23%	11.02%	11.14%	9.81%	8.82%
2.34%	2.56%	3.66%	4.27%	4.08%	5.26%
0.67%	0.58%	0.72%	0.85%	0.84%	1.03%
6.25%	5.17%	6.51%	7.58%	8.61%	11.68%
152.88%	150.99%	144.72%	135.42%	154.27%	148.77%
3.57%	3.86%	5.29%	5.78%	4.08%	5.26%
28.22%	22.24%	18.92%	18.95%	19.45%	18.10%
53.09%	56.24%	55.47%	49.89%	44.73%	55.14%
1.41%	1.60%	1.89%	2.30%	2.53%	2.68%
65.16%	47.69%	42.63%	42.39%	42.58%	37.88%
37.56%	32.72%	42.35%	37.94%	38.02%	27.56%
$ 20.00	$ 22.40	$ 18.21	$ 18.00	$ 25.20	$ 13.30
TT$1.85	TT$1.95	TT$1.65	TT$1.90	TT$2.50	
5.66	8.35	8.17	9.91	20.82	11.56
2,812,110	1,800,737	1,751,402	1,184,046	1,332,052	1,258,049
5.70%	3.26%	3.91%	2.67%	2.15%	3.84%
32.24%	27.21%	31.84%	26.50%	44.73%	44.45%
102,018.87	96,299.84	86,195.99	103,332.63	99,819.82	57,769.13
25.34%	9.01%	6.50%	18.73%	10.49%	12.78%

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

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

10. Liquid assets consist of cash in hand and balances at Bank of Jamaica, investment securities with maturities of less than nine months, any assets specially designated as liquid by the Bank of Jamaica and due from other banks.

Chairman's Message

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

My fellow shareholders,

As investors we share a passion for seeking out and identifying opportunities for value creation. As we scan the global environment today, we are confronted with signs of tremendous challenges. Large and strong economies are struggling to meet their social, economic and fiscal goals while even the most dynamic companies search for new ways to sustain growth within the context of a global recession. Amidst all these, as a nation, Jamaica contends with its own unique and shared challenges. Yet the resilience and optimism we share as a people put us at a distinct advantage for weathering any storms.

“In a crisis, be aware of the danger--but recognize the opportunity.” – John F. Kennedy. This principle is demonstrated in the manner in which NCB continues to perform and navigate various challenges. I would like to congratulate our Board of Directors, Executive Leadership team, and our employees for their continued dedication and drive for performance excellence. Their level of engagement and commitment represents a true competitive advantage.

The dynamics of the financial services industry is changing. Local and global regulations increase the complexity and costs of managing the business. The changing needs of our customers challenge us to innovate and improve to meet these needs. The competitive landscape now consists of more than traditional financial institutions and so we must continue to enhance our customer value proposition. We are mindful of these changing dynamics and will maintain the necessary flexibility and proactiveness required to achieve our high performance standards.

While we have adjusted strategies and priorities within the context of existing and emerging trends, performance excellence and nation building remain as our primary objectives. In this way, we will continue to deliver on our mandate to enhance the lives of all of our key stakeholders – our customers, employees, shareholders and fellow citizens.

As we end a milestone period that saw a serendipitous blend of NCB’s 175th anniversary of service to generations of Jamaicans alongside the country’s Golden Jubilee, we are proud to stand as Jamaica’s leading homegrown financial institution. As we look ahead, we are undaunted by the challenges. We remain focused on the opportunities that abound disguising themselves as obstacles. We appreciate your continued confidence in National Commercial Bank Jamaica Limited and ask that you remain on the journey with us as we take our passion for value creation to new heights.

Thank you.

Board of Directors

Our Board of Directors through their expertise, capabilities and experience exercise vigorous oversight for the corporate governance of the Bank. With vigilance and diligence they ensure a sound corporate governance framework, regulatory compliance, stakeholder transparency and robust risk management which support our operating a successful and healthy organisation.

HON.
MICHAEL LEE-CHIN
OJ, LL.D., B.Sc.

Chairman

MAIN POSITIONS: Chairman, NCB Jamaica Limited; Chairman and President, Portland Holdings Inc.; Founding Partner of Portland Private Equity, L.P. which manages the AIC Caribbean Fund, a private equity fund; Patron of Grand Jamaica Homecoming, a campaign in recognition of Jamaica's Golden Jubilee to bring home Jamaicans living abroad.

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

LENGTH OF DIRECTORSHIP: 10 Years

PATRICK HYLTON
CD, A.C.I.B., B.B.A.
Group Managing Director

MAIN POSITIONS: Chairman of NCB Capital Markets Limited and Harmonisation Limited and he sits on several boards including the Caribbean Information and Credit Rating Services (CariCRIS). Director of NCB (Cayman) Limited, NCB Capital Markets (Cayman) Limited, NCB Remittance Services (Cayman) Limited, Data-Cap Processing Limited, NCB Insurance Company Limited and West Indies Trust Company Limited.

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

LENGTH OF DIRECTORSHIP: 9 years

DENNIS COHEN
FCA., FCCA., B.Sc.

Deputy Group Managing Director

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

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

LENGTH OF DIRECTORSHIP: 6 years

ROBERT ALMEIDA
B.Comm., CA

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

SPECIAL ACHIEVEMENTS: Chartered Accountant with over 25 years of experience as an investor and a business professional, having worked in Canada, the USA and the Caribbean. Led the startup of a successful electronic banking venture in Canada. Co-founded what is currently the leading private equity fund in the Caribbean. Serves on the Board of the Canadian Council for the Americas.

LENGTH OF DIRECTORSHIP: 4 years

WAYNE CHEN
LL.B (Hons)

MAIN POSITIONS: Chairman, CVM Television Limited; CEO, Super Plus Food Stores; President, Jamaica Employers' Federation and the Caribbean Employers' Confederation; Chairman of NCB Insurance Company Limited and West Indies Trust Company Limited; and Director of NCB (Cayman) Limited, AIC (Barbados) Limited.

SPECIAL ACHIEVEMENTS: Recipient of several national awards including the Jamaican Institute of Management Young Entrepreneur for 1997 and the Jamaica Observer Business Leader of the Year 1998.

LENGTH OF DIRECTORSHIP: 10 years

SANDRA GLASGOW
B.Sc., M.B.A.

MAIN POSITIONS: CEO, the Private Sector Organisation of Jamaica (PSOJ); Member of the Board of Directors of the Grace Kennedy Foundation, Resorts Beach Limited, eMedia Interactive Limited, Junior Achievement Jamaica and Dress For Success Jamaica; Trustee of the NCB Pension Funds (1986 and 1999), the SMART Retirement Fund and the Credit Enhancement Facility; and Mentor to Caribbean Producers Jamaica Limited.

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

LENGTH OF DIRECTORSHIP: 10 years

SANYA M. GOFFE
LL.B (Hons)

MAIN POSITIONS: Attorney-at-Law and Partner of the law firm Hart Muirhead Fatta. Areas of practice include Corporate Commercial, Pensions and Intellectual Property Law. Member of the Jamaican Bar Association, Convenor of the Intellectual Property Committee, Chairperson of the Publications Committee and Director of the Pension Funds Association of Jamaica and the Jamaica Railway Corporation. Co-founder of the Adult Learning Centres of Jamaica, a non-profit organisation committed to improving the literacy and numeracy of adults in Jamaica.

SPECIAL ACHIEVEMENTS: A former Commissioner of the Fair Trading Commission, her practice also encompasses consumer and competition law as well as general corporate law. Frequent speaker on subjects including the protection and enforcement of intellectual property rights, anti-counterfeiting, brand protection as well as consumer and pension law issues.

LENGTH OF DIRECTORSHIP: 1 year

Board of Directors
Cont'd

HON.
NOEL HYLTON
OJ, Hon. LL.D., CD, J.P

MAIN POSITIONS: Chairman, President and CEO, the Port Authority of Jamaica. Served on several boards including the Jamaica Urban Transit Company Limited, Jamaica Promotions Corporation, the Maritime Authority of Jamaica, Air Jamaica Limited and the Police Service Commission.

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

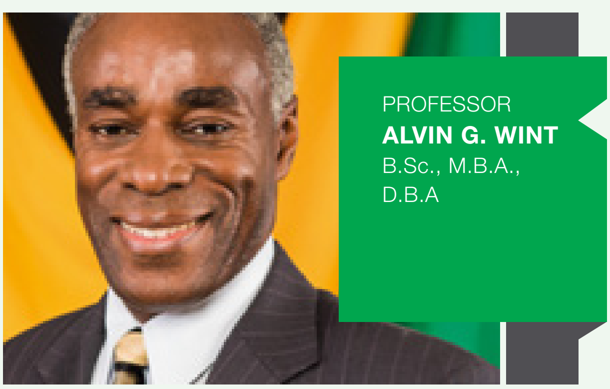
LENGTH OF DIRECTORSHIP: 10 Years

THALIA LYN
OD, B.A.

MAIN POSITIONS: Previously a teacher and licensed stockbroker and Marketing Manager for one of the largest Mutual Fund companies in Canada. Founder and presently CEO of the Island Grill chain of restaurants. Chairman of the NCB Foundation; Director of Mustard Seed Communities and Co-Chair of Grand Jamaica Homecoming.

SPECIAL ACHIEVEMENTS: Bachelor's Degree from Manhattanville College, USA. Director of Jamaica Macaroni Factory Limited and Port Royal Patties (UK). In 2004, she was appointed Jamaica's Honorary Consul General to the Kingdom of Thailand and was bestowed the honour of Commander Third Class of the Most Noble Order of the Crown of Thailand. Conferred with the Order of Distinction (Officer Class). Recipient of many awards including Business Leader of the Year (twice) from the Florida International University MBA graduating Classes and "Best Fast Food" awards and accolades for Island Grill chain of restaurants. Recipient of the national award of Order of Distinction for service in the field of business.

LENGTH OF DIRECTORSHIP: 9 years



PROFESSOR
ALVIN G. WINT
B.Sc., M.B.A., D.B.A

MAIN POSITIONS: Professor of International Business and a Pro Vice Chancellor at the University of the West Indies. Serves on the board of directors of Jamaica Producers Group, the Caribbean Policy Research Institute and the Planning Institute of Jamaica. Chairman of the Statistical Institute of Jamaica and the CARICOM's Regional Investment Promotion Steering Committee.

SPECIAL ACHIEVEMENTS: Former Director of the Bank of Jamaica, Jamaica Promotions Corporation and the Jamaica Exporters' Association.

LENGTH OF DIRECTORSHIP: 10 years

Put your best life FORWARD

Supporting
FINANCIAL WELLNESS
For 175 Years

Corporate Governance

OUR COMMITMENT TO BE BEST IN CLASS IN CORPORATE GOVERNANCE
The Board of Directors of National Commercial Bank Jamaica Limited is responsible for the Corporate Governance of the Bank and its subsidiaries (the Group). The Board continues to improve its corporate governance practices in keeping with its commitment to good governance outlined in the Group's Corporate Governance Charter (available on www.jncb.com) and the Core Values of the Group.

The members of the Board understand their legal and governance responsibilities and undertake these with honesty, probity and integrity, seeking to set the "tone at the top" for employees to emulate and encourage compliance with applicable obligations. The Board monitors the effectiveness of the Group's corporate governance practices and approves the necessary changes, as needed. The Corporate Governance Committee members keep abreast of the latest regulatory requirements, best practices and guidance in corporate governance and update the Board on these issues on a timely basis.

National Commercial Bank Jamaica Limited is a public company whose shares are listed on the Jamaica Stock Exchange (JSE) and the Trinidad and Tobago Stock Exchange (TTSE). The Group, headed by the Bank, conducts a range of businesses including banking, stock brokerage, securities trading and investment management, insurance and pension fund management. The Board therefore ensures compliance with the prudential and solvency requirements of the Bank of Jamaica, the Financial Services Commission, the Jamaica Stock Exchange and the Cayman Islands Monetary Authority.

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

Board Oversight

The Board meets approximately once per month; however, special meetings are convened as and when urgent issues and/or important decisions are required to be taken between the scheduled meetings. As at September 30, 2012, the Board met in regular and special sessions 12 times during the year to consider matters relevant to the operations and performance of the Group. All directors attended the Annual General Meeting held on February 23, 2012. The Board regularly meets with senior management to consider matters of strategic importance to the Group.

BOARD MEMBERS AND ATTENDANCE AT MEETINGS	
Hon. Michael Lee-Chin, OJ, Chair	12/12
Robert Almeida	9/12
Wayne Chen	10/12
Dennis Cohen	12/12
Sandra A. C. Glasgow	11/12
Sanya M. Goffe	12/12
Hon. Noel Hylton, OJ	7/12
Patrick A. Hylton, CD	12/12
Thalia Lyn, OD	11/12
Professor Alvin G. Wint	12/12

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

- Reviewing and approving the Bank's 2012-2013 operational plans and budgets
- Approving the Managing Director's and senior executives' performance targets on which their remuneration is based; monitoring their performance, and managing succession plans
- Approving capital expenditure
- Considering and/or approving the following policies:
  - Disclosure Committee Charter and Corporate Disclosure Policy
  - Whistle Blower Policy
  - Property, Plant and Computer Software Policy
  - Related Party Transactions Policy
  - Staff Loan Policy (Updated)
  - Social Media Policy
- Reviewing and approving credit facilities in excess of the limits delegated to management
- Monitoring executive management performance in the implementation and achievement of strategic and business objectives and financial performance
- Monitoring and reviewing the risk management processes, the Group's risk profile; compliance

- with prudential regulations, standards and other regulatory requirements; reviewing and monitoring credit quality
- Approving amendments to the Group's Anti-Money Laundering/Counter-financing on Terrorism Policy & Procedures Manual.

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

Composition of the Board

As at 30 September 2012, the Board comprised eight non-executive directors (including the Chairman) and two executive directors (the Group Managing Director and the Deputy Group Managing Director). The names of the directors, including details of the qualifications and experience are set out in the directors' profile section of the 2012 Annual Report.

Independent Directors

NCB recognises the important role that independent directors play in the company's governance. Of the eight non-executive Directors serving during the year, a majority (five) were deemed to be independent. The Board considers a director to have met the criteria for independence if he or she:

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

The independence of directors is kept under constant review and all independent directors are required to disclose whether they have any interests or relationships that could impact on their ability to act in the best interests of the company. The directors deemed independent at the date of this statement are:

- Sandra A. C. Glasgow
- Sanya M. Goffe
- Hon. Noel Hylton, OJ
- Thalia Lyn, OD
- Professor Alvin G. Wint

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 evaluate, manage and 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 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 2012. 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.

Internal Audit Function

The Group's Internal Audit Division is established by the Board of Directors as an independent team reporting directly to the Board through the Audit Committee. The scope of the internal audit function encompasses the following activities:

- Reviewing the adequacy and effectiveness of management's processes for risk management, internal control and governance;
- Reviewing the adequacy and effectiveness of management's system for strategic and annual plans and objective setting, and ensuring the annual internal audit plan is designed to assist in attaining these objectives;
- Reviewing established systems, policies, and procedures to determine if they are adequate to ensure that the Group is in compliance with applicable laws and regulations;
- Annually reviewing the internal audit charter for possible modification and approval by the Audit Committee;
- Reviewing financial reporting and disclosure controls and advisig management in their representations and assertions regarding these controls;
- Reviewing means of safeguarding the Group's assets;
- Appraising the efficiency and effectiveness of deployed resources;
- Coordinating audit efforts with those of the external auditors;
- Participating as an advisor in the planning, design, development and implementation of major computer-based systems to ensure that adequate controls are incorporated in the systems, adequate systems development life cycle disciplines are followed throughout the project and systems documentation is complete and accurate;
- Participating in the planning and performance of audits of potential mergers, acquisitions and divestitures;
- Reviewing guidelines for ethical business conduct

and the process for ensuring compliance;
- Reviewing and assessing the strength and effectiveness of the Group's Anti-Money Laundering and Counter-Financing of Terrorism Programme; and
- Periodically reviewing procedures for receipt, retention and treatment of complaints about accounting and auditing matters.

Auditor Independence

In accordance with the Charter of the Audit Committee, PricewaterhouseCoopers (PwC), the Group's external auditors, provided a written statement confirming its compliance with the relevant ethical requirement regarding independence, within the meaning of the Ethical Standards promulgated by the Auditing Practices Committee of the Institute of Chartered Accountants of Jamaica. Each PwC team member who works on the audits of companies in the Group, including those based overseas, signs a declaration of independence.

The Board is required to approve any material non-audit work performed by its auditors. Also, in accordance with international standards, the Group's audit engagement partner must be rotated every five years. The Group's lead audit engagement partner last rotated at the conclusion of the 2008 financial year. The fees paid to the external auditors in the financial year are included in Note 13 of the audited financial statements.

Codes of Ethics and Business Conduct

The Group's success to date has been achieved as a result of a demonstrated commitment to sound business conduct and the pursuit of service excellence in all its interactions. As a commitment to ensuring its continued viability, while recognising its role as a corporate leader in the country, the Group has adopted a Code of Ethics for Directors and a Code of Business Conduct for its employees, both of which incorporate the Group's Core Values, our commitment to service excellence, corporate citizenship, statutory and legal compliance and privacy and confidentiality. The Code of Business Conduct is also reflected in, and supported by, a broad range of policies and practices. The Codes, all of which have been approved by the Board, are intended to help Directors and staff understand their responsibility to uphold the Group's Core Values and the highest standards of ethical behaviour.

Conflicts of Interest

In adherence to the Company's Articles of Incorporation and statutory requirements on the disclosure of directors' interests, members of the Board who have an interest in proposals or transactions being considered by the Board, including where such interest arises through related parties such as close family members, are required to declare their interest and excuse themselves from the meeting without deliberating or voting on the proposal or transaction. Declarations of interest are reflected in the minutes of all Board and Committee meetings.

During the year, the Board considered a new policy on Related Party Transactions, the administration of which will be the responsibility of the Audit Committee. The policy prescribes those transactions that will be excluded from review and those requiring prior approval by the Board, as well as restricted transactions and the process for disclosing related parties.

Nomination of Directors

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

Information and Professional Development

Prior to and at each regular meeting of the Board, the Directors receive detailed financial and operational reports to allow them to effectively monitor the performance of the Group's business. Board papers are usually issued for review 6 days in advance of meetings, while Committee papers are usually issued 5 days in advance.

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

During the year, Directors of the Bank and major subsidiaries, as well as senior managers, participated in professional development sessions on corporate governance.

Remuneration

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

For the Executive Directors, the structure of remuneration links rewards to corporate performance. A significant portion of the Executive Directors' compensation package is variable and dependent on the Group's performance during the year.

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

The Chairman, the Hon. Michael Lee Chin, OJ and Director, Robert Almeida, do not receive Director fees by virtue of their connection with the controlling shareholder, Portland Holdings Inc. During the year, Committee Chairs received a retainer of $140,625.00 and Directors $105,468.75, in addition to a fee of $40,000.00 for each Committee meeting attended and $50,000.00 for each Board meeting attended, in accordance with the remuneration arrangements approved by shareholders at the Annual General Meeting held on February 23, 2012.

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 basis of calculation of the fee and the global sum and, in accordance with Article 80 of the Company's Articles of Incorporation, the recommendation for the global sum is approved at the Annual General Meeting.

Board Evaluation

The Board annually evaluates the effectiveness of the Board and its Chairman, its Committees, their chairs and the Directors. This year, the Bank retained McKinsey & Company, a leading global consulting firm, to undertake an independent evaluation of the Board's performance and effectiveness. The survey, a mix of open ended and closed questions, was completed by all Directors and the Company Secretary, consultants also conducted some face to face interviews with Directors. The evaluation process provided Directors and the Secretary with an opportunity to opine on the degree of fulfilment of the Board's responsibilities, the quality of the relationship between the Board and the Executive Team, the effectiveness of Board processes and meetings and individual Directors' own contributions. Open-ended questions explored how the Board could be more helpful to the Executive Team, the optimal length of Board meetings; the appropriateness of existing Board committees and how the Board could improve its effectiveness.

A written evaluation report summarising the results was submitted to the Board. The recommendations arising from the report will be monitored for implementation by the Corporate Governance Committee during the ensuing year.

Board Committees

The Board has delegated specific duties to standing Board Committees each of which has its own approved Terms of Reference which defines the respective Committee's roles and responsibilities. Copies of these Terms of Reference are available on the Bank's website, www.jncb.com under "Corporate Governance."

The Committees assist the Board in its oversight role. Subsequent to each Committee meeting, the minutes are included in the Board papers for the review of all Board members. All members of the Audit and Corporate Governance Committees are independent directors. The Board Risk Management Committee includes independent members of the Board as well as the Group Managing Director and Group Deputy Managing Director. Members' attendance at Board Committee meetings during the past year is set out below.

Executive Committee

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

The Executive Committee has the full powers of the Board vested in it from time to time and ordinarily exercises those powers only in exceptional matters. The Committee met formally once during the year. However, by Round Robin Resolution, the Committee approved other matters mainly relating to credit facilities that were over the limit of the Credit Committee.

Audit Committee

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

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

The Committee has unrestricted access to group documents and information as well as to management and the external auditors. Minutes of Audit Committee meetings are included in the papers for meetings of the Board and the Chairman of the Audit Committee makes a report of the outcome of Committee meetings, to the Board.

Significant activities of the Audit Committee during the year

The Audit Committee met nine times during the year.

MEMBERS AND ATTENDANCE AT MEETINGS	
Professor Alvin G. Wint, Chair	**9/9**
Hon. Noel Hylton, OJ	**6/9**
Sandra A. C. Glasgow	**9/9**

The Audit Committee's responsibilities, which are set out in its Charter and which it discharged during the year, include:

Financial statements

- reviewing significant accounting and reporting issues, including complex transactions and highly judgemental areas, and recent professional and regulatory pronouncements, understanding their impact on the financial statements;
- ensuring that the Group's quarterly and annual financial statements and quarterly releases represent accurate, clear and balanced assessments of the Group's position and prospects.

Internal control

- monitoring and reviewing the effectiveness of the risk management and internal control system, including information technology security and control;
- considering the scope of the Internal Audit Division's review of risk management and internal control over financial and operational reporting and obtaining reports on significant findings and recommendations together with management's responses.

Internal audit

- monitoring and reviewing the effectiveness of the Group's internal audit function, including organisational structure, staffing and compliance in keeping with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing;*
- ensuring there were no unjustified restrictions or limitations placed on the Chief Internal Auditor (CIA);
- through the Chair, reviewing the performance and exercising final approval of the CIA's compensation.

Fraud prevention

- receiving and considering reports on significant frauds, forgeries and other irregularities in respect of investigations undertaken.

External audit

- reviewing the external auditors' audit scope and approach;
- monitoring and reviewing the objectivity, effectiveness and independence of the external auditors;
- approving their scope of work, reports and fee proposals for audit services;
- meeting separately with the external auditors to discuss matters that the Audit Committee or the auditors believe should be discussed privately.

Compliance

- reviewing the effectiveness of the systems for monitoring compliance with laws and regulations, and the results of management's investigation and follow up;
- reviewing auditor observations;
- monitoring compliance with the organisation's code of conduct;
- establishing and reviewing procedures for receiving complaints.

Reporting to the Board

- reporting to the Board quarterly about Committee activities, issues and recommendations.

Credit Committee

MEMBERS AND ATTENDANCE AT MEETINGS	
Professor Alvin G. Wint, Co-Chair	13/15
Sandra A. C. Glasgow, Co-Chair	12/15
Dennis Cohen	12/15
Patrick A. Hylton, CD	10/15

The Credit Committee met 15 times for the year. In pursuit of its mandate to assess, identify and mitigate the Bank's credit risk, the Committee undertook the following during the 2011/2012 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 credit portfolio by business, product, obligor limits, industries, aggregate exposure to major borrowers and adversely classified and troubled debt exposure; and
- Discussion of major credit risk exposures.

Risk Management Committee

In June 2012, in the light of the redesign of the Group's Enterprise Risk Management framework and a revised approach to risk oversight and governance, the Board approved the creation of a Board Risk Management Committee which now supersedes the Credit Committee. The Committee is responsible for evaluating and reporting to the Board regarding the Group's risk profile, as well as its risk management framework, including the significant policies and practices employed to manage credit, market, liquidity, capital, operational and other risks, as well as the overall adequacy of the risk management function.

The Committee met three times subsequent to its formation to agree on the Committee's Charter, receive an update on the Enterprise Risk Management Framework for the Group and key risk indicators and approve credit facilities.

BOARD MEMBERS AND ATTENDANCE AT MEETINGS	
Professor Alvin G. Wint, Chair	3/3
Robert Almeida	2/3
Dennis Cohen	3/3
Sandra A. C. Glasgow	3/3
Sanya M. Goffe	3/3
Patrick A. Hylton, CD	3/3

Corporate Governance Committee

BOARD MEMBERS AND ATTENDANCE AT MEETINGS	
Sandra A. C. Glasgow	3/3
Sanya M. Goffe	1/1*
Thalia Lyn, OD	3/3
Professor Alvin G. Wint	3/3

*Mrs. Goffe was appointed to the Committee on January 26, 2012

The Committee met three times during the year and considered the following matters:

- Review of the Group's policies and identifying those to be updated and presented to the Board for its approval;
- The terms of a consultancy agreement between the Bank and AIC Global Holdings, Inc. (connected by virtue of AIC's ownership by the Group's Chairman and controlling shareholder, Michael Lee Chin);
- the composition of the Board and possible additional directors; and
- The director engagement and orientation process.

Adherence to the highest standards of corporate governance continues to be the cornerstone of the Group's culture. The Group is committed to operating in accordance with best practice in business integrity and ethics as it strives to meet its vital responsibilities as a good corporate citizen and an active partner in the development efforts of the country.

Sandra A. C. Glasgow
Chair, Corporate Governance Committee

Corporate Disclosure Policy

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

The policy regulates the disclosure of information by NCB about NCB and its business activities. It stipulates that NCB companies shall be responsible to make any disclosure that they are required, respectively, to make by virtue of any law, regulation or regulatory requirement.

The Policy contains the following:-

1. Objectives and Principles of Disclosure
2. Media Communication Protocol
3. Details of the Persons generally authorised to make Disclosures on Behalf of NCB
4. Parties and Rules for the Disclosure of Information
5. NCB Companies Listed on a Stock Exchange /Annual Report to Stockholders
    a. 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.
6. In addition to the means of disclosure required by law, NCB's Listed Companies will:-
    a. conduct meetings
    b. disclose information on NCB's website and
    c. issue press releases

THE POLICY MAY BE VIEWED IN ITS ENTIRETY ON THE BANK'S WEBSITE AT WWW.JNCB.COM

Dividend Policy

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

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

The Board of Directors of National Commercial Bank Jamaica Limited (NCB) 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 PAYOUT 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.

Environmental Policy & Practices

The National Commercial Bank is committed to caring for and protecting the environment in which we operate.

We now have an Environmental Policy and an Energy conservation strategy and continue to use 'green' technology throughout the enterprise where feasible.

This includes the discontinuation of the burning of waste at our locations, the use of LED lighting, rain water collection and distribution, air-conditioning upgrades and sewage disposal upgrades. These new mechanical sewage systems are being monitored by NEPA.

The use of green technology has also been implemented at our newly constructed building at 29 Trafalgar Road. This includes LED lighting, rainwater collection and distribution system and an inverter air-conditioning system.

Human Resource Development Policies and Practices

National Commercial Bank Jamaica Limited in its Human Resource Development Policies and Practices delivers on a vision that engenders a sustainable organisation of excellence built on three pillars: selecting, developing and allocating the right human resources in order to optimize business success.

As we manage a fit for purpose human resource function in order to achieve operational excellence, the Group Human Resources Division ensures that the business has the right capability, capacity and organization design to create value. To this end, some of the main areas of focus in our policies and practices include: Talent Management, Occupational Health and Safety, HIV Workplace Policy, Learning and Development, Succession Management and Education/Benefits (a summary of each is provided below and can be found on our intranet and published in our Annual Learning Reports which can be located on our website at www.jncb.com):

TALENT MANAGEMENT

The practices and procedures which guide Talent Management require us to be: fair and consistent, non-discriminatory on the grounds of sex, race, age, religion or disability and conform to statutory regulations and agreed best practices. Key talent management initiatives have also been implemented namely: Virtual Orientation, Professional Development Planning and Performance Management Enhancement.

OCCUPATIONAL HEALTH AND SAFETY

The Group seeks to provide a workplace that is free from preventable injuries and occupational illnesses through the observance of the respective rules and regulations by all concerned. We believe that a safe and healthy working environment is essential to achieving high productivity and work quality comparable with international standards.

HIV WORKPLACE POLICY

The policy provides a framework to monitor and mitigate the impact of HIV/AIDS on the Company and seeks to maintain stability and productivity in the workplace, whilst protecting the confidentiality, dignity and rights of HIV positive employees.

LEARNING AND DEVELOPMENT

The Company is committed to channelling its resources into those initiatives that support employee professional development and expertise. The Corporate Learning Campus supports the Company's employment, retention and growth strategies, including but not limited to marketing plans, succession planning, promotion, rotation and cross-training interventions, and thereby assist in the increase of performance and productivity levels.

SUCCESSION MANAGEMENT

The Programme involves a deliberate effort to include senior management in succession management by allowing them to identify leadership requirements, identify a pool of high potential candidates, develop leadership competencies in those candidates and select leaders from a pool. The programme also mandates ownership and accountability by senior management.

EDUCATION/BENEFITS

The NCB Education Policy seeks to encourage staff who demonstrate that they understand the value of being responsible to themselves to improve their own knowledge and understanding of the skills and the issues which are relevant to the services offered by the Group.

Business Continuity Policy

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.

Group Managing Director's Message

Patrick A. **Hylton**, CD
Group Managing Director

Dear shareholders,

In the 2011/2012 financial year, National Commercial Bank Jamaica Limited ("NCB") celebrated its 175th anniversary, which coincided with our nation's celebration of its 50th year of independence. As Jamaica's predominant indigenous financial institution, we took this opportunity to reflect on our legacy of service to the Jamaican people and to set new aspirations for our institution and for how we will contribute to the development of our nation going forward.

Today, we consider NCB to be the premier financial institution in Jamaica. During the 2011/2012 financial year, NCB continued to demonstrate strong financial performance within the context of continued local and global economic challenges and uncertainty. We experienced a decline in profits for the 2011/2012 financial year, which is largely attributable to shrinking margins, precipitated by the 2010 Jamaica Debt Exchange, a large provision and the recent asset tax on financial institutions. Notwithstanding this decline, we have maintained leading market share in key areas such as loans and deposits, while maintaining a strong capital base and strong liquidity. In addition, we continued to be recognized as Jamaica's leading bank by several international organisations. In 2012 NCB was recognized as:

- Bank of the Year Jamaica by The Banker Magazine for the fifth consecutive year
- Best Bank of the Year Jamaica by Latin Finance for the third consecutive year
- Best Pension Fund Manager by Global Banking & Finance Review - NCB Insurance Company Limited

Beyond our 2012 financial performance, NCB continued to live up to its Building a Better Jamaica mantra. Through the NCB Foundation, we awarded over 200 students at the primary, secondary and tertiary levels with scholarships and grants totalling over $20M. The Foundation covered the CXC/CSEC Principles of Accounts and Principles of Business Caribbean examination fees for 4,674 students island-wide totalling $9M. We also donated an ambulance valued at $3.5M to the BREDS Treasure Beach Foundation/Treasure Beach Emergency Response Unit (TBERU). Over 3,000 community members will benefit from this donation. NCB separately committed over $50M to support the nation's 50th anniversary celebrations and nation building efforts e.g. Expo Jamaica and the Buy Jamaica Campaign. We were also recognized by the Jamaica Exporters' Association (JEA) as the Top Exporters' Support Services organisation in the Financial Services category for the sixth consecutive year.

We are cognizant that challenges will continue in the foreseeable future; however, we are focused on implementing strategies to surmount these challenges to ensure the continuation of our track record of strong performance. Our primary areas of focus are as follows:

Sales and Service Excellence – As a financial services institution, our primary responsibility is to provide the financial solutions that help our customers to meet their day to day and long term needs. We are enhancing our sales and service models to ensure we can meet the needs of our customers for all key life events such as purchasing a home, purchasing a vehicle, saving for a child's education, starting and growing a business, and planning for retirement. This requires that we first fully understand the needs and expectations of our customers and then efficiently and effectively meet and exceed those needs and expectations. We are here to help each of you "Put Your Best Life Forward" as stated in our new corporate campaign.

Increased Efficiency – We are focused on redesigning key internal processes and enhancing our technology infrastructure to improve speed and quality in our delivery of products and services and to reduce operating costs. Some of these changes will involve helping customers to understand and adopt easier and more cost-effective ways of conducting their own banking transactions. This area of focus is critical to improving customer satisfaction, sustaining profitability and enhancing shareholder value.

Organisational Health – We believe that our employees are the key to sustaining our performance. As such, we have renewed our focus on building an organisation with the engagement, capabilities, mindsets and behaviours required to sustain a culture of continued renewal and improvement.

We accept our responsibilities to all our stakeholders – employees, customers, communities and shareholders. To fulfill these responsibilities we will strive for performance excellence in all the aforementioned areas in the 2012/2013 fiscal year and beyond.

[Our Leadership Team]

Our leaders are the creators and directors of our strategic and operational direction. Their roles require focus and flexible actions pursuant to value creation for all stakeholders.

Rickert ALLEN
SNR. GENERAL MANAGER
Group Human Resources

ROLES & RESPONSIBILITIES:
Rickert Allen's core mandate is the development and direction of strategies for the effective and efficient management of the human capital of the Group in keeping with the organisation's strategic direction in order to create a work environment conducive to high levels of employee productivity, engagement and customer service excellence. He also has overall responsibility for the Facilities and Services Division of the Group.

SPECIAL ACHIEVEMENTS:
Rickert is a Chartered Fellow of the Chartered Institute of Personnel Development and 2nd Vice President of the Jamaica Employers Federation (JEF). He serves as Vice Chairman of the HEART TRUST/NTA and Chairman of HEART TRUST/ NTA Corporate Governance Committee. He is also a member of the Private Sector Organisation of Jamaica (PSOJ) Education Committee; the Society for Human Resource Management (SHRM), Human Capital Institute (HCI); the UWI Mentorship Programme and the Compensation Committee of NCB Insurance Company Limited and NCB Capital Markets Limited.

Septimus 'Bob' BLAKE
SNR. GENERAL MANAGER
Treasury & Correspondent Banking and Card Services

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

SPECIAL ACHIEVEMENTS:
Bob has over a decade of experience in the financial services industry, and has received professional training in asset/liability & risk management both locally and overseas. He serves as Director on the boards of NCB Remittance Services (Jamaica) Limited; NCB Remittance Services (UK) Limited and NCB Capital Markets Limited. He is a member of the N.C.B. Foundation, serves on NCB's - Assets & Liabilities Committee - (ALCO), NCB Capital Markets Limited - Investment Management Committee and NCB Insurance Company Ltd - Investment Management Committee. Currently, he is the Jamaica Bankers Association (JBA) representative to the Bank of Jamaica Bankers Sub-Committee.

Maj. Ffrench CAMPBELL
SNR. ASST. GENERAL MANAGER Facilities and Services

ROLES & RESPONSIBILITIES:
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 and the ongoing maintenance of all building systems and equipment that support the business. He also has portfolio responsibility for the security, safety, environmental and centralized purchasing portfolios for the Group.

SPECIAL ACHIEVEMENTS:
Ffrench holds a Bachelor's Degree in Mechanical Engineering from the Royal Military College of Science, Cranfield in the United Kingdom and an Executive MBA from the University of the West Indies. He also serves as a Board Member of the Private Security Regulatory Authority (PSRA) and is a Director for the Data Cap subsidiary.

Yvonne CLARKE
GROUP CHIEF FINANCIAL OFFICER

ROLES & RESPONSIBILITIES:
Yvonne Clarke provides leadership and oversight for all Financial Reporting, Taxation and Regulatory Reporting activities for the Group. She is also responsible for investor relations and monitoring the performance of the organisation against strategy and budget.

SPECIAL ACHIEVEMENTS:
Yvonne is a Fellow of the Association of Chartered Certified Accountants and the Institute of Chartered Accountants of Jamaica (ICAJ) and holds an MBA from Manchester Business School, University of Manchester. She is a member of the Accounting Standards Committee of the ICAJ and Chair of the Data-Cap Processing Limited and NCB Nominees Limited Boards. She also serves as a Director of NCB Capital Markets Limited, NCB Insurance Company Limited, NCB Remittance Services (Jamaica) Limited and NCB Foundation.

Dennis COHEN
DEPUTY GROUP MANAGING DIRECTOR & CEO, NCB Capital Markets Limited

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

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

Dave GARCIA
COMPANY SECRETARY & GENERAL MANAGER, Legal, AML & Corporate Compliance

ROLES & RESPONSIBILITIES:
Dave Garcia is responsible for providing the Bank and its subsidiaries with general advice, leadership and direction on all legal, regulatory, compliance and corporate secretarial matters. He is charged with overseeing the operations of the Group's Legal, AML & Corporate Compliance Division. He has primary responsibility for the management of the Group's legal risk and the continuing development and implementation of our anti-money laundering and counter-terrorist financing programme.

SPECIAL ACHIEVEMENTS:
Dave is an Attorney-at-Law and a certified Anti-Money Laundering Specialist and holds a Bachelor of Laws Degree from the University of the West Indies and a Master of Laws Degree from Osgoode Hall Law School, York University. He is Chairman of Youth Reaching Youth, a charitable organisation and a member of the Jamaica Bankers Association's Compliance Committee and Public Policy and Legislative Committee. He is also a member of the Jamaica Bar Association's Commercial Law Committee, and has previously served as its Convenor.

Steven GOODEN
DEPUTY CEO, NCB Capital Markets Limited

ROLES & RESPONSIBILITIES:
Steven Gooden is charged with driving the performance of the company's wealth management, asset management and investment banking business lines. With seven years experience at the senior management level, his background also includes research, unit trust management, structured products, private equity, corporate finance and mergers & acquisitions.

SPECIAL ACHIEVEMENTS:
Steven is a holder of the Chartered Financial Analyst (CFA) designation, has a Master's degree in Finance and Economics, a Bachelor's degree in Economics and Accounting, and has won many local awards in the areas of research and portfolio management. He is a director of NCB Capital Markets and serves as Treasurer of the Jamaica Securities Dealers Association and the Wolmer's Old Boys Association.

Howard GORDON
SNR. GENERAL MANAGER, Group Operations and Technology

ROLES & RESPONSIBILITIES:
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 and leading the creation of an operations environment consistent with international banking practices to support the Group's risk, sales and service strategies.

SPECIAL ACHIEVEMENTS:
Howard possesses a wealth of experience in auditing, risk management, operational management, business process re-engineering and productivity management as well as a working knowledge of information systems. He is a graduate of the Manchester School of Business at the University of Manchester where he earned his MBA and holds a first class honours degree in Business Administration from the University of Technology (Jamaica). He is an Associate of the Chartered Institute of Bankers (ACIB) London.

Our Leadership Team
Cont'd

Patrick HYLTON
GROUP MANAGING DIRECTOR

Vernon JAMES
GENERAL MANAGER, NCB Insurance Company Limited

Sheree MARTIN
GENERAL MANAGER, Marketing, Communications and Service Delivery Division and CEO of NCB Foundation

Marjorie SEEBERAN
GENERAL MANAGER, Corporate Banking

ROLES & RESPONSIBILITIES:
Patrick Hylton is responsible for the strategic development of the organisation and under his leadership NCB has achieved record growth in profitability, as well as won numerous awards locally and internationally. He also has responsibility for the Bank's investment and insurance subsidiaries.

Special Achievements:
Patrick is Past President of the Jamaica Bankers Association. He was also conferred with Order of Distinction, Commander Class, by the Prime Minister and Governor General of Jamaica in 2002. He is an Honours Graduate in Business Administration and an Associate of the Chartered Institute of Bankers - London. Currently, Patrick serves as Chairman of NCB Capital Markets Limited and Director of NCB (Cayman) Limited; NCB Capital Markets (Cayman) Limited; NCB Remittance Services (Cayman) Limited; NCB Insurance Company Limited; Data-Cap Processing Limited and West Indies Trust Company Limited.

ROLES & RESPONSIBILITIES:
Vernon James has overall responsibility for the strategic leadership of NCB Insurance Company Limited. He is also the Vice President of Sales and Corporate Client Services at NCB Capital Markets Limited (NCBCM) where he has responsibility for the sales team. The market share for NCBCM products, particularly the Repurchase Agreements grew significantly, under his stewardship, by over $30 billion.

Special Achievements:
Vernon holds a Master of Science Degree in Financial Mathematics from the Warwick University in England and a Bachelors Degree in Mathematics from the University of the West Indies. He has also served in various capacities at Scotia Investments and was the Assistant Vice President for Equity Trading and Stock Brokerage Services, up to the time of his departure in 2008.

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

Special Achievements:
Sheree is a Director of NCB Insurance, a member of the Advisory Board of the Global Chief Marketing Officer (CMO) Council (USA), the University College of the Caribbean (UCC), and the School Board of the Convent of Mercy Academy, "Alpha". She holds an MBA in Banking & Finance (with Distinction), and a BA in Language & Literature from the University of the West Indies.

ROLES & RESPONSIBILITIES:
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.

Special Achievements:
Marjorie serves on the Board of the Jamaica Chamber of Commerce (JCC) and JAMPRO. She is the Chairperson of the JCC Education Committee (JCCEC) and NCB's Institute of Leadership and Organisation Development and Founding member of the American Foundation of the University of the West Indies (AFUWI) in New York, USA. She also holds a BSc in Economics from the University of the West Indies and an MBA in Finance from New York University. Prior to her appointment at NCB, she was a Senior Vice President of Corporate Banking and Corporate Finance with JP Morgan Chase and an Executive Director of the University of the West Indies' (UWI) Business Development Office.

Audrey TUGWELL HENRY
SNR. GENERAL MANAGER, Retail Banking

ROLES & RESPONSIBILITIES:
Audrey Tugwell Henry is charged with responsibility for leadership of the Retail Banking sector. She implements initiatives that will allow the business to achieve its targeted growth and profitability, as well as evaluates market trends, both locally and internationally, in order to develop a wide array of banking solutions to meet consumer needs.

Special Achievements:
Audrey serves on the boards of NCB Remittance Services (U.K) Limited, NCB Insurance Company Limited and J.E.T.S Limited.

Mukisa RICKETTS
CHIEF INTERNAL AUDITOR - Internal Audit

ROLES & RESPONSIBILITIES:
Mukisa Ricketts provides strategic direction and oversight of the internal activities of the Group. Her role facilitates transparency of the Group's operations through independent and objective assurance on the effectiveness of risk management, internal control and governance processes.

Special Achievements:
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). She also serves as Volunteer to the Institute of Internal Auditors Jamaica Chapter.

Allison WYNTER
GENERAL MANAGER, Credit and Risk Management

ROLES & RESPONSIBILITIES:
Allison Wynter has responsibility for the identification, assessment, measurement, monitoring and shared-management of the principal risks faced by the Group with particular emphasis on Credit risk, Market risk and Operational risk.

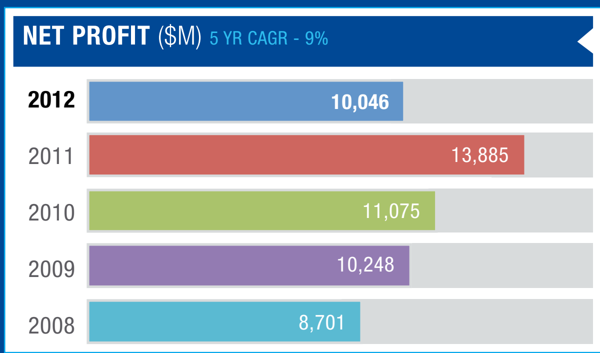
Special Achievements:
Allison is a member of the Group and Bank Asset & Liability Committees and serves on the Investment Management Committee of NCB Insurance Company Limited and the Risk Management Committees of NCB Insurance Company Limited, NCB Capital Markets Limited and NCB (Cayman) Limited. She is also a trustee of the NCB Staff Superannuation Fund (1999) and a member of the Accounting Standards Committee of the Institute of Chartered Accountants of Jamaica.

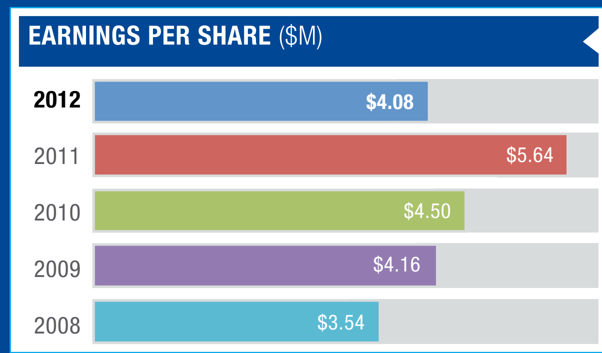
She is a Chartered Accountant, Chartered Financial Analyst and holds an MBA in Finance from the University of Manchester, a Masters in Accounts and a Bachelor of Arts (Hons.) degree from the University Of The West Indies.

Management's Discussion & Analysis **(MD&A)**

The management of National Commercial Bank Jamaica Limited is responsible for the integrity and objectivity of the information contained in the Management Discussion and Analysis (MD&A). The financial information disclosed in the MD&A is consistent with the financial statements presented. The information conveyed is based on the informed judgment of management with an appropriate consideration to materiality. In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorised and recorded, assets are safeguarded against unauthorised use or disposition and liabilities fully recognised. Importantly, the system of control is continually reviewed for its effectiveness and is supported by written policies and guidelines, qualified personnel, and strong internal audit procedures.

Contents





The MD&A is presented to enable readers to assess the operational results and financial condition of National Commercial Bank Jamaica Limited and its subsidiaries (hereafter referred to as the NCB Group) for the year ended September 30, 2012, compared with the corresponding periods in prior years. The MD&A should be read in conjunction with our audited consolidated financial statements and related notes for the year ended September 30, 2012. Unless otherwise indicated, all amounts are expressed in Jamaican dollars and have been primarily derived from the annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB).

Corporate Overview

We are a leading Caribbean full-service commercial bank that, together with our subsidiaries, provides individual consumers, small- and medium-sized enterprises, or "SMEs", large corporations and government institutions with banking, wealth management, insurance and pension fund management products and services. We provide a wide range of financial products and services to our customers, including loans and investment products, deposits, remittance services, electronic banking, payment services, credit cards, structured finance, trade finance, foreign exchange, wealth management, insurance, pension fund management, annuities, and trust and registrar services. We have an extensive branch network spanning all parishes across Jamaica and also provide various non-branch channels for our customers to conduct business. As at September 30, 2012, we had $379.4 billion in assets, and recorded net profits of $10.0 billion for the year ended September 30, 2012. The National Commercial Bank Jamaica Limited trades under the symbol "NCBJ" on the Jamaica Stock Exchange and Trinidad & Tobago Stock Exchange. In May 2012, we filed publicly a registration statement on Form F-1 with the U.S. Securities and Exchange Commission relating to the proposed initial public offering of American Depositary Shares (ADSs) representing ordinary shares. The number of ADSs to be offered, the number of ordinary shares of the Bank to be represented by each ADS and the price per ADS and the timing for the offering have not yet been determined.

Performance Measurement

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

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

We monitor our performance as frequently as is required to be able to proactively respond to changes in our economic environment. We couple these performance reports with forward looking projections to ensure prudent and timely decision making. We actively pursue our strategic imperatives and review outcomes using the defined strategic measures to ensure alignment with the overall mission of the organisation.

Our Operating Environment

The 2011/12 financial year began on a positive note as the economy continued to witness a modest rebound after the protracted downturn in economic activity. Interest rates remained fairly low while inflationary pressures were contained as oil prices moderated. However the positive trajectory was later interrupted by slowing growth in the economies of Jamaica's major trading partners, high levels of unemployment and declining business and consumer confidence. These factors weighed on consumer spending and delayed investment and hiring decisions. The weakness in consumer spending was further compounded by tax measures imposed by the government at the start of the fiscal year. More recently, the economy was dealt a further blow with the passage of Hurricane Sandy which resulted in significant damage to the island's infrastructure. In addition, depreciation in the local currency particularly in the September quarter has raised concerns about the sustainability of the low interest rate and inflation environment. Given the deterioration in economic conditions, there has been growing market uncertainty. The absence of an IMF agreement has contributed to the market jitters. The government has noted however that negotiations are proceeding in accordance with the initial timetable and discussions relating to the contents of a draft Letter of Intent are in progress.

LOCAL ECONOMY

The economic recovery which began in early 2011, continued through to the start of the financial year with growth of 1.6% in the October to December quarter . Following this, the local economy has been on a downward trajectory with a 0.1% and 0.2% decline in the March and June quarters. Outside of the June quarter, industries in the Goods Producing sector generally performed well led by Agriculture, Forestry & Fisheries. However there have been notable challenges in the Construction and Mining & Quarry industries given the stalling of the JDIP programme and reduced demand for bauxite and alumina, on account of slowing global growth. In the Services Industry, Transport, Storage and Communication, Real Estate Renting and Business Activity and Producers of Government Services were the troubled industries. The performance of the Transport, Storage & Communications industry has been affected by lower cargo volumes at the islands outports and lower share of revenue passenger miles accruable to the country, due to the sale of the national carrier. Real value added in the Finance & Insurance services sector continued to be tempered by declines in net interest income, on account of lower asset yields. However, there have been creditable performances in others such as Hotels and Restaurants and Wholesale and Retail Trade Repairs and Installation of Machinery.

There are downside risks to future economic performance. The most obvious being the impact of the passage of Hurricane Sandy. Lost production days and the damage to the island's infrastructure should weigh on the outturn in the second half of the year. Agriculture, which has been the best performing industry, will likely see a decline in production due to the damage to crops and livestock. The storm also caused severe destruction on the US East Coast which will mean a decline in tourist arrivals from that region this year. Arrivals from the US North East accounted for roughly 45% of total US Stopover Arrivals in January to May of 2012 and as such a decline will significantly affect arrivals from the US . In addition, the impact of the tax measures implemented at the start of the Government's fiscal year will continue to weigh on consumers' disposable income and by extension spending.

Within the context of slower expected global growth for 2013, growth in exports and remittance inflows is likely to soften. Against the background of austerity measures implemented in the face of the sovereign debt crises, the island has already witnessed reduced remittance inflows, and tourist arrivals from Europe.

There are some positives however mainly on account of improvements in the economy of our main trading partner - the US, which is expected to spill over in the local economy. US economic growth in the third quarter of the 2012 calendar year was 2.0% which was an improvement on the first and second quarter figures. Unemployment in the US declined from 9.0% in October 2011 to 7.9% in October 2012 and the growth in new jobs in the US economy is said to be reflective of those associated with an economic recovery. Improving prospects in the US have positive implications on widening trading opportunities for Jamaica which could add support to local growth. At home, the signing of an agreement with the IMF in the near term could result in the resumption of inflows from other multi-nationals which may be used for reconstruction and development activities. Rebuilding activity following the Hurricane could also have a positive impact on economic activity.

FISCAL AND DEBT DYNAMICS

The fiscal deficit to GDP outturn of 6.2% in FY2011/12 was above the targeted 4.6%. Central government will be seeking to meet a 3.8% target for FY2012/13 and the fiscal deficit is just ahead of target so far. For the period April to September, the fiscal deficit was $30.51Bn ($4.92Bn less than budgeted). The primary balance (revenues less non-interest expense) was $30.85 which was $1.55Bn above target. At $157.49Bn, there was a $6.67Bn shortfall in revenues, however, the $11.59Bn cut in expenditure led to the favourable outturn in the fiscal accounts.

Rising unemployment continues to have adverse effects on PAYE tax receipts which accounted for more than half of the $2.25Bn shortfall in Income and Profits. Receipts from Production and Consumption taxes also missed its mark by $752.80Mn, owing mainly to lower than expected Special Consumption Tax (SCT) receipts. Revenues from International Trade also trailed target (down $2.22Bn) given lower receipts from custom duties, GCT and SCT on imports.

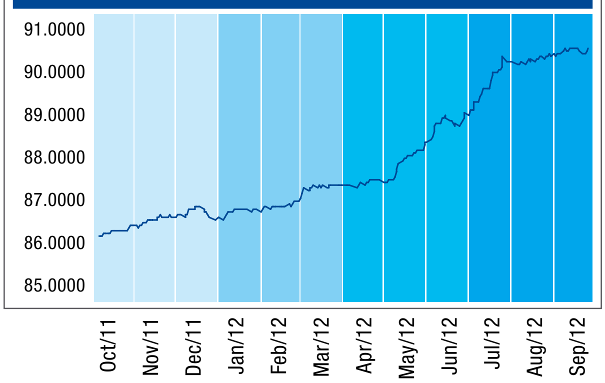
Expenditure controls may continue to be used to keep the fiscal balance in check in the near term. However, with the repair bill associated with Hurricane Sandy estimated at over $5.00Bn and the significant damage to the island's infrastructure, the government may need to implement the recommended fiscal adjustments in the current year if it is to come close to its targets. There are also challenges on the revenue side as tax receipts are likely to remain subdued given the current weakness in economic conditions and high unemployment levels.

Investors have been eagerly awaiting some positive news relating to a new IMF deal. After meeting with key government officials IMF representatives stated that the implementation of improved fiscal policies, a reduction in debt and unemployment levels and policies geared towards sustainable growth were among the objectives of the new programme. In his update to parliament on October 23rd, the Minister of Finance outlined some key medium term targets which included achieving a balanced budget by 2015/16, and bringing the debt to GDP ratio to 100% by then. In light of the country's high debt levels, it will take significant economic growth over the next three years to achieve this. The probability of attaining the required growth rates is further challenged by fiscal austerity measures that are expected to remain in place. The Minister noted that alternative initiatives such as a Debt for Asset Swap and a Debt for Nature Swap are being explored to alleviate the current debt burden.

FOREIGN EXCHANGE MARKET

In contrast to the previous financial year, there was notable depreciation in the local currency in FY2011/12. As at the end of September 2012, the weighted average selling rate for the US$ stood at $89.93, which represented a 4.21% depreciation over September 30, 2011. The pressures on the local currency was strongest between January and September 2012, as the J$ slipped by 3.85%. This was precipitated by a number of factors including the underperformance of foreign exchange generating industries such as Mining and Quarrying, heavy demand by end-users to reduce US$ liability and BOJ's limited ability to augment US$ supplies given shrinking Net International Reserves(NIR). NIR levels fell by 39.54% to US$1,257.81Mn during the year.

Month on Month Movement in J$/US$



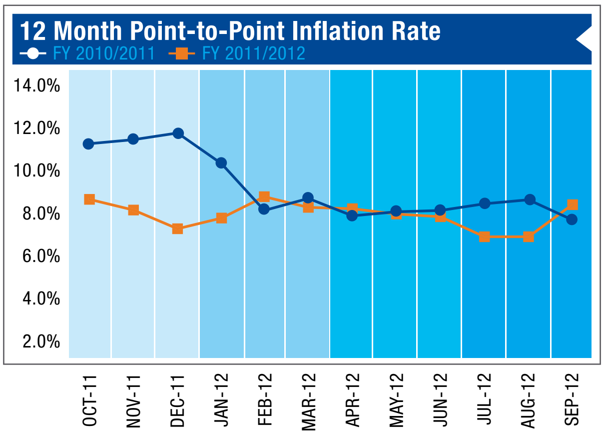
The heavy demand for hard currency is likely to continue given the usual seasonal demand leading up to Christmas. As such, further depreciation is expected in the near term. However a moderate improvement in supply conditions could help to slow the pace of depreciation in subsequent months. Remittance inflows from major source markets such as the US and Canada are expected to increase during the festive period, particularly as those economies continue to show signs of improvement. Further, the start of the tourism season could help to ease pressures in the market. The inking of an agreement in the near term would also mean increased hard currency inflows as it would open up avenues for further funding from other multilaterals.

INFLATION

As at September 2012 the 12 month point to point inflation rate stood at 6.7%. This outturn was affected by tax measures implemented in the FY2012/13 budget which included the widening of the basket of taxable goods to include items that were previously tax-exempt. This resulted in increased cost in the "Food and Non-Alcoholic Beverages" division – the most heavily weighted category in the index. Higher grain prices due to drought conditions in the US also triggered increases in food prices, while the depreciation in the local currency also translated into higher prices. However, the impact of these occurrences was somewhat tempered by weak local demand and the slow movement in imports and key commodity prices such as oil. The moderation in oil prices tempered inflationary pressures in the second largest index- "Housing, Water, Electricity,

Our Operating Environment Cont'd

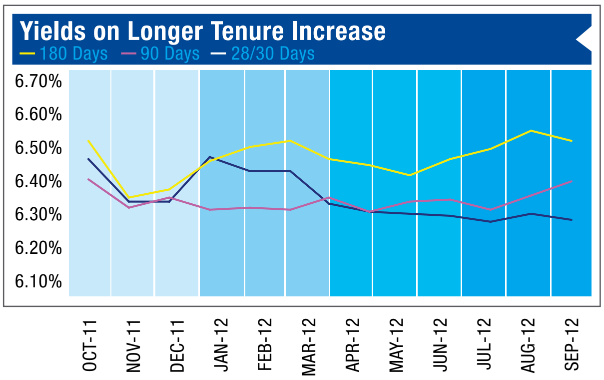
Gas and Other Fuels", which moved downwards from 11.9% to 8.3%. "Communication" cost dipped sharply following the reduction in calling rates by mobile providers which helped in easing inflationary impulses.



Consumer prices in the new financial year will face upward pressure following the aftermath of Hurricane Sandy. The severe weather conditions resulted in damage approximating to J$1.5Bn worth of crops in the agriculture sector. A decline in food produce will prompt an increase in food prices in the upcoming months. Continued depreciation in the local currency should also increase inflationary impulses. As such, inflation in the new financial year is likely to be higher than that recorded last year.

INTEREST RATES

Interest rates have remained fairly stable since the start of the FY 2011/2012. Since reducing the interest rates on the 30 day Certificates of Deposit (CD) to 6.25% in September 2011, there have been no further adjustments. The average yield on the 30-days Treasury Bill instruments fell by 31 basis points and benefited from investors' preference for the short term investments. However, the pace of decline in the yield is slower than that of the previous year when the yield fell by 179 bps. The average yield on the 90-days instruments increased by 14bps, while yields on the 180-days instruments moved up 30bps.



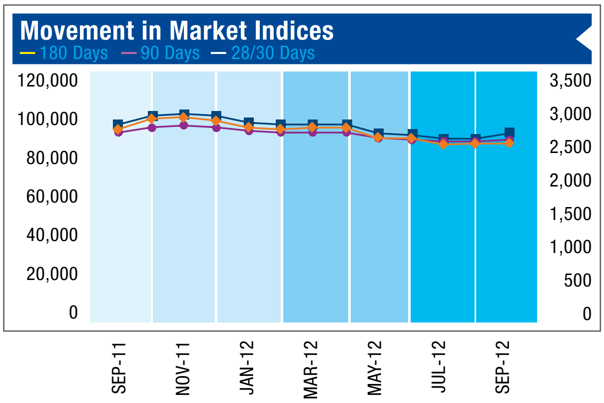
Failure to reach an IMF agreement and the increased uncertainty in the market has resulted in investors opting for shorter dated investments. As such, a protracted delay in reaching an agreement could cause short terms rates to fall further. At the same time long term rates could rise as investors demand a greater premium to go out on the longer end of the curve. The recent auction of the Fixed Rate 2017s Notes underscores the fact that the current uncertainty could drive up longer term rates. The yield on the instrument following the auction was 9.77%, which was much higher than that of the 2019s which was 7.78%.

The depreciation in the local currency following increased US$ demand and rising food prices could pose a threat to inflation. However, we do not expect BOJ to raise its benchmark rates, given the clear stance on maintaining low interest rates. At the same time, the BOJ is also unlikely to lower its benchmark interest rate without an IMF agreement in place given the likely pressures this could put on the local currency.

STOCK MARKET

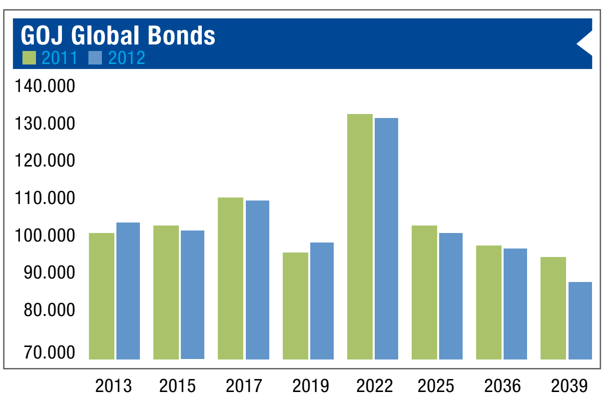
Stock market activity was fairly depressed during the review period with all three indices ending on the downside. The downturn in the market came as a result of weaker corporate earnings and growing market uncertainty, which caused investors to limit their exposure to risky assets such as equities. Additionally, the levying of an asset tax on financial institutions, which was announced in the budget presentation in May, weighed down financial stocks given the negative implications for earnings. During the period, the Main JSE Index declined by 4.95% while the All Jamaica Composite Index dipped 6.65% and the Jamaica Select Index 9.83%.

The Junior market fared better than the main market registering a moderate 5.64% increase over the period. C2W Music Limited was the sole company to be listed on the Junior market during the financial year. This represented a significant slowing of Junior Market IPO's relative to last year when six companies came to market. The reduction in the number of listings is explained by the current economic conditions and uncertainty which has taken a toll on market sentiment.



Activity in the stock market will likely remain subdued and prices depressed in the near term, as investors adopt a wait and see approach ahead of an IMF agreement. However, this could improve when current negotiations have ended and an agreement is in place. As seen in the past, IMF presence has helped to increase confidence, which could result in investors returning to the equities market. In addition, economic prospects could improve if the government is able to follow through on a credible macroeconomic programme once an agreement is in place. This will result in improved earnings for local businesses and increased attractiveness of equities and help to rekindle the demand for stocks particularly if interest rates remain low.

GOJ GLOBAL BONDS



For the most part, GOJ global bond prices remained fairly stable during the financial year. The most significant movements occurred at the shortest end, midpoint and longest end of the curve. The 2014s and 2019s appreciated 2.61% and 3.00% respectively. The price of the 2036 fell 7.22%. Overall, prices on longer tenures declined. This to an extent reflected the uncertainty in the local environment given the delay in inking an IMF agreement which prompted the preference for shorter maturities. The preference for shorter dated instruments is also linked to the fact that these securities tend to display lower levels of price volatility during periods of uncertainty, relative to longer dated securities.

We believe that the risks to Jamaican Eurobonds are skewed to the downside in the short term until there is greater certainty with respect to the IMF Agreement and investor confidence is restored. In the interim, GOJ bond issues could face downward price pressures given the inherent fiscal challenges affecting the government and the delay in having an agreement in place. The negative outlook placed on the country's credit ratings late last year has been maintained by S&P ratings agency in subsequent reviews which means that there could be a downgrade if the necessary fiscal adjustments are not made shortly. At the same time, there could be some upside in GOJ bond prices, if the IMF programme is agreed on in the near term and the government maintains fiscal discipline to meet its target set for the 2012/13 fiscal year.

OUTLOOK

In the new financial year, the expectation is for continued headwinds in the local environment. Local economic activity is likely to continue to contract in the December quarter given continued weakness in global outturn, but more so by the effects of Hurricane Sandy which should dampen activity in key sectors. The uncertainties relating to the IMF negotiations are also expected to linger until an agreement is signed. The Minister of Finance has indicated that negotiations are proceeding in accordance with the timetable originally set out, and discussions related to the contents of a draft Letter of Intent are being had. In the interim, consumer spending is expected to remain weak, further weighing on economic activity.

The government has taken steps to improve the primary surplus balances this fiscal year by implementing initiatives aimed at improving revenue receipts. Despite these measures, subdued economic activity will mean that revenues are likely to fall behind budget putting the fiscal deficit target at risk. At the same time, inflationary impulses are expected to increase given the depreciation in the local currency and the expected increase in food prices.

A turnaround in local conditions is hinged on continued improvement in the US and other major trading partners. In addition to this, an agreement with the IMF will go a far way in restoring confidence and will facilitate access to credit from multi-lateral organizations which can be used to undertake activities aimed at improving economic activity.

MD&A Cont'd

Our Financial Performance

2012 Financial Performance Review

Our financial performance in 2012 reflected our continued pursuit of delivering superior customer experience with improved processes and solid risk management practices. We recorded net profits of $10.0 billion for the financial year ended September 30, 2012, a decline of $3.8 billion or 28% from the previous financial year. The decrease in profitability was as a result of increased operating expenses, mainly stemming from higher levels of loan loss provisions and operating costs. Throughout the year we have been implementing the initiatives to deliver our strategic priorities with the aim of increasing our top line growth, improving efficiency, productivity and performance management. These efforts will position us to adapt and respond effectively to an ever changing environment.

Operating income, the sum of net interest income and non-interest income, was $34.5 billion for the 2012 financial year, a decrease of $125 million, or 0.4%, from the 2011 financial year. For the financial year ended September 30, 2012, net interest income of $21.8 billion, grew by $633 million, or 3%, compared to the financial year ended September 30, 2011. Net interest income represented 63% of operating income for the

TABLE 1 **SIX-YEAR SUMMARY OF SELECTED FINANCIAL DATA**

(in millions, except per share amounts)	2007	2008	2009	2010	2011	**2012**	% Change Financial Year 2012 vs. Financial Year 2011	Five-year compounded annual growth rate (CAGR)
CONSOLIDATED INCOME STATEMENT								
Net interest income	12,797	15,826	18,880	20,650	21,151	**21,784**	3%	11%
Non-interest income	7,755	8,980	8,392	8,774	13,521	**12,763**	(6%)	10%
Operating income	**20,552**	**24,806**	**27,272**	**29,423**	**34,672**	**34,547**	(0%)	11%
Staff Costs	6,988	7,281	7,990	9,253	9,240	**9,756**	6%	7%
Provision for credit losses	278	468	1,028	948	769	**2,463**	220%	55%
Non-interest expenses	4,864	6,413	5,083	5,935	9,175	**10,061**	10%	16%
Net profit	6,601	8,701	10,248	11,075	13,885	**10,046**	(28%)	9%
Earnings per share	2.68	3.54	4.16	4.50	5.64	**4.08**	(28%)	9%
Dividends declared per share	0.78	1.27	1.37	1.46	1.25	**1.40**	12%	12%
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (AT YEAR END)								
Investment securities	142,956	154,572	167,719	200,133	204,748	**210,654**	3%	8%
Net loans	56,526	82,169	88,178	85,995	91,728	**111,905**	22%	15%
Total assets	254,183	291,153	315,096	334,970	359,618	**379,436**	6%	8%
Customer deposits	118,518	126,100	130,331	144,283	155,800	**162,930**	5%	7%
Repurchase agreements	51,305	69,620	77,374	85,293	84,075	**101,890**	21%	15%
Liabilities under annuity and insurance contracts	14,488	16,534	19,115	20,406	23,564	**25,194**	7%	12%
Equity	28,554	31,313	41,016	48,808	61,977	**66,343**	7%	18%

2012 financial year, compared with 61% for the 2011 financial year. Non-interest income of $12.8 billion for the 2012 financial year represented 37% of operating income, compared with $13.5 billion in the 2011 financial year (39% of operating income).

Operating expenses for the 2012 financial year were $22.3 billion, a $3.1 billion, or 16%, increase over the 2011 financial year. This increase was primarily due to:

- Increased provisions for credit losses of $1.7 billion, over the 2011 financial year due to increased credit risk associated with growth in our loan portfolio, and recessionary impacts on our customers. Despite this increase we continue our proactive and robust delinquency management processes to ensure that we manage the risk effectively.

- Growth in staff costs of 6%, or $516 million, which was primarily related to the negotiated increase of 8.5% in salaries, wages and allowances partially offset by reductions in other staff benefits for the 2012 financial year.

TABLE 2 **KEY RATIOS AND PER COMMON SHARE DATA**

	Year ended September 30		
	2010	2011	**2012**
PROFITABILITY RATIOS			
Return on average total assets	3.41%	4.00%	**2.72%**
Return on average equity	24.66%	25.07%	**15.66%**
Cost to income ratio	51.53%	52.36%	**56.01%**
CAPITAL RATIOS			
Risk-based capital adequacy ratio (Bank)	16.30%	15.18%	**12.90%**
Tier 1 capital to risk weighted assets (Bank)	15.67%	14.64%	**12.32%**
Capital to risk weighted assets (NCB Capital Markets)	97.82%	35.71%	**26.20%**
Solvency ratio (NCB Insurance)	27.10%	34.73%	**34.64%**
Equity to total assets	14.57%	17.23%	**17.48%**
PER COMMON SHARE DATA			
Dividend payout (based on dividends declared)	32.44%	22.16%	**34.31%**
Book value	J$19.83	J$25.18	**J$26.95**
Market Price - Jamaica Stock Exchange (JSE)			
High	J$21.00	J$29.49	**J$34.00**
Low	J$12.93	J$16.50	**J$21.00**
Year end	J$17.51	J$27.29	**J$21.90**
Market Price - Trinidad and Tobago (TTSE)			
High	TT$1.50	TT$2.30	**TT$2.25**
Low	TT$0.90	TT$1.35	**TT$1.60**
Year end	TT$1.50	TT$2.09	**TT$1.60**

Our Financial Performance Cont'd

TABLE 3 SEGMENT SELECTED FINANCIAL DATA [1]

Year ended September 30,	Consumer and SME: RETAIL & SME 2010	2011	2012	Consumer and SME: PAYMENT SERVICES 2010	2011	2012
SEGMENT'S CONTRIBUTION OF PERFORMANCE (%)						
{SEGMENT RESULT AS A PERCENTAGE OF CONSOLIDATED STATEMENT RESULT}						
Total revenue	32.7%	30.6%	**33.7%**	11.5%	11.2%	**12.7%**
Net interest income	41.2%	42.3%	**46.1%**	4.5%	6.1%	**7.0%**
Total operating income	37.6%	34.0%	**38.4%**	10.7%	9.9%	**11.2%**
Total operating expenses	38.1%	34.3%	**33.2%**	7.5%	6.7%	**6.3%**
Operating Profit	8.7%	8.9%	**12.8%**	9.2%	10.8%	**15.5%**
Total Assets	34.8%	36.8%	**37.5%**	2.2%	2.0%	**2.5%**
SELECTED SEGMENT PERFORMANCE INDICATORS (%)						
Cost to income ratio	85.3%	85.1%	**83.0%**	41.8%	38.7%	**40.2%**
Operating profit as a percentage of average assets	1.0%	1.1%	**1.1%**	16.8%	22.9%	**23.0%**
SELECTED SEGMENT FINANCIAL DATA						
(in millions)						
Total Revenue	14,061	13,712	**14,985**	4,966	5,014	**5,655**
Total Operating Income	11,059	11,798	**13,283**	3,154	3,442	**3,877**
Net Interest Income	8,515	8,947	**10,043**	928	1,296	**1,523**
Non-Interest Income	2,544	2,850	**3,240**	2,227	2,145	**2,354**
Total operating expenses	6,146	6,584	**7,391**	1,217	1,278	**1,410**
Staff costs	4,176	4,065	**4,301**	172	236	**186**
Operating profit	1,151	1,377	**1,571**	1,217	1,666	**1,899**
Segment assets	116,695	132,354	**142,309**	7,467	7,095	**9,435**
Segment liabilities	109,279	121,546	**126,705**	6,410	6,831	**7,187**

[1] Segment data do not give effect to the elimination of intersegment transactions.

- Increased operating expenses due to higher levels of depreciation expenses and professional service fees due to initiatives being implemented for the achievement of our strategic imperatives. There was also a substantial increase in statutory expenses which was driven by the accrual for asset tax charge of $485 million for year of assessment 2012 based on the amended asset tax regime announced by the Government of Jamaica as part of the 2012/2013 revenue measures.

- Impairment losses on securities held of $468 million, an increase of $206 million, over the 2011 financial year.

During the year, JMMB acquired Capital & Credit Financial Group and the resulting improvement to JMMB's financial position is reflected as an increase in the share of profit of associates; this was the main contributor to the increase in this item. Additionally, the previously reported net profit after tax for the financial year 2011 was amended by $851 million, being the group's share of the value of the intangible assets of one of its associates, JMMB. This additional amount was recorded as a prior year adjustment to the gain on acquisition of associates, as previously reported in the 2011 financial statements.

Corporate Banking			Treasury & Correspondent Banking			Wealth Management			Life Insurance & Pension Fund Management		
2010	2011	**2012**	2010	2011	**2012**	2010	2011	**2012**	2010	2011	**2012**
12.3%	9.0%	**8.3%**	26.9%	23.4%	**21.3%**	23.2%	21.7%	**21.4%**	10.7%	15.3%	**13.1%**
15.5%	10.5%	**8.8%**	13.2%	14.3%	**12.6%**	17.5%	19.0%	**17.5%**	8.3%	7.7%	**7.7%**
12.1%	7.9%	**7.0%**	13.3%	15.1%	**13.4%**	15.4%	16.4%	**16.1%**	10.3%	16.3%	**13.9%**
1.7%	1.7%	**8.7%**	1.8%	3.4%	**3.4%**	6.1%	5.3%	**7.1%**	6.5%	17.1%	**10.8%**
22.0%	13.5%	**0.8%**	25.2%	28.1%	**29.4%**	26.7%	30.2%	**32.3%**	14.9%	15.4%	**19.4%**
13.8%	11.2%	**11.5%**	40.2%	34.9%	**32.6%**	28.0%	28.6%	**28.6%**	7.6%	8.9%	**8.9%**
20.2%	25.4%	**40.2%**	14.4%	11.9%	**22.3%**	20.9%	17.9%	**20.1%**	34.5%	57.8%	**50.2%**
5.9%	4.9%	**0.2%**	2.5%	3.3%	**2.9%**	4.0%	4.8%	**3.8%**	8.2%	8.3%	**7.3%**
5,277	4,021	**3,687**	11,559	10,497	**9,458**	9,974	9,699	**9,497**	4,613	6,835	**5,840**
3,557	2,724	**2,419**	3,915	5,245	**4,646**	4,531	5,693	**5,553**	3,031	5,668	**4,789**
3,203	2,213	**1,914**	2,716	3,032	**2,749**	3,620	4,017	**3,805**	1,723	1,636	**1,679**
354	511	**505**	1,199	2,213	**1,898**	910	1,676	**1,748**	1,309	4,033	**3,111**
281	326	**1,948**	289	643	**763**	976	1,020	**1,585**	1,045	3,276	**2,405**
224	228	**199**	101	128	**141**	454	428	**512**	445	435	**517**
2,923	2,097	**95**	3,350	4,357	**3,611**	3,554	4,673	**3,968**	1,986	2,392	**2,384**
46,140	40,149	**43,742**	134,564	125,622	**123,727**	93,862	102,832	**108,561**	25,603	31,904	**33,848**
36,695	31,421	**35,069**	122,725	111,575	**111,825**	81,658	85,028	**92,833**	20,729	23,700	**25,401**

Outlook

We continue to pursue activities aligned to our strategy of being in the top five financial services institutions in the English and Spanish speaking Caribbean. Our focus will continue to be driven by the principle of continuous improvement in the areas of enhancing the customer experience, improving sales and service productivity and establishing lean operations. We believe that there are always opportunities within the banking and financial services sector and we will uncover and exploit these opportunities. We are well positioned and possess a competitive advantage in many areas that will foster our growth and continued success.

In addition to delivering superior products and services, we also look to offer attractive solutions to meet customers' financial needs. Our investment in our human capital and our commitment to nation building through community, sports and youth development are ongoing and will continue. We were proud to celebrate 175 years of service to Jamaica and we are looking forward to continuing on that path of success.

Our Financial Performance

Cont'd

OPERATING SEGMENT RESULTS

Consumer & SME

Consumer and SME segment includes our Retail Banking and SME and Payment Services businesses. This incorporates the provision of banking services to individual and small and medium business clients, money remittance and card related services.

Retail & SME

- We reported operating profit for the segment of $1.6 billion, an increase of 14%, or $194 million. The external revenue for this segment grew by 18%, or $1.9 billion, over the 2011 financial year. Net interest income for the segment grew by 12%, or $1.1 billion, to $10.0 billion mainly due to growth in the loan portfolio; interest income improved by 8%, or $874 million. We experienced 38% and 19% growth in the Consumer loan portfolio and SME loan portfolio, respectively. Net fee and commission income increased by 15%, or $392 million, which was primarily driven by the increased volumes in loans processed. Total operating expenses of $7.4 billion increased by 12%, or $807 million, and this increase in operating expenses was primarily as a result of increased costs associated with strategic initiatives undertaken during the year, increased staff costs, increased loan loss provisions, and increased asset tax related to a change in the calculation methodology announced by the Government during the 2012 budget presentation.

Payment Services

- For the Payment Services segment we reported operating profit of $1.9 billion, an increase of 14%, or $233 million. The external revenue for this segment grew by 13, or $644 million, over the 2011 financial year. Net interest income for the segment grew by 18% or $227 million due to growth in the credit card receivables portfolio; interest income improved by 18%, or $323 million. Net fee and commission income increased by 10%, or $207 million, which was primarily driven by the increased volumes in card transactions. Total operating expenses of $1.4 billion increased by $132 million or 10%, and this increase in operating expenses was primarily as a result of increased staff costs, and increased asset tax related to a change in the calculation methodology announced by the Government during the 2012 budget presentation.

Corporate Banking

- Our Corporate Banking segment, which offers banking services mainly to large corporate clients, generated operating profits of $95 million, representing a decline of 95%, or $2.0 billion, from the 2011 financial year. The deterioration of the profitability of this segment was mainly attributed to loan losses on a large loan. External revenue of $3.7 billion declined by 8%, or $333 million. Net interest income earned for the year was $1.9 billion, representing a decrease of $299 million or 14%. Total operating expenses grew by 496%, or $1.6 billion, mainly as result of increased loan loss provisions of $1.4 billion and increased operating expenses of $233 million, which was primarily as a result of increased asset tax and losses due to a write-off of costs incurred that are not considered recoverable.

Treasury and Correspondent Banking

- Our Treasury and Correspondent Banking segment incorporates the Bank's liquidity and investment management function, management of correspondent bank relationships and relationships with other financial institutions as well as foreign currency dealing activities. This segment achieved operating profits of $3.6 billion for the 2012 financial year which represented a decrease of 17%, or $746 million; the main areas of income declined while operating expenses increased. External revenue of $8.3 billion decreased by 12%, or $1.1 billion, due to the market conditions experienced during the financial year which drove reduced spreads and lower trading volumes in both fixed income securities and foreign exchange dealing. Net interest income declined by 9%, or $283 million, from the 2011 financial year and gains on foreign currency and investment activities decreased by 23%, or $472 million. Total operating expenses grew by $119 million primarily due to the increased depreciation and amortisation costs from the implementation of a new treasury management system and increased asset tax.

Wealth Management

- Our wealth management segment consists of stock brokerage services, securities trading, investment management and other financial services provided by overseas subsidiaries. This segment was the largest contributor to operating profits recording $4.0 billion, a decline of 15%, or $705 million from the previous financial year. External revenue of $8.9 billion decreased by 5%, or $480 million. Net interest income declined by 5%, or $212 million, and gain on foreign currency and investment activities decreased marginally by $4 million. Total operating expenses of $1.6 billion increased by 55%, or $565 million, and this increase in expenses was caused by impairment losses of $468 million booked on corporate bonds deemed to be impaired; the provision booked was the difference between the expected cash flows and the carrying value of the bonds. There was also an increase in the asset tax due to the change in the calculation methodology.

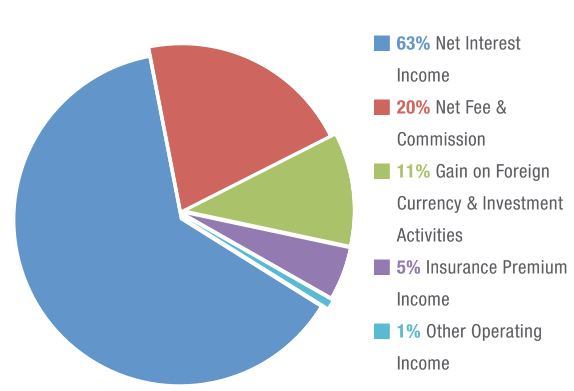
Insurance and Pension Fund Management

- Our insurance and pension fund management segment achieved operating profits of $2.4 billion, a marginal decrease of $8 million. This segment incorporates the results of the life insurance, pension and investment management businesses of the Group. External revenue of $5.8 billion fell by 15%, or $1.0 billion, primarily due to reduced premium income earned during the 2012 financial year. Net interest income of $1.7 billion increased by 3% or $43 million over the 2011 financial year. Net fee and commission income grew by 5%, or $114 million, and gain on foreign currency and investment activities increased by 52%, or $170 million, primarily due to the repositioning of the portfolio. Premium income declined by 42%, or $1.2 billion, mainly due to fewer and less significant annuity contracts being written, this was partially offset 28% growth in premiums on other group and individual life products. Total operating expenses of $2.4 billion decreased by 27%, or $871 million, which was mainly due to a decline in policyholder benefit and reserves due to the lower annuity contracts written when compared with prior year. This was partially offset by the increase in asset tax due to the change in the calculation methodology.

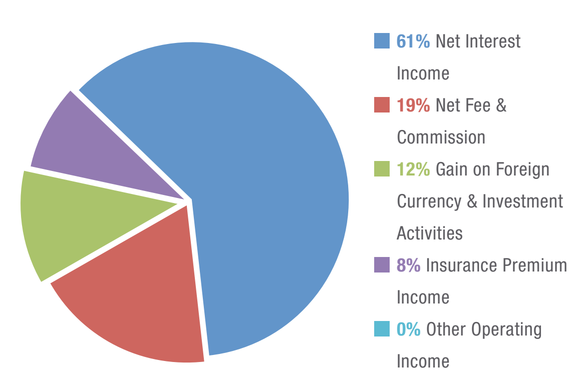
OPERATING INCOME

Operating income is comprised mainly of net interest income, net fees & commissions, gains on foreign currency and investment activities, insurance premium income and dividends. We experienced a decline in total operating income, which decreased by 0.4% or $125 million from the financial year ended September 30, 2011 to $34.5 billion for the financial year ended September 30, 2012.

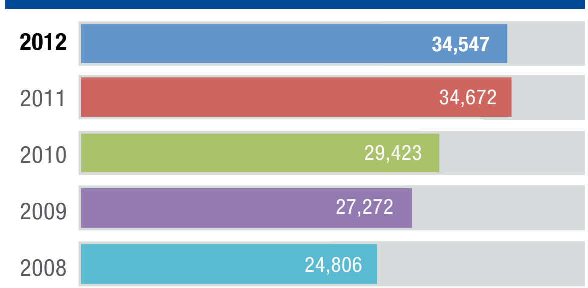
INCOME MIX FY (2012) (%)



INCOME MIX (FY 2011) (%)



OPERATING INCOME ($M) 5 YR CAGR - 11%



NET INTEREST INCOME

The Group's net interest income totalled $21.8 billion for the 2012 financial year, an increase of $633 million, or 3%, over the 2011 financial year.

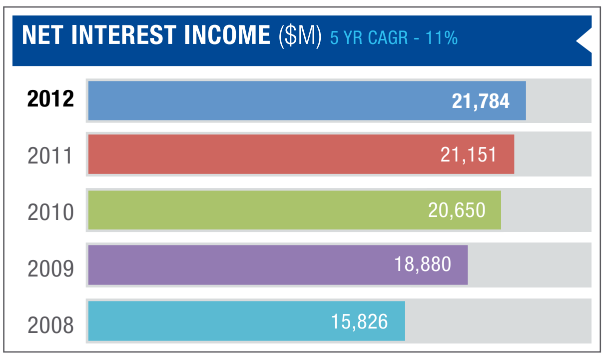
- Interest income from loans grew by $1.5 billion, or 12%, over the 2011 financial year. This increase was due to the 22% growth in our loan portfolio amounting to $20.2 billion, when compared to the 2011 financial year. The main contributor to this growth was the 38% increase in our Retail and

MD&A Cont'd

Our Financial Performance Cont'd

SME loan portfolio; this segment now accounts for 53% of the total loan portfolio. There were decreases in the loan yields; however the volume growth outweighed the negative impact of the reduction in rates.

- In the 2012 financial year, we continued to experience reduction in the yields on investments which contributed to the $1.2 billion, or 7%, reduction in interest income from investment securities. The impact of the reduction was minimised by the growth in the investment securities and reverse repurchase agreement portfolios of $4.6 billion, or 2%, over the 2011 financial year.
- Our interest expense costs declined year over year by $349 million, or 4%, which was primarily due to a reduction in the average funding costs resulting from the repayment ahead of schedule of one of the securitisation arrangements funding lines and also a change in the funding mix. Our funding portfolio increased by $15.8 billion or 5%, which partially offset the reductions from the lower funding costs. Obligation under repurchase agreements was the main contributor to interest expense and was the main area of growth in the funding portfolio.

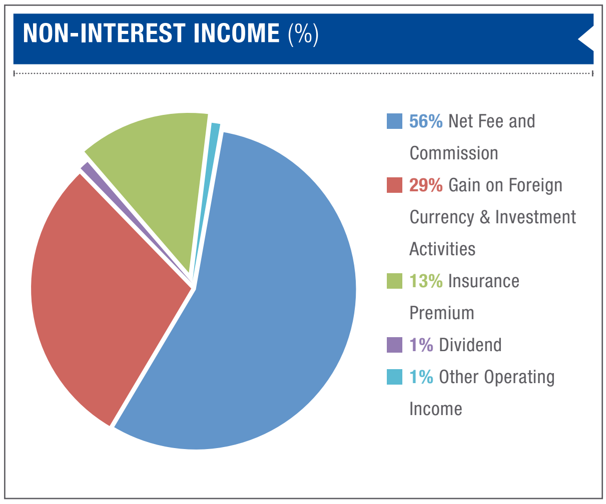


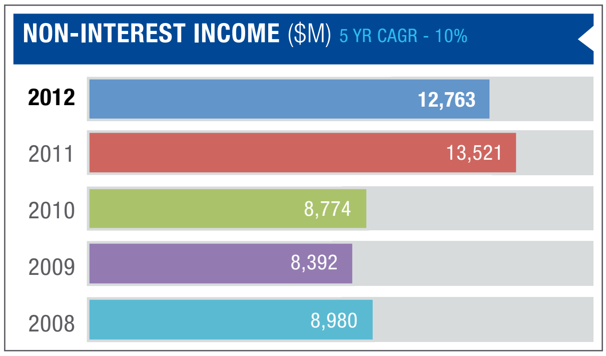
As spreads shrink in the current economic environment, we will continue to focus on growing the volumes of in our core business lines while managing the cost and mix of funding.

NON-INTEREST INCOME

Our non-interest income of $12.8 billion, declined from the 2011 financial year by $759 million, or 6%, primarily as a result of:

- Premium income, which decreased by J$1.2 billion, or 42%, due to lower levels of annuities booked.
- Gain on foreign currency and investment activities, which decreased by $304 million or 8%, due to lower gains from investment activities due to reduced spreads from the sale of investment securities. Foreign currency activities experienced a reduction in volumes traded when compared the 2011 financial year.





Net fees and commissions continued to be the largest contributor to non-interest income and accounted for 56% in the 2012 financial year. Net fee and commission income totalled $7.1 billion for the 2012 financial year which represented an increase of $694 million, or 11%, when compared to the 2011 financial year. This increase was mainly due to growth in credit related fees directly attributed to the growth in the loan portfolio and there were also increases in transaction volumes which contributed to the improved results. Dividend income grew by $108 million due to increased dividends received from equity holdings during the 2012 financial year.

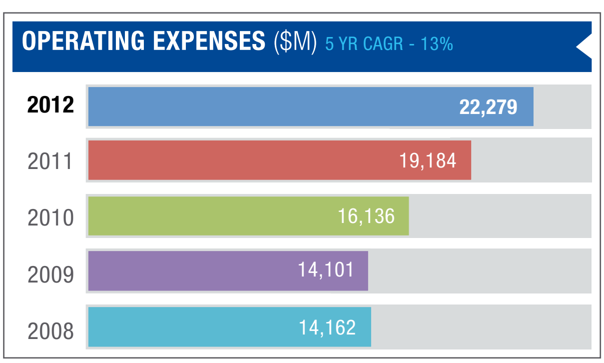
OPERATING EXPENSES

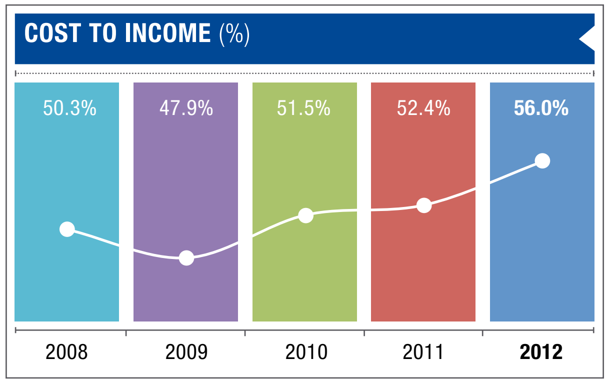
Operating expenses of $22.3 billion was 16%, or $3.1 billion greater than the level for the 2011 financial year.

- Provisions for credit losses grew by 220%, or $1.7 billion, primarily due to losses related to a large loan which was non-performing.
- Staff costs increased by $516 million, or 6%, which was primarily due to the negotiated

increase in salaries and wages effected at 1 October 2011.

- Depreciation and amortisation charges grew by $232 million, or 40%, resulting from the capital asset expansion, infrastructure upgrade and technology refresh projects undertaken. These projects primarily related to computer hardware and computer software categories which have shorter useful lives.
- Impairment losses on securities grew by $206 million which was due to provisions booked to reflect a decline in the carrying value of some corporate bonds held which were deemed to be impaired.
- Policyholders' benefits and reserves declined by $1.0 billion from the prior year due to lower levels annuities sold in the 2012 financial year. This reduction was offset by:
  - Increased statutory expenses of $611 million, or 112%, mainly due to increased asset tax related to a change in the calculation methodology and increased irrecoverable GCT expenses.
  - Increased technical, consultancy and professional fees of $131 million, or 18%, primarily due to technical consultancy charges which grew by $233 million, or 52%. The increased cost was related to consultancy services associated with activities required to support our strategic objectives.
  - Increased expenditure on property maintenance and utilities of $180 million, or 12%. Although our consumption has reduced in some areas, we have experienced increases which are primarily driven by increased rates. We have been implementing measures to be more energy efficient and expect to see the results of this in the future.
  - An increase in credit card rebates of $128 million or 58% in relation to increased purchasing volumes resulting in increased expenses for rebates and loyalty programmes.
  - A $48 million, or 9%, increase in advertising, marketing and donation expenditure as a result of increased product campaigns launched during the 2012 financial year as well as increased funding to the NCB Foundation.

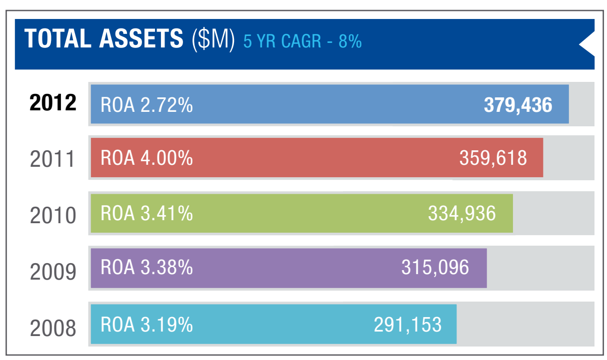




ASSET PERFORMANCE

The asset base of the group at 30 September 2012 was $379.4 billion. This was funded primarily by obligations under repurchase agreements, customer deposits and liabilities under annuity and insurance contracts.

We began the journey to realise our new strategic plan in the 2011 financial year, and we focused on the mechanisms that we believe will lead to sustainability in the future; these include sales effectiveness, information technology enhancement and increased operational efficiency and improved organisational health practices. In the 2012 financial year we have begun to see the results of these activities and have seen growth in key areas including net loans and customer deposits, which are core products and will drive profitable business growth. As we maximise asset utilisation we expect to see increased revenue generation and improvement in our key performance indicators over the medium term.



For the 2012 financial year, due to the reduced profitability, we experienced a decline in one of our key performance indicators, return on average assets, falling to 2.72% from 4.00% in 2011. Our total assets grew by 6% or $19.8 billion over the prior year.

NCBJ retained the #1 market share position for total assets with 41.3% market share as at June 2012. We

Our Financial Performance Cont'd

have also maintained the #1 market share of total assets for Bank of Jamaica (BoJ) Regulated Financial Institutions with market share of 30.9% as at June 2012.*

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% (2011 – 12%) of prescribed liabilities for Jamaican dollars and 9% (2011 – 9%) of prescribed liabilities for foreign exchange liabilities. The $1.7 billion increase in the statutory reserves was as a result of the growth in customer deposits held. Also included in these balances were overnight deposits held at BoJ which were $1.3 billion higher than the balances held at September 30, 2011.

INVESTMENT SECURITIES

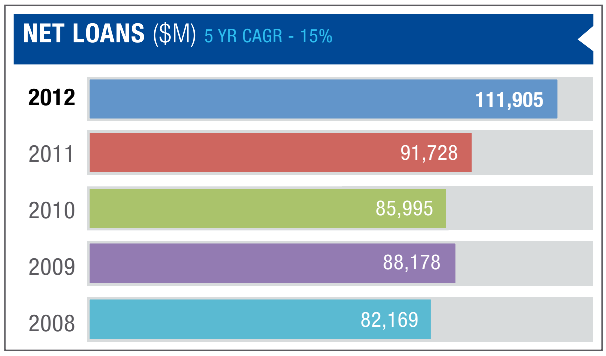
Our investment securities portfolio grew by J$5.9 billion or 3% over the prior year. This comprises debt securities (Government of Jamaica, foreign governments and corporate bonds) and equity securities (quoted and unquoted) carried at fair value and amortised cost. This asset grouping continues to be our largest accounting for 56% of total assets down from 57% at September 2011.

NET LOANS

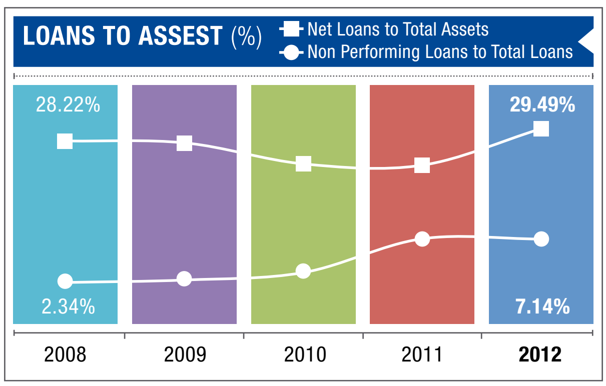
Our loans and advances, net of provisions for credit losses portfolio increased by $20.2 billion, or 22%, to $111.9 billion at September 2012. We experienced 30% growth in our Retail and SME portfolio, 12% growth in our Corporate Banking portfolio and 22% growth in our credit card receivables portfolio. For the period, the Retail and SME segment experienced the largest dollar value growth which has resulted in that segment accounting for 53% of the total loan portfolio at September 2012 up from 41% at September 2011.

The non-performing loan portfolio increased from J$6.7 billion at September 2011 to J$8.3 billion at September 2012. This provides provision coverage of 114.0% (September 2011 – 115.9%). The difference between the statutory provision for credit losses and the International Financial Reporting Standards (IFRS) provision is credited to a non-distributable reserve – Loan Loss Reserve. The balance in the Loan Loss Reserve was J$4.7 billion as at September 2012. The Bank's provisioning policy is in compliance with the Bank of Jamaica regulations.

NCBJ retained the #1 market share position for loans with market share of 38.0% as at June 2012.*



The non-performing loans to gross loans ratio was 7.16% in the 2011 financial year compared to 7.14% for 2012. During the 2012 financial year, we centralized our underwriting, delinquency management and debt collection activities. We also built and implemented new credit scoring models for the Retail and SME loans and Credit Cards. These changes have improved our management of the credit risk in the lending portfolio, have provided and will continue to provide an appropriate structure for the continued expansion of our lending business.



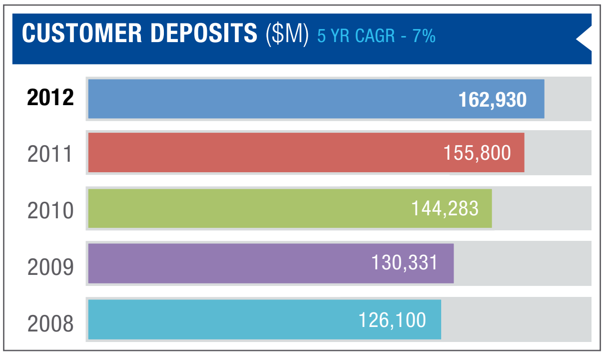
FUNDING PERFORMANCE

Our funding portfolio consists of short and long-term borrowings under the following funding lines: due to other banks, customer deposits, obligations under repurchase agreements, obligations under securitisation arrangements, other borrowed funds and liabilities under annuity and insurance contracts.

CUSTOMER DEPOSITS

Our customer deposits portfolio of $162.9 billion grew by J$7.1 billion, or 5%, over the prior year. The increased deposits were primarily driven by a 24% increase in our fixed deposit portfolio. We experienced 15% growth in our Corporate Banking deposit portfolio and our Retail and SME deposit portfolio grew by 3%.

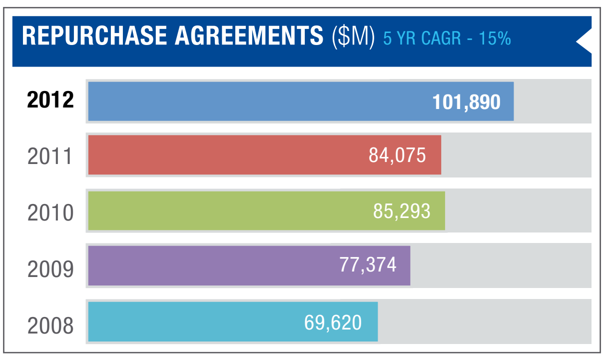
* Source: **Bank of Jamaica** - Unaudited Assets & Liabilities (Commercial Banks) Report - As at June 30, 2012.



At June 2012, NCBJ retained the #1 market share position for deposits with 39.8% market share.*

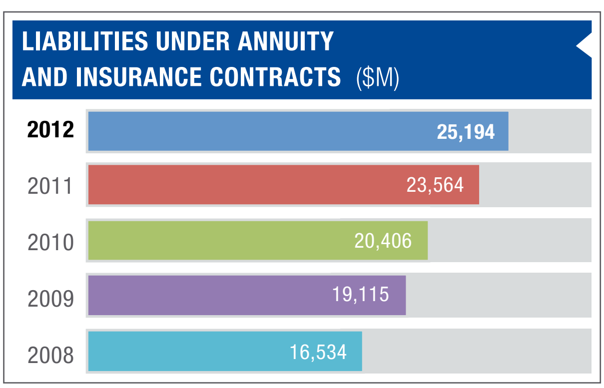
REPURCHASE AGREEMENTS

Repurchase Agreements stood at $101.9 billion at September 30, 2012, this represented an increase of J$17.8 billion, or 21%, which was mainly due to increased Funds under Management for NCBCM and short-term funding accessed for other members of the Group. This funding source had the largest growth year over year.



LIABILITIES UNDER ANNUITY AND INSURANCE CONTRACTS

Liabilities under annuity and insurance contracts of $25.2 billion, increased by J$1.6 billion, or 7%, which was mainly due to the growth in insurance risk reserve mainly as a result of the issue of new contracts.



OBLIGATIONS UNDER SECURITISATION ARRANGEMENTS

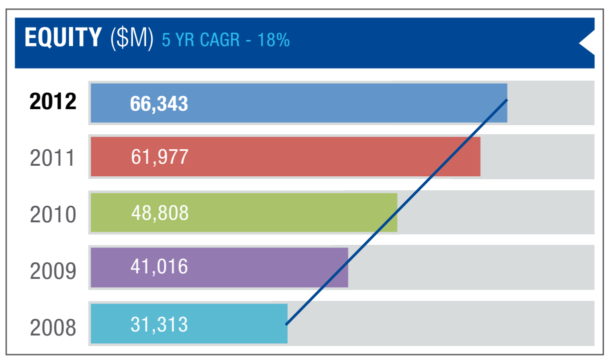
Obligations under securitisation arrangements at September 2012 were $2.6 billion, a decrease of $11.8 billion from the 2011 financial year. The decline was due to the full repayment of one arrangement ahead of the scheduled date and the quarterly scheduled repayments on the other securitization arrangement. The diversified payment rights facility balance was US$29.0 million at September 2012.

OTHER FUNDING

Other funding totaled $12.9 billion which consists of due to other banks and other borrowed funds. These funding lines increased by $1.0 billion, or 9%, over the prior year. Notes 29 and 31 to the Financial Statements provide further details on the nature of these contracts.

EQUITY

The Group's Equity of J$66.3 billion increased by J$4.5 billion, or 16%, over the prior year, and this growth was driven by the profit after tax of $10.0 billion. The return on average equity for the Group decreased from 25.07% at September 2011 to 15.66% in September 2012, and this decline was primarily as a result of the increases in the reserves held and reduced profitability.



CAPITAL

The statutory capital base for NCBJ was $27.0 billion at September 30, 2012, an increase of $3.1 billion over the previous financial year. This increase was as a result of transfers from retained earnings to the banking reserve fund and retained earnings reserve; these reserves are maintained to provide increased protection to depositors and further buttress the capital base.

Our Financial Performance Cont'd

As at September 30, 2012	
National Commercial Bank Jamaica Limited	
Regulated by the **Bank of Jamaica**	
Regulatory Capital to Risk Weighted Assets	12.9%
Regulatory Requirement	10%
NCB Capital Markets Limited	
Regulated by the **Financial Services Commission**	
Regulatory Capital to Risk Weighted Assets	26.2%
Regulatory Requirement	10%
NCB Insurance Company Limited	
Regulated by the **Financial Services Commission**	
Solvency Ratio	34.6%
Regulatory Requirement	10%

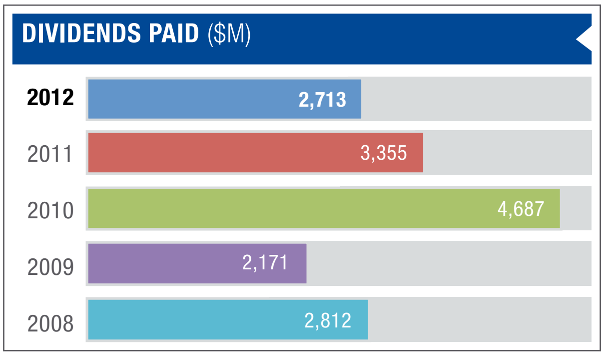
DIVIDENDS & SHAREHOLDERS' RETURN

The dividend payout ratio for the financial year was 26.96% compared to 24.11% at September 2011.

The dividends paid for the 2012 financial year were $1.10 per share or $2.7 billion, compared to $1.36 per share or J$3.4 billion for the 2011 financial year.

The share price as at September 30, 2012 was J$21.90 per share (September 30, 2011 – J$27.29) which has resulted in a dividend yield of 5.02% (September 2011 – 4.98%).

Our total shareholder return which combines share price appreciation and dividends paid to show the total amount returned to the investor declined in 2012 to negative 16% for the financial year. At the close of business on 30 September 2012, the JSE All Jamaican Composite Index stood at 87,188.38, a decrease of 5% from the prior year.



NCBJ Total Shareholder Return

For The Year Ended September 30	2008	2009	2010	2011	2012	Three Year CAGR [1] (%)	Five Year CAGR [1] (%)
Closing Price of Common Shares ($ per share)	20.00	13.00	17.51	27.29	21.90	19%	(0.5%)
Dividend Paid ($ per share)	1.14	0.88	1.90	1.36	1.10	8%	9%
						Three Year Shareholder Return	**Five Year Shareholder Return**
NCBJ Shareholder Return (%)	(6%)	(31%)	49%	64%	(16%)	102%	26.3%
JSE Index Annual Movement (%)	6%	(22%)	5%	10%	(5%)		

(1) Compound Annual Growth Rate expressed as a percentage

Risk Management

RISK STRATEGY

- The maintenance of a strong Balance Sheet continues to be our fundamental mandate
- The continued strength of our Tier 1 Capital ratio at 14.93%
- The maintenance of a strong liquidity position throughout 2012
- The preservation of a strong governance framework

Managing Risk

The increased vulnerability of the Jamaican economy exacerbated by the global financial crisis has led to increased macroeconomic risk.
Our business strategy, which has focused on the pursuit of growth opportunities through the leveraging of the branch and payment services networks and the electronic channels, has led to heightened operational risk.

In light of the heightened risks mentioned above within the context of the challenge of achieving our business strategy during a period of economic downturn, we are continually reviewing our risk management framework with a view to enhancing our capabilities in identifying, reporting and managing the significant risks faced in our business to include credit, operational, interest rate, foreign exchange and liquidity risks.

During the financial year, we engaged an external consultant to assist us in the design and implementation of improvements to our credit risk management framework in particular and to our enterprise wide risk management framework in general.

The Group's enterprise wide risk management framework and governance structure are geared to provide a comprehensive set of controls and ongoing management of the major risks assumed in its business activities. The Group's risk appetite is expressed through quantitative and qualitative measurements which are in alignment with its business objectives and initiatives.

Risk Governance

Our strong risk governance reflects the importance placed by the Board on shaping the Group's risk strategy and managing risks effectively. The Group's risk governance structure is based on the principle that each business line is responsible for managing the risk inherent in its business as reflected in the accountability of all persons for identifying, assessing and managing risks within the scope of their assigned responsibilities. This personal accountability is reinforced by the governance, experience and mandatory learning which has fostered a culture of risk management and control.

Governance is supported by our independent risk management and compliance functions in addition to internal audit and our various independent risk committees.

The Board of Directors exercises its oversight of risk management principally through independent committees of the Bank and/or its subsidiaries (The Audit Committee, The Board Risk Management committee (which now incorporates the Credit Committee of the Board), The Group Asset and Liability Committee, The Group Operational Risk Committee, The Asset and Liability Committee, The Risk Management Committees, the Investment Management Committees, The Fraud Prevention and Management Oversight Committee, The IT Steering Committee and the Compliance Management Committee). Risk strategies, policies and limits require the respective Board approvals directly or via committees.

SIGNIFICANT RISKS

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

Credit Risk

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

Liquidity Risk

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

Market Risk

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

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

Operational Risk

Operational risk is inherent in each of the Group's businesses and support activities and includes the risk of fraud by employees or others, unauthorized transactions by employees, and operational or human error. Due to high volumes of transactions processing, we are also subject to risks of errors which may go unnoticed over an extended period of time despite our best efforts at efficiency and accuracy. Deficiencies or failures in our computerized systems, telecommunication systems, data processing systems, vendor supplied systems and in our internal processes could result in financial loss and/or reputational damage. Despite our contingency procedures, the aforementioned deficiencies in addition to business disruptions occasioned by natural disasters or other factors may still negatively impact our ability to conduct our business, thereby resulting in damage to the group's business and brand.

During the year, we upgraded our operational risk management governance structure, through the establishment of a Group Operational Risk Management Committee (GORMC) with the mandate to provide oversight and guidance for the design and implementation of the Group's operational risk management framework. Incorporated in its responsibilities, is the provision of broad governance and oversight for operational risk assessments, prioritization, mitigation and monitoring across the group.

Insurance Risk

We issue contracts that transfer insurance risk or financial risk or both, primarily through bancassurance arrangements. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline we define 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.

Regulatory & Legal Risk

The Group is also subject to Regulatory risk and Legal risk, which could have an adverse impact on its business. Regulatory risk arises from a failure to comply with regulatory and comparable requirements. Legal risk manifests itself through failure to comply with legal requirements, including ineffectiveness in the management of litigation proceedings. The Financial Services is one of the most closely regulated industries, and the management of a financial services business such as ours is expected to meet high standards in all business dealings and transactions. Failure to adequately address conflicts of interest, regulatory requirements, anti-money laundering regulations, privacy laws, information security policies, ethical practices and other legal requirements not only poses a risk of censure or penalty, and may lead to litigation, but also puts our reputation at risk. Business units are the first lines of defense and are responsible for managing day-to-day regulatory and legal risk, while the Legal AML and Corporate Compliance Division acts as the second line of defense, assisting in the provision of 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 through the Board Risk Management Committee and the senior executive team. However, every employee and representative of our organization has a responsibility to contribute in a positive way to our reputation. This means ensuring that ethical practices are followed at all times, that interactions with our stakeholders are positive, and that we comply with applicable policies, legislation and regulations. Reputational risk is most effectively managed when every individual works continuously to protect and enhance our reputation.

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

Our Operations

LEGAL, AML & CORPORATE COMPLIANCE DIVISION

During 2011-2012, we continued to develop and implement measures to:

- **a.** prevent, detect and report instances of money laundering and terrorist financing, and
- **b.** insulate National Commercial Bank Jamaica Limited and its subsidiaries and their stakeholders from legal risk and actions.

While we proceed with work towards the implementation of an enterprise-wide anti-money laundering monitoring system, other measures have been employed to increase the effectiveness of the anti-money laundering/counter-financing of terrorism (AML/CFT) programme. These have included increasing the number of AML/CFT assessments of branches through the direct involvement of the Legal, AML and Corporate Compliance Division ("LACC") in conducting assessments in some branches.

During the year, additional attorneys were employed within the LACC to assist with addressing our current needs in addition to those directly relating to the growth in our product offerings and businesses. These additions have enhanced the legal expertise residing within NCB and this approach aligns with our plan of handling legal matters in such a way as to be both cost and time efficient, while effectively managing legal risk for the enterprise.

As is customary, the AML/CFT compliance practitioners received specialized training, both locally and internationally. This was done to ensure that those tasked with fortifying our existing AML and CFT risk mitigation, detection, and reporting framework are fully armed to do so. The enterprise-wide AML/CFT training offerings during the 2011-2012 financial year was further strengthened by managers from the LACC providing face to face branch/unit training; this is in addition to the already established suite of AML/CFT training programmes available to our directors and employees.

In the 2012-2013 financial year, we expect to continue to strengthen the training programme, and the effectiveness of the Division in monitoring the risks for which it is responsible, while maintaining a key focus on operating efficiently. We also keep track of legislative and regulatory developments that will affect our business, such as the US Foreign Account Tax Compliance Act, which is due to impact overseas institutions and US residents with accounts outside of the USA. During the 2011-2012 financial year, NCB arranged training for relevant executives and other members of staff and appointed a programme manager and external consultants as we commenced the first phase of our FATCA implementation programme. This progress was made given the urgency of FATCA compliance, and although US Government had not yet issued the final regulations to support the legislation.

GROUP OPERATIONS & TECHNOLOGY DIVISION

The Group Operations and Technology Division (GOTD) continues the journey of transforming the operating environment by refreshing and replacing relevant components of the technology infrastructure. Significant progress has been made in ensuring alignment between the division's strategic direction and the business' strategic objectives to enhance value delivery whilst reducing business risk. We continue the execution of our five-year strategic plan aimed at the implementation of infrastructural changes across the network supported by a robust governance framework (**COBIT** - Control Objectives for Information and Related Technology and **ITIL** - Information Technology Infrastructure Library).

Major accomplishments over the year were:

1. Relocation of the core data centre to a co-located tier III facility (the highest level feasible in a location like Jamaica which is dependent on a single electricity supplier)
2. Completion of the telephony refresh at several branches
3. Commencement of the refresh of obsolete personal computers, printers and scanners across the group

4. Commencement of preliminary activities to support implementation of lean processes across the group.
5. Expansion of the utilisation of shared services across the group
6. Commencement of the implementation of business process management and enterprise content management across the Group to support the lean initiative.

Our new technological capacity is being employed to drive operational efficiency and improvements across the Group. This capacity will enable the expansion of our current suite of electronic channel to facilitate customer convenience and cost reduction.

FACILITIES AND SERVICES DIVISION

During the preceding year, the construction of the following locations have impacted positively on both customers and staff, Centralized Canteen, Data Centre Back-up Centers in Mandeville and Caymanas Estates and the installation of Digital Video Recorders (DVRs) in ABMs island wide.

Looking ahead, the Facilities and Services Divisio will be embarking on constructing a “Branch of the Future” location which will encompass energy conservation systems, green technology and space maximization at the 124-126 Constant Spring Road location.

An aspect of our Energy Conservation Strategy will include the installation of a solar photovoltaic grid power system to reduce the location’s external consumption of electricity.

Our Customers Cont'd

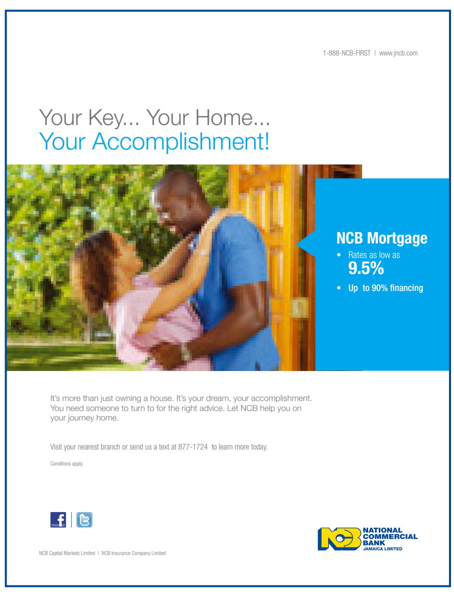
MARKETING, COMMUNICATIONS & SERVICE DELIVERY DIVISION

Our marketing focus this year saw our three brand pillars - innovation, expertise and strength, being fully leveraged to support our tactical and executed integrated marketing activities. From a new corporate campaign to new products on offer to strategic partnerships, we have continued to build on the brand that many Jamaicans have loved for over a century.

In this our 175th year and Jamaica's 50th Anniversary, we launched a new corporate campaign that deliberately stated, "Put Your Best Life Forward". Designed to support and encourage financial wellbeing among Jamaicans, the campaign focused on empowering customers, employees and the nation at large with financial tips, tools and advice in 6 categories: budgeting, saving, investing, insuring, borrowing and spending. These tips can be browsed via the campaign's website, www.NCB175ways.com, along with easy-to-use and practical financial planning tools.

Promotions and Campaigns:

Owning your own home is one of life's great accomplishments and NCB made it easier and more affordable for customers to own their own home with the revolutionary introduction of the **NCB Mortgage** at 9.5% in February. Being the first to offer such a low rate evoked great market response from both the consumer and competition; our mortgage portfolio has grown faster than expected and the Retail Banking Division has put a team of mortgage specialists in place to handle the growing demand for information and to aid in guiding potential buyers through the process towards home ownership.



The **NCB Visa Signature credit card** which ompletes a trilogy of NCB Visa cards now available to our customers, is designed to give cardholders access to unique opportunities and benefits. It boasts enviable features such as worldwide travel on any airline and an exclusive selection of resorts, personalized concierge service, unique Signature offers and a host of other benefits available exclusively for NCB Visa Signature cardholders.

As Jamaica's first, and still only, proprietary card, **Keycard** celebrated 31 years, and to commemorate this milestone, it now has a prominent place of pride in Montego Bay and lights up the landscape at night from its hillside perch above 'Top Road', visible from land and air. Our Lovebird Keycard was also re-launched, and included a Jamaica 50 commemorative offering, allowing cardholders to 'earn more rewards and more love'!

Members of our security forces, Jamaica Defence Force, Jamaica Constabulary Force and the Island Special Constabulary Force, were offered an **unsecured loan facility**. With interest rates starting at 18% and up to 60 months to repay members of the security forces are able to borrow up to J$3,000,000 for almost any purpose.

NCB continues to cater to the financial needs of our **small and medium enterprises (SMEs)**. Our tailored facilities such as Merchant Advance, Business Grow, Commercial Vehicle Loans and Business Credit Cards, offer lower transaction rates and fees with other great benefits, to our SMEs.

NCB Capital Markets' (NCBCM) "What drives success?" campaign highlighted NCBCM's brand integrity, commitment to high performance and excellence; as well as staked its claim as one of Jamaica's leading brokerage houses.

NCB takes pride in not only serving the financial needs of our customers but as the leading homegrown Bank, we are committed to the development of the society and in **Jamaica's 50th and NCB's 175th anniversary** we engaged in activities to buttress the pride of the Jamaican people. A commitment of more than $52M was invested in activities commemorating Jamaica's 50th and various sponsorship alignments have allowed us to broaden our spheres of influence, allowing our brand to interact with a wider cross-section of people and included:

- NCB Capital Markets Limited (NCBCM) Tennis Open was positioned as the most lucrative tennis tournament in the Caribbean and attracted several overseas competitors. An experiential component was also introduced via a "street tennis" display, which saw expert tennis displays for the general public.
- Our partnership with the National Youth Orchestra of Jamaica (NYOJ) brought the expert musicianship of the Royal Philharmonic Orchestra (RPO) to Caribbean shores for the first time.
- We signed a four (4) year partnership with the Jamaica Olympic Association (JOA) granting us the title of 'Official Financial Partner of the JOA'. With this partnership, we were able to leverage tickets to one of the most anticipated staging of the Olympics in history.
- The JOA partnership spawned an internal campaign, dubbed 'Fast Lane to London'. Several employees participated and got the once in a lifetime opportunity to enjoy the historic occasion, live, in London.
- NCBIC continued its support of educational programmes and sports at the junior level through its sponsorship of the Junior School Challenge Quiz and Chess tournaments through the OMNI Educator.
- Corporate alliances with Conversations with Puma's Jochen Zeitz, Jamaica Military Tattoo, Jamaica 50 Village, One People Documentary, 50 under Fifty, The Power and the Glory, to name a few.

Customer Service and Satisfaction

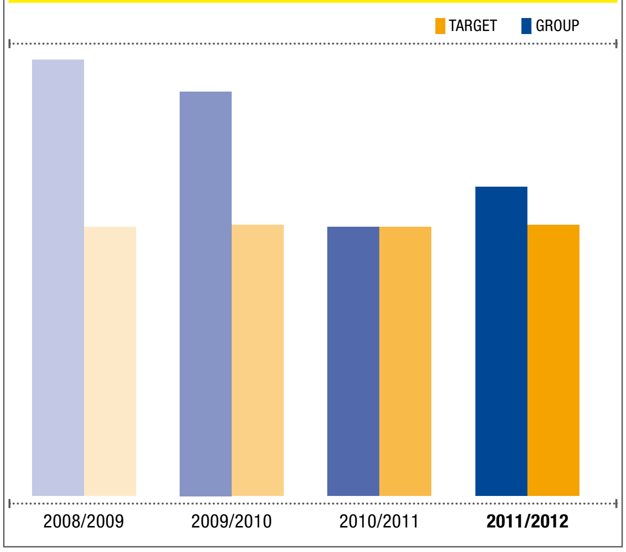
Our Service Quality remains a vanguard of maintaining the Group's excellence in service delivery. In order to ensure that staff members consistently fulfill this mandate, we continually measure service delivery throughout the branch network, and indeed, the Enterprise, using Customer Satisfaction and Mystery Shopping methodologies to facilitate the process. The areas of interest include general service behaviour (service factors), transaction processes, problem resolution & recovery, loyalty and customer engagement.

Over the past five years, the enterprise has consistently met and surpassed the benchmark standards for customer service delivery. These customer satisfaction surveys are conducted twice annually.

Opportunities exist however, in the areas of transaction processes, problem resolution & service recovery. In support of our strategic focus for Customer Experience Management some of the initiatives to be undertaken in the upcoming financial year are:

- Increased efficiency through process improvements
- Improved problem resolution and recovery through implementation of a new Complaint Management system and framework
- Enhanced Internal service culture which directly impacts external service delivery

Customer Satisfaction Surveys 2008-2012



RETAIL BANKING DIVISION

Despite the increasingly challenging environment in which we operated in financial year 2011/2012 with shrinking yields, intense competition and a difficult economic framework, the Retail Banking Division focused on increasing the top line through strong core business growth. For the review period revenue from Retail core business contributed 27% to the Group's revenue.

Value Creation For Our Customers

We recognize that our customers are the foundation of our business. With this in mind we continued to put their needs first in fulfilment of our mission to exceed their expectations. Our service motto – **"Quality our Focus...Serving our Pleasure"** – was in the forefront of our minds whenever a customer related decision was made. To this end we revised products and processes, implemented programmes and introduced promotions that were better aligned to the needs of our customers.

During the financial year a thorough review of our suite of loan products was undertaken to ensure that we provided appropriately for the borrowing needs of our

Our Customers Cont'd

customers. Coming out of this review, in February 2012 we re-entered the **Jamaican Dollar Mortgage** market offering a rate of 9.5% over 30 years with a cash back feature to assist our customers with closing costs. Later in the year we launched an **Education Loan** to help ease the difficulty persons were facing in accessing funding for tertiary level education.

NCB prides itself in providing affordable financing for our customers, accordingly during the year we offered discounted rates and fees and increased the repayment period on a number of our loan facilities. Special promotional offers were also made to various customer segments including the Realtor's Association of Jamaica, Jamaica Securities Force, Lecturers and Women Business Owners of Jamaica. In addition a debt consolidation offer was introduced to assist both personal and business customers consolidate their existing debts, while reducing their monthly payments.

Despite the difficult economic climate, our customers were encouraged to put aside savings to fund future goals and unexpected expenses. Customers were also reminded of the benefits of utilizing our electronic channels especially as it relates to a reduction in their banking fees.

We continue to provide **Remittance Services** through our branch network and two sub agents Lionel Town Supermarket & Paper Gold Limited to provide for our customers that rely on remittances from abroad.

The contribution of our customers to their communities and to the success of our business was not overlooked during the year. The 4th staging of our annual Nation Builder Awards was held on October 25, 2011 to celebrate small and medium-sized businesses that demonstrated outstanding entrepreneurial performance and strong community involvement and impact. The Impact Award was introduced for the first time to recognize the contribution of our customers to nation building one community at a time. Our **Nation Builder Credit Line** was also re-launched at the ceremony at a rate of 8.5% in support of SMEs involved in the productive sector. The winners were:

- Nation Builder – Jamaica Standard Products Company Limited
- Start Up – DDB Island 1962 Company Limited
- Innovation – Spatial Innovision Limited
- Women in Business – Rondel Village
- Impact Award (organization) – Mustard Seed Communities
- Impact Award (individual) – Giuseppe Moffessanti
- Impact Award (special mention) – Roxroy Kerr
- Vision Award – Natalie Fletcher

Our relationships with key external partners are a big part of our business and as such our annual **Auto Dealers Awards Ceremony** was held in July 2012 to celebrate the continued partnership with the car dealers in our **Auto Advantage Club**. Toyota Jamaica and Crichton Automotive Limited were awarded the top prize in the new and used categories respectively.

CHANNEL DELIVERY

Our network of 42 locations island wide along with our Private Banking Centre were the primary channels through which we served our customers. The branch network is a key channel and our main interface with our customers. During the year, increased focus was placed on sales and service at our branches to allow for more time to serve the needs of our customers. Additionally, in an effort to streamline the process from application to disbursement of funds and improve the application processing time for our customers, our loan underwriting process was completely revamped and centralized outside of the branches.

Outlook

For the upcoming financial year, we will continue to ensure that we remain relevant in our ever changing operating environment. This will be accomplished through:

- Continuous revision of our suite of products and services to ensure they are aligned to the needs of our customers.
- Encouraging our customers to utilize our electronic channels.
- Continued improvements in our internal processes and overall operational efficiency.

CORPORATE BANKING DIVISION

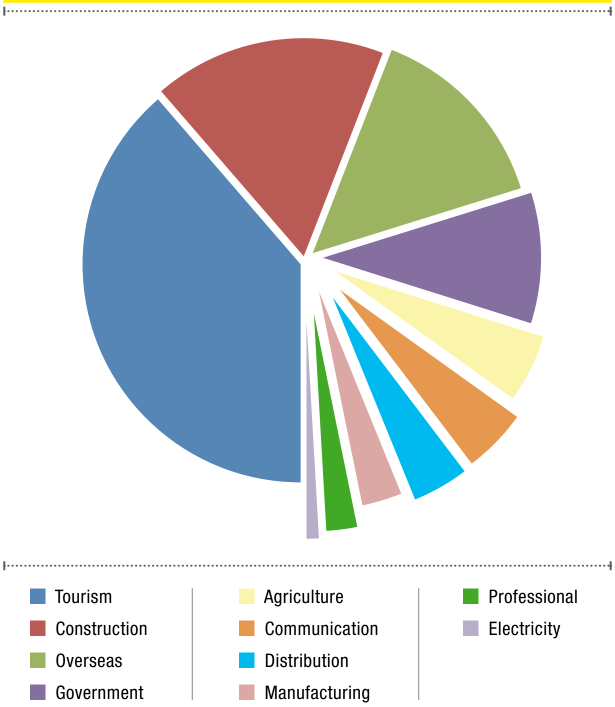
Customers and Products

Corporate Banking Division is the relationship banker of choice to over 250 Groups of Companies, Corporate Entities, Government Agencies and Departments which represent the Bank's single highest revenue contributors. The Division specializes in providing value-added financing solutions designed around each client's particular needs and is considered the focal point through which clients access the full range of services available within the NCB Group.

The Division participated and acted as Lead Arranger in several deals during the year, many of which were booked in the latter half and included three large syndications (participation amount over US$110M).

The Division has also been successful in migrating over 90% of its customer base to the electronic banking platform. We continue to market our e-Channel suite of products inclusive of corporate internet banking, RTGS (Real Time Gross Settlement) and NCB Funds Direct to improve operational efficiency and reduce transaction costs to grow our deposit base and retain an increasingly demanding clientele. We experienced an increase of average deposit levels by 15% to J$30 billion over last year (representing a doubling of deposit balances for the Division since September 2008). This has contributed in a major way to the Bank's continuing dominant market share in deposits among the commercial banks, for the second consecutive year.

Corporate Banking's Customer Profile



The chart above depicts the sectors in which our Corporates are represented, with our largest exposure being in the tourism sector at 39% followed by construction at 17%. Our exposure in tourism reflects a reduction from 48% from last year, given our efforts to diversify the portfolio.

Channel Delivery

Corporate Banking Division is the main point of contact for the full range of NCB Group's products and services to the Corporates. Our clients are served through a Relationship Management Team, comprising 26 persons who have over 100 years of combined banking, investment and relationship management experience.

The Corporate Team represents a unique combination of seasoned domestic and international expertise in structuring and arranging complex financing transactions. This expertise, coupled with a thorough understanding of the needs of a select client base, allows NCB to act effectively as a bridge for our clients in accessing the global capital markets. Strong linkages with major overseas banking institutions and international funding agencies give NCB access to competitively-priced facilities, which are deployed to the benefit of our clients. Linkages with employees of our local corporate clients create various avenues for driving new account openings, credit card and consumer loan product sales and other product offerings from our subsidiaries.

We receive client support through the Retail branch network who assist and represent us from 37 branches and 3 agencies island-wide for day to day transaction services e.g. deposit taking and cheque cashing. The Division also receives additional support from Treasury and Correspondent Banking in accessing funding lines, negotiating large deposits and foreign currency trades. Other points of interface include credit card sales, the Call Centre and eChannel support which provide electronic banking training and online support to our customers.

Segment Financial Performance

The Corporate Banking loan book grew by 12% to $44 billion at September 30, 2012 based on $14 billion in new loans booked that offset significant roll-offs amounting to $8 billion. We also approved deals in the amount of J$16.8 billion which have not yet been disbursed and were an excellent base with which to start the new fiscal year.

The Corporate Banking Division significantly contributed to the Bank maintaining the market leader with a 37% market share (our nearest competitor a distant second at 24%) in delivering foreign currency financing solutions to our corporate clients, and expects to continue this trend in the foreseeable future. The Division in collaboration with internal and external funding sources intends to compete aggressively for good quality credits that are competitively priced in order to grow the business organically. We have also stepped up the pace of our syndicated lending both as participants and lead arranger. During the past year we obtained mandates for 12 transactions totaling J$18 billion and were lead arranger for three loans totaling J$10 billion.

Our Customers Cont'd

Outlook

The competitive edge that the Corporate Banking Division enjoys in its market for loans and deposits and its demonstrated effectiveness in customizing and executing challenging transactions give us confidence that the current fiscal year will be a better year for the Division, despite the challenges and uncertainties.

TREASURY AND CORRESPONDENT BANKING DIVISION

In financial year 2011/12, the Division implemented enabling technology with a New Treasury Management system in December 2011, maintained key strategic relationships with customers and counterparties and further invested in human capital.

The Treasury & Correspondent Banking segment accounted for 26.3% and 26.9% of the Bank's operating profit for fiscal years 2011 and 2012, respectively.

The Division has responsibility for the management of liquidity risk, interest rate risk and foreign exchange risk. A dedicated financial institutions relationship team manages relationships with local financial institutions and correspondent banks. We also provide foreign currency services to all customers of the Bank through various delivery channels. The division is organized into three units: fixed income, foreign currency services and relationship management.

Funding activities

Our Treasury & Correspondent Banking segment is focused primarily on ensuring adequate liquidity levels for the Bank, generating an adequate funding structure, prioritizing our asset and liability cost structure and diversifying our funding sources.

Our funding functions are complemented by our correspondent banking business, which manages relations with correspondent banks worldwide, facilitating international payments and obtaining foreign currency financing. At September 30, 2012, we have established a network of approximately 16 correspondent banks.

Foreign Exchange Services

NCBJ is a major player in an intensely competitive foreign exchange market. The Bank provided US$1.4B in liquidity to its customers and captured a market share of 14.55% during the financial year. Resulting from the challenges experienced in the foreign exchange market we provided hedging solutions for some of its corporate customers.

Products and Services

In 2011/12 the Division continued its focus on its most valuable asset, 'THE CUSTOMERS' delivering products focusing on quality and efficiency, including:

- Credit Facilities
- Trade Services
- Cash Management Solutions
- Repurchase and Reverse Repurchase Agreements
- Secondary market security purchases and sales
- Foreign Exchange spots and forwards
- Deposits – term and demand
- General Banking Services
- Payment Solutions
    - NCB Funds Direct (ACH2)
    - NCB e-Link
    - Real Time Gross Settlement
    - NCB E-Commerce
    - Point of Sale
    - Merchant Services

PAYMENT SERVICES

Our Payment Services segment includes both our credit card issuing business and our credit and debit card acquiring business. Income is primarily earned from interest and fees earned.

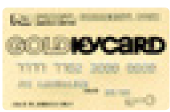
Through our Payment Services segment we offer several types of credit cards to our consumer, SME and corporate customers, including Visa®, MasterCard® and Keycard credit cards.

The Visa® and MasterCard® credit cards that we offer to individual consumers include the NCB Visa Classic, NCB Visa Gold, NCB Visa Signature, NCB MasterCard and NCB Travelmaster credit cards. Some of these cards have rewards features such as cash rebates on purchases and the ability to earn miles for travel. We market our NCB Visa Signature, NCB Visa Gold and NCB Travelmaster credit cards primarily to our affluent, emerging wealthy and first class customers. The Business credit card we offer to our SME and corporate customers is the NCB Visa Business card. This card provides the customer with complimentary travel and auto rental insurance coverage.

The Keycard is our proprietary credit card and was the first domestic credit card introduced in Jamaica. It is accepted at over 9,000 merchant locations across Jamaica. We offer four types of Keycards:

- **Classic Keycard.** This card can be used for purchases and cash advances at any of our branches or ATMs.

- **Lovebird Keycard.** This card has the same features as the Classic Keycard except cardholders can also earn travel rewards under our Lovebird KeyCard Rewards Programme.



- **Gold Keycard.** This card has the same features as the Classic Keycard except that it affords cardholders a higher credit limit, free cash advances and flexible payment terms. The Gold Keycard also provides exclusive discounts with certain merchants in Jamaica.

- **KeycardBiz.** This card is offered to our corporate and SME customers and has the same features as the Classic Keycard except that it affords cardholders a higher credit limit and cash rebates on purchases.

We also offer a prepaid card product called "Keycard Cash," which is not linked to a bank account and is hosted on our credit card system. Keycard Cash is accepted by any NCB merchant and can be used at any of our ATMs. Customers can transfer funds on to the card online, by telephone or at any of our branch locations. The card can also be used at any of our ATM or POS machines to add minutes to a prepaid mobile telephone account.

Our card acquiring services facilitate acceptance of cards at business locations through our various channels inclusive of POS and E-Commerce. Our acquiring services are sold as a part of a bundled offering to our business customers.

For the financial year ended September 30, 2012, the unit focused on Customer Life Cycle management (ie Acquisition, Activation, Usage /Retention programmes) Portfolio Management, Customer Segmentation, Sales of our Payment Services, and developing programmes aimed at deepening our relationships with our clients increasing our profitability.

Acquisition Activities

- Issuance of Pre-approved cards to Deposit and Loan Customers, NCB Insurance and NCB Capital Markets Customers.
- Sales Desks, Branch Sales Campaigns and Direct Sales Opportunities.

Activation / Usage / Retention Activities

- Outbound Telemarketing campaigns aimed at stimulating early and sustained usage of our cards.
- Merchant Programmes - events held in partnership with merchants to provide discounts to our cardholders
- Limit increase programmes
- Card Upgrade Programmes—Upgrading customers to other products based on usage patterns.
- Merchant Fraud Seminars—Seminars geared at providing information to merchants on best practices to mitigate fraud.
- As a result of our efforts when comparing financial year 2012 to the same period 2011; Net contribution increased by 20.5%; Purchases increased by 16% and Acquiring Card Sales increased by 9% .

For the financial year 2012/2013 we will continue to focus on increasing the number of credit cards in the market, maximizing the usage on our channels by implementing new products and programmes aimed at stimulating and sustaining usage based on greater customer value and returns.

Our Subsidiaries

NCB CAPITAL MARKETS LIMITED (NCBCM)

For the period under review the following initiatives were undertaken as we sought to promote greater efficiency and effectiveness within our business:

Customer Relationship Management

The objective is to provide the persons responsible for managing customer relationships with the tools required to effectively manage their assigned client and prospect base.

Segmentation

We have segmented our clients and increased the advisor to client ratios in order to improve the level of service which we provide to each segment of our clients. This we believe will enhance our service level and improve the customer experience for each person or business that invests with NCBCM.

Continuous training

A one year accredited programme with university level courses has been designed to enhance the knowledge and skill sets of our sales force. This will further improve the advisory service offered to our clients. Customer service and relationship management training also continue to be a part of our core developmental course for our sales staff.

Support and Service

We continue to support our clients in their areas of interest through sponsorships. We also implemented an initiative to engage our clients via face to face meetings with our Chairman, the Group Managing Director. This initiative will continue into this upcoming financial year as we seek to further delight our clients.

Further, we engaged in a sales and service effectiveness initiative which helped us to manage our clients' portfolios in a more collaborative way. As a part of this project we have included regular coaching sessions for our team geared towards development and ultimately improving our service delivery to our customers.

Outlook

In the upcoming year we will look to enhance our website and introduce new products. NCBCM has already received Financial Services Commission (FSC) approval to launch its unit trust scheme and the product will be launched in the new financial year as we seek to widen our range of investment products. We will also introduce a complaints management system which will allow us to address customer irritants in a more effective manner.

NCB (CAYMAN) LIMITED

At NCB (Cayman) Limited, we focus on understanding our customers' financial objectives and framing bespoke solutions.

During the year, we streamlined our business to spend more time communicating with our customers and deepening relationships. We also reaped significant amounts of new business from niche segments such as owners of Caribbean domiciled international business companies. For the review period our Net Profit was USD1.75M.

Channel Delivery

Referrals from existing customers and staff are our main acquisition channels. We consider excellence in client relationships to be a key value driver in our business in this regard.

NCB INSURANCE COMPANY LIMITED (NCBIC)

During the year, NCBIC recorded net profit of $1.99 billion.

The company continued to improve its net investment income, and had significant contributions from its non-interest revenue streams, primarily our pensions and annuities business. The company's Capital Ratios remain well in excess of the regulatory minimum with our Minimum Continuing Capital Surplus Ratio (MCCSR) and Solvency Ratios at 97.6% and 34.6% respectively.

One of our major pension fund clients completed its wind-up process this year, which resulted in a contraction in the total value of the pension funds under management to $50,263 million.

In financial year 2011/2012, NCBIC:

1. Continued our commitment to education through the sponsorship of the TVJ's Junior Schools' Challenge Quiz programme with our OMNI Education product.

2. Was awarded "Best Pension Fund Manager Caribbean 2012" in the Global Banking and Finance Review, for the third consecutive year.

Our Customers:	A 10 member service team (Business Retention Representatives) was created to improve the service delivery and experience offered to customers.
Channel Delivery: Branch, Electronic & Customer Care	In our commitment to provide customers with relevant and current information on the company's products, the website was updated to be more user friendly.
Segment Financial Performance	The income statement shows a profit before taxation of $2.384Bn and a net profit of $1.992,Bn for the year ended September 30, 2012. Our shareholders equity at September 30, 2012 remained strong at $8.85Bn.

Outlook

We will enhance our customer experience by:

1. Increasing our focus on our clients by ensuring that our service delivery model is appropriate for each of our customer tiers.

2. Improve our value proposition to our clients by creating new products and also by enhancing our existing products. In so doing, we expect to improve our penetration within the NCB customer base and also to attract new customers to our business.

3. Pursue technological upgrades to our systems to improve our transaction times, and the channels through which our customers can interact with us.

At NCBIC, we believe that pursuing excellence in service and improved profitability are parallel and related paths and we will continue to do both in the year to come.

Our People

> "Commit to revolutionary goals,but take evolutionary steps"
> — **Gary Hamel**, *The Future of Management*

The successful execution of our ambitious 5 year strategic goals requires a committed and engaged workforce with the appropriate workplace enablers in place to both realize the goals and maintain high levels of performance.

The Group Human Resources Division (GHRD) is committed to managing an HR function that provides the Organization with the requisite competences, capabilities and capacity to fulfill these goals and ensure sustainability.

Human Capital Risk Management

Human capital risk is the uncertainty that arises from changes in a wide range of workforce and people management issues that affect a company's ability to meet its strategic and operating objectives. The assessment and management of human capital risk is at the core of the Division's activities in its role as a strategic business driver. In managing human capital risk, we directed our efforts to the identification and classification of the 21 most significant human capital risks (based on research from the Conference Board® 2011) in accordance with the Company's enterprise risk management framework. Each identified risk, for example, shortage of critical skills and succession planning/leadership pipeline, was quantified based on value and risk and the probability of risk realization. We have created a dashboard to monitor changes in these risks and an alert system to monitor movements in NCB's Human Capital Risk Index. In the year ahead we will incorporate monthly reporting on human capital risk and partner with the Credit and Risk Management Division to incorporate the human capital risk management framework into operational risk reporting.

Learning and Development

The ability of our employees to quickly adapt to the rapid pace of change and evolving business requirements is an essential component of our competitive advantage. To meet the demands of the expanded sales force, the Division, through its internal learning and development facility- the Corporate Learning Campus- provided targeted sales and service interventions to enhance the quality of our sales and service delivery and launched several electronic learning modules designed to enable the ready assimilation of the sales and service culture. A team of 17 Master Coaches was identified and trained to support and promulgate the coaching culture initially within the Retail business. The identification and training of Master Coaches will continue in the new financial year.

We introduced predictive performance and job fit models as part of the development of a bio-engineering strategy for our human capital utilizing psychometric profiling and clinical psychology. Using psychometric profiling, we developed a tool to support the right fitting of our sales staff and sales role alignment. The results of the profiling exercise were integrated into a framework to support the coaching and ongoing skill development of our sales teams as well as aid in the recruitment and selection of sales personnel.

Leadership and People Development

As a business we recognized that attainment of our strategic goals necessitated critical shifts in the thinking and behaviour of our employees. To equip our employees to make the desired mindset shifts, we enhanced the course suite of the programmes offered through our Signature Programmes administered by the Institute of Leadership and Organizational Development (ILOD) and the School of Wealth Management. To augment our internal analytical capability, we launched a learning intervention specifically for our business analysts. To date, 4 of the 5 courses contained in this initiative have been delivered to the target audience. By way of ongoing development, the 46 analysts identified for the intervention completed self-assessments and professional development plans. To further build leadership capacity in our management team, we partnered with the Mona School of Business and Management and the Jamaica Institute of Financial Services to enroll several of our employees in their Caribbean Executive Leadership Series 2012.

A virtual on boarding strategy has afforded faster role integration and transition to the NCB philosophy and culture while positively impacting cost management. Leveraging these benefits and to increase the level of engagement with the modality, we refined the on boarding process to incorporate additional modules on coaching and compensation and modified the assessment methodology.

Learning Technology Enhancements

Workforce demographic projections suggest that a virtual learning strategy will increase levels of employee engagement through the provision of avenues of learning that are congruent with the employees' preferred learning modes. As a consequence, therefore, GHRD is steadfast in its pursuit of new ways to upgrade and enrich our virtual learning platform.

To promulgate the coaching culture within the

Organization, a virtual Coaching Exchange was launched which provided all employees with access to resources on coaching and a forum within which to collaborate and exchange ideas, issues and coaching strategies. Over the financial year, the eCampus made in excess of 180 eCourses available to our team. Based on the significance of virtual tools to our learning and development strategy, we subjected our learning platform to external validation and the eCampus platform emerged as the winner of the Human Resources Management Association of Jamaica (HRMAJ) 2011 Golden Leader in HR Innovation Award.

Performance Management

Effective performance management transcends the measurement of results to the implementation of systems geared towards encouraging optimal employee performance while ensuring ongoing business execution and success. To entrench the performance management culture in our operating environment and to develop the skill within our management support employees, we conducted organization wide performance management workshops providing the targeted groups with performance management coaching skills and tools such as dashboards and heat maps. The introduction of self and supervisory assessment tools facilitated the identification and ranking of supervisors based on an internally built supervisory ranking scheme. Based on the outcomes of the assessment, workshop participants are ranked based on their assimilation and adoption of the workshop techniques or are earmarked for ongoing development and coaching support to reinforce the desired performance management practices. Over the period of review, 17 workshops were conducted training 314 employees. These workshops will continue in the upcoming financial year.

In continuation of our employee development initiatives we expanded the cadre of expert resources available to our employees through the development of a Unit Facilitation Monitoring Programme. Unit Facilitators were identified and trained to conduct professional development planning (PDP) sessions and we instituted a framework to monitor and track the effectiveness of the in-unit development activities. A total of 19 PDP workshops were conducted training 300 employees and 32 Unit Facilitators.

Based on pressing and competing business imperatives implementation of the succession pool grid, intended to create a management pipeline for mission critical and key leadership roles, was postponed for the upcoming financial year. The identification and description of competences, levels and descriptions of key competences to support population of the succession pool grid were, however, completed. Mobilization of this initiative will resume in the new financial year with the selection of the candidates for the pool grid and the exploration of a potential match-up of the succession management platform with the PDP application.

Positive Employee Climate

At NCB we recognize that sustained performance excellence is the end result of concentrated focus on the factors that drive both business performance and the health of the organization. Scott Keller and Colin Price, in their book entitled Beyond Performance: How Great Organizations Build Ultimate Competitive Advantage, define organizational health as the ability of an organization to align, execute and renew itself faster than the competition so that it can sustain exceptional performance over time. The critical components of organization health are internal alignment, quality of execution and capacity for renewal. Following a period of introspection, we identified 5 factors which we believe are key drivers of organizational health in our Company and we are now engaged in building a framework to support the execution and sustained focus.

Another key driver of organizational effectiveness and workforce performance is employee engagement. Sustainable engagement is influenced by the extent to which an employee feels motivated, enabled and energized to deliver his/her best performance. Having completed an employee engagement survey in 2011, we prepared action plans at the corporate and division level designed to address the prioritized results. To gauge the effectiveness of these plans and obtain an interim pulse reading, we conducted a midyear check point poll the results of which were used by each Division to modify their action plans as appropriate.

In addressing the critical components identified above, we believe that placing emphasis on the ongoing development of a work environment that is open, free of the threat (perceived or otherwise) of reprisal and conducive to constructive criticism, is integral to both engagement and health. In this regard, we introduced a module in our performance management workshops that provided our management support teams with the tools and techniques to foster candid performance discussions with their direct reports through feedback and performance coaching. To entrench the concept of collaboration and effect an organizational transition from a traditional silo culture, we developed a framework for collaboration. This framework will be operationalized in the upcoming financial year through integration in our virtual orientation process and dissemination through workshops and communities of practice channeled through our Schools of Learning.

Wellness and Recreation

We remained conscious of the need to maintain a level of accord between the development of employee competence and the employee's ability to pursue and fulfill personal objectives and continued our efforts to educate our employees regarding better life options. We launched an information campaign in order to apprise our employees regarding dengue fever and continued our events intended to promote fitness and a healthy lifestyle.

The management of organizational health, strategies that promote employee development and engagement are the media through which to harness employee potential, spark creativity and innovation and harness discretionary effort. Placing emphasis on these variables, in conjunction with regular, active dialogue and partnership with our union affiliates has assisted us in maintaining a stable industrial relations climate. The Group Human Resources Division is mindful of its role as a business driver in the process so that NCB can actualize its long term strategic objectives and sustain performance excellence.

MD&A Cont'd

Our Communities

National Commercial Bank Jamaica Limited, through its Foundation, continues to assist Jamaicans in realizing their goals.

Patrick Hylton, NCB's Group Managing Director, shakes hands with Tareefe Montaque, NCB Foundation's 2012 All Island National Champion for emerging as one of the two top performers in the All Island National Champion selection. Sharing in the occasion are Aujae Dixon (second left) NCB Foundation All Island National Champion and Irene Walter, Director, NCB Foundation.

Our ongoing focus of empowering our nation's people, especially our nation's youth, was implemented as our main strategic focus for 2012, the year in which we celebrated our 175 years of service to Jamaica. We believe that deomstrating a strong sense of social responsibility is important to our busibess as our success is heavily dependent on that of our customers and accordingly the environment in which we operate. It also enhances our reputation with our customers and employees, many of whom share our view on the importance of nation building.

Our corporate mantra of Building a Better Jamaica was carried out by supporting projects consistent with our areas of focus - Education, Community Development, Sports, Youth Leadership and Entrepreneurship.

We deemed it an honour to have celebrated our 175th anniversary in the year that our nation celebrated its 50 years of independence and during our brief reflection on our past in serving generations of Jamaicans, we aspire for financial wellbeing for all and encouraged our nation's people to "put your best life forward." This message was emphasized not only in words but in actions as we spent $75M in support of projects that would drive prosperity, grow opportunity and create hope for all Jamaicans.

Education and School Infrastructure & Equipment

During the 2011/2012 financial year the Bank spent a combined total of $40M on educational initiatives which included academic infrastructural projects and computer donations.

In recognition of the Bank's 175th anniversary, the Foundation awarded $21M in scholarships and grants to over 200 students of which 175 were tertiary level students.

In addition, the Bank spent $9.1M to undertake its educational flagship programme, namely the NCB Foundation CXC/CSEC Principles of Accounts (POA) and Principles of Business (POB) Fee Sponsorship Programme, which gave 4,674 students islandwide the opportunity to sit the CSEC/CXC POA and POB examinations free of cost.

Under the Foundation's education agenda is the strategic objective to improve literacy in Jamaica. Among the major projects undertaken was the partnership with Mission Catwalk to promote "NCB Foundation Mission Literacy" where the Foundation had the opportunity to impact the top five contestants by awarding them each $50,000 in support of improving literacy at a primary school of their choice.

To assist the Ministry of Education in achieving 100% literacy by 2015, the Foundation launched its Love for Reading programme in February 2011 and under this programme employees continue to encourage students at the primary school level to read. As a result, NCB employees eagerly volunteer and participate on Read Across Jamaica Day at various primary schools across the island.

In addition, the Foundation established a partnership with the Holy Trinity High School to assist with meeting their objectives to improve literacy as well as assist with teacher training. This partnership was established on Teachers' Day where employees of NCB Insurance Company Limited and NCB Capital Markets Limited volunteered their time to engage students on the importance of hard work and educate them on life skills. NCB also had the privilege to acknowledge 200 teachers islandwide on World Teachers' Day held on October 5, 2011. This initiative was done in partnership with the Jamaica Teaching Council (JTC).

$75M spent to **drive prosperity, grow opportunity** and **create hope** for all Jamaicans.

During the financial year, the Foundation was also pleased to invest in improving academic infrastructure and promoting a technologically driven society by donating computers to various schools across the Island. Our major school infrastructural project was donating $1M to the Kingston High School to upgrade the school's science laboratories. This contribution assisted the school in improving the teaching of science subjects.

Other schools that received such support were Broughton Primary located in Negril, Wait-A-Bit All Age, Charlton Infant School and the National College of Professional Studies. Accompong Primary & Junior High School located in Accompong, Bethsalem, St. Elizabeth; Burnt Savannah Primary School located in Santa Cruz; Craighton Primary School, located in Irish Town, and Weise Basic School located in St. Thomas.

Other schools included May Day Basic School, Sheffield All- Age, located in Savannah-La-Mar, Claremont Basic School, SOS Herman Gmeiner School located in Stony, Hill, St. Andrew and Kingston Technical High School which received assistance to purchase well-needed furniture for their Career Resource Centre also benefited.

Youth Leadership & Entrepreneurship (YLE)

The NCB Foundation's strategic framework was strategically developed not only to support the further development of Jamaica's education system but also to support the development of leadership skills among our nation's youth. For the financial year, $11.4M was spent on Youth Leadership and Entrepreneurship Programmes.

The Foundation continued its commitment to the Youth Upliftment Through Employment (YUTE) programme, a Private Sector of Jamaica youth-led initiative. NCB Foundation supported the Career Preparedness Workshops (CPW) where, as a result of this support, just over 400 participants gained work opportunities and skills training. Other projects and organizations that the Bank supported were the National Youth Orchestra of Jamaica, Make Your Mark Leadership Conference, Children's Coalition of Jamaica, Jamaica Youth Performing Arts Company and the UWI Debating Club.

In addition, Camp to the World, Rise Life Management Summer Camp, UWI's Mary Seacole Summer Camp for girls, and Jamaica Child Evangelism Summer Camp benefited under this area of focus. These programmes were geared at youth empowerment, behavioral modification and leadership training.

Community Development & Sports

NCB had the privilege to continue transforming lives in the communities in which we serve. The Bank spent $23M on community development and sports initiatives. Non-governmental and community based organizations such as the United Way of Jamaica, Heart Foundation of Jamaica, St. Elizabeth and St. Andrew Care Committees, Mustard Seed Communities, Office of the Children's Advocate and the National Education Inspectorate received assistance.

In addition, Angels of Love Jamaica, St. Patrick's Foundation, Worthley Home for Girls, The Maxfield Park Community Development and the Spanish Town Citizens Against Gun Violence also benefited.

In addition, support was given to the University of Technology's Dental Care Educational Programme, the Bustamante Children's Hospital Ward 5 Christmas treat, Spanish Town Hospital's Paediatric Ward, and the National Chest Hospital received improvements to the reception area of their X-Ray Department.

The Foundation's major projects for the financial year included the donation of $1M in support of a Mobile Financial Services project. This initiative, led by representatives from the Jamaica National Building Society, UWI, the Development Bank of Jamaica, and USAID serves to establish mobile commerce in Jamaica which will seek to enhance increased economic activity. NCB earmarked $1.5M for the refurbishing and the upgrading of four bedrooms and two bathrooms on the Paediatric Ward of the University of the West Indies Hospital.

Also, the Bank donated an ambulance valued at $3.5 M to the BREDS Treasure Beach Foundation/Treasure Beach Emergency Response Unit (TBERU). The ambulance will seek to serve community members of Treasure Beach, located in St. Elizabeth.

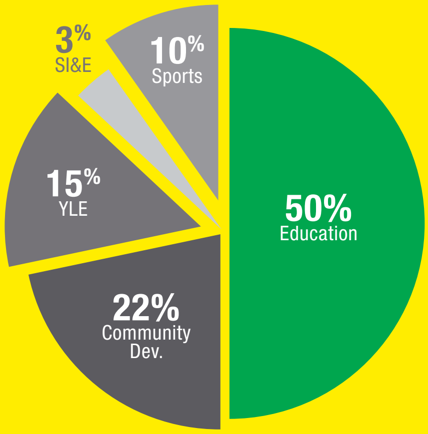
Staff volunteerism forms a major part of the Foundation's community development initiatives. In support of Labour Day 2012, the Bank supported projects across the Island which included the Causeway Fisherfolks Project- Portmore, St. Catherine St. Elizabeth Infirmary, South East Regional Health Authority and the Hanover Labour Day Project. In the spirit of volunteerism the Bank also continued its Grant a Wish programme which allows employees the opportunity to nominate persons in need within their Branch communities for gifts during the Christmas season.

Also, the Foundation initiated a Back to School programme in recognition of Jamaica 50 and partnered with NCB Keycard to distribute commemorative Jamaica 50 exercise books to GSAT students across the Island. All NCB Branches participated in this initiative which saw over 600 students benefiting from this programme.

Conclusion

NCB believes that our success as a company is measured by more than just financial targets. The positive contribution we can make to lives, communities and the environment through good business practices is important to the long term success of our communities and business. We now move forward with all Jamaicans as we continue to build on our past successes and create a future of financial well-being for all. We are sincerely indebted to our faithful customers, employees and partners for their support and look forward to assisting you to put your best life forward in 2013.

PROGRAMME EXPENDITURES	
Education	$37,910,642.18
Community Dev.	$16,213,676.11
YLE	$11,443,485.44
School Infrastructure & Equipment (SI&E)	$2,380,797.46
Sports	$7,413,661.60

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Ensuring that you **Put Your Best Life Forward**


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[1] **Teachers' Day** - NCBIC and NCBCM support Teachers at Holy Trinity High School. [2] **Breds Treasure Beach** – NCB contributed $3.5M to the purchasing of an Ambulance for the community of Treasure Beach [3] **Weise Basic School** – Computer donation to Grade 2 students as part of the One Love Charity initiative [4] **Jamaica Cricket Association** – Donation towards development of youth cricket [5] **Scholarship Programme 2012** – Fourteen Parish Champion Awardees [6] **St. Annie's Infant School Breakfast Programme** – Employees from 1-7 Knutsford Boulevard enjoy serving the students [7] **NCB Back to School Programme** – Commemorative Jamaica 50 exercise books were distributed to students at Half-Way-Tree Primary School [8] **NCB Nation Builder Awards** – Mustard Seed Communities received a cheque valued at $200,000 for their community service [9] **Children Coalition of Jamaica** – Donation towards the production of a Counseling Protocol and Handbook for Helpline Volunteer Counselors. [10] **UTECH's Dental Christmas Treat**

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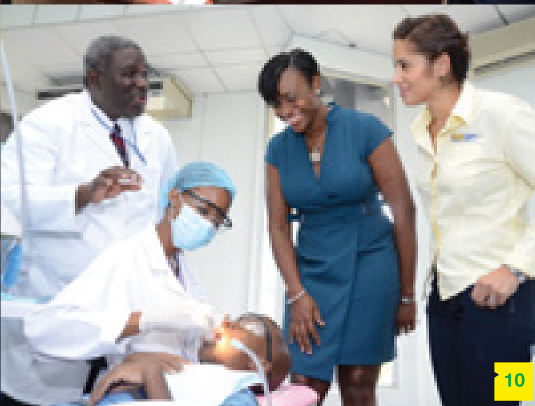

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[11] National Youth Orchestra of Jamaica – NCB donated musical equipment for the further development of musical talents among students from inner-city communities. **[12] Eyelite Optical** – NCBF donated eyewear to needy students from various schools accross the corporate area. **[13] Glenhope Place of Safety** – Christmas Treat supported by employees from NCB 1-7 Knutsford Boulevard **[14] NCB CXC POA/POB Fee Sponsorship Programme 2011** **[15] Mobile Financial Services Project** – NCB donated $1M towards the development of mobile financial services in Jamaica **[16] Jamaica College** – NCBF support Jamaica College's Welfare student programme. **[17] NCB Love for Reading Programme** – Employees volunteer their time to the Mona Heights Primary Reading Day Fair **[18] Bell/Zaidie Memorial Football Charity**- Donation of computers to 3 basic schools. **[19] Environmental Foundation of Jamaica** – NCB awarded top prizes to secondary schools across Jamaica for innovative environmental projects. **[20] NCB Nation Builder Awards** – Guiseppe Maffessanti received a cheque valued at $200,000 for his NCB Impact Award.

Strategic Outlook

THE STRATEGY OF NCB IS DESIGNED TO MEET THE OBJECTIVES OF MAINTAINING OUR POSITION AS THE PREMIER FINANCIAL INSTITUTION in Jamaica and of continuing on the trajectory to become a top performing institution relative to our peers in the region and the world. Our strategy is grounded within the context of a number of existing and emerging trends and opportunities.

The primary trends shaping our strategy

- Uncertain local and global economic outlook
- Rapid rate of technological advances
- Increasing non-traditional financial services players across the globe
- Changing customer preferences and needs
- Increasing global interconnectivity

The **fundamental areas of focus** underpinning all of our 2012/2013 initiatives are:

- Sales and Service Excellence
- Increased Efficiency
- Organisational Health

We will focus on capitalizing on these

opportunities

in the coming financial year.

LIMITED APPLICATION OF LEAN METHODOLOGY

Lean is a methodology that has been applied across industries around the globe in an effort to improve efficiency and customer service delivery. We endeavor to apply these principles in our environment to accomplish similar objectives.

LOW UTILIZATION OF NON-BRANCH CHANNELS FOR SALES AND SERVICE DELIVERY

Our customers primarily use the branches for transactions and to initiate requests for new products and services. Our non-branch channels (Internet Banking, ABMs, and Customer Care Centre) provide customers with convenient alternatives for conducting these same transactions. It provides the flexibility to conduct transactions outside of banking hours and the opportunity to avoid waiting in lines. We will focus on enhancing the features available on our non-branch solutions, and building our customers' awareness of and comfort with these solutions.

LIMITED USAGE OF ELECTRONIC PAYMENT MECHANISMS

The majority of payments in Jamaica are made using cash and cheques. These payment mechanisms carry a number of security and personal safety risks for the customer. In addition, in the case of cheques, it takes a customer a longer time to access funds than it would in the case the funds were transferred electronically. For businesses, cheques are a more costly payment mechanism relative to electronic transfers. We will be helping our customers to understand the costs and associated risks of cash and cheque payments relative to the benefits of electronic payment mechanisms such as credit and debit cards and electronic funds transfer.

LOW PENETRATION OF KEY FINANCIAL SERVICES SOLUTIONS

Usage of and access to key financial service products such as credit cards, retirement savings plans, critical illness health insurance, and education savings plans is low in Jamaica relative to regional and global benchmarks. We aim to assist our customers in finding the right financial solutions to meet their life needs and goals. Our customers' ability to leverage these financial services solutions will be a key enabler of the economic growth and wealth creation we are currently seeking in Jamaica.

At the heart of NCB's value system is a focus on **continuous improvement**, thereby positioning the organisation to sustainably deliver on its mandate for shareholders, customers, employees and the nation. We are looking forward to another exciting year with success that positively impacts our shareholders, employees, customers and fellow citizens. We ask each of you to choose NCB as your financial institution of choice as you "**Put Your Best Life Forward**".

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Financial Statements

SEPTEMBER 30, **2012**

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September 30, 2012

[Directors' Report]

September 30, 2012

The directors submit herewith the Consolidated Income Statement of National Commercial Bank Jamaica Limited and its subsidiaries for the year ended September 30, 2012, together with the Consolidated Statement of Financial Position as at that date:

Operating Results

	$'000
Gross operating revenue	44,425,230
Profit before taxation	13,202,651
Taxation	(3,156,789)
Net profit	10,045,862

Dividends

The following dividends were paid during the year:

- $0.34 per ordinary stock unit was paid in December 2011
- $0.38 per ordinary stock unit was paid in February 2012
- $0.21 per ordinary stock unit was paid in May 2012
- $0.17 per ordinary stock unit was paid in August 2012

Directors

During the financial year, the Board of Directors comprised:

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

Company Secretary

The Company Secretary is Mr Dave L. Garcia.

[Directors' Report]

September 30, 2012

Pursuant to Article 95 of the Company's Articles of Incorporation, 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.

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

Independent Auditors' Report

To the Members of
National Commercial Bank Jamaica Limited

Report on the Consolidated and Bank Stand Alone Financial Statements

We have audited the accompanying consolidated financial statements of National Commercial Bank Jamaica Limited and its subsidiaries, set out on pages 83 to 205, which comprise the consolidated statement of financial position as at September 30, 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying financial statements of National Commercial Bank Jamaica Limited standing alone, which comprise the statement of financial position as at September 30, 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Bank Stand Alone Financial Statements

Management is responsible for the preparation of consolidated and Bank stand alone financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and Bank stand alone financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and Bank stand alone 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 about whether the consolidated and Bank stand alone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and Bank stand alone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and Bank stand alone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and Bank stand alone financial statements that give a true and fair view 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 consolidated and Bank stand alone financial statements.

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

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

C.D.W. Maxwell P.W. Pearson E.A. Crawford J.W. Lee P.E. Williams L.A. McKnight L.E. Augier A.K. Jain B.L. Scott B.J. Denning
G.A. Reece P.A. Williams R.S. Nathan

Members of National Commercial Bank Jamaica Limited

Independent Auditors' Report

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Opinion

In our opinion, the consolidated financial statements of National Commercial Bank Jamaica Limited and its subsidiaries, and the financial statements of National Commercial Bank Jamaica Limited standing alone give a true and fair view of the financial position of the group and the Bank as at September 30, 2012, and of their financial performance and cash flows for the year then ended, so far as concerns the members of National Commercial Bank Jamaica Limited, 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 proper returns adequate for the purposes of our audit have been received from branches not visited by us, and the accompanying consolidated and Bank stand alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
November 19, 2012
Kingston, Jamaica

[Consolidated Income Statement]

Year ended September 30, 2012

[expressed in Jamaican dollars unless otherwise indicated]

	Note	2012 $'000	Restated 2011 $'000
Operating Income			
Interest income		30,475,968	30,191,938
Interest expense		(8,691,878)	(9,041,078)
Net interest income	6	21,784,090	21,150,860
Fee and commission income		8,300,085	7,497,876
Fee and commission expense		(1,186,403)	(1,078,430)
Net fee and commission income	7	7,113,682	6,419,446
Gain on foreign currency and investment activities	8	3,731,492	4,035,443
Dividend income	9	119,634	11,830
Premium income	10	1,687,082	2,921,919
Other operating income		110,969	132,698
		5,649,177	7,101,890
		34,546,949	34,672,196
Operating Expenses			
Staff costs	11	9,755,916	9,240,116
Provision for credit losses	21	2,462,811	768,881
Depreciation and amortization		812,512	580,132
Impairment losses on securities	12	467,778	262,003
Other operating expenses	13	8,780,474	8,333,326
		22,279,491	19,184,458
Operating Profit		12,267,458	15,487,738
Gain on acquisition of associates	23	-	1,867,377
Share of profit of associates	23	947,141	234,979
Dilution of share in associates	23	(11,948)	-
Profit before Taxation		13,202,651	17,590,094
Taxation	14	(3,156,789)	(3,704,793)
NET PROFIT		10,045,862	13,885,301
Earnings per stock unit (expressed in $ per share)			
Basic and diluted	15	4.08	5.64

[Consolidated Statement of Comprehensive Income]

Year ended September 30, 2012

[expressed in Jamaican dollars unless otherwise indicated]

	2012	Restated 2011
	$'000	$'000
Net Profit	10,045,862	13,885,301
Other Comprehensive Income, net of tax –		
Currency translation gains	92,142	2,691
Unrealized (losses)/gains on available-for-sale investments	(837,922)	4,584,760
Realized fair value gains on sale and maturity of available-for-sale investments	(2,226,635)	(2,220,115)
Unrealized losses transferred from equity on impairment of available-for-sale equity securities	-	264,012
	(2,972,415)	2,631,348
TOTAL COMPREHENSIVE INCOME	7,073,447	16,516,649

[Consolidated Statement of Financial Position]

September 30, 2012

[expressed in Jamaican dollars unless otherwise indicated]

	Note	2012	Restated 2011
		$'000	$'000
ASSETS			
Cash in hand and balances at Bank of Jamaica	16	24,102,812	20,725,491
Due from other banks	17	14,927,069	24,812,575
Derivative financial instruments	18	4,978	-
Investment securities at fair value through profit or loss	19	720,406	1,785,352
Reverse repurchase agreements	20	408,294	1,697,472
Loans and advances, net of provision for credit losses	21	111,904,854	91,728,138
Investment securities classified as available-for-sale and loans and receivables	22	209,933,151	202,962,775
Investment in associates	23	7,149,680	6,698,130
Investment property	24	12,500	12,000
Intangible asset – computer software	25	1,135,599	897,862
Property, plant and equipment	26	5,231,798	4,322,866
Deferred income tax assets	27	19,483	26,191
Income tax recoverable		887,577	1,402,777
Customers' liability – letters of credit and undertaking		530,719	361,606
Other assets	28	2,466,599	2,184,878
Total Assets		379,435,519	359,618,113

[Consolidated Statement of Financial Position]

September 30, 2012

[expressed in Jamaican dollars unless otherwise indicated]

	Note	2012 $'000	Restated 2011 $'000
LIABILITIES			
Due to other banks	29	9,324,897	6,215,824
Customer deposits		162,930,350	155,800,401
Repurchase agreements		101,890,449	84,075,103
Obligations under securitization arrangements	30	2,593,201	14,378,119
Derivative financial instruments	18	5,312	-
Other borrowed funds	31	3,620,012	5,693,957
Income tax payable		11,191	12,591
Deferred income tax liabilities	27	1,398,092	2,387,682
Liabilities under annuity and insurance contracts	32	25,194,324	23,564,275
Provision for litigation	33	17,300	13,000
Post-employment benefit obligations	34	810,276	582,491
Liability – letters of credit and undertaking		530,719	361,606
Other liabilities	35	4,766,075	4,555,800
Total Liabilities		313,092,198	297,640,849
EQUITY			
Share capital	36	6,465,731	6,465,731
Shares held by NCB Employee Share Scheme	36	(3,388)	(3,388)
Fair value and capital reserves	37	2,194,179	5,166,594
Loan loss reserve	38	4,662,842	4,922,610
Banking reserve fund	39	6,512,634	6,039,667
Retained earnings reserve	40	14,013,657	11,375,761
Retained earnings		32,497,666	28,010,289
Total Equity		66,343,321	61,977,264
Total Equity and Liabilities		379,435,519	359,618,113

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

Patrick Hylton — Group Managing Director	Dennis Cohen — Deputy Group Managing Director
Professor Alvin Wint — Director	Dave Garcia — Company Secretary

[Consolidated Statement of Changes in Equity]

Year ended September 30, 2012

[expressed in Jamaican dollars unless otherwise indicated]

	Share Capital	Shares Held by Share Scheme	Fair Value and Capital Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at September 30, 2010	6,465,731	(3,388)	1,457,864	1,135,012	5,200,206	8,875,761	25,676,747	48,807,933
Total comprehensive income, as restated	-	-	2,631,348	-	-	-	13,885,301	16,516,649
Dividends paid	-	-	-	-	-	-	(3,347,318)	(3,347,318)
Redemption of preference shares	-	-	1,077,382	-	-	-	(1,077,382)	-
Transfer to Loan Loss Reserve	-	-	-	3,787,598	-	-	(3,787,598)	-
Transfer to Banking Reserve Fund	-	-	-	-	839,461	-	(839,461)	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	2,500,000	(2,500,000)	-
Balance at September 30, 2011, as restated	6,465,731	(3,388)	5,166,594	4,922,610	6,039,667	11,375,761	28,010,289	61,977,264
Total comprehensive income	-	-	(2,972,415)	-	-	-	10,045,862	7,073,447
Dividends paid	-	-	-	-	-	-	(2,707,390)	(2,707,390)
Transfer from Loan Loss Reserve	-	-	-	(259,768)	-	-	259,768	-
Transfer to Banking Reserve Fund	-	-	-	-	472,967	-	(472,967)	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	2,637,896	(2,637,896)	-
Balance at September 30, 2012	6,465,731	(3,388)	2,194,179	4,662,842	6,512,634	14,013,657	32,497,666	66,343,321

[Consolidated Statement of Cash Flows]

Year ended September 30, 2012

[expressed in Jamaican dollars unless otherwise indicated]

	Note	2012 $'000	Restated 2011 $'000
Cash Flows from Operating Activities			
Net profit		10,045,862	13,885,301
Adjustments to reconcile net profit to net cash provided by operating activities		5,666,044	6,554,155
Net cash provided by operating activities	41	15,711,906	20,439,456
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	26	(1,415,627)	(672,268)
Acquisition of intangible asset – computer software	25	(546,801)	(688,160)
Investment in associates	23	-	(2,318,753)
Proceeds from disposal of property, plant and equipment		4,274	27,982
Dividends received from associates	23	146,761	41,948
Purchases of investment securities		(240,078,881)	(320,155,347)
Sales/maturities of investment securities		219,525,093	311,783,831
Net cash used in investing activities		(22,365,181)	(11,980,767)
Cash Flows from Financing Activities			
Repayments under securitization arrangements		(11,483,783)	(6,087,083)
Repayments of other borrowed funds		(3,035,243)	(2,759,487)
Proceeds from other borrowed funds		943,027	1,471,420
Dividends paid		(2,707,390)	(3,347,318)
Net cash used in financing activities		(16,283,389)	(10,722,468)
Effect of exchange rate changes on cash and cash equivalents		1,044,342	(38,490)
Net decrease in cash and cash equivalents		(21,892,322)	(2,302,269)
Cash and cash equivalents at beginning of year		38,609,519	40,911,788
Cash and Cash Equivalents at End of Year		16,717,197	38,609,519
Comprising:			
Cash in hand and balances at Bank of Jamaica	16	6,374,868	4,656,845
Due from other banks	17	14,927,069	24,812,575
Reverse repurchase agreements	20	394,873	400,000
Investment securities	22	4,345,284	14,955,923
Due to other banks	29	(9,324,897)	(6,215,824)
		16,717,197	38,609,519

[Income Statement]

Year ended September 30, 2012

[expressed in Jamaican dollars unless otherwise indicated]

	Note	2012 $'000	2011 $'000
Operating Revenue			
Interest income		20,515,000	19,778,000
Interest expense		(4,261,224)	(4,324,650)
Net interest income	6	16,253,776	15,453,350
Fee and commission income		7,255,659	6,543,379
Fee and commission expense		(1,186,403)	(1,078,430)
Net fee and commission income	7	6,069,256	5,464,949
Gain on foreign currency and investment activities	8	1,702,851	2,133,892
Dividend income	9	2,290,448	2,152,748
Other operating income		96,485	123,163
		4,089,784	4,409,803
		26,412,816	25,328,102
Operating Expenses			
Staff costs	11	8,607,561	8,262,801
Provision for credit losses	21	2,462,811	768,881
Depreciation and amortization		769,052	518,180
Impairment losses	12	-	264,012
Other operating expenses	13	6,527,580	5,060,739
		18,367,004	14,874,613
Profit before Taxation		8,045,812	10,453,489
Taxation	14	(1,511,656)	(2,058,876)
NET PROFIT		6,534,156	8,394,613

[Statement of Comprehensive Income]

Year ended September 30, 2012

[expressed in Jamaican dollars unless otherwise indicated]

	2012 $'000	2011 $'000
Net Profit	6,534,156	8,394,613
Other Comprehensive Income, net of taxes –		
Unrealized gains on available-for-sale investments	138,134	1,050,735
Realized fair value gains on sale and maturity of available-for-sale investments	(643,995)	(1,017,587)
Unrealized losses transferred from equity on impairment of available-for-sale equity securities	-	264,012
	(505,861)	297,160
TOTAL COMPREHENSIVE INCOME	6,028,295	8,691,773

[Statement of Financial Position]

September 30, 2012

[expressed in Jamaican dollars unless otherwise indicated]

	Note	2012	2011
		$'000	$'000
ASSETS			
Cash in hand and balances at Bank of Jamaica	16	24,097,645	20,721,445
Due from other banks	17	14,438,606	24,329,851
Derivative financial instruments	18	4,978	-
Reverse repurchase agreements	20	565,719	990,011
Loans and advances, net of provision for credit losses	21	111,164,129	91,398,899
Investment securities classified as available-for-sale and loans and receivables	22	86,367,334	83,752,176
Investment in associates	23	2,679,737	471,534
Investment in subsidiaries		1,609,609	1,609,609
Intangible asset – computer software	25	1,092,379	840,319
Property, plant and equipment	26	5,211,299	4,300,513
Income tax recoverable		297,796	525,802
Customers' liability – letters of credit and undertaking		530,719	361,606
Other assets	28	2,261,094	1,457,343
Total Assets		250,321,044	230,759,108

[Statement of Financial Position]

September 30, 2012

[expressed in Jamaican dollars unless otherwise indicated]

	Note	2012 $'000	2011 $'000
LIABILITIES			
Due to other banks	29	11,716,825	6,215,824
Customer deposits		160,834,084	156,023,338
Repurchase agreements		27,712,425	8,509,780
Obligations under securitization arrangements	30	2,593,201	14,378,119
Derivative financial instruments	18	5,312	-
Other borrowed funds	31	2,153,512	4,035,316
Deferred tax liabilities	27	1,189,086	1,087,982
Provision for litigation	33	17,300	13,000
Post-employment benefit obligations	34	810,276	582,491
Liability – letters of credit and undertaking		530,719	361,606
Other liabilities	35	3,905,961	4,014,165
Total Liabilities		211,468,701	195,221,621
EQUITY			
Share capital	36	6,465,731	6,465,731
Fair value and capital reserves	37	(398,556)	107,305
Loan loss reserve	38	4,662,842	4,922,610
Banking reserve fund	39	6,512,634	6,039,667
Retained earnings reserve	40	14,013,657	11,375,761
Retained earnings		7,596,035	6,626,413
Total Equity		38,852,343	35,537,487
Total Equity and Liabilities		250,321,044	230,759,108

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

Patrick Hylton Group Managing Director

Dennis Cohen Deputy Group Managing Director

Professor Alvin Wint Director

Dave Garcia Company Secretary

[Statement of Changes in Equity]

Year ended September 30, 2012

[expressed in Jamaican dollars unless otherwise indicated]

	Share Capital	Fair Value and Capital Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at September 30, 2010	6,465,731	(189,855)	1,135,012	5,200,206	8,875,761	8,713,656	30,200,511
Total comprehensive income	-	297,160	-	-	-	8,394,613	8,691,773
Dividends paid	-	-	-	-	-	(3,354,797)	(3,354,797)
Transfer to Loan Loss Reserve	-	-	3,787,598	-	-	(3,787,598)	-
Transfer to Banking Reserve Fund	-	-	-	839,461	-	(839,461)	-
Transfer to Retained Earnings Reserve	-	-	-	-	2,500,000	(2,500,000)	-
Balance at September 30, 2011	6,465,731	107,305	4,922,610	6,039,667	11,375,761	6,626,413	35,537,487
Total comprehensive income	-	(505,861)	-	-	-	6,534,156	6,028,295
Dividends paid	-	-	-	-	-	(2,713,439)	(2,713,439)
Transfer from Loan Loss Reserve	-	-	(259,768)	-	-	259,768	-
Transfer to Banking Reserve Fund	-	-	-	472,967	-	(472,967)	-
Transfer to Retained Earnings Reserve	-	-	-	-	2,637,896	(2,637,896)	-
Balance at September 30, 2012	6,465,731	(398,556)	4,662,842	6,512,634	14,013,657	7,596,035	38,852,343

[Statement of Cash Flows]

Year ended September 30, 2012

[expressed in Jamaican dollars unless otherwise indicated]

	Note	2012 $'000	2011 $'000
Cash Flows from Operating Activities			
Net profit		6,534,156	8,394,613
Adjustments to reconcile net profit to net cash provided by operating activities		2,005,074	(105,035)
Net cash provided by operating activities	41	8,539,230	8,289,578
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	26	(1,406,023)	(663,311)
Acquisition of intangible asset – computer software	25	(529,239)	(684,446)
Investment in associate	23	(2,208,203)	-
Proceeds from disposal of property, plant and equipment		4,274	27,982
Purchases of investment securities		(175,264,034)	(253,512,378)
Sales/maturities of investment securities		162,665,687	259,431,343
Net cash (used in)/provided by investing activities		(16,737,538)	4,599,190
Cash Flows from Financing Activities			
Repayments under securitization arrangements		(11,483,783)	(6,087,083)
Repayments of other borrowed funds		(2,798,576)	(2,759,483)
Proceeds from other borrowed funds		896,885	500,792
Dividends paid		(2,713,440)	(3,354,797)
Net cash used in financing activities		(16,098,914)	(11,700,571)
Effect of exchange rate changes on cash and cash equivalents		989,216	(38,490)
Net (decrease)/increase in cash and cash equivalents		(23,308,006)	1,149,707
Cash and cash equivalents at beginning of year		36,566,249	35,416,542
Cash and Cash Equivalents at End of Year		13,258,243	36,566,249
Comprising:			
Cash in hand and balances at Bank of Jamaica	16	6,369,701	4,652,799
Due from other banks	17	14,438,606	24,329,851
Reverse repurchase agreements	20	291,339	726,397
Investment securities	22	3,875,422	13,073,026
Due to other banks	29	(11,716,825)	(6,215,824)
		13,258,243	36,566,249

[expressed in Jamaican dollars unless otherwise indicated]

1. Identification and Principal Activities

National Commercial Bank Jamaica Limited ("the Bank") is incorporated in Jamaica and licensed under the Banking Act, 1992. The Bank is a 51.71% (2011 – 53.02%) subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael A. Lee-Chin, OJ.

The Bank's registered office is located at 32 Trafalgar Road, Kingston 10, Jamaica.

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

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

	Principal Activities	Percentage Ownership by The Group	
		2012	2011
Data-Cap Processing Limited	Security Services	100	100
Mutual Security Insurance Brokers Limited	Insurance Brokerage Services	100	100
NCB Capital Markets Limited	Securities Dealer and Stock Brokerage Services	100	100
NCB Capital Markets (Cayman) Limited *	Securities Dealer	100	100
NCB (Cayman) Limited	Commercial Banking	100	100
NCB Remittance Services (Cayman) Limited	Money Remittance Services	100	100
NCB Capital Markets (Cayman) Limited *	Securities Dealer	100	100
NCB Insurance Company Limited	Life Insurance, Investment and Pension Fund Management Services	100	100
N.C.B. (Investments) Limited	Dormant	100	100
N.C.B. Jamaica (Nominees) Limited	Registrar Services	100	100
NCB Remittance Services (Jamaica) Limited	Money Remittance Services	100	100
NCB Remittance Services (UK) Limited	Money Remittance Services	100	100
West Indies Trust Company Limited	Trust and Estate Management Services	100	100
NCB Employee Share Scheme	Dormant	100	100

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

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

During the year, NCB Capital Markets Limited signed agreements with AIC (Barbados) Limited and ACF Holdings Insureco Limited, the legal and beneficial owners of 96.24% of the issued share capital of Advantage General Insurance Company Limited (AGI), for the purchase of their shareholdings in AGI. Both AIC (Barbados) Limited and ACF Holdings Insureco Limited are controlled by the Chairman of the Bank. The completion of the transaction is contingent on obtaining regulatory approval from the Financial Services Commission (FSC) and non-objection from the Bank of Jamaica (BoJ).

Subsequent to the year end, conditional regulatory approval was obtained from the FSC. However, the Bank is still in dialogue with the BoJ in respect of their non-objection.

[expressed in Jamaican dollars unless otherwise indicated]

1. Identification and Principal Activities (Continued)

The Group's associates are as follows:

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

All associates are incorporated in Jamaica.

During the year, Jamaica Money Market Brokers Limited (JMMB) acquired the entire share capital of Capital & Credit Financial Group Limited (CCFG) for a consideration of cash and the issuing of new shares to the former shareholders of CCFG. The shares issued to the former shareholders of CCFG resulted in a dilution of the share of the Group's ownership in JMMB from 29.30% to 26.30%.

On March 29, 2012, Kingston Wharves Limited issued additional shares to another shareholder, thereby diluting the Group's interest from 43.45% to 32.59%.

2. Significant Accounting Policies

(a) Basis of preparation

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

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

Standards, interpretations and amendments effective during the current year

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

- **IAS 24 (Revised), 'Related party disclosures'.** The revised standard clarifies and simplifies the definition of a related party and provides certain exemptions for government-related entities. The revised standard did not have a significant impact on the related party disclosures.

- **IFRS 7 (Amendment), 'Financial instruments: Disclosures'.** This amendment clarifies the disclosure requirement by emphasizing the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Amendments were also made to quantitative and credit risk disclosures. The adoption of this amendment resulted in changes in the presentation of credit risk disclosures.

- **IFRIC 14 (Amendments) 'Prepayments of a minimum funding requirement'**. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments did not have an impact on the financial statements.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- **IAS 1 (Amendments), 'Financial statement presentation'** (effective for annual periods beginning on or after July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group will apply the amendments from October 1, 2012.

- **IAS 12 (Amendment), 'Income taxes'** (effective for annual periods beginning on or after July 1, 2013). IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC-21, 'Income taxes − recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is withdrawn. The Group will apply the amendment from October 1, 2013 but it is not expected to have a significant impact on the financial statements.

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

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- **IAS 27, (Revised) 'Separate financial statements'** (effective for annual periods beginning on or after January 1, 2013). This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Group will apply the standard from October 1, 2013 but it will not result in changes to the Bank's separate financial statements.

- **IAS 28, (Revised) 'Associates and joint ventures'** (effective for annual periods beginning on or after January 1, 2013). This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.The Group will apply the standard from October 1, 2013 but it is not expected to result in changes to the Group's financial statements.

- **IAS 32, (Amendment) 'Financial instruments: Presentation'** (effective for annual periods beginning on or after January 1, 2014). This amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Group will apply the amendment from October 1, 2014 but it is not expected to have a significant impact on the Group's financial statements.

- **IFRS 7, (Amendment) 'Financial instruments: Disclosures'** (effective for annual periods beginning on or after January 1, 2013). This amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The Group will apply the amendment from October 1, 2013 but it is not expected to have a significant impact on the Group's financial statements.

- **IFRS 9, 'Financial instruments'** (effective for annual periods beginning on or after January 1, 2015). This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. 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.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- **IFRS 10, 'Consolidated financial statements'** (effective for annual periods beginning on or after January 1, 2013). This standard replaces IAS 27, 'Consolidated and Separate Financial Statements' and SIC-12, 'Consolidation-Special Purpose Entities'. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The Group will apply the standard from October 1, 2013 but it is not expected to have any impact on the Group's financial statements as there would be no change in the entities that are consolidated under the new standard.

- **IFRS 11, 'Joint arrangements'** (effective for annual periods beginning on or after January 1, 2013). This standard replaces IAS 31, 'Interests in Joint Ventures' and SIC-13, 'Jointly Controlled Entities-Non-Monetary Contributions by Venturers'. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group will apply the standard from October 1, 2013. The Group currently has no joint arrangements that fall within the recognition criteria of this standard.

- **IFRS 12, 'Disclosure of interests in other entities'** (effective for annual periods beginning on or after January 1, 2013). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Group will apply the standard from October 1, 2013 and it will result in expanded disclosure in the financial statements.

- **IFRS 13, 'Fair value measurement'** (effective for annual periods beginning on or after January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The Group will apply the standard from October 1, 2013 and it will result in expanded disclosure in the financial statements.

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

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

Subsidiaries

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

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

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

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

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

Associates

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

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

2. Significant Accounting Policies (Continued)

(c) Segment reporting

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

(d) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions, and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized 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 recognized in the income statement (applicable for trading securities), or within other comprehensive income if non-monetary financial assets are classified as available-for-sale. In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale, a distinction is made between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in the income statement, and other changes in the carrying amount, except impairment, are recognized in other comprehensive income.

Group companies

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

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

2. Significant Accounting Policies (Continued)

(e) Revenue recognition

Interest income and expense

Interest income and expense are recognized 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 amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering the contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

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

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

Insurance and annuity premium income and fees

The portfolio of insurance contracts consists primarily of single premium contracts and bancassurance contracts (premiums inclusive of investment placements). For these insurance contracts, premium income is accounted for as received. For other insurance contracts which require premiums to be paid monthly or other frequency to remain in force, premium income is recognized on an accrual basis up to a maximum of 60 days outstanding. Thereafter, any premium receivable is written-off and the insurance contract lapses.

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

Annuity contracts are single premium contracts and premium income is accounted for as received. The premium income must be collected prior to the contract being in force.

When premiums are recognized, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue.

Dividend income

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

2. Significant Accounting Policies (Continued)

(f) Income taxes
Taxation expense in the income statement comprises current and deferred income tax charges.

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

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

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

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

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

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

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

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

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

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

2. Significant Accounting Policies (Continued)

(j) Loans and advances and provisions for credit losses

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

Provision for credit losses determined under the requirements of IFRS

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

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

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

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

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

2. Significant Accounting Policies (Continued)

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

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

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the group. Losses over the preceding 12 months are used as a baseline to determine historical loss experience for loans with credit risk characteristics similar to those in the group. This historical loss experience is then adjusted, if necessary, to reflect broader economic trends over the most recent 24-month period with a 36-month look back period used on the highest risk portfolios. Finally, applicable adjustments are made on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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

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

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

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

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

The provision for credit losses determined under the Bank of Jamaica regulatory requirements comprises a "specific provision", a "special provision" and a "general provision". The specific and special provisions are determined based on each specific loan for which problems have been identified. The general provision is considered to be prudential in nature and is established to absorb portfolio losses.

2. Significant Accounting Policies (Continued)

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

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

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

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

A general provision is established for all loans (other than loans for which specific and special provisions were established) at 1% of the amounts outstanding.

(k) Investment securities

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

Investment securities at fair value through profit or loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. They are initially recognized at fair value and transaction costs are expensed in the income statement. They are subsequently carried at fair value. Interest income on investment securities at fair value through profit or loss is recognized in interest income. All other realized and unrealized 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 recognized at fair value (including transaction costs), and subsequently remeasured at fair value. Unrealized gains and losses arising from changes in fair value of available-for-sale securities are recognized in other comprehensive income. When the securities are disposed of or impaired, the related accumulated unrealized gains or losses included in other comprehensive income are transferred to the income statement.

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

2. Significant Accounting Policies (Continued)

(k) Investment securities (continued)

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

Financial assets are assessed at each date of the statement of financial position for objective evidence of impairment. A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The amount of the impairment loss for assets carried at amortized 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 recognized in the income statement, is removed from other comprehensive income and recognized in the income statement. Impairment losses recognized on the equity instruments are not reversed through the income statement.

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

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

(l) Investment property

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

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

2. Significant Accounting Policies (Continued)

(m) Intangible assets

Computer software

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

(n) Property, plant and equipment

Land and buildings are shown at deemed cost less impairment losses, and 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

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

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

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

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

2. Significant Accounting Policies (Continued)

(o) Financial liabilities

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

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

(p) Borrowings

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

(q) Leases

As lessee

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

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

As lessor

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

2. Significant Accounting Policies (Continued)

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

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

Classification

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

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

Recognition and measurement

Insurance contracts

These contracts insure human life events (for example death or permanent disability) over a long duration. The accounting treatment differs according to whether the contract bears investment options or not. Under contracts that do not bear investment options, premiums are recognized 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 recognized directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrender charges and any withdrawals; the resulting liability is called the Life Assurance Fund. Income consists of fees deducted for mortality, policy administration and surrenders. Interest credited to the account balances and benefit claims in excess of the account balances incurred in the period are recorded as expenses in the income statement.

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

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

Investment contracts

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

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

2. Significant Accounting Policies (Continued)

(s) Provisions

Provisions are recognized 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.

(t) Post-employment benefits

Pension benefits

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

Defined benefit pension plans

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

The liability recognized 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 unrecognized 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 recognized 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 amortized on a straight-line basis over the vesting period.

Defined contribution pension plans

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

2. Significant Accounting Policies (Continued)

(t) Post-employment benefits (continued)

Other post-employment benefit obligations

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

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

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

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

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

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

Where the Bank's obligations are considered to be contingent, the amounts are disclosed in Note 43.

(v) Share capital

Share issue costs

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

Dividends on ordinary shares

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

Treasury shares

Where the Employee Share Scheme purchases the Bank's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to the Bank's stockholders 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 stockholders.

(w) Fiduciary activities

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

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

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

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

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

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

Future obligations for post-employment benefits

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

Intangible assets arising on acquisition of associates

The fair market value of the intangible assets arising from the Group's acquisition of associates was determined by an independent valuation consultant.

The intangibles acquired have been deemed to be finite life intangibles. Their estimated useful lives have been determined by management, based on their best estimate of the time period over which the Group will benefit from the assets acquired. Management has estimated that the useful life of the intangibles will be between 6 and 20 years

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 organized into the following business segments:

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

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

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

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

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

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

(g) The Group's insurance brokerage services, trustee services and registrar and transfer agent services are classified as Other for segment reporting.

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

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

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

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

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

[Notes to the Financial Statements]

September 30, 2012

[expressed in Jamaican dollars unless otherwise indicated]

5. Segment Reporting (Continued)

Year ended September 30, 2012	Consumer and SME								
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth Management	Life Insurance & Pension Fund Management	Other	Eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	11,987,814	5,655,151	3,687,430	8,337,897	8,895,950	5,778,306	82,682	-	44,425,230
Revenue from other segments	2,996,958	-	-	1,120,417	600,790	62,099	177,513	(4,957,777)	-
Total revenue	14,984,772	5,655,151	3,687,430	9,458,314	9,496,740	5,840,405	260,195	(4,957,777)	44,425,230
Interest income	11,589,823	2,095,535	3,176,482	7,556,345	7,744,270	2,729,571	36,176	(4,453,218)	30,474,984
Interest expense	(1,547,225)	(572,384)	(1,262,756)	(4,807,544)	(3,939,225)	(1,050,982)	(1,292)	4,453,218	(8,728,190)
Net interest income	10,042,598	1,523,151	1,913,726	2,748,801	3,805,045	1,678,589	34,884	-	21,746,794
Net fee and commission income	3,047,156	2,340,043	479,667	180,073	193,108	859,062	88,947	(198,436)	6,989,620
Gain on foreign currency and investment activities	128,592	8,429	21,859	1,545,365	1,480,682	498,119	(28,662)	28,440	3,682,824
Premium income	-	-	-	-	-	1,716,630	-	(29,548)	1,687,082
Other operating income	64,238	5,332	3,885	172,133	74,351	37,023	48,083	(202,126)	202,919
Total operating income	13,282,584	3,876,955	2,419,137	4,646,372	5,553,186	4,789,423	143,252	(401,670)	34,309,239
Staff costs	4,300,763	186,200	198,686	141,115	511,613	517,097	95,731	(29,138)	5,922,067
Provision for credit losses	692,582	418,647	1,352,698	-	-	-	-	-	2,463,927
Depreciation and amortisation	138,854	65,318	5,314	86,096	5,193	35,648	1,036	-	337,459
Impairment losses on securities	-	-	-	-	467,778	-	-	-	467,778
Other operating expenses	2,259,018	740,233	390,844	535,312	600,637	1,852,349	22,734	(248,161)	6,152,966
Total operating expenses	7,391,217	1,410,398	1,947,542	762,523	1,585,221	2,405,094	119,501	(277,299)	15,344,197
Operating profit before allocated costs	5,891,367	2,466,557	471,595	3,883,849	3,967,965	2,384,329	23,751	(124,371)	18,965,042
Allocated costs	(4,320,718)	(567,410)	(376,865)	(272,816)	-	-	-	-	(5,537,809)
Operating profit c/fwd	1,570,649	1,899,147	94,730	3,611,033	3,967,965	2,384,329	23,751	(124,371)	13,427,233

[Notes to the Financial Statements]

September 30, 2012

[expressed in Jamaican dollars unless otherwise indicated]

5. Segment Reporting (Continued)

Year ended September 30, 2012	Consumer and SME								
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth Management	Insurance & Pension Fund Management	Other	Eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating profit b/fwd	1,570,649	1,899,147	94,730	3,611,033	3,967,965	2,384,329	23,751	(124,371)	13,427,233
Unallocated corporate expenses									(1,159,775)
Share of profit of associates									947,141
Dilution of share in associates									(11,948)
Profit before Taxation									13,202,651
Taxation									(3,156,789)
Net Profit									10,045,862
Segment assets	142,309,200	9,435,429	43,741,933	123,726,523	108,561,208	33,847,570	967,581	(94,188,657)	368,400,787
Associates									7,149,680
Unallocated assets									3,885,052
Total assets									379,435,519
Segment liabilities	126,705,217	7,186,881	35,068,827	111,824,614	92,832,713	25,401,036	185,430	(88,041,519)	311,163,199
Unallocated liabilities									1,928,999
Total liabilities									313,092,198
Capital expenditure	1,426,882	191,078	42,025	114,040	82,754	87,642	18,007	-	1,962,428

[Notes to the Financial Statements]

September 30, 2012

[expressed in Jamaican dollars unless otherwise indicated]

5. Segment Reporting (Continued)

Year ended September 30, 2012	Total per segment report $'000	Allocated expenses $'000	Unallocated corporate expenses $'000	Total per income statement $'000
Reconciliation to income statement				
Interest income	30,474,984	833	151	30,475,968
Interest expense	8,728,190	20,098	(56,410)	8,691,878
Net fee and commission income	6,989,621	119,143	4,918	7,113,682
Gain on foreign currency and investment activities	3,682,824	41,073	7,595	3,731,492
Other operating income and dividend income	202,919	23,259	4,425	230,603
Staff costs	5,922,067	3,272,756	561,093	9,755,916
Provision for credit losses	2,463,927	(942)	(174)	2,462,811
Depreciation and amortisation	337,459	405,251	69,802	812,512
Other operating expenses	6,152,966	2,024,956	602,552	8,780,474

5. Segment Reporting (Continued)

Year ended September 30, 2011 - Restated	Consumer and SME								
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth Management	Insurance & Pension Fund Management	Other	Eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	10,117,736	5,011,285	4,012,144	9,421,741	9,376,081	6,778,668	74,049	-	44,791,704
Revenue from other segments	3,594,300	2,848	8,651	1,075,116	323,217	56,253	220,511	(5,280,896)	-
Total revenue	13,712,036	5,014,133	4,020,795	10,496,857	9,699,298	6,834,921	294,560	(5,280,896)	44,791,704
Interest income	10,715,657	1,772,325	3,509,423	8,282,077	8,009,898	2,756,725	36,781	(4,892,208)	30,190,678
Interest expense	(1,768,519)	(476,113)	(1,296,408)	(5,249,945)	(3,993,074)	(1,121,144)	(604)	4,892,208	(9,013,599)
Net interest income	8,947,138	1,296,212	2,213,015	3,032,132	4,016,824	1,635,581	36,177	-	21,177,079
Net fee and commission income	2,655,566	2,133,133	480,164	159,588	134,771	745,077	69,160	(80,203)	6,297,256
Gain on foreign currency and investment activities	126,418	7,508	28,139	2,017,800	1,485,117	328,025	52,219	(12,680)	4,032,546
Premium income	-	-	-	-	-	2,953,427	-	(31,508)	2,921,919
Other operating income	68,491	4,814	2,887	35,439	56,517	6,120	34,523	(116,826)	91,965
Total operating income	11,797,613	3,441,667	2,724,205	5,244,959	5,693,229	5,668,230	192,079	(241,217)	34,520,765
Staff costs	4,064,538	236,244	228,425	128,335	427,843	435,115	89,839	(26,617)	5,583,722
Provision for credit losses	385,011	442,908	(65,121)	-	-	-	-	-	762,798
Depreciation and amortisation	136,337	58,995	5,462	5,289	9,073	50,325	600	-	266,081
Impairment losses on securities	-	-	-	264,013	-	-	-	(2,010)	262,003
Other operating expenses	1,998,356	540,002	157,733	245,483	583,213	2,790,416	22,908	(159,971)	6,178,140
Total operating expenses	6,584,242	1,278,149	326,499	643,120	1,020,129	3,275,856	113,347	(188,598)	13,052,744
Operating profit before allocated costs	5,213,371	2,163,518	2,397,706	4,601,839	4,673,100	2,392,374	78,732	(52,619)	21,468,021
Allocated costs	(3,836,857)	(497,289)	(300,611)	(245,045)	-	-	-	-	(4,879,802)
Operating profit c/fwd	1,376,514	1,666,229	2,097,095	4,356,794	4,673,100	2,392,374	78,732	(52,619)	16,588,219

5. Segment Reporting (Continued)

Year ended September 30, 2011 - Restated	Consumer and SME								
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth Management	Insurance & Pension Fund Management	Other	Eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating profit b/fwd	1,376,514	1,666,229	2,097,095	4,356,794	4,673,100	2,392,374	78,732	(52,619)	16,588,219
Unallocated corporate expenses									(1,100,481)
Gain on acquisition of associates									1,867,377
Share of profit of associate									234,979
Profit before Taxation									17,590,094
Taxation									(3,704,793)
Net Profit									13,885,301
Segment assets	132,354,077	7,094,874	40,148,636	125,621,853	102,831,645	31,904,023	1,109,722	(90,045,349)	351,019,481
Associate									6,698,130
Unallocated assets									1,900,502
Total assets									359,618,113
Segment liabilities	121,545,595	6,831,118	31,420,815	111,574,512	85,027,869	23,699,917	174,100	(85,033,350)	295,240,576
Unallocated liabilities									2,400,273
Total liabilities									297,640,849
Capital expenditure	807,294	93,814	23,585	196,183	49,152	63,256	127,144	-	1,360,428

[Notes to the Financial Statements]

September 30, 2012

[expressed in Jamaican dollars unless otherwise indicated]

5. Segment Reporting (Continued)

Year ended September 30, 2011	**Total per segment report $'000**	**Allocated expenses $'000**	**Unallocated corporate expenses $'000**	**Total per income statement $'000**
Reconciliation to income statement				
Interest income	30,190,678	1,109	151	30,191,938
Interest expense	9,013,616	20,599	6,863	9,041,078
Net fee and commission income	6,425,854	(7,106)	698	6,419,446
Gain on foreign currency and investment activities	4,032,546	2,815	82	4,035,443
Other operating income and dividend income	92,645	44,190	7,693	144,528
Staff costs	5,583,722	3,010,637	645,757	9,240,116
Provision for credit losses	762,798	5,404	679	768,881
Depreciation and amortisation	266,081	269,434	44,617	580,132
Other operating expenses	6,178,141	1,743,997	411,188	8,333,326

6. Net Interest Income

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Interest income				
Loans and advances	14,085,952	12,567,210	14,059,331	12,545,732
Investment securities –				
Available-for-sale	12,958,119	13,521,593	4,710,257	4,980,207
Loans and receivables	3,177,011	3,831,018	1,576,049	2,177,183
At fair value through profit or loss	90,445	60,810	-	-
Reverse repurchase agreements	41,626	174,755	35,629	39,437
Deposits and other	122,815	36,552	133,734	35,441
	30,475,968	30,191,938	20,515,000	19,778,000
Interest expense				
Customer deposits	2,344,514	2,473,797	2,316,220	2,454,856
Repurchase agreements	4,164,851	4,350,925	915,861	798,382
Policyholders' benefits	1,050,982	1,115,039	-	-
Securitization arrangements	486,697	633,249	486,697	633,249
Other borrowed funds and amounts due from other banks	641,338	424,285	540,229	398,456
Other	3,496	43,783	2,217	39,707
	8,691,878	9,041,078	4,261,224	4,324,650
Net interest income	21,784,090	21,150,860	16,253,776	15,453,350

7. Net Fee and Commission Income

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Fee and commission income				
Retail and SME fees	2,951,506	2,523,657	3,048,197	2,677,095
Payment services fees	3,539,946	3,211,152	3,539,946	3,227,576
Corporate banking fees	481,260	478,707	481,260	478,707
Treasury and correspondent banking fees	181,338	159,304	181,338	159,304
Wealth management fees	193,108	135,976	-	-
Insurance and pension management fees	859,062	790,624	-	-
Other	93,865	198,456	4,918	697
	8,300,085	7,497,876	7,255,659	6,543,379
Fee and commission expense				
Payment services fees	1,186,403	1,078,430	1,186,403	1,078,430
	7,113,682	6,419,446	6,069,256	5,464,949

8. Gain on Foreign Currency and Investment Activities

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Net foreign exchange gains	997,489	1,117,355	917,978	1,091,542
Fixed income securities held for trading	52,843	488,048	-	-
Other fixed income securities	2,646,674	2,425,908	784,873	1,042,350
Equity securities held for trading	33,986	3,734	-	-
Other equity securities	-	398	-	-
Investment property (Note 24)	500	-	-	-
	3,731,492	4,035,443	1,702,851	2,133,892

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

9. Dividend Income

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Subsidiaries	-	-	2,113,999	2,113,533
Associates	-	-	142,071	32,473
Other equity securities	119,634	11,830	34,378	6,742
	119,634	11,830	2,290,448	2,152,748

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

10. Premium Income

	The Group	
	2012	2011
	$'000	$'000
Annuity contracts	933,047	2,601,618
Insurance contracts	754,035	320,301
	1,687,082	2,921,919

11. Staff Costs

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Wages, salaries, allowances and benefits	7,785,363	7,056,286	6,994,761	6,355,384
Payroll taxes	822,269	715,040	745,176	649,644
Pension costs – defined contribution plans	263,720	236,339	235,609	212,336
Other post-employment benefits (Note 34)	254,362	161,854	254,362	161,854
Staff profit share	630,202	1,070,597	377,653	883,583
	9,755,916	9,240,116	8,607,561	8,262,801

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

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

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

12. Impairment Losses on Securities

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

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Debt securities classified as available-for-sale and loans and receivables	467,778	-	-	-
Available-for-sale – equity securities	-	262,003	-	264,012
	467,778	262,003	-	264,012

13. Other Operating Expenses

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Auditors' remuneration	40,764	36,443	18,192	17,570
Credit card rebates	350,459	222,049	350,459	222,050
Insurance	368,079	346,988	355,547	334,895
Irrecoverable general consumption and asset tax	1,098,622	494,200	878,505	443,019
License and transaction processing fees	638,541	613,137	584,753	552,935
Marketing, advertising and donations	642,786	518,783	537,042	387,319
Operating lease rentals	113,960	101,590	101,540	88,526
Policyholders' and annuitants' benefits and reserves	1,476,324	2,500,039	-	-
Property, vehicle and ABM maintenance and utilities	1,761,519	1,574,369	1,701,125	1,509,118
Stationery	138,094	148,407	125,946	119,103
Technical, consultancy and professional fees	845,671	714,892	775,379	490,777
Travelling, courier and telecommunication	684,848	620,873	646,512	596,532
Other	620,807	441,556	452,580	298,895
	8,780,474	8,333,326	6,527,580	5,060,739

Insurance claims by policyholders of the insurance subsidiary of $486,869,000 (2011 – $408,815,000) are included as part of policyholders' and annuitants' benefits and reserves.

14. Taxation

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Current:				
Income tax at 33⅓%	2,495,915	2,128,251	1,060,667	1,164,029
Premium tax at 3%	86,762	99,190	-	-
Investment income tax at 15%	300,385	303,534	-	-
Prior year under/(over) provision	89,742	(5,728)	50,763	(4,978)
Deferred income tax (Note 27)	183,985	1,179,546	400,226	899,825
	3,156,789	3,704,793	1,511,656	2,058,876

The prior year under provision in the Group for the year ended September 30, 2012 includes $38,962,000 being the revised tax liability in respect of the assessment for years of assessment 2003-2007 (Note 48). The revised assessment was communicated by the Notice of Decision from the Taxpayer Administration Jamaica (TAJ) dated October 16, 2012.

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

	The Group		The Bank	
		Restated		
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Profit before tax	13,202,651	17,590,094	8,045,812	10,453,489
Tax calculated at a tax rate of 33⅓%	4,400,884	5,863,365	2,681,937	3,484,496
Income not subject to tax or in respect of which tax has been remitted	(633,946)	(1,174,980)	(1,180,831)	(1,454,094)
Expenses not deductible for tax purposes	206,629	217,951	110,188	127,677
Effect of different tax regime applicable to life insurance subsidiary	(505,636)	(489,646)	-	-
Effect of gain on acquisition, share of profit and dilution losses of associates included net of tax	(311,731)	(700,786)	-	-
Prior year under/(over) provision	89,742	(5,728)	50,763	(4,978)
Other	(89,153)	(5,383)	(150,401)	(94,225)
Taxation expense	3,156,789	3,704,793	1,511,656	2,058,876

15. Earnings per Stock Unit

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

		Restated
	2012	**2011**
Net profit attributable to stockholders ($'000)	10,045,862	13,885,301
Weighted average number of ordinary stock units in issue ('000)	2,461,469	2,461,469
Basic and diluted earnings per stock unit ($)	4.08	5.64

16. Cash in Hand and Balances at Bank of Jamaica

	The Group		The Bank	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Cash in hand	2,648,795	2,256,794	2,645,378	2,256,794
Balances with the Bank of Jamaica other than statutory reserves	3,726,073	2,400,051	3,724,323	2,396,005
Included in cash and cash equivalents	6,374,868	4,656,845	6,369,701	4,652,799
Statutory reserves with the Bank of Jamaica – interest-bearing	6,110,134	5,081,865	6,110,134	5,081,865
Statutory reserves with the Bank of Jamaica – non-interest-bearing	11,617,765	10,986,765	11,617,765	10,986,765
	24,102,767	20,725,475	24,097,600	20,721,429
Interest receivable	45	16	45	16
	24,102,812	20,725,491	24,097,645	20,721,445

Statutory reserves with the Bank of Jamaica represent the required ratio of 12% (2011 – 12%) of prescribed liabilities. They are not available for investment, lending or other use by the Group.

17. Due from Other Banks

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Items in course of collection from other banks	897,967	1,208,651	891,597	866,020
Placements with other banks	14,026,055	23,601,277	13,546,773	23,463,102
	14,924,022	24,809,928	14,438,370	24,329,122
Interest receivable	3,047	2,647	236	729
	14,927,069	24,812,575	14,438,606	24,329,851

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

Placements with other banks for the Group and the Bank include $1,114,800,000 (2011 - $1,062,518,000) which have been pledged as collateral for letters of credit.

18. Derivative Financial Instruments

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

The fair value of outstanding foreign exchange currency forward agreements at September 30, 2012 net to negative $334,000 (US$3,722) and are shown gross as assets and liabilities in the statement of financial position.

The notional amounts at September 30, 2012 amounted to US$22,617,000.

There were no outstanding foreign exchange currency forward agreements at September 30, 2011.

19. Investment Securities at Fair Value through Profit or Loss

	The Group	
	2012	**2011**
	$'000	**$'000**
Government of Jamaica debt securities	111,373	540,783
Government of Jamaica guaranteed corporate bonds	110,060	140,430
	221,433	681,213
Corporate bonds - other	209,714	998,661
Quoted equity securities	282,472	90,880
	713,619	1,770,754
Interest receivable	6,787	14,598
	720,406	1,785,352

20. Reverse Repurchase Agreements

The Group and the Bank enter into collateralized reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Included within reverse repurchase agreements is related accrued interest receivable of $968,000 (2011 – $17,491,000) and $5,218,000 (2011 – $5,251,000) for the Group and the Bank, respectively.

At September 30, 2012, the Group and the Bank held $447,393,000 (2011 – $1,792,330,000) and $578,573,000 (2011 – $1,021,077,000), respectively, of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

Included in reverse repurchase agreements for the Group and the Bank are securities with an original maturity of less than 90 days amounting to $394,873,000 (2011 – $400,000,000) and $291,339,000 (2011 – $726,397,000), respectively, which are regarded as cash equivalents for purposes of the statement of cash flows.

21. Loans and Advances

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Gross loans and advances	115,797,415	94,114,700	115,052,908	93,779,777
Provision for credit losses	(4,766,151)	(2,884,153)	(4,761,413)	(2,879,589)
	111,031,264	91,230,547	110,291,495	90,900,188
Interest receivable	873,590	497,591	872,634	498,711
	111,904,854	91,728,138	111,164,129	91,398,899

The current portion of loans and advances amounted to $30,916,255,000 (2011 – $30,165,035,000) for the Group and $30,825,274,000 (2011 – $30,016,711,000) for the Bank.

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

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Balance at beginning of year	2,884,153	2,994,252	2,879,589	2,989,693
Provided during the year	2,732,158	1,300,189	2,732,158	1,300,189
Recoveries	(269,347)	(531,308)	(269,347)	(531,308)
Net charge to the income statement	2,462,811	768,881	2,462,811	768,881
Write-offs	(580,813)	(878,980)	(580,987)	(878,985)
Balance at end of year	4,766,151	2,884,153	4,761,413	2,879,589

The aggregate amount of non-performing loans as at September 30, 2012 for the Group and the Bank on which interest was not being accrued amounted to $8,271,530,000 (2011 – $6,735,029,000).

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

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Specific provision	8,446,310	7,032,775	8,446,310	7,032,775
General provision	982,683	773,988	977,945	769,424
	9,428,993	7,806,763	9,424,255	7,802,199
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 38)	4,662,842	4,922,610	4,662,842	4,922,610

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

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Available-for-sale securities – at fair value				
Debt securities –				
Government of Jamaica and Bank of Jamaica	148,418,357	139,072,782	61,585,090	54,550,211
Government of Jamaica guaranteed corporate bonds	9,264,768	5,971,634	623,858	-
	157,683,125	145,044,416	62,208,948	54,550,211
Other corporate bonds	5,563,909	8,845,819	2,109,938	2,003,480
Foreign governments	1,743,826	1,300,141	941,657	934,223
Equity securities –				
Quoted	1,709,475	492,257	550,978	504,751
Unquoted	77,777	47,498	18,255	18,255
	166,778,112	155,730,131	65,829,776	58,010,920
Loans and receivables – at amortized cost				
Debt securities –				
Government of Jamaica and Bank of Jamaica	22,622,776	27,211,397	11,838,160	16,341,099
Government of Jamaica guaranteed corporate bonds	12,398,193	13,925,247	5,834,887	6,153,841
	35,020,969	41,136,644	17,673,047	22,494,940
Other corporate bonds	5,065,335	3,314,408	1,654,741	2,127,181
	40,086,304	44,451,052	19,327,788	24,622,121
Interest receivable	3,068,735	2,781,592	1,209,770	1,119,135
	209,933,151	202,962,775	86,367,334	83,752,176

The current portion of total investment securities amounted to $35,182,013,000 (2011 – $34,196,523,000) for the Group and $23,715,320,000 (2011 – $21,335,203,000) 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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Debt securities with an original maturity of less than 90 days	4,345,284	14,955,923	3,875,422	13,073,026

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

Pledged securities

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Pledged as collateral for repurchase agreements	124,863,210	99,381,712	38,614,440	17,214,244
Pledged as collateral for IDB/DBJ Loan (Note 31(b))	-	2,172,566	-	2,172,566
Pledged as collateral for customer long-term accounts (Note 31(f))	524,764	500,243	-	-
Pledged as collateral for custodial services	301,839	189,000	301,839	189,000
Pledged as collateral for uncleared effects facilities	-	36,333	-	-
Held as security in respect of the life insurance subsidiary	103,239	108,999	-	-
	125,793,052	102,388,853	38,916,279	19,575,810

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

Reclassification of investment securities

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

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

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

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

	The Group		The Bank	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$'000	$'000	$'000	$'000
At September 30, 2012	28,627,294	29,294,444	17,673,068	17,781,035
At September 30, 2011	37,744,768	38,562,869	22,556,309	22,830,620

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

Reclassification of investment securities (continued)

(a) Fair value losses of $1,224,134,000 (2011 – $2,009,087,000) for the Group and $522,830,000 (2011 – $985,647,000) for the Bank were included in fair value reserves at the end of the year in relation to the above reclassified investments, using the fair values as at October 1, 2008.

(b) Fair value gains of $1,253,236,000 (2011 – $1,452,179,000) for the Group and $635,675,000 (2011 – $907,180,000) for the Bank would have been recognized in other comprehensive income during the year had the investments not been reclassified. These amounts were estimated on the basis of the value of the securities as at the date of the statement of financial position.

(c) The weighted average effective interest rate of the investments at the date of reclassification was 8.30%. The undiscounted cash flows to be recovered from the reclassified investments for the Group and the Bank are $51,326,864,000 (2011 – $61,071,979,000) and $29,453,615,000 (2011 – $37,788,625,000), respectively.

(d) Interest income on the reclassified securities for the Group and the Bank amounted to $2,889,615,000 (2011 – $3,486,331,000) and $1,576,049,000 (2011 – $2,177,183,000), respectively.

(e) Foreign exchange losses on the reclassified securities for the Group and the Bank amounted to $1,532,309,000 (2011 – $31,292,000) and $989,894,000 (2011 – $19,059,000), respectively.

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

	The Group			
	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**
	$'000	**$'000**	**$'000**	**$'000**
Reclassified debt securities	9,618	235,748	8,160,021	42,921,477

	The Bank			
	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**
	$'000	**$'000**	**$'000**	**$'000**
Reclassified debt securities	-	-	3,292,403	26,161,212

23. Investment in Associates

The movement in investments in associates was as follows:

	The Group		The Bank	
		Restated		
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
At the beginning of the year	6,698,130	2,320,723	471,534	471,534
Acquisitions	-	2,318,753	2,208,203	-
Gain on acquisitions	-	1,867,377	-	-
Share of profits	947,141	234,979	-	-
Loss on dilution	(11,948)	-	-	-
Dividends received	(146,762)	(41,948)	-	-
Movement in other reserves	(336,881)	(1,754)	-	-
At end of year	7,149,680	6,698,130	2,679,737	471,534

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

	The Group			
	Carrying Value	Fair Value	Carrying Value	Fair Value
			Restated	
	2012	2012	2011	2011
	$'000	$'000	$'000	$'000
Kingston Wharves Limited	2,559,994	2,363,081	2,509,377	2,283,845
Jamaica Money Market Brokers Limited	4,456,250	3,172,967	4,061,034	4,030,507
Kingston Properties Limited	133,436	70,137	127,719	64,942
Dyoll Group Limited	-	-	-	-
	7,149,680	5,606,185	6,698,130	6,379,294

	The Bank			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2012	2012	2011	2011
	$'000	$'000	$'000	$'000
Kingston Wharves Limited	471,534	1,829,292	471,534	1,645,281
Jamaica Money Market Brokers Limited	2,208,203	3,172,967	-	-
Dyoll Group Limited	-	-	-	-
	2,679,737	5,002,259	471,534	1,645,281

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

23. Investment in Associates (Continued)

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

	Assets $'000	Liabilities $'000	Revenue $'000	Net Profit $'000
2012				
Kingston Wharves Limited (June 30, 2012)	16,016,261	4,526,535	3,355,609	329,501
Jamaica Money Market Brokers Limited (June 30, 2012)	154,145,097	139,721,043	11,270,863	3,330,635
Kingston Properties Limited (June 30, 2012)	854,765	324,649	76,935	16,162
Dyoll Group Limited (December 31, 2007)	172,259	43,021	-	-
	171,188,382	144,615,248	14,703,407	3,676,298
2011				
Kingston Wharves Limited (June 30, 2011)	12,152,057	4,068,402	3,321,601	540,981
Jamaica Money Market Brokers Limited (June 30, 2011)	120,291,565	109,260,117	10,856,283	1,916,712
Kingston Properties Limited (June 30, 2011)	691,876	184,474	54,616	16,826
Dyoll Group Limited (December 31, 2007)	172,259	43,021	-	-
	133,307,757	113,556,014	14,232,500	2,474,519

Acquisitions

In August 2011, NCB Capital Markets Limited, a wholly owned subsidiary of the Bank, acquired 29.30% of Jamaica Money Market Brokers Limited (JMMB). During the year, the Bank acquired the shares in JMMB from the subsidiary. The Group also holds 25.17% of the equity of Kingston Properties Limited. JMMB and Kingston Properties Limited are accounted for as associated companies.

The excess of the Group's share of the identifiable net assets of these associated companies over the cost of acquisition was accounted for in the income statement as gain on acquisition of associates.

The gain on acquisition of associates was determined as follows:

	The Group Restated 2011 $'000
Share of identifiable net assets acquired	4,186,130
Cost of acquisitions	2,318,753
Gain on acquisitions recognized in the income statement	1,867,377

23. Investment in Associates (Continued)

Dilution

During the year, JMMB acquired the entire share capital of Capital & Credit Financial Group Limited (CCFG) for a consideration of cash and the issuing of new shares to the former shareholders of CCFG. The shares issued to the former shareholders of CCFG resulted in a dilution of the share of the Group's ownership in JMMB from 29.30% to 26.30%.

On March 29, 2012, Kingston Wharves Limited issued additional shares to another shareholder, thereby diluting the Group's interest from 43.45% to 32.59%.

Impairment

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

24. Investment Property

	The Group	
	2012	**2011**
	$'000	**$'000**
Balance at beginning of year	12,000	12,000
Fair value gains (Note 8)	500	-
Balance at end of year	12,500	12,000

The property is stated at fair market value, as appraised by professional, independent valuators, D.C. Tavares and Finson Realty Company Limited, on January 31, 2012.

Rental income net of repairs and maintenance expenditure in relation to investment properties amounted to Nil (2011 – Nil).

25. Intangible Assets – Computer Software

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Net book value at beginning of year	897,862	359,980	840,319	259,524
Additions	546,801	688,160	529,239	684,446
Amortisation charge	(309,064)	(150,278)	(277,179)	(103,651)
Net book value at end of year	1,135,599	897,862	1,092,379	840,319

	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Cost	3,538,122	2,990,899	3,203,156	2,673,916
Accumulated amortisation	(2,402,523)	(2,093,037)	(2,110,777)	(1,833,597)
Net book value	1,135,599	897,862	1,092,379	840,319

Intangible assets for the Group and the Bank at year end include software with a cost of $512,874,000 (2011 - $548,759,000) on which no amortisation has yet been charged as the software is in the process of implementation.

26. Property, Plant and Equipment

	The Group					
	Freehold Land and Buildings	Leasehold Improvements	Motor Vehicles Furniture & Equipment	Assets Capitalized Under Finance Leases	Work-in-Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost -						
At October 1, 2010	3,632,410	512,312	4,184,160	1,165,382	161,189	9,655,453
Additions	4,355	537	184,700	94,273	388,403	672,268
Disposals	(23,442)	(5,285)	(51,270)	(65,968)	(6,977)	(152,942)
Transfers	22,888	45,019	276,457	6,982	(351,346)	-
Reclassifications and adjustments	-	-	(6,838)	8,381	(1,561)	(18)
At September 30, 2011	3,636,211	552,583	4,587,209	1,209,050	189,708	10,174,761
Additions	12,182	14,644	570,547	115,932	702,322	1,415,627
Disposals	-	-	(13,215)	(52,984)	-	(66,199)
Transfers	89,450	1,651	47,139	4,395	(142,635)	-
At September 30, 2012	3,737,843	568,878	5,191,680	1,276,393	749,395	11,524,189
Accumulated Depreciation -						
At October 1, 2010	475,107	449,126	3,655,441	961,624	-	5,541,298
Charge for the year	50,659	13,714	269,841	95,640	-	429,854
Disposals	(7,653)	(5,285)	(49,008)	(57,311)	-	(119,257)
Reclassifications & adjustments	-	-	(369)	369	-	-
At September 30, 2011	518,113	457,555	3,875,905	1,000,322	-	5,851,895
Charge for the year	51,766	24,392	321,528	105,762	-	503,448
Disposals	-	-	(13,312)	(49,640)	-	(62,952)
At September 30, 2012	569,879	481,947	4,184,121	1,056,444	-	6,292,391
Net Book Value -						
September 30, 2012	3,167,964	86,931	1,007,559	219,949	749,395	5,231,798
September 30, 2011	3,118,098	95,028	711,304	208,728	189,708	4,322,866

26. Property, Plant and Equipment (Continued)

	The Bank					
	Freehold Land and Buildings $'000	Leasehold Improvements $'000	Motor Vehicles Furniture & Equipment $'000	Assets Capitalized Under Finance Leases $'000	Work-in-Progress $'000	Total $'000
Cost -						
At October 1, 2010	3,632,410	429,969	4,077,318	1,167,515	158,060	9,465,272
Additions	4,355	402	181,004	91,940	385,610	663,311
Disposals	(23,442)	-	(33,960)	(65,968)	(6,977)	(130,347)
Transfers	22,888	45,019	276,457	6,982	(351,346)	-
Reclassifications and adjustments	-	-	(8,399)	8,381	-	(18)
At September 30, 2011	3,636,211	475,390	4,492,420	1,208,850	185,347	9,998,218
Additions	12,182	11,062	564,525	115,932	702,322	1,406,023
Disposals	-	-	(5,970)	(52,984)	-	(58,954)
Transfers	89,450	1,651	47,139	4,395	(142,635)	-
At September 30, 2012	3,737,843	488,103	5,098,114	1,276,193	745,034	11,345,287
Accumulated Depreciation -						
At October 1, 2010	475,107	388,513	3,554,566	961,620	-	5,379,806
Charge for the year	50,659	13,198	256,016	94,656	-	414,529
Disposals	(7,653)	-	(31,666)	(57,311)	-	(96,630)
Reclassifications and adjustments	-	-	(369)	369	-	-
At September 30, 2011	518,113	401,711	3,778,547	999,334	-	5,697,705
Charge for the year	51,766	23,567	311,616	104,924	-	491,873
Disposals	-	-	(5,950)	(49,640)	-	(55,590)
At September 30, 2012	569,879	425,278	4,084,213	1,054,618	-	6,133,988
Net Book Value -						
September 30, 2012	3,167,964	62,825	1,013,901	221,575	745,034	5,211,299
September 30, 2011	3,118,098	73,679	713,873	209,516	185,347	4,300,513

The carrying value of assets capitalized under finance leases and computer equipment pledged as collateral amounted to $496,016,000 (2011 – $436,327,000).

27. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 15% for the insurance subsidiary, 33⅓% for the Bank and specified regulated entities and 25% for 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, and the NCB Employee Share Scheme which is not a taxable entity.

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

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Deferred tax assets	(19,483)	(26,191)	-	-
Deferred tax liabilities	1,398,092	2,387,682	1,189,086	1,087,982
Net liability at end of year	1,378,609	2,361,491	1,189,086	1,087,982

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

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Net liability/(asset) at beginning of year	2,361,491	(15,462)	1,087,982	(91,028)
Deferred tax charged in the income statement (Note 14)	183,985	1,179,546	400,226	899,825
Deferred tax (credited)/charged to other comprehensive income	(1,166,867)	1,197,407	(299,122)	279,185
Net liability at end of year	1,378,609	2,361,491	1,189,086	1,087,982

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

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Deferred tax assets to be recovered after more than 12 months	(872,659)	(367,434)	(720,644)	(354,653)
Deferred tax liabilities to be settled after more than 12 months	1,185,200	2,245,475	1,180,103	1,375,814

27. Deferred Income Taxes (Continued)

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

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Deferred income tax assets:				
Property, plant and equipment	9,134	22,586	-	10,398
Investment securities at fair value through profit or loss	1,205	-	-	-
Investment securities classified as available-for-sale and loans and receivables	532,969	74,856	373,978	74,857
Pensions and other post-retirement benefits	270,598	194,164	270,598	194,164
Interest payable	229,186	199,186	-	-
Interest rate swap agreements	1,771	-	1,771	-
Unrealized foreign exchange losses	-	44,200	-	-
Other temporary differences	181,103	148,562	154,754	138,738
	1,225,966	683,554	801,101	418,157
Deferred income tax liabilities:				
Property, plant and equipment	41,757	81	41,030	-
Investment securities at fair value through profit or loss	11,796	225,700	-	-
Investment securities classified as available-for-sale and loans and receivables	100,052	867,485	-	-
Interest receivable	497,439	442,567	-	-
Unrealized foreign exchange gains	923,867	131,303	920,904	130,325
Loan loss provisions	1,026,595	1,375,814	1,026,595	1,375,814
Other temporary differences	3,069	2,095	1,658	-
	2,604,575	3,045,045	1,990,187	1,506,139

27. Deferred Income Taxes (Continued)

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

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Property, plant and equipment	55,126	148,737	51,428	150,324
Investment securities at fair value through profit or loss	(255,045)	238,210	-	-
Loan loss provisions	(453,128)	1,244,834	(433,623)	1,244,834
Pensions and other post-retirement benefits	(23,681)	(45,540)	(76,434)	(45,540)
Interest receivable	(33,703)	34,742	-	-
Interest payable	33,052	21,173	-	-
Interest rate swap agreements	(825)	4,355	(112)	4,355
Unrealized foreign exchange gains and losses	877,448	(497,224)	874,985	(448,490)
Other temporary differences	(15,259)	30,259	(16,018)	(5,658)
	183,985	1,179,546	400,226	899,825

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

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Unrealized gains on available-for-sale investments	(53,615)	2,149,493	22,856	787,978
Realized fair value gains on sale and maturity of investments	(1,113,252)	(952,086)	(321,978)	(508,793)
	(1,166,867)	1,197,407	(299,122)	279,185

28. Other Assets

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Due from merchants, financial institutions and payment systems providers	731,465	731,880	592,886	603,331
Prepayments	685,337	455,820	621,228	397,722
Recoverable expenses	759,058	203,447	759,058	203,447
Other	290,739	793,731	287,922	252,843
	2,466,599	2,184,878	2,261,094	1,457,343

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

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

29. Due to Other Banks

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Items in course of payment	1,708,311	1,844,568	1,707,365	1,844,568
Borrowings from other banks	7,520,874	4,329,308	9,910,381	4,329,308
Deposit from other banks	32,689	22,514	32,689	22,514
	9,261,874	6,196,390	11,650,435	6,196,390
Interest payable	63,023	19,434	66,390	19,434
	9,324,897	6,215,824	11,716,825	6,215,824

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

30. Obligations under Securitization Arrangements

	The Group and The Bank	
	2012	2011
	$'000	$'000
Credit card and cash advance		
Principal outstanding - US$Nil (2011 – US$110,599,000)	-	9,524,881
Diversified payment rights		
Principal outstanding - US$28,966,000 (2011 – US$55,862,000)	2,598,806	4,810,880
	2,598,806	14,335,761
Unamortized transaction fees	(11,045)	(40,308)
	2,587,761	14,295,453
Interest payable	5,440	82,666
Net liability	2,593,201	14,378,119

30. Obligations under Securitization Arrangements (Continued)

The current portion of obligations under securitization arrangements amounted to $1,521,410,000 (2011– $7,521,685,000).

The fair value of obligations under securitization arrangements amounted to $2,604,246,000 (2011– $14,418,427,000).

Credit Card and Cash Advance

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

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

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

On March 31, 2011, a Specified Event occurred as the Bank's Past Due Loan Ratio exceeded 6%. As a result of this, the Transaction was amended on June 29, 2011 to: (i) extend the scheduled final payment date from October 2013 to April 2013; (ii) adjust pricing to a tiered structure increasing from one month LIBOR plus 250 basis points in June 2011 to one month LIBOR plus 700 basis points in April 2013; and (iii) amend the amortization schedule.

On April 30, 2012, the Bank repaid all amounts outstanding under the arrangement and closed the facility.

Diversified Payment Rights

In March 2006, the Bank raised US$100,000,000 in structured financing backed by the securitization 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 June 15, 2006. Principal repayments are due quarterly commencing on June 15, 2008 and ending March 15, 2013.

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

31. Other Borrowed Funds

		The Group		The Bank	
		2012	2011	2012	2011
		$'000	$'000	$'000	$'000
(a)	International Finance Corporation	474,992	607,911	474,992	607,911
(b)	Inter-American Development Bank	-	1,972,872	-	1,972,872
(c)	Development Bank of Jamaica	1,114,172	733,379	1,114,172	733,379
(d)	Exim Bank Jamaica	123,964	186,377	123,964	186,377
(e)	European Investment Bank	109,777	166,477	109,777	166,477
(f)	Customer long-term investments	510,893	471,390	-	-
(g)	IBM Global Financing	94,660	128,558	94,660	128,558
(h)	Corporate notes	947,462	939,207	-	-
(i)	Promissory notes and certificates of participation	-	236,434	-	-
(j)	Finance lease obligations	230,347	229,703	228,204	225,712
		3,606,267	5,672,308	2,145,769	4,021,286
Unamortized transaction fees		(4,532)	(7,774)	(4,532)	(7,774)
Interest payable		18,277	29,423	12,275	21,804
		3,620,012	5,693,957	2,153,512	4,035,316

The current portion of other borrowed funds amounted to $1,059,311,000 (2011 – $3,372,181,000) for the Group and $704,476,000 (2011 – $2,659,325,000) for the Bank.

(a) In 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 June 15, 2015. Interest on the facility approximates three month US dollar LIBOR plus 275 basis points. A drawdown of US$15 million was made in September 2006. This long-term financing facility is being utilized by the Bank for general corporate purposes.

(b) In January 2009, the Inter-American Development Bank (IDB) through the Government of Jamaica established a revolving line of credit of US$300 million under their Liquidity Programme for Growth and Sustainability. This facility is accessed through the Development Bank of Jamaica by Approved Financial intermediaries (AFIs) for on-lending to eligible sub-borrowers in the productive sector. Loans under this facility are priced at 6-month USD LIBOR plus 400bps (reset quarterly) with a maximum tenor of 36 months inclusive of a 2 year moratorium on principal repayments. At September 30, 2012 the Bank has US$Nil (2011 – US$22,908,000) outstanding under this facility.

(c) The loans from Development Bank of Jamaica are granted in both Jamaican and US dollars and are utilized by the Bank to finance customers with viable projects in agricultural, agro-industrial, manufacturing, mining and tourism sectors of the economy. These loans are for terms up to 12 years and at rates ranging from 4 – 10%.

(d) The loans from Exim Bank Jamaica are granted in Jamaican dollars and are utilized by the Bank to finance customers with viable projects in agricultural, agro-industrial, manufacturing, mining and tourism sectors of the economy. The loans are for terms up to 4 years and at rates of 8 – 13%.

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

31. Other Borrowed Funds (Continued)

(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 2011 and 2016 and attract interest at 0.05% - 5.8% (2011: 0.5% - 8.5%) per annum.

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

(i) Promissory notes and certificates of participation represented amounts held for customers of a subsidiary.

(j) The finance lease obligations are as follows:

	The Group		The Bank	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Minimum lease payments under finance leases:				
Not later than 1 year	124,864	136,350	123,294	133,968
Later than 1 year and not later than 5 years	151,907	143,234	151,028	140,786
	276,771	279,584	274,322	274,754
Future finance charges	(46,424)	(49,881)	(46,118)	(49,042)
Present value of finance lease obligations	230,347	229,703	228,204	225,712

The present value of finance lease obligations is as follows:

	The Group		The Bank	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Not later than 1 year	97,120	105,474	95,964	103,626
Later than 1 year and not later than 5 years	133,227	124,229	132,240	122,086
	230,347	229,703	228,204	225,712

32. Liabilities under Insurance and Annuity Contracts

	The Group	
	2012	**2011**
	$'000	**$'000**
(a) Composition of liabilities under insurance and annuity contracts:		
Life assurance fund	22,602,863	21,990,358
Risk reserve	2,497,828	1,531,406
Benefits and claims payable	50,279	15,556
Unprocessed premiums	43,354	26,955
	25,194,324	23,564,275

32. Liabilities under Insurance and Annuity Contracts (Continued)

	The Group	
	2012 $'000	2011 $'000
(b) Change in policyholders' liabilities:		
Life assurance fund:		
At the beginning of the year	21,990,358	20,920,640
Gross premiums	2,977,622	3,097,175
Premium refunds	(3,028)	(28,410)
Mortality charges transferred to the income statement	(39,353)	(35,183)
Fees transferred to the income statement	(222,297)	(201,955)
Claims and benefits	(3,151,421)	(2,876,948)
Interest credited	1,050,982	1,115,039
At the end of the year	22,602,863	21,990,358
Risk reserve:		
At the beginning of the year	1,531,406	(559,818)
Issue of new contracts	541,482	1,910,965
Normal changes	392,044	196,152
Effect of change in assumptions:		
Base renewal expense levels	(106,193)	(205,807)
Investment returns	93,686	371,808
Lapse and surrender rates	79,496	7,371
Mortality rates	(34,093)	(189,265)
At the end of the year	2,497,828	1,531,406
Benefits and claims payable:		
At the beginning of the year	15,556	21,075
Policyholders' claims and benefits	95,520	63,895
Benefits and claims paid	(60,797)	(69,414)
At the end of the year	50,279	15,556
Premiums:		
Unprocessed, at the beginning of the year	26,955	23,727
Premiums received	4,654,899	6,074,947
Premiums applied	(4,638,500)	(6,071,719)
Unprocessed, at the end of the year	43,354	26,955

32. Liabilities under Insurance and Annuity Contracts (Continued)

The movement in the risk reserve per type of contract was as follows:

	2012			
	Annuity	Individual life	Group life	Total
	$'000	$'000	$'000	$'000
Balance brought forward	2,913,172	(1,579,013)	197,247	1,531,406
Changes in assumptions:				
Investment returns	(9,474)	103,196	(36)	93,686
Base renewal expense levels and inflation	813	(113,042)	6,036	(106,193)
Lapse and surrender rates	-	79,496	-	79,496
Mortality rates	54,064	(84,169)	(3,988)	(34,093)
	45,403	(14,519)	2,012	32,896
Issue of new policies	500,118	(146,633)	187,997	541,482
Normal changes	251,648	228,952	(88,556)	392,044
Net change	797,169	67,800	101,453	966,422
	3,710,341	(1,511,213)	298,700	2,497,828

	2011			
	Annuity	Individual life	Group life	Total
	$'000	$'000	$'000	$'000
Balance brought forward	771,896	(1,479,249)	147,535	(559,818)
Changes in assumptions:				
Investment returns	178,168	194,711	(1,071)	371,808
Base renewal expense levels and inflation	470	(204,790)	(1,487)	(205,807)
Lapse and surrender rates	-	6,871	500	7,371
Mortality rates	-	(178,253)	(11,012)	(189,265)
	178,638	(181,461)	(13,070)	(15,893)
Issue of new policies	1,891,809	(108,941)	128,097	1,910,965
Normal changes	70,829	190,638	(65,315)	196,152
Net change	2,141,276	(99,764)	49,712	2,091,224
	2,913,172	(1,579,013)	197,247	1,531,406

32. Liabilities under Insurance and Annuity Contracts (Continued)

The Group's insurance subsidiary holds assets that match insurance liabilities. These assets comprise mainly Investment securities, which are classified as available-for-sale and loans and receivables, and reverse repurchase agreements.

The assets supporting policyholders' and other liabilities were as follows:

	2012			
	Annuity Contracts	Individual and Group Life Insurance Contracts	Other Liabilities, Surplus and Capital	Total
	$'000	$'000	$'000	$'000
Investment securities	3,980,437	27,626,158	1,466,033	33,072,628
Reverse repurchase agreements	142,294	120,845	479	263,618
Other assets	231,457	547,042	241,590	1,020,089
Property, plant and equipment	-	-	10,633	10,633
Intangible asset – computer software	-	-	26,562	26,562
	4,354,188	28,294,045	1,745,297	34,393,530

	2011			
	Annuity Contracts	Individual and Group Life Insurance Contracts	Other Liabilities, Surplus and Capital	Total
	$'000	$'000	$'000	$'000
Investment securities	3,364,973	25,659,756	1,712,008	30,736,737
Reverse repurchase agreements	58,790	664,962	111,361	835,113
Other assets	124,798	791,222	(222,212)	693,808
Property, plant and equipment	-	-	10,424	10,424
Intangible asset – computer software	-	-	55,684	55,684
	3,548,561	27,115,940	1,667,265	32,331,766

[expressed in Jamaican dollars unless otherwise indicated]

32. Liabilities under Insurance and Annuity Contracts (Continued)

Policy assumptions

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

Mortality and morbidity

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

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

Investment yields

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

	Individual with Investment Options	Individual & Group Life	Annuities
Year 1	7.7%	9.5 – 10.0%	12.9%
Year 2 – 10	Decreasing to 6.8%	Decreasing to 7.6 – 9.4%%	-
Year 11 – 32	Decreasing to 5.0%	Decreasing to 5.5 – 8.3%	-
Year 33 onwards	5.0%	5.5-6.0%	-
Year 30 onwards	-	-	7.5%

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

32. Liabilities under Insurance and Annuity Contracts (Continued)

Policy assumptions (continued)

Persistency

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

Renewal expenses and inflation

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

Year 1	6.2%
Year 2 – 10	Decreasing to 5.4%
Year 11 – 25	Decreasing to 4.0%
Year 25 onwards	4.0%

Taxation

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

Provisions for adverse deviations

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

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

Sensitivity analysis

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

	Change in Variable	Increase in Liability	
		2012	2011
	%	$'000	$'000
Lowering of investment returns	1	1,130,182	883,268
Worsening of base renewal expense levels	10	210,318	191,252
Worsening of mortality	10	102,763	105,661
Worsening of lapse and surrender rates	10	19,665	18,451

33. Provision for Litigation

	The Group and The Bank	
	2012	2011
	$'000	$'000
At beginning of year	13,000	13,300
Provided during the year	9,977	-
Utilized/reversed during the year	(5,677)	(300)
At end of year	17,300	13,000

The litigation provision is in relation to claims against the Bank which meet the provisioning criteria defined in Note 48. The provisions are either utilised or reversed upon settlement or a favourable change in the status of the claim.

34. Post-employment Benefits

Liabilities recognized in the statement of financial position were as follows:

	The Group and The Bank	
	2012	2011
	$'000	$'000
Pension schemes	-	-
Other post-employment benefits	810,276	582,491

The amounts recognized in the income statement were as follows:

	The Group and The Bank	
	2012	2011
	$'000	$'000
Pension schemes	-	-
Other post-employment benefits	254,362	161,854

34. Post-employment Benefits (Continued)

(a) Pension schemes

The Bank and its subsidiaries have established a number of pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. Defined benefit plans are valued by independent actuaries annually using the projected unit credit method. The latest actuarial valuations were carried out as at June 30, 2012.

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

	The Group		The Bank	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Fair value of plan assets	17,199,883	17,733,728	17,165,748	17,701,775
Present value of funded obligations	(13,625,242)	(12,347,082)	(13,591,107)	(12,315,129)
	3,574,641	5,386,646	3,574,641	5,386,646
Unrecognized actuarial losses	3,948,002	1,657,153	3,933,753	1,642,904
Surplus pension assets	7,522,643	7,043,799	7,508,394	7,029,550
Pension assets recognized in the statement of financial position	-	-	-	-

The funds were closed effective October 1, 1999 and December 31, 2009. On the winding up of the funds, the employer would not benefit from any surplus; as a consequence there is no pension asset recognized in the statement of financial position. No additional current service cost has been incurred since closure of the funds and the employer only makes a nominal contribution to the funds.

34. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The movement in the defined benefit obligation was as follows:

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Beginning of year	12,347,082	9,803,363	12,315,129	9,780,228
Current service cost	-	-	-	-
Interest cost	1,256,226	1,085,326	1,256,226	1,085,326
Actuarial losses	724,078	2,143,606	721,896	2,134,788
Benefits paid	(702,144)	(685,213)	(702,144)	(685,213)
End of year	13,625,242	12,347,082	13,591,107	12,315,129

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

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Beginning of year	17,733,728	16,309,872	17,701,775	16,279,564
Expected return on plan assets	1,735,070	1,593,696	1,735,070	1,593,696
Actuarial (losses)/gains	(1,566,771)	515,373	(1,568,953)	513,728
Contributions	-	-	-	-
Benefits paid	(702,144)	(685,213)	(702,144)	(685,213)
End of year	17,199,883	17,733,728	17,165,748	17,701,775

The amounts recognized in the income statement were as follows:

	The Group and The Bank	
	2012	2011
	$'000	$'000
Current service cost	-	-
Interest cost	1,256,226	1,085,326
Expected return on plan assets	(1,735,070)	(1,593,696)
Net actuarial gains recognized	-	-
Change in limitation on asset	478,844	508,370
Total, included in staff costs	-	-

34. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

Plan assets for the Bank were comprised as follows:

	2012		2011	
	$'000		$'000	
Debt securities	8,575,002	49.95%	8,022,781	45.32%
Equity securities	4,861,072	28.32%	5,506,050	31.10%
Other	3,729,674	21.73%	4,172,944	23.58%
	17,165,748	100.00%	17,701,775	100.00%

These plan assets included:

- Ordinary stock units of the Bank with a fair value of $1,499,143,000 (2011 – $2,001,017,000).
- Repurchase obligations, promissory notes and lease obligations of the Group aggregating $114,223,000 (2011 – $330,482,000).
- Properties occupied by the Group with a fair value of $482,350,000 (2011 - $404,950,000).

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

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

The actual return on plan assets was 168,299,000 (2011 – $2,109,069,000) and $166,117,000 (2011 – $2,107,424,000) for the Group and the Bank, respectively.

Expected contributions to post-employment defined benefit pension plans for the year ending September 30, 2013 are Nil.

34. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The principal actuarial assumptions used were as follows:

	The Group and The Bank	
	2012	2011
Discount rate	10.00%	10.50%
Expected return on plan assets	9.50%	10.00%
Future salary increases	7.50%	7.50%
Future pension increases	5.00%	5.00%

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	
	2012	2011
Male	23.00	21.33
Female	25.89	25.09

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

	Pension schemes – The Group				
	2012	2011	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000
Fair value of plan assets	17,199,883	17,733,728	16,309,872	14,285,671	14,885,186
Defined benefit obligation	13,625,242	12,347,082	9,803,363	5,876,062	6,666,214
Surplus	3,574,641	5,386,646	6,506,509	8,409,609	8,218,972
Experience adjustments –					
Fair value of plan assets	(1,568,953)	513,728	1,038,690	(1,391,528)	2,152,742
Defined benefit obligation	(506,588)	874,486	4,265	423,347	63,958

	Pension schemes – The Bank				
	2012	2011	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000
Fair value of plan assets	17,165,748	17,701,775	16,279,564	14,257,355	14,856,910
Defined benefit obligation	13,591,107	12,315,129	9,780,228	5,858,847	6,652,609
Surplus	3,574,641	5,386,646	6,499,336	8,398,508	8,204,301
Experience adjustments –					
Fair value of plan assets	(1,568,953)	513,728	1,038,020	(1,391,401)	2,153,025
Defined benefit obligation	(506,588)	874,486	3,674	420,751	63,797

34. Post-employment Benefits (Continued)

(b) Other post-employment benefits

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

In addition to the assumptions used for pension schemes, the main actuarial assumption is a long-term increase in health costs of 1.5 percentage points above CPI per year (2011 – 1.5 percentage points above CPI).

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

	The Group and The Bank	
	2012	**2011**
	$'000	**$'000**
Present value of unfunded obligations	1,481,329	1,463,255
Unrecognized actuarial losses	(671,053)	(880,764)
Liability in the statement of financial position	810,276	582,491

The movement in the defined benefit obligation was as follows:

	The Group and The Bank	
	2012	**2011**
	$'000	**$'000**
Beginning of the year	1,463,255	883,257
Current service cost	50,019	34,985
Interest cost	157,498	104,147
Actuarial losses	(162,866)	466,101
Benefits paid	(26,577)	(25,235)
End of year	1,481,329	1,463,255

The amounts recognized in the income statement were as follows:

	The Group and The Bank	
	2012	**2011**
	$'000	**$'000**
Current service cost	50,019	34,985
Interest cost	157,498	104,147
Actuarial losses recognized	46,845	22,722
Total, included in staff costs (Note 11)	254,362	161,854

34. Post-employment Benefits (Continued)

(b) Other post-employment benefits (continued)

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

	Increase	Decrease
	2012	2012
	$000	$000
Effect on the aggregate of the current service cost and interest cost	55,120	41,270
Effect on the defined benefit obligation	329,220	253,910

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

	Other retirement benefits – The Group and The Bank				
	2012	2011	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000
Defined benefit obligation	1,481,329	1,463,255	883,257	403,707	402,255
Experience adjustments –					
Defined benefit obligation	(71,425)	(100,017)	78,431	77,796	(51,997)

35. Other Liabilities

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Accrued staff benefits	957,116	1,851,223	844,162	1,666,793
Due to customers, merchants and clients	1,421,937	1,169,512	1,280,615	1,029,370
Accrued other operating expenses	1,923,583	1,104,097	1,390,716	994,775
Due to Government of Jamaica	29,737	38,891	24,938	27,060
Other	433,702	392,077	365,530	296,167
	4,766,075	4,555,800	3,905,961	4,014,165

36. Share Capital

	2012	2011
	$'000	$'000
Authorised – 5,750,000,000 ordinary shares		
Issued and fully paid up –		
2,466,762,828 ordinary stock units of no par value	6,465,731	6,465,731
5,293,916 ordinary stock units held by NCB Employee Share Scheme	(3,388)	(3,388)
Issued and outstanding	6,462,343	6,462,343

The NCB Employee Share Scheme was established in 1986 to acquire certain shares of NCB Group Limited, the then holding company for the Group, for the beneficial interest of eligible employees of NCB Group Limited and its subsidiaries. The scheme holds 5.3 million units of the Bank's ordinary stock that have not been reissued to staff and are accounted for as treasury shares. The scheme, which is included in the consolidated financial statements, is currently dormant.

37. Fair Value and Capital Reserves

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Fair value reserve	(305,838)	2,449,795	(773,027)	(241,163)
Capital reserve	2,500,017	2,716,799	374,471	348,468
	2,194,179	5,166,594	(398,556)	107,305
Capital reserve comprises:				
Realized –				
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 capitalized	98,167	98,167	-	-
Share redemption reserve	1,077,382	1,077,382	-	-
Unrealized –				
Translation reserve	557,189	463,093	-	-
Surplus on revaluation of property, plant and equipment	142,963	116,960	73,907	47,904
Share of movement in reserves of associate	76,541	413,422	-	-
Other	454,784	454,784	-	-
	2,500,017	2,716,799	374,471	348,468

38. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 21).

39. Banking Reserve Fund

This fund is maintained in accordance with the Banking Act 1992 which requires that a minimum of 15% of the net profits, as defined by the Act, of the Bank be transferred to the reserve fund until the amount of the fund is equal to 50% of the paid-up capital of the Bank and thereafter 10% of the net profits until the amount of the fund is equal to the paid-up capital of the Bank. During the 2012 financial year, the amount of the fund surpassed the paid-up capital of the Bank and therefore no further mandatory transfers are required.

40. Retained Earnings Reserve

The Banking Act 1992 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers.

The deposit liabilities of the Bank and other indebtedness for borrowed money together with all interest accrued should not exceed twenty-five times its capital base.

41. Cash Flows from Operating Activities

	Note	The Group		The Bank	
			Restated		
		2012	2011	2012	2011
		$'000	$'000	$'000	$'000
Net profit		10,045,862	13,885,301	6,534,156	8,394,613
Adjustments to reconcile net profit to net cash flow provided by operating activities:					
Depreciation	26	503,448	429,854	491,873	414,529
Amortisation of intangible asset	25	309,064	150,278	277,179	103,651
Impairment losses on securities	12	467,778	262,003	-	264,012
Gain on acquisition of associate	23	-	(1,867,377)	-	-
Share of after tax profits of associate	23	(947,141)	(234,979)	-	-
Loss on dilution of associates	23	11,948	-	-	-
Provision for credit losses	21	2,462,811	768,881	2,462,811	768,881
Interest income	6	(30,475,968)	(30,191,938)	(20,515,000)	(19,778,000)
Interest expense	6	8,691,878	9,041,078	4,261,224	4,324,650
Income tax expense	14	3,156,789	3,704,793	1,511,656	2,058,876
Unrealized exchange (gains)/losses on securitization arrangements		(253,416)	91	(253,416)	91
Amortisation of upfront fees on securitization arrangements		29,507	40,484	29,507	40,484
Unrealized exchange gain on other borrowed funds		25,936	(3,770)	25,936	(3,770)
Amortization of upfront fees on other borrowed funds		3,480	4,377	3,480	4,377
Change in post-employment benefit obligation		227,785	136,618	227,785	136,618
Unrealized exchange gain on investments		(997,468)	(1,091,542)	(917,978)	(1,091,542)
(Gains)/losses on disposal of property, plant and equipment and intangible asset		(1,027)	5,753	(910)	5,753
Fair value gains on investment property		(500)	-	-	-
Fair value losses/(gains) on derivative financial instruments		334	(13,066)	334	(13,066)
Changes in operating assets and liabilities:					
Statutory reserves at Bank of Jamaica		(1,659,269)	(984,051)	(1,659,269)	(984,051)
Reverse repurchase agreements		1,267,528	(137,905)	(10,799)	429,812
Loans and advances		(22,263,528)	(7,057,769)	(21,854,118)	(7,080,444)
Customer deposits		7,117,387	11,598,141	4,766,430	12,300,284
Repurchase agreements		17,658,854	(1,661,136)	19,097,900	(7,851,343)
Liabilities under annuity and insurance contracts		1,630,049	3,158,651	-	-
Other		(159,745)	129,542	(955,103)	598,020
		(13,193,486)	(13,812,989)	(13,010,478)	(15,352,178)
Interest received		29,886,141	31,154,275	20,050,938	20,764,235
Interest paid		(8,567,607)	(8,724,541)	(4,151,962)	(4,616,229)
Income tax paid		(2,459,004)	(2,062,590)	(883,424)	(900,863)
		5,666,044	6,554,155	2,005,074	(105,035)
Net cash provided by operating activities		15,711,906	20,439,456	8,539,230	8,289,578

42. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The volumes of related party transactions, outstanding balances at the year end and related expenses and income for the year are as follows:

	The Group							
	Parent and companies controlled by major shareholder		Associated companies of the group		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Loans and advances								
Balance at September 30	7,197	4,661	-	-	103,452	106,465	32,244	28,290
Interest income earned	1,346	1,742	-	-	4,266	6,841	17,245	57,603
Investment securities								
Balance at September 30	181,856	180,640	-	-	-	-	-	-
Interest income earned	17,030	20,801	-	-	-	-	-	-
Reverse repurchase agreements								
Balance at September 30	1,828	-	-	799,268	-	-	-	-
Interest income earned	60,882	-	6,528	4,543	-	-	-	-
Other assets								
Balance at September 30	10,801	18,360	-	2,563	-	-	50,369	50,375
Fees and commission income	66,742	25,277	16,976	6,535	182	612	7,320	10,808
Other operating income	-	-	-	-	244	-	239,653	202,008

42. Related Party Transactions and Balances (Continued)

	The Group (Continued)							
	Parent and companies controlled by major shareholder		Associated companies of the group		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Customer deposits								
Balance at September 30	331,612	427,747	1,116,145	2,016,832	646,749	353,803	806,267	1,552,675
Interest expense	1,062	1,969	5,188	-	821	1,178	13,322	24,396
Repurchase agreements								
Balance at September 30	73,719	45,957	2,931,342	781,441	575,336	106,846	-	-
Interest expense	-	1,802	21,341	666	-	21,533	-	-
Other liabilities								
Balance at September 30	22,171	12,220	5,173	32	45,139	37,227	-	-
Operating expenses	298,693	314,697	-	-	67,430	72,997	57,901	63,579

42. Related Party Transactions and Balances (Continued)

	The Bank							
	Parent and companies controlled by major shareholder		Associated companies of the group		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Loans and advances								
Balance at September 30	7,197	4,772	-	-	103,452	106,465	32,244	28,290
Interest income earned	1,346	2,647	-	-	4,266	6,841	17,245	57,603
Reverse repurchase agreements								
Balance at September 30	560,501	584,760	-	400,000	-	-	-	-
Interest income earned	32,960	57,512	6,528	2,932	-	-	-	-
Other assets								
Balance at September 30	44,270	50,742	-	543	-	-	-	-
Fees and commission income	94,297	3,961	16,976	9,492	63	305	7,320	10,808
Dividend income	2,113,999	2,113,534	142,071	32,473	-	-	-	-
Other operating income	5,194	12,063	-	-	-	-	-	-

42. Related Party Transactions and Balances (Continued)

	The Bank (Continued)							
	Parent and companies controlled by major shareholder		Associated companies of the group		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Customer deposits								
Balance at September 30	2,367,275	3,761,848	1,116,145	2,040,205	61,474	78,984	806,267	1,552,675
Interest expense	239,987	230,148	5,188	239	821	1,178	13,322	24,396
Repurchase agreements								
Balance at September 30	8,584,569	219,641	2,931,342	-	-	-	-	-
Interest expense	220,016	73,771	18,127	-	-	-	-	-
Due to other banks								
Balance at September 30	2,389,452	-	-	-	-	-	-	-
Interest expense	3,367	-	-	-	-	-	-	-
Other liabilities								
Balance at September 30	219,652	112,033	5,173	-	-	-	-	-
Operating Expenses	402,572	208,653	-	-	8,038	10,171	57,901	63,579

42. Related Party Transactions and Balances (Continued)

	The Group		The Bank	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Key management compensation:				
Salaries and other short-term benefits	641,867	477,118	569,954	455,701
Post-employment benefits	22,100	19,609	20,698	18,028
	663,967	496,727	590,652	473,729
Directors' emoluments:				
Fees	22,583	14,749	8,437	8,151
Management remuneration	232,094	174,112	232,094	174,112

During the year, NCB Capital Markets Limited signed agreements with AIC (Barbados) Limited and ACF Holdings Insureco Limited, the legal and beneficial owners of 96.24% of the issued share capital of Advantage General Insurance Company Limited (AGI), for the purchase of their shareholdings in AGI. Both AIC (Barbados) Limited and ACF Holdings Insureco Limited are controlled by the Chairman of the Bank. The completion of the transaction is contingent on obtaining regulatory approval from the Financial Services Commission (FSC) and non-objection from the Bank of Jamaica (BoJ).

Subsequent to the year end, conditional regulatory approval was obtained from the FSC. However, the Bank is still in dialogue with the BoJ in respect of their non-objection.

43. Financial Risk Management

The Group takes an enterprise-wide approach to the identification, measurement, monitoring, reporting and management of all its risks. The principal financial risks faced by the organisation are identified as: credit, market, interest rate and liquidity risks.

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

Risk Governance Structure

The Group's risk governance structure seeks to manage risk/reward by ensuring that revenue-generation activities are compliant with the Group's standards and risk tolerance, while driving the maximisation of long term shareholder value. The Group's comprehensive risk governance structure incorporates; (a) administrative controls effected through the Board, relevant committees (The Audit Committee, The Group Capital Management Committee, The Asset and Liability Committee, The Board 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.

43. Financial Risk Management (Continued)

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

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 organization arising from failure of a borrower, guarantor or counterparty to honour their contractual obligations to the Group.

The Group incurs credit and counterparty risk primarily in its loan business, reverse repurchase arrangements, and certain investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit Risk Management is facilitated by a cadre of loans officers and credit risk personnel, who together operate within a control framework which employs a hierarchical level of authorisations for transactions that expose the organisation to credit risk. Operating practices include the establishment of limits, ongoing monitoring of credit risk exposures, a disciplined approach to provisioning and loan loss evaluation in addition to ongoing reporting of portfolio exposures to the relevant governance committees and the regulators.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Group to risks similar to loans and these are mitigated by the same control policies and processes.

Credit review process

The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

The Group employs the following classifications in assessing its exposures to its borrowing customers. The classifications are in line with the BOJ regulations and are as follows:

Standard
Special Mention
Sub-Standard
Doubtful
Loss

Exposure to credit risk is mitigated by the taking of financial or physical assets.

43. Financial Risk Management (Continued)

(a) Credit risk (continued)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

(i) Loans - mortgages over residential properties, charges over business assets such as premises, inventory and accounts receivable and charges over financial instruments such as debt securities.

(ii) Securities lending and reverse repurchase transactions – cash or securities.

The Group may also obtain guarantees from parent companies for loans to their subsidiaries.

Collateral values are monitored with a view to requesting additional collateral where market values are compromised or the terms in the loan agreements dictate.

Impairment loss provision methodology

Provisions for impairment losses are assessed under three categories as described below:

Sub-standard, Doubtful or Loss rated loans

The Group identifies substandard, doubtful or loss rated loans as determined by Bank of Jamaica Regulations. The calculated provision is adjusted by the future cash flow from the realisation of the related collateral.

Individually significant Standard and Special Mention loans

Individual significant loans are reviewed to determine whether the loans show objective evidence of impairment and to determine the extent of provision required. Impairment may be determined through assessment of a number of factors, which includes:

(i) Any significant financial difficulty being experienced by the borrower.
(ii) Breach of contract, such as default term, delinquency in principal and interest.
(iii) High probability of bankruptcy or other financial reorganisation by the borrower.

Collectively assessed provisions

All loans, excluding those that are impaired, are assessed on a portfolio basis, reflecting the homogenous nature of the loans. The provision is determined by a quantitative review of the respective portfolios.

43. Financial Risk Management (Continued)

(a) Credit risk (continued)

The tables below show the loans and the associated impairment provision for each internal rating class:

	The Group			
	2012		2011	
	Loans $'000	Impairment provision $'000	Loans $'000	Impairment provision $'000
Standard	90,180,190	933,888	75,005,431	847,287
Special Mention	8,515,221	48,073	2,464,799	171,985
Sub-Standard	9,330,252	240,258	10,131,238	97,297
Doubtful	720,546	365,146	3,901,472	268,803
Loss	7,051,206	3,178,786	2,611,760	1,498,781
	115,797,415	4,766,151	94,114,700	2,884,153

	The Bank			
	2012		2011	
	Loans $'000	Impairment provision $'000	Loans $'000	Impairment provision $'000
Standard	89,511,300	933,888	74,746,294	847,287
Special Mention	8,474,074	48,073	2,423,978	171,985
Sub-Standard	9,330,252	240,258	10,131,238	97,297
Doubtful	695,882	365,146	3,879,167	268,803
Loss	7,041,400	3,174,048	2,599,100	1,494,217
	115,052,908	4,761,413	93,779,777	2,879,589

43. Financial Risk Management (Continued)

(a) Credit risk (continued)

The credit quality of loans is summarised as follows:

	The Group		The Bank	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Unimpaired	108,829,832	91,334,913	108,095,132	91,022,123
Impaired	6,967,583	2,779,787	6,957,776	2,757,654
Gross	115,797,415	94,114,700	115,052,908	93,779,777
Less: provision for credit losses	(4,766,151)	(2,884,153)	(4,761,413)	(2,879,589)
Net	111,031,264	91,230,547	110,291,495	90,900,188

The ageing analysis of past due but not impaired loans was as follows:

	The Group		The Bank	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Less than 30 days	20,496,931	15,469,740	20,496,931	15,469,740
31 to 60 days	7,170,895	2,281,451	7,170,895	2,281,451
61 to 90 days	2,142,596	1,402,448	2,142,596	1,361,628
Greater than 90 days	1,645,778	4,108,318	1,621,114	4,108,318
	31,456,200	23,261,957	31,431,536	23,221,137

Of the aggregate amount of gross past due but not impaired loans, $23,328,408,000 was secured as at September 30, 2012 (2011 – $19,252,875,000).

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.

43. Financial Risk Management (Continued)

(a) Credit risk (continued)

Restructured loans (continued)

The determination of whether a loan would qualify for renegotiation is made only if all factors indicate that the borrower is able to repay in full (including interest). In making this assessment, the Group take its historic experience with the borrowers, their expected future cash flows, collateral valuations and any guarantees into consideration. Therefore, at the time of modification, all renegotiated loans are interest bearing with interest being calculated using the terms of the modified loan.

All renegotiated loans are individually assessed for impairment as the active renegotiation of a loan as a result of borrower difficulty, as defined in paragraph 59(c) of IAS 39, is considered a trigger for determining whether the loan should be tested for impairment. In carrying out its assessment, the Group uses the same methodology as with any other loan in the portfolio that exhibits other objective evidence of impairment. These loans are, however, actively monitored for at least 12 months from the time of renegotiation to determine whether circumstances have changed that would result in the loan being impaired or whether there should be an increase in the current level of impairment.

Credit risk exposure

The table below represents a worst case scenario of credit risk exposure of the Group and the Bank at the date of the statement of financial position, without taking account of any collateral held or other credit enhancements. For on-balance-sheet assets, the exposures set out below are based on net carrying amounts as reported in the statement of financial position.

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Credit risk exposures relating to on-balance sheet assets:				
Balances with Bank of Jamaica	21,454,016	18,468,697	21,452,267	18,464,651
Due from other banks	14,927,069	24,812,575	14,438,606	24,329,851
Derivative financial instruments	4,978	-	4,978	-
Investment securities at fair value through profit or loss	437,934	1,694,472	-	-
Reverse repurchase agreements	409,294	1,697,472	565,719	990,011
Loans and advances, net of provision for credit losses	111,904,854	91,728,138	111,164,129	91,398,899
Investment securities classified as available-for-sale and loans and receivables	208,145,899	202,423,020	85,798,101	83,229,170
Customers' liability – letters of credit and undertaking	530,719	361,606	530,719	361,606
	357,814,763	341,185,980	233,954,519	218,774,188
Credit risk exposures relating to off-balance sheet items:				
Credit commitments	22,793,994	15,299,626	22,793,994	15,299,626
Acceptances, guarantees and indemnities	4,180,315	3,663,570	4,002,766	2,819,515
	26,974,309	18,963,196	26,796,760	18,119,141

43. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposures

(i) Loans

The majority of loans are made to customers in Jamaica. The following table summarises the credit exposure for loans at their carrying amounts, as categorised by the industry sectors:

	The Group		The Bank	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Agriculture	2,831,323	882,244	2,831,323	882,244
Central Government	2,634,595	3,539,547	2,634,595	3,539,547
Construction and Land Development	13,328,422	8,097,279	13,328,422	8,097,279
Other Financial Institutions	88,234	26,337	88,234	26,337
Distribution	13,497,719	7,950,667	13,497,719	7,950,667
Electricity, Water & Gas	316,074	847,296	316,074	847,296
Entertainment	243,110	233,292	243,110	233,292
Manufacturing	2,195,724	2,170,083	2,195,724	2,170,083
Mining and Processing	215,622	247,450	215,622	247,450
Personal	51,405,221	39,418,253	50,660,714	39,083,330
Professional and Other Services	4,424,581	3,765,936	4,424,581	3,765,936
Tourism	15,714,734	21,034,650	15,714,734	21,034,650
Transportation Storage and Communication	2,269,208	1,182,323	2,269,208	1,182,323
Overseas Residents	6,632,848	4,719,343	6,632,848	4,719,343
Total	115,797,415	94,114,700	115,052,908	93,779,777
Total provision	(4,766,151)	(2,884,153)	(4,761,413)	(2,879,589)
	111,031,264	91,230,547	110,291,495	90,900,188
Interest receivable	873,590	497,591	872,634	498,711
Net	111,904,854	91,728,138	111,164,129	91,398,899

(ii) Debt securities

The following table summarises the credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	The Group		The Bank	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Government of Jamaica and Bank of Jamaica	171,152,506	166,824,962	73,423,250	70,891,310
Government of Jamaica guaranteed corporate bonds	21,773,021	20,037,311	6,458,745	6,153,841
Other corporate bonds	10,838,959	13,158,888	3,764,679	4,130,661
Foreign government	1,743,826	1,300,141	941,657	934,223
	205,508,312	201,321,302	84,588,331	82,110,035
Interest receivable	3,075,522	2,796,190	1,209,770	1,119,135
	208,583,834	204,117,492	85,798,101	83,229,170

43. Financial Risk Management (Continued)

(b) Liquidity risk

The Group's liquidity policy is designed to ensure that it can meet cash obligations when they fall due and take advantage of unanticipated earnings enhancement opportunities.

Liquidity management within the Group, which incorporates funding risk management, ensures that there is a sufficient level of liquid assets available in addition to stable funding lines to meet ongoing cash commitments even during periods of stress. The management of liquidity risk is executed within a framework which comprises:

(i) Oversight by relevant governance committees;

(ii) Daily management of liquidity by the relevant treasury units within each group company;

(iii) Use of tools to measure the organisation's exposures;

(iv) Establishment and monitoring of limits/benchmarks for maturity mismatches and funding concentrations;

(v) Diversification of funding sources;

(vi) Maintenance of committed lines of credits and

(vii) Monitoring of adherence to regulatory ratios.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

43. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities

The tables below present the contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the financial assets and liabilities based on the remaining period.

	The Group					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2012:						
Due to other banks	2,652,733	5,014,518	482,476	521,926	1,625,256	10,296,909
Customer deposits	136,972,132	9,366,134	16,798,276	411,369	-	163,547,911
Repurchase agreements	48,002,036	36,311,425	18,368,132	44,269	6,149	102,732,011
Obligations under securitization arrangements	-	641,369	1,008,967	1,306,344	-	2,956,680
Other borrowed funds	153,118	483,247	667,233	2,701,273	387,544	4,392,415
Liabilities under annuity and insurance contracts	362,213	799,721	3,630,389	17,861,694	52,056,672	74,710,689
Other	2,854,698	1,713,865	223,170	150	125,194	4,917,077
Total financial liabilities (contractual maturity dates)	190,996,930	54,330,279	41,178,643	22,847,025	54,200,815	363,553,692
Total financial liabilities (expected maturity dates)	83,631,911	54,330,279	41,795,634	22,853,174	160,942,694	363,553,692
Total financial assets (expected maturity dates)	38,784,270	8,258,414	51,220,815	207,776,339	201,133,860	507,173,698

	The Group					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2011:						
Due to other banks	2,287,964	917,244	1,877,783	499,397	1,685,694	7,268,082
Customer deposits	138,222,092	11,309,067	11,613,536	924,772	-	162,069,467
Repurchase agreements	32,508,405	32,488,689	14,751,256	5,479,483	52	85,227,885
Obligations under securitization arrangements	1,066,182	638,870	5,997,553	7,358,113	-	15,060,718
Other borrowed funds	1,117,489	989,610	1,648,768	2,601,189	107,515	6,464,571
Liabilities under annuity and insurance contracts	343,535	772,606	3,437,374	16,653,694	46,425,516	67,632,725
Other	2,860,437	1,324,813	148,663	2,142	129,744	4,465,799
Total financial liabilities (contractual maturity dates)	178,406,104	48,440,899	39,474,933	33,518,790	48,348,521	348,189,247
Total financial liabilities (expected maturity dates)	82,472,218	48,440,899	40,174,206	33,518,790	143,583,134	348,189,247
Total financial assets (expected maturity dates)	69,315,199	44,413,687	45,296,489	144,468,009	149,062,937	452,556,321

43. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

	The Bank					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2012:						
Due to other banks	5,045,607	5,014,518	482,476	521,926	1,625,256	12,689,783
Customer deposits	137,191,287	8,089,605	16,147,680	23,072	-	161,451,644
Repurchase agreements	16,630,388	5,443,245	5,933,959	-	-	28,007,592
Obligations under securitization arrangements	-	641,369	1,008,967	1,306,344	-	2,956,680
Other borrowed funds	35,248	245,837	500,069	1,440,950	387,544	2,609,648
Other	2,343,008	1,484,774	115,965	150	125,193	4,069,090
Total financial liabilities (contractual maturity dates)	161,245,538	20,919,348	24,189,116	3,292,442	2,137,993	211,784,437
Total financial liabilities (expected maturity dates)	53,880,520	20,919,348	24,806,104	3,292,442	108,886,023	211,784,437
Total financial assets (expected maturity dates)	40,087,182	6,887,114	36,273,691	131,517,710	101,979,739	316,745,436

	The Bank					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2011:						
Due to other banks	2,287,964	917,244	1,877,783	499,397	1,685,694	7,268,082
Customer deposits	136,967,884	9,309,343	9,947,003	137,394	-	156,361,624
Repurchase agreements	2,294,074	1,250,517	986,025	4,564,275	-	9,094,891
Obligations under securitization arrangements	1,066,182	638,870	5,997,553	7,358,113	-	15,060,718
Other borrowed funds	1,027,394	280,902	1,493,130	1,562,337	103,500	4,467,263
Other	2,162,316	1,556,088	145,954	-	34,277	3,898,635
Total financial liabilities (contractual maturity dates)	145,805,814	13,952,964	20,447,448	14,121,516	1,823,471	196,151,213
Total financial liabilities (expected maturity dates)	49,871,890	13,952,964	21,146,721	14,121,516	97,058,122	196,151,213
Total financial assets (expected maturity dates)	66,039,531	6,465,547	34,102,815	83,258,925	100,692,771	290,559,589

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.

43. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

Off-balance sheet items

The tables below show the contractual expiry by maturity of commitments.

	The Group			
	No later than 1 year $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
At September 30, 2012				
Credit commitments	22,793,994	-	-	22,793,994
Guarantees, acceptances and other financial facilities	2,972,009	400,715	807,591	4,180,315
Operating lease commitments	89,089	270,554	384,397	744,040
Capital commitments	997,729	-	-	997,729
	26,852,821	671,269	1,191,988	28,716,078
At September 30, 2011				
Credit commitments	15,299,626	-	-	15,299,626
Guarantees, acceptances and other financial facilities	1,169,571	1,768,437	725,562	3,663,570
Operating lease commitments	95,439	177,729	88,434	361,602
Capital commitments	1,120,118	-	-	1,120,118
	17,684,754	1,946,166	813,996	20,444,916

	The Bank			
	No later than 1 year $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
At September 30, 2012				
Credit commitments	22,793,994	-	-	22,793,994
Guarantees, acceptances and other financial facilities	2,794,461	400,715	807,591	4,002,767
Operating lease commitments	95,439	177,729	382,094	655,262
Capital commitments	997,729	-	-	997,729
	26,681,623	578,444	1,189,685	28,449,752
At September 30, 2011				
Credit commitments	15,299,626	-	-	15,299,626
Guarantees, acceptances and other financial facilities	508,471	1,638,708	672,336	2,819,515
Operating lease commitments	95,439	177,729	88,434	361,602
Capital commitments	1,120,118	-	-	1,120,118
	17,023,654	1,816,437	760,770	19,600,861

Capital commitments are in relation to approved expenditures for property, plant, equipment and computer software that were unused as at the end of the respective financial years either because they relate to work in progress or are awaiting the start of the project. Of the total capital commitments, planned expenditure valuing $997,729,000 (2011 – $706,710,000) has already been contracted for.

43. Financial Risk Management (Continued)

(c) Market risk

The Group takes on exposure to market risk, which is defined as the potential for loss arising from changes in the market value of the organisation's financial instruments due to changes in certain market variables, such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads.

The Group incurs market risk primarily in treasury, trading and structural banking activities. The Group takes a comprehensive governance approach in accordance with the enterprise-wide risk management framework. This includes:

- Oversight provided by the relevant governance committees.
- An independent market risk oversight function.
- The utilisation of tools and models to measure market risk exposure.
- Limit setting mechanisms and a monitoring process.
- The utilisation of scenario analysis and of stress testing for worst case events.

There has been no change to the manner in which the Group manages and measures this risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Group takes on open position in a currency. To control this exchange risk the Group has approved limits for net open positions in each currency for both intra-day and overnight. The recently formed Board Risk Management Committee (BRMC) has assumed responsibility for approving such limits. This limit may vary from time to time as determined by the BRMC.

The Group also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to be settled. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments

The tables below summarise the Group's and the Bank's exposure to foreign currency exchange rate risk as at the date of the statement of financial position.

	The Group					
	$	US$	GBP	CAN$	Other	Total
September 30, 2012	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Bank of Jamaica	16,991,874	6,048,725	869,244	175,549	17,420	24,102,812
Due from other banks	316,056	7,145,498	5,839,013	1,064,566	561,936	14,927,069
Investment securities at fair value through profit or loss	449,650	270,756	-	-	-	720,406
Reverse repurchase agreements	248,265	75,218	-	-	84,811	408,294
Loans and advances net of provision for credit losses	70,633,423	41,271,452	-	(21)	-	111,904,854
Investment securities classified as available-for-sale and loans and receivables	132,026,537	75,470,903	968,634	251,856	1,215,221	209,933,151
Other	1,099,470	709,369	6,285	196	795	1,816,115
Total assets	221,765,275	130,991,921	7,683,176	1,492,146	1,880,183	363,812,701
Liabilities						
Due to other banks	1,078,271	8,110,697	65,572	44,744	25,613	9,324,897
Customer deposits	100,203,361	54,701,283	6,401,934	928,040	695,732	162,930,350
Repurchase agreements	43,555,359	56,346,956	1,086,502	304,053	597,579	101,890,449
Obligations under securitization arrangements	-	2,604,246	-	-	-	2,604,246
Other borrowed funds	2,088,360	1,536,184	-	-	-	3,624,544
Liabilities under annuity and insurance contracts	25,138,935	55,389	-	-	-	25,194,324
Other	3,754,482	1,045,499	9,318	6,114	101,663	4,917,076
Total liabilities	175,818,768	124,400,254	7,563,326	1,282,951	1,420,587	310,485,886
Net on-balance sheet position	45,946,507	6,591,667	119,850	209,195	459,596	53,326,815
Guarantees, acceptances and other financial facilities	1,883,884	2,290,259	-	-	6,172	4,180,315
Credit commitments	18,695,703	4,098,291	-	-	-	22,793,994

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments (continued)

	The Group					
	$	US$	GBP	CAN$	Other	Total
September 30, 2011	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Bank of Jamaica	15,057,683	4,748,867	765,213	130,713	23,015	20,725,491
Due from other banks	1,399,922	16,340,719	5,906,537	821,943	343,454	24,812,575
Investment securities at fair value through profit or loss	764,827	1,020,525	-	-	-	1,785,352
Reverse repurchase agreements	1,238,813	458,659	-	-	-	1,697,472
Loans and advances net of provision for credit losses	58,048,699	33,679,459	-	(20)	-	91,728,138
Investment securities classified as available-for-sale and loans and receivables	132,033,777	69,289,257	959,474	-	680,267	202,962,775
Other	1,374,571	580,310	4,267	166	-	1,959,314
Total assets	209,918,292	126,117,796	7,635,491	952,802	1,046,736	345,671,117
Liabilities						
Due to other banks	1,155,318	4,956,525	52,891	35,014	16,076	6,215,824
Customer deposits	88,197,077	58,801,288	7,474,421	914,798	412,817	155,800,401
Repurchase agreements	38,162,777	44,255,871	1,162,966	94,647	398,842	84,075,103
Obligations under securitization arrangements	-	14,418,427	-	-	-	14,418,427
Other borrowed funds	2,274,024	3,427,707	-	-	-	5,701,731
Liabilities under annuity and insurance contracts	23,533,050	31,225	-	-	-	23,564,275
Other	3,738,778	719,814	1,808	5,364	35	4,465,799
Total liabilities	157,061,024	126,610,857	8,692,086	1,049,823	827,770	294,241,560
Net on-balance sheet position	52,857,268	(493,061)	(1,056,595)	(97,021)	218,966	51,429,557
Guarantees, acceptances and other financial facilities	2,496,712	1,160,563	47	-	6,248	3,663,570
Credit commitments	11,191,065	4,108,561	-	-	-	15,299,626

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments (continued)

	The Bank					
	$	**US$**	**GBP**	**CAN$**	**Other**	**Total**
September 30, 2012	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Bank of Jamaica	16,990,107	6,048,623	865,946	175,549	17,420	24,097,645
Due from other banks	383,715	6,772,013	5,702,643	1,109,657	470,578	14,438,606
Reverse repurchase agreements	-	534,555	-	-	31,164	565,719
Loans and advances net of provision for credit losses	70,633,371	40,530,779	-	(21)	-	111,164,129
Investment securities classified as available-for-sale and loans and receivables	51,119,791	33,230,636	968,634	43	1,048,230	86,367,334
Other	943,348	706,185	6,285	195	85	1,656,098
Total assets	140,070,332	87,822,791	7,543,508	1,285,423	1,567,477	238,289,531
Liabilities						
Due to other banks	1,078,326	10,502,570	65,572	44,744	25,613	11,716,825
Customer deposits	100,946,963	50,958,002	7,271,609	995,861	661,649	160,834,084
Repurchase agreements	7,172,275	19,860,785	231,973	84,796	362,596	27,712,425
Obligations under securitization arrangements	-	2,604,246	-	-	-	2,604,246
Other borrowed funds	849,195	1,308,849	-	-	-	2,158,044
Other	3,020,463	1,031,529	9,318	6,114	1,666	4,069,090
Total liabilities	113,067,222	86,265,981	7,578,472	1,131,515	1,051,524	209,094,714
Net on-balance sheet position	27,003,110	1,556,810	(34,964)	153,908	515,953	29,194,817
Guarantees, acceptances and other financial facilities	1,706,336	2,290,259	-	-	6,172	4,002,767
Credit commitments	18,695,703	4,098,291	-	-	-	22,793,994

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments (continued)

	The Bank					
	$	US$	GBP	CAN$	Other	Total
September 30, 2011	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Bank of Jamaica	15,053,637	4,748,867	765,213	130,713	23,015	20,721,445
Due from other banks	1,330,027	16,041,326	5,803,372	821,943	333,183	24,329,851
Reverse repurchase agreements	400,543	589,468	-	-	-	990,011
Loans and advances net of provision for credit losses	58,048,699	33,350,220	-	(20)	-	91,398,899
Investment securities classified as available-for-sale and loans and receivables	50,900,807	31,472,128	959,474	-	419,767	83,752,176
Other	881,664	377,174	4,266	166	1	1,263,271
Total assets	126,615,377	86,579,183	7,532,325	952,802	775,966	222,455,653
Liabilities						
Due to other banks	1,155,318	4,956,525	52,891	35,014	16,076	6,215,824
Customer deposits	91,289,980	55,931,323	7,474,421	914,798	412,816	156,023,338
Repurchase agreements	219,793	8,114,635	-	-	175,352	8,509,780
Obligations under securitization arrangements	-	14,418,427	-	-	-	14,418,427
Other borrowed funds	1,069,456	2,973,634	-	-	-	4,043,090
Other	3,204,842	697,314	1,808	(5,364)	35	3,898,635
Total liabilities	96,939,389	87,091,858	7,529,120	944,448	604,279	193,109,094
Net on-balance sheet position	29,675,988	(512,675)	3,205	8,354	171,687	29,346,559
Guarantees, acceptances and other financial facilities	1,652,657	1,160,563	47	-	6,248	2,819,515
Credit commitments	11,191,065	4,108,561	-	-	-	15,299,626

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

The following table indicates the currencies to which the Group and the Bank have significant exposures on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the outstanding foreign currency denominated monetary items and adjusts their translation at the year end for changes in foreign currency rates. The sensitivity analysis includes loans and advances to customers, investment securities and deposits. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in each variable, variables had to be considered on an individual basis. It should be noted that movements in these variables are non-linear.

There was no effect on other comprehensive income.

	2012			2011		
	% Change in Currency Rate	Effect on Net Profit		% Change in Currency Rate	Effect on Net Profit	
		The Group $'000	The Bank $'000		The Group $'000	The Bank $'000
Currency:						
USD	4% Appreciation	(214,387)	(4,687)	4% Appreciation	8,794	757
	10% Devaluation	535,966	11,717	10% Devaluation	49,943	(1,893)
GBP	4% Appreciation	(206)	822	4% Appreciation	(779)	(182)
	10% Devaluation	515	(2,056)	10% Devaluation	1,948	456
CAN	4% Appreciation	(6,077)	(4,135)	4% Appreciation	1,010	(208)
	10% Devaluation	15,192	10,337	10% Devaluation	(2,523)	521

(ii) Interest rate risk

Interest rate risk arises when the Group's principal and interest cash flows from on and off balance sheet items have mismatched repricing dates. The short term impact is experienced on the Group's net interest income and long term impact is felt on its equity.

The Group incurs interest rate mismatches from its interest bearing assets and liabilities with the size of such exposure being heavily dependent on the direction and degree of interest rate movements in addition to the size and maturity structure of the mismatched position. The Group's policy requires that such mismatches are managed. Accordingly, the Board requires that a comprehensive system of limits, gap analysis and stress testing be used to manage the Group's exposure.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken. These limits are monitored by the Asset and Liability Committee.

The following tables summarise the exposure to interest rate risk. It includes the financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
September 30, 2012	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Bank of Jamaica	9,528,145	-	-	-	-	14,574,667	24,102,812
Due from other banks	11,678,897	1,069,558	160,096	-	-	2,018,518	14,927,069
Investment securities at fair value through profit or loss	2,032	3,439	18,679	31,988	375,009	289,259	720,406
Reverse repurchase agreements	184,745	222,580	2	-	-	967	408,294
Loans and advances net of provision for credit losses	54,822,878	28,638,163	1,402,116	19,765,218	3,180,872	4,095,607	111,904,854
Investment securities classified as available-for-sale and loans and receivables	12,393,684	60,453,502	25,569,392	62,283,047	44,574,291	4,659,235	209,933,151
Other	4,978	-	-	-	-	1,811,137	1,816,115
Total assets	88,615,359	90,387,242	27,150,285	82,080,253	48,130,172	27,449,390	363,812,701
Liabilities							
Due to other banks	879,299	4,916,572	376,827	-	1,345,811	1,806,388	9,324,897
Customer deposits	98,977,150	9,217,713	16,096,306	399,506	-	38,239,675	162,930,350
Repurchase agreements	38,892,450	42,851,892	16,972,153	2,392,726	4,938	776,290	101,890,449
Obligations under securitization arrangements	-	1,051,898	773,454	773,454	-	5,440	2,604,246
Other borrowed funds	144,252	776,333	1,380,189	915,893	294,938	112,939	3,624,544
Liabilities under annuity and insurance contracts	21,647,059	150,316	805,488	-	-	2,591,461	25,194,324
Other	5,312	206,674	-	-	-	4,705,090	4,917,076
Total liabilities	160,545,522	59,171,398	36,404,417	4,481,579	1,645,687	48,237,283	310,485,886
On-balance sheet interest sensitivity gap	(71,930,163)	31,215,844	(9,254,132)	77,598,674	46,484,485	(20,787,893)	53,326,815
Cumulative interest sensitivity gap	(71,930,163)	(40,714,319)	(49,968,451)	27,630,223	74,114,708	53,326,815	

43. Financial Risk Management (Continued)

(c) Market risk (continued)
(ii) Interest rate risk (continued)

	The Group						
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
September 30, 2011	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Bank of Jamaica	7,480,911	-	-	-	-	13,244,580	20,725,491
Due from other banks	22,855,803	638,218	-	-	-	1,318,554	24,812,575
Investment securities at fair value through profit or loss	3,411	3,035	23,042	735,488	273,233	747,143	1,785,352
Reverse repurchase agreements	626,144	390,800	669,604	-	-	10,924	1,697,472
Loans and advances net of provision for credit losses	57,073,898	16,587,638	1,255,435	10,313,264	2,379,965	4,117,938	91,728,138
Investment securities classified as available-for-sale and loans and receivables	22,461,620	62,949,393	15,560,985	59,434,467	34,789,026	7,767,284	202,962,775
Other	-	-	-	-	-	1,959,314	1,959,314
Total assets	110,501,787	80,569,084	17,509,066	70,483,219	37,442,224	29,165,737	345,671,117
Liabilities							
Due to other banks	412,661	878,431	1,768,918	-	1,291,810	1,864,004	6,215,824
Customer deposits	97,936,280	11,272,883	11,295,524	916,900	-	34,378,814	155,800,401
Repurchase agreements	33,236,213	31,354,923	13,747,125	5,144,447	48	592,347	84,075,103
Obligations under securitization arrangements	9,524,881	2,732,105	742,420	1,336,355	-	82,666	14,418,427
Other borrowed funds	121,538	1,150,555	2,419,213	1,781,758	62,910	165,757	5,701,731
Liabilities under annuity and insurance contracts	20,940,634	201,949	847,775	-	-	1,573,917	23,564,275
Other	-	4,073	-	-	-	4,461,726	4,465,799
Total liabilities	162,172,207	47,594,919	30,820,975	9,179,460	1,354,768	43,119,231	294,241,560
On-balance sheet interest sensitivity gap	(51,670,420)	32,974,165	(13,311,909)	61,303,759	36,087,456	(13,953,494)	51,429,557
Cumulative interest sensitivity gap	(51,670,420)	(18,696,255)	(32,008,164)	29,295,595	65,383,051	51,429,557	

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Bank						
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
September 30, 2012	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Bank of Jamaica	9,528,134	-	-	-	-	14,569,511	24,097,645
Due from other banks	11,932,973	641,335	-	-	-	1,864,298	14,438,606
Reverse repurchase agreements	291,339	-	269,162	-	-	5,218	565,719
Loans and advances net of provision for credit losses	54,796,047	28,609,901	1,366,228	19,272,687	3,024,666	4,094,600	111,164,129
Investment securities classified as available-for-sale and loans and receivables	5,306,686	20,979,826	14,686,842	23,830,288	19,784,688	1,779,004	86,367,334
Other	4,978	-	-	-	-	1,651,120	1,656,098
Total assets	81,860,157	50,231,062	16,322,232	43,102,975	22,809,354	23,963,751	238,289,531
Liabilities							
Due to other banks	3,271,172	4,916,572	376,827	-	1,345,811	1,806,443	11,716,825
Customer deposits	99,169,178	7,970,918	15,490,355	21,178	-	38,182,455	160,834,084
Repurchase agreements	7,824,200	12,432,703	4,904,690	2,350,879	-	199,953	27,712,425
Obligations under securitization arrangements	-	1,051,898	773,454	773,454	-	5,440	2,604,246
Other borrowed funds	28,570	543,421	269,940	914,239	294,938	106,936	2,158,044
Other	5,312	-	-	-	-	4,063,778	4,069,090
Total liabilities	110,298,432	26,915,512	21,815,266	4,059,750	1,640,749	44,365,005	209,094,714
On-balance sheet interest sensitivity gap	(28,438,275)	23,315,550	(5,493,034)	39,043,225	21,168,605	(20,401,254)	29,194,817
Cumulative interest sensitivity gap	(28,438,275)	(5,122,725)	(10,615,759)	28,427,466	49,596,071	29,194,817	

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Bank						
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
September 30, 2011	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Bank of Jamaica	7,476,865	-	-	-	-	13,244,580	20,721,445
Due from other banks	22,373,079	638,218	-	-	-	1,318,554	24,329,851
Reverse repurchase agreements	726,398	-	258,362	-	-	5,251	990,011
Loans and advances net of provision for credit losses	57,048,749	16,587,638	1,133,423	10,292,425	2,218,727	4,117,937	91,398,899
Investment securities classified as available-for-sale and loans and receivables	15,036,697	22,088,560	5,318,796	18,187,153	21,478,828	1,642,142	83,752,176
Other	-	-	-	-	-	1,263,271	1,263,271
Total assets	102,661,788	39,314,416	6,710,581	28,479,578	23,697,555	21,591,735	222,455,653
Liabilities							
Due to other banks	412,661	878,431	1,768,918	-	1,291,810	1,864,004	6,215,824
Customer deposits	102,705,691	9,180,320	9,628,992	129,521	-	34,378,814	156,023,338
Repurchase agreements	2,203,329	1,232,907	672,300	4,306,038	-	95,206	8,509,780
Obligations under securitization arrangements	9,524,881	2,732,105	742,420	1,336,355	-	82,666	14,418,427
Other borrowed funds	33,109	686,798	2,267,647	842,262	62,910	150,364	4,043,090
Other	-	-	-	-	-	3,898,635	3,898,635
Total liabilities	114,879,671	14,710,561	15,080,277	6,614,176	1,354,720	40,469,689	193,109,094
On-balance sheet interest sensitivity gap	(12,217,883)	24,603,855	(8,369,696)	21,865,402	22,342,835	(18,877,954)	29,346,559
Cumulative interest sensitivity gap	(12,217,883)	12,385,972	4,016,276	25,881,678	48,224,513	29,346,559	

[expressed in Jamaican dollars unless otherwise indicated]

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise the effective interest rates for financial instruments by major currencies.

	The Group				The Bank			
	$	**US$**	**CAN$**	**GBP**	**$**	**US$**	**CAN$**	**GBP**
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**
September 30, 2012								
Assets								
Balances at Bank of Jamaica	0.3	0.1	0.4	0.1	0.3	0.1	0.4	0.1
Due from other banks	3.2	0.1	0.7	0.4	3.2	0.1	0.7	0.4
Investment securities at fair value through profit or loss	9.9	8.3	-	-	-	-	-	-
Reverse repurchase agreements	5.5	3.4	1.5	1.8	5.0	4.0	-	-
Loans and advances	18.4	8.3	-	-	18.4	8.3	-	-
Investment securities classified as available-for-sale and loans and receivables	9.0	8.0	-	13.4	8.5	8.7	-	13.4
Liabilities								
Due to other banks	6.2	4.8	-	-	6.2	4.8	-	-
Customer deposits	1.4	1.9	0.6	0.9	1.4	1.9	0.6	0.9
Repurchase agreements	5.6	4.3	1.3	1.6	6.1	5.7	1.2	1.7
Obligations under securitization arrangements	-	5.5	-	-	-	5.5	-	-
Other borrowed funds	8.8	3.8	-	-	11.1	4.5	-	-
September 30, 2011								
Assets								
Balances at Bank of Jamaica	0.3	0.1	0.3	0.1	0.3	0.1	0.3	0.1
Due from other banks	3.2	0.1	0.8	0.3	3.2	0.1	0.8	0.3
Investment securities at fair value through profit or loss	12.4	7.7	-	-	-	-	-	-
Reverse repurchase agreements	6.2	4.4	-	-	4.4	4.8	-	-
Loans and advances	20.2	7.8	1.4	-	20.2	7.8	1.4	-
Investment securities classified as available-for-sale and loans and receivables	10.1	8.4	-	10.5	9.0	9.3	-	10.5
Liabilities								
Due to other banks	7.1	3.1	-	-	7.1	3.1	-	-
Customer deposits	1.7	1.9	0.6	1.0	1.7	1.9	0.6	1.0
Repurchase agreements	5.7	4.0	1.5	2.3	6.8	5.4	-	5.1
Obligations under securitization arrangements	-	3.4	-	-	-	3.4	-	-
Other borrowed funds	10.7	5.2	-	-	11.3	4.9	-	-

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of non-trading financial assets and financial liabilities. The sensitivity of other comprehensive income is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	The Group			
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2012 $'000	2012 $'000	2011 $'000	2011 $'000
Change in basis points:				
-200	(1,472,201)	1,187,373	(1,103,613)	2,603,311
+200	1,472,201	(1,187,373)	1,103,613	(2,603,311)

	The Bank			
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2012 $'000	2012 $'000	2011 $'000	2011 $'000
Change in basis points:				
-200	(582,712)	221,832	(393,244)	166,284
+200	582,712	(221,832)	393,244	(166,284)

43. Financial Risk Management (Continued)

(c) Market risk (continued)

(iii) Other price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified either as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in quoted equity securities are of other entities that are publicly traded on the Jamaica Stock Exchange.

Sensitivity to changes in price of equity securities

The following table indicates the sensitivity to a reasonable possible change in prices of equity securities, with all other variables held constant, on the income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed fair value changes of investment securities classified at fair value through profit or loss. The sensitivity of other comprehensive income is the effect of the assumed fair value changes of investment securities classified as available-for-sale. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	The Group			
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2012 $'000	2012 $'000	2011 $'000	2011 $'000
Percentage change in share price				
10% decrease	(28,247)	(216,290)	(8,540)	(59,435)
10% increase	28,247	216,290	8,540	61,079

	The Bank			
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2012 $'000	2012 $'000	2011 $'000	2011 $'000
Percentage change in share price				
10% decrease	-	(13,661)	-	(50,658)
10% increase	-	13,661	-	52,301

43. Financial Risk Management (Continued)

(d) Derivative financial instruments

The Group's derivative transactions are primarily directed at hedging its risk exposures which arise during the normal course of its treasury and investment activities. When entering into derivative transactions, the Group employs the same credit risk management procedures to assess and approve potential credit exposures that are used for traditional lending.

(e) Insurance risk

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

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract this risk is random and therefore unpredictable. Experience shows that the larger the portfolio of similar insurance contracts, the smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency of or severity of claims and benefits will vary from year to year from the estimate established using statistical techniques. The Group issues contracts that have a maximum period determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the Group has to assess the cash flows which may be attributable to the contract. The process of underwriting may also be undertaken and may include specific medical tests and other enquiries which affect the Group's assessment of the risk.

Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, resulting in earlier or more claims than expected.

The Group charges for mortality risks on a monthly basis for insurance contracts with investment options and has the right to alter these charges based on mortality experience and hence to minimise its exposure to mortality risk on these contracts. Delays in implementing increases in mortality charges, and contractual, market or regulatory restraints over the extent of any increases, may reduce this mitigating effect.

The Group also manages mortality risks on its contracts through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to minimise the risk of anti-selection. The Group's underwriting strategy has a two fold approach:

a) products that are subject to traditional methods of application and assessment are controlled by traditional underwriting methods including medical and financial selection with benefits being limited to reflect the health and/or financial condition of applicants and by the application of retention limits on any single life insured.

b) products which are not subject to traditional methods of application and assessment contain pre-existing conditions and exclusionary clauses for certain types of high-risk medical and financial events, with claims on these types of policies examined for breaches to those clauses and denied or settled accordingly.

43. Financial Risk Management (Continued)

(e) Insurance risk (continued)

The tables below indicate the concentration of insured benefits across bands of insured benefits per individual life assured. The Group uses catastrophe re-insurance cover against its Individual contracts as the main risks faced by these contracts are interest rate and liquidity:

	Total Benefits Assured - Individual			
	2012		2011	
	$'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	12,592,482	1,767,817	11,924,594	1,505,372
1,000 – 2,000	3,774,765	6,268,619	3,639,903	5,790,269
2,000 – 5,000	4,595,536	3,931,131	4,495,366	3,393,381
5,000 – 10,000	2,981,311	-	2,943,390	-
Over 10,000	3,916,088	-	3,890,154	-
	27,860,182	11,967,567	26,893,407	10,689,022

	Total Benefits Assured - Group			
	2012		2011	
	$'000 Before Re-insurance	$'000 After Re-insurance	$'000 Before Re-insurance	$'000 After Re-insurance
Benefits assured per life assured ($'000)				
0 – 1,000	10,273,081	10,272,301	8,285,709	8,285,667
1,000 – 2,000	7,656,975	7,654,706	5,470,709	5,470,162
2,000 – 5,000	12,408,493	12,109,983	9,541,090	9,212,097
5,000 – 10,000	11,538,176	7,077,084	9,368,303	5,662,839
Over 10,000	7,223,180	1,962,428	5,698,043	1,532,870
	49,099,905	39,076,502	38,363,854	30,163,635

The Group uses re-insurance cover against its Ordinary Life, Group Life and Creditor Life contracts above certain limits.

- The premium ceded during the year in respect of catastrophe re-insurance cover amounted to $22,006,000 (2011 – $24,345,000). Premium income recognized in the income statement is shown net of these amounts.
- Policyholders' benefits recovered from reinsurers during the year under these contracts amounted to $11,474,000 (2011 – $8,567,000).
- At September 30, 2012, premiums payable under re-insurance contracts amounted to Nil (2011 – 1,557,000).
- At September 30, 2012, there were no amounts receivable from reinsurers in respect of policyholders' benefits (2011 – Nil).

43. Financial Risk Management (Continued)

(e) Insurance risk (continued)

The following table for annuity contracts illustrates the concentration of risk in relation to the amount payable as if the annuity were in payment at the year end:

	Total Annuities Payable	
	2012	**2011**
	$'000	**$'000**
Annuity payable per annum per annuitant ($'000)		
0 -100	26,518	6,571
100 - 300	67,552	32,943
300 – 500	60,713	43,700
500 – 1,000	121,294	108,608
Over 1,000	548,438	534,312
	824,515	726,134

The Group does not hold any re-insurance against the liabilities in these contracts.

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.

Sources of uncertainty in the estimation of future benefit payments and premium payments

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and morbidity and the variability in policyholder behaviour.

The Group uses appropriate base tables of standard mortality and morbidity according to the type of contract being written. An investigation as to the actual experience of the Group is carried out by the Appointed Actuary, and a comparison of the actual rates with expected rates is performed. Where data are insufficient to be statistically credible, the best estimates of future mortality and morbidity are based on standard industry tables adjusted for the Group's overall experience. For contracts that insure survival, an adjustment is made for future mortality and morbidity improvements based on trends identified in the continuous mortality and morbidity investigations performed by independent actuarial bodies. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates to be used for the best estimate assumption.

43. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Process used in deriving assumptions

The assumptions for insurance contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

Estimates are made in two stages:

(i) At inception of the contract, the Group determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used as the base assumptions for calculating the liabilities; and

(ii) Subsequently, new estimates are developed at each reporting date and the assumptions are altered to reflect the latest current estimates or experience.

Assumptions are considered to be 'best estimate' if, on average, the results are expected to be worse than the assumptions in 50% of possible scenarios and better in the other 50%. See Note 32 for details on policy assumptions.

Reinsurance risk

Reinsurance risk is the risk that a reinsurer will default and not honour obligations arising from claims. The Group limits the probable loss in the event of individual deaths and any single catastrophic accident occurrence by reinsuring its insurance risk above certain limits with other insurers. Reinsurance ceded does not discharge the Group's liability as the primary insurer. The Group manages reinsurance risk by selecting reinsurers with high credit ratings and monitoring these on an ongoing basis. The current reinsurer is Swiss Re (registered in Canada) whose financial strength rating from Standard & Poor's is AA- (at October 28, 2011) and from AM Best A+ (at December 20, 2011).

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit, the limits of coverage accepted by the Group under these contracts falls into two main categories with limits of $2,000,000 and $5,000,000 per life, coverage in excess of these limits is ceded to reinsurers.

(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 a specified level of the regulatory capital, and
- Maintain a ratio of total regulatory capital to the risk-weighted assets.

43. Financial Risk Management (Continued)

(f) Capital management

(i) The Banking segment (continued)

The Bank's regulatory capital is divided into two tiers:

Tier 1 capital: ordinary share capital, non-redeemable non-cumulative preference shares, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill and net unrealized 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 unrealized gains arising on fair valuation of instruments held as available-for-sale.

Investments and share of accumulated losses in associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Bank as at the dates of the statement of financial position. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject.

	The Bank	
	2012	**2011**
	$'000	**$'000**
Tier 1 capital	25,126,615	22,799,678
Tier 2 capital	977,944	769,424
Prescribed deduction – associated companies	(4,295,661)	(2,152,770)
Total regulatory capital	21,808,898	21,416,332
Risk-weighted assets:		
On-balance sheet	154,502,563	118,133,589
Off-balance sheet	13,782,288	23,394,025
Total risk-weighted assets	168,284,851	141,527,614
Tier one capital ratio	15%	16%
Total capital ratio	13%	15%
Required ratio	10%	10%

The increase of the regulatory capital in 2012 is mainly due to the transfer of realized profits to the banking and retained earnings reserves from current year profit.

43. Financial Risk Management (Continued)

(f) Capital management (continued)

(ii) NCB Insurance Company Limited

The company maintains a capital structure consisting mainly of shareholders' funds consistent with the company's profile and the regulatory and market requirements. The company is subject to a number of regulatory capital tests and also employs scenario testing on an annual basis to assess the adequacy of capital. The company has met all of these requirements during the year. Capital adequacy is managed at the operational level.

In reporting financial strength, capital and solvency is measured using the regulations prescribed by the Financial Services Commission (FSC). These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written by the company.

The relevant capital requirement is the Minimum Continuing Capital Surplus Ratio (MCCSR) determined in accordance with the FSC regulations. This ratio is calculated by the Appointed Actuary and reviewed by executive management, the Audit Committee and the Board of Directors. This measure is a risk-based formula that compares available capital and surplus to a minimum requirement set by the FSC in regard to the asset and liability profile of the company. The FSC currently requires a minimum ratio of 150%. The company has set an internal target minimum of 200%. As at December 31, 2011, the MCCSR was measured at 1,169% (December 31, 2010 – 1,083%).

The company's capital position is sensitive to changes in market conditions, due to both changes in the value of assets and the effect that changes in investment conditions may have on the value of the liabilities. The most significant sensitivities arise from changes in interest rates and expenses. The company's capital position is also sensitive to assumptions and experience relating to mortality and persistency.

Dynamic capital adequacy testing (DCAT)

DCAT is a technique used to assess the adequacy of an insurer's financial position and financial condition in different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the statement of financial position at a given date.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

43. Financial Risk Management (Continued)

(f) Capital management (continued)

(ii) NCB Insurance Company Limited (continued)

Dynamic capital adequacy testing (DCAT)

The results of the latest DCAT are as follows.

The DCAT conducted has not tested any correlation that may exist between assumptions. The following table represents the sensitivity of the MCCSR and the Insurance Risk Reserve in each of the above scenarios. The 2012 information relates to the DCAT report for December 2011. The 2011 information relates to the DCAT report for December 2010.

	2012		2011	
	MCCSR	**Change in Liability $'000**	**MCCSR**	**Change in Liability $'000**
Worsening rate of lapses	1765%	(1,024,461)	1348%	231,383
High interest rates	2267%	(8,616,168)	1341%	(7,248,781)
Low interest rates	382%	10,032,276	387%	10,364,772
Worsening of mortality	1139%	821,691	1060%	713,015
Higher expenses	391%	6,808,277	918%	3,440,845
No sales growth	1657%	(827,044)	1310%	1,797,845
High sales growth	1070%	779,023	1024%	(344,654)
Extreme lapse and termination rates	2327%	(562,219)	1509%	1,768,165
Fall in interest rates to 5%	674%	8,268,022	632%	7,403,573

[expressed in Jamaican dollars unless otherwise indicated]

43. Financial Risk Management (Continued)

(f) Capital management (continued)

(iii) NCB Capital Markets Limited

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 unrealized 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 the date of the statement of financial position are highlighted in the table below:

	FSC Benchmark	2012	2011
Capital / Total Assets	Greater than 6%	14%	15%
Capital Base / RWA	Minimum 10%	26%	35%
Tier 1 Capital / Capital Base	Greater than 50%	93%	100%

The capital position is sensitive to changes in market conditions. This sensitivity is due primarily to changes in the value of assets and liabilities resulting from changes in interest rates.

There was no change in relation to how the company manages its capital during the financial year. During the year the company met all the requirements of the FSC relating to capital adequacy.

44. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The 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 recognized 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 recognized separately by deducting the amount of the provisions for credit losses from both book and fair values; and

The fair values of investment securities classified as loans and receivables are disclosed in Note 22. The fair values of the obligations under securitization arrangements are disclosed in Note 30. The fair values for all other financial instruments approximate their carrying values.

44. Fair Values of Financial Instruments (Continued)

The following tables provide an analysis of financial instruments held as at the date of the statement of financial position that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3, based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

	The Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At September 30, 2012				
Financial assets				
Investment securities classified as available-for-sale				
Government of Jamaica debt securities	-	148,418,357	-	148,418,357
Government of Jamaica guaranteed corporate bonds	-	9,264,768	-	9,264,768
Foreign government debt securities	-	1,592,111	151,715	1,743,826
Corporate debt securities	-	4,629,752	934,157	5,563,909
Quoted equity securities	1,709,475	-	-	1,709,475
Unquoted equity securities	-	-	77,777	77,777
	1,709,475	163,904,988	1,163,649	166,778,112
Investment securities at fair value through profit or loss				
Government of Jamaica debt securities	-	111,373	-	111,373
Government of Jamaica guaranteed corporate bonds		110,060		110,060
Corporate debt securities	-	48,233	161,481	209,714
Quoted equity securities	282,472	-	-	282,472
	282,472	269,666	161,481	713,619
Derivative financial instruments	-	4,978	-	4,978
	1,991,947	164,179,632	1,325,130	167,496,709
Financial liabilities				
Derivative financial instruments	-	5,312	-	5,312
Liabilities under annuity and insurance contracts	-	-	25,194,324	25,194,324
	-	5,312	25,194,324	25,199,636
Net financial assets/(liabilities)	1,991,947	164,174,320	(23,869,194)	142,297,073

44. Fair Values of Financial Instruments (Continued)

	The Group			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
At September 30, 2011				
Financial assets				
Investment securities classified as available-for-sale				
Government of Jamaica debt securities	-	139,072,782	-	139,072,782
Government of Jamaica guaranteed corporate bonds		5,971,634	-	5,971,634
Foreign government debt securities	-	1,300,141	-	1,300,141
Corporate debt securities	-	6,046,574	2,799,245	8,845,819
Quoted equity securities	492,257		-	492,257
Unquoted equity securities	-	-	47,498	47,498
	492,257	152,391,131	2,846,743	155,730,131
Investment securities at fair value through profit or loss				
Government of Jamaica debt securities	-	540,783	-	540,783
Government of Jamaica guaranteed corporate bonds		140,430		140,430
Corporate debt securities	-	-	998,661	998,661
Quoted equity securities	90,880	-	-	90,880
	90,880	681,213	998,661	1,770,754
	583,137	153,072,344	3,845,404	157,500,885
Financial liabilities				
Liabilities under annuity and insurance contracts	-	-	23,564,275	23,564,275
Net financial assets/(liabilities)	583,137	153,072,344	(19,718,871)	133,936,610

44. Fair Values of Financial Instruments (Continued)

	The Bank			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
At September 30, 2012				
Financial assets				
Investment securities classified as available-for-sale				
Government of Jamaica debt securities	-	61,585,090	-	61,585,090
Government of Jamaica guaranteed corporate bonds		623,858	-	623,858
Foreign government debt securities	-	941,657	-	941,657
Corporate debt securities	-	1,794,415	315,523	2,109,938
Quoted equity securities	550,978	-	-	550,978
Unquoted equity securities	-	-	18,255	18,255
	550,978	64,945,020	333,778	65,829,776
Derivative financial instruments	-	4,978	-	4,978
	550,978	64,949,998	333,778	65,834,754
Financial liabilities				
Derivative financial instruments	-	5,312	-	5,312
Net financial assets	550,978	64,944,686	333,778	65,829,442
September 30, 2011				
Financial assets				
Investment securities classified as available-for-sale				
Government of Jamaica debt securities	-	54,550,211	-	54,550,211
Foreign government debt securities	-	934,223	-	934,223
Corporate debt securities	-	1,687,957	315,523	2,003,480
Quoted equity securities	504,751	-	-	504,751
Unquoted equity securities	-	-	18,255	18,255
Total financial assets	504,751	57,172,391	333,778	58,010,920

The movement in financial assets classified as Level 3 during the year was as follows:

	The Group		The Bank	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
At start of year	3,845,404	1,990,426	333,778	333,778
Acquisitions	1,539,579	3,044,058	-	-
Fair value (losses)/gains recognized in other comprehensive income	(921,498)	616,931	-	-
Disposals	(3,138,355)	(1,806,011)	-	-
At end of year	1,325,130	3,845,404	333,778	333,778

The movement in liabilities under annuity and insurance contracts is disclosed in Note 32.

44. Fair Values of Financial Instruments (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1 and comprise equity securities that are quoted on the Jamaica Stock Exchange.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximize 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. This category includes government bonds, certificates of deposit, commercial paper and most investment grade and liquid corporate bonds. Indicative prices of these instruments are obtained from regular, publicly available quotes by reputable dealers and brokers, such as Bloomberg and Oppenheimer.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This category includes certain corporate debt securities and unlisted equity securities.

- The fair values of these corporate debt securities are determined based on recent issues or sales of similar bonds, by applying a spread to recent issues or sales of bonds that are not entirely similar, or by applying a spread to indicative quotes in less liquid markets. The Bank does not have a material holding of, or engages in significant transactions in, corporate debt securities classified as Level 3 and would, therefore, not be significantly affected by valuation adjustments resulting from these instruments. Sensitivity analysis of valuations of the Group's corporate debt securities using unobservable inputs, by valuation basis, was as follows:

	Fair values	Change in yield	Favorable changes		Unfavorable changes	
			Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	$'000		$'000	$'000	$'000	$'000
As at September 30, 2012:						
Investment securities classified as available-for-sale						
Valued at par	1,085,872	2%	21,718	17,593	(21,718)	(17,593)
Investment securities at fair value through profit or loss						
Valued at par	161,481	2%	3,230	2,153	(3,230)	(2,153)
	1,247,353		24,948	19,746	(24,948)	(19,746)
As at September 30, 2011:						
Investment securities classified as available-for-sale						
Government of Jamaica yield curve	2,106,940	2%	36,999	97,282	(36,999)	(97,282)
Valued at par	692,305	2%	13,846	13,846	(13,846)	(13,846)
Investment securities at fair value through profit or loss						
Government of Jamaica yield curve	356,996	2%	16,746	16,746	(16,746)	(16,746)
	3,156,241		67,591	127,874	(67,591)	(127,874)

- The valuation of unquoted equity instruments is subjective by nature. The determination of the fair values of unquoted equity securities requires the use of a number of individual pricing benchmarks which would involve unobservable inputs, such as earnings estimates, multiples of comparative companies, marketability discounts and discount rates. The Group does not have a material holding of, or engages in significant transactions in, unquoted equity instruments and would, therefore, not be significantly affected by valuation adjustments resulting from these instruments.

45. Financial Sector Legislation

Banking Act

(i) At September 30, 2011, the Bank was in breach of Section 13(1)(b)(i) of the Banking Act which prohibits the acquisition of property for purposes other than banking business or staff housing. These properties were formerly utilized in banking operations. The breach at September 30, 2011 relates to one property for which, during the year, a decision was taken to recommence its use for banking operations.

(ii) At September 30, 2012 and September 30, 2011, the Bank was in breach of Section 13(1)(d)(i) of the Banking Act. This section deals with unsecured lending to connected persons and represented approximately 0.0168813% (2011 – 0.00000052%) of the Bank's loans and advances.

46. 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 September 30, 2012, the Group had financial assets under administration of approximately $50,879,847,000 (2011 – $53,657,460,000).

47. Dividends

The following dividends were paid during the year:

- $0.34 per ordinary stock unit was paid in December 2011
- $0.38 per ordinary stock unit was paid in February 2012
- $0.21 per ordinary stock unit was paid in May 2012
- $0.17 per ordinary stock unit was paid in August 2012

On November 15, 2012, the Board declared a final interim dividend in respect of 2012 of $0.64 per ordinary stock unit. The dividend is payable on December 13, 2012 for stockholders on record as at November 30, 2012. The financial statements for the year ended September 30, 2012 do not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the year ending September 30, 2013.

48. Litigation and Contingent Liabilities

Litigation

The Bank and its subsidiaries are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both its financial position and results of operations.

Significant matters are as follows:

(a) Suit has been filed by the Bank's Staff Association against the Bank seeking various declarations regarding the Bank's profit sharing scheme. The Association has not quantified the claim. No provision has been made in the financial statements as the Bank's attorneys are of the opinion that the suit against the Bank is unlikely to succeed.

(b) Suit has been filed by a customer against the Bank for breach of contract, breach of trust and negligence and damages. The claim for damages includes a sum equivalent to the profit of the business foregone as a result of an inability to access a loan approved by the Bank and the cost of interim financing. No provision has been made in these financial statements for this claim as the Bank's attorneys are of the view that the suit against the Bank is unlikely to succeed.

(c) Suit has been filed by a customer against the Bank for damages suffered as a result of the Bank's alleged negligence in relation to the sale of property. The proper value of the property, which had been owned by the customer, is in issue, along with the amount properly to be applied to the customer's loan balance. Based on the advice of the Bank's attorneys, a provision has been made in the financial statements in respect of this claim.

(d) Suit has been filed by a customer against the Bank for unlawful, wrongful and/or improper use of power in the appointment of a Receiver and manager of the customer's business property and assets. Damages, interest and costs have been claimed against the Bank. The Bank's attorneys are unable to determine the outcome of the suit and no provision has been made in the financial statements.

(e) Suit has been filed by a customer seeking specific performance, damages for breach of contract, interest and costs. The claim against the Bank is now approximately $22,444,840,000. No provision has been made in these financial statements for this claim as the Bank's attorneys are of the view that the suit against the Bank is unlikely to succeed.

(f) Suit has been filed against the Bank by Claimants seeking damages for loss and an account of trust property as it relates to the Bank's predecessor acting as executor of an estate. The claim against the Bank is approximately $504,680,000. No provision has been made in the financial statements for this claim as the Bank's attorneys are of the opinion that the suit against the Bank is unlikely to succeed.

A number of other suits claiming damages in excess of $5 million each have been filed by customers of the Bank. In some instances counter claims have been filed by the Bank. Provision has been made in the financial statements for certain of these claims. No provision has been made where the Bank's attorneys are of the view that the Bank has a good defense against these claims.

48. Litigation and Contingent Liabilities (Continued)

Contingent Liability

In 2009, one of the Bank's subsidiaries received income tax assessments in respect of the years 2003 to 2007 from the Commissioner, Tax Administration Jamaica (TAJ), for additional income taxes totaling $2.7 billion.

On October 16, 2012, the subsidiary received a Notice of Decision from the TAJ reducing the assessments to $38,962,000. The subsidiary does not intend to appeal the Notice of Decision and, accordingly, has provided for this amount in its financial statements (Note 14).

49. Restatement

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

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

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

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

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

50. Subsequent Event

During the year, NCB Capital Markets Limited signed agreements with AIC (Barbados) Limited and ACF Holdings Insureco Limited, the legal and beneficial owners of 96.24% of the issued share capital of Advantage General Insurance Company Limited (AGI), for the purchase of their shareholdings in AGI. Both AIC (Barbados) Limited and ACF Holdings Insureco Limited are controlled by the Chairman of the Bank. The completion of the transaction is contingent on obtaining regulatory approval from the Financial Services Commission (FSC) and non-objection from the Bank of Jamaica (BoJ). Subsequent to the year end, conditional regulatory approval was obtained from the FSC. However, the Bank is still in dialogue with the BoJ in respect of their non-objection.

Shareholdings

10 LARGEST SHAREHOLDERS
as at September 30, 2012

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

SHAREHOLDINGS OF DIRECTORS*
as at September 30, 2012

	Total	Direct	Connected Parties**
Robert Almeida	**61,149,826**	138,893	61,010,933
Wayne Chen	**1,314,578,468**	14,044	1,314,564,424
Dennis Cohen	**73,039,457**	86,480	72,952,977
Sandra Glasgow	**73,015,026**	65,049	72,949,977
Sanya Goffe	**1,900**	1,900	-
Hon. Noel Hylton, OJ, CD	**354,074**	14,044	340,030
Patrick Hylton, CD	**425,072**	425,072	-
Hon. Michael Lee-Chin, OJ	**1,575,240,385**	1,865,583	1,573,374,802
Thalia Lyn, OD	**73,117,935**	152,838	72,965,097
Prof. Alvin Wint	**88,144**	88,144	-
Dave Garcia (Company Secretary)	**11,210**	11,210	-

SHAREHOLDINGS OF LEADERSHIP TEAM*
as at September 30, 2012

	Total	Direct	Connected Parties**
Rickert Allen	**113,696**	113,696	-
Septimus Blake	**10,050**	10,050	-
Ffrench Campbell	**57,660**	57,660	-
Yvonne Clarke	**67,871**	67,871	-
Dennis Cohen	**73,039,457**	86,480	72,952,977
Dave Garcia	**11,210**	11,210	-
Steven Gooden	**124,293**	124,293	-
Howard Gordon	**-**	-	-
Patrick Hylton, CD	**425,072**	425,072	-
Vernon James	**240,000**	240,000	-
Sheree Martin	**12,436**	12,436	-
Marjorie Seeberan	**76,339**	76,339	-
Audrey Tugwell Henry	**-**	-	-
Mukisa Ricketts	**-**	-	-
Allison Wynter	**73,050,766**	100,789	72,949,977

*Includes shares held by connected persons/parties | **Includes shares held by persons connected to the individual

Corporate Directory

CORPORATE BANKING

Marjorie Seeberan - General Manager

Brian Boothe - Senior Assistant General Manager (Western Region)
Nadienne Neita - Assistant General Manager
Deryck Russell - Assistant General Manager
Raymond Donaldson - Assistant General Manager

CREDIT & RISK MANAGEMENT

Allison Wynter - General Manager

Lincoln Mcintyre - Assistant General Manager

FACILITIES & SERVICES

Ffrench Campbell - Senior Assistant General Manager

Stacey Hamilton - Manager, Planning, Performance & Special Projects
Rodney Davis - Purchasing Manager
Glenroy Findlay - Security, Safety & Environmental Manager
Shevene Logan - Quantity Surveyor
Andrew Anderson - Reliability Engineer

GROUP FINANCE

Yvonne Clarke - Group Chief Financial Officer

Andre Ho Lung - Vice President
Malcolm Sadler - Assistant General Manager
Lennox Channer - Assistant General Manager

GROUP HUMAN RESOURCES

Rickert Allen - Senior General Manager

Euton Cummings - Assistant General Manager
Sandra Grey - HR Relationship Manager
Dorie Blackwood - Learning Manager
Judith Grossett - Food Services Manager
Althea Bailey - Manager, eLearning
Nicole Downie - Manager, Talent Manager

GROUP MANAGING DIRECTOR'S OFFICE

Patrick Hylton - Group Managing Director

Dennis Cohen - Deputy Group Managing Director
Nadeen Matthews - Assistant General Manager

GROUP OPERATIONS AND TECHNOLOGY

Howard Gordon - Senior General Manager

Nicole Brown - Assistant General Manager, IT Applications
Ramon Lewis - Assistant General Manager, IT Infrastructure & Operations
Alison Lynn - Assistant General Manager, Centralized Operations
Ann Mcmorris-Cover -Assistant General Manager
Cecil Williams - Manager, IT Governance & Compliance

INTERNAL AUDIT

Mukisa Ricketts - Chief Internal Auditor

Michael Hamm - Internal Audit Manager
Allan Holmes - Internal Audit Manager
Alric Tate - Internal Audit Manager
Amoy Parchment Graham - Internal Audit Manager

LEGAL, AML & CORPORATE COMPLIANCE

Dave Garcia - General Manager

Janelle Muschette Leiba - Legal Counsel
Nicola Whyms-Stone - Legal Counsel
Tricia-Gaye Watson - Legal Counsel
Samantha E. Bigby - Legal Counsel
Corrine N. Henry - Legal Counsel
Peta-Gay Chin-Hibbert - Associate Legal Counsel
Fiona Briscoe - Senior Compliance Manager
Misheca Seymour Senior - Legal Counsel, Compliance Manager and Assistant Company Secretary
Patricia Tennant - Compliance Manager

MARKETING, COMMUNICATIONS AND SERVICE DELIVERY

Sheree Martin - General Manager

Nichole Case - Assistant General Manager, Channel Delivery
Claudell Robinson - Manager, Enterprise Service Delivery
Belinda Williams - Manager, Group Corporate Communications
Tishan Lee - Marketing Manager, Channels and Consumer Services
Julian Patrick - Marketing Manager, Sponsorships and Promotions

RETAIL BANKING

Audrey Tugwell Henry - Senior General Manager

Norman Reid - Senior Assistant General Manager, Regional Manager
Loren Edwards - Senior Assistant General Manager, Regional Manager
Barbara Hume - Senior Assistant General Manager, Middle Market Unit
Bernadette Barrow - Assistant General Manager, Small & Medium Enterprises
Marcia Reid-Grant - Assistant General Manager, Retail Banking

TREASURY & CORRESPONDENT BANKING & CARDS

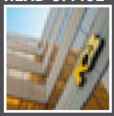
Septimus (Bob) Blake - Senior General Manager

Tanya Watson Francis - Senior Assistant General Manager
Peter Higgins - Assistant General Manager, F/X Trading
Youlan Laidlaw - Senior Business Analyst
Karen Watson - Financial Institutions Relationship Manager
Claudette Rodriguez - Assistant General Manager, Card Services
Peta-Gaye Hardy - Senior Financial Analyst, Card Services
Michelle Thomas - Product & Portfolio Manager, Cards Issuing

LOREN EDWARDS
Regional Manager
Region 1

NORMAN REID
Regional Manager
Region 2

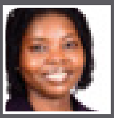
HEAD OFFICE



The Atrium

32 Trafalgar Road
Kingston 10
929-9050

ANNOTTO BAY



Doreen Pindling
Manager

Main Street
Annotto Bay
St. Mary
996-2213
996-2219
Operations Manager
- Nayjat McGregor

BARNETT STREET
(REPORTS TO ST. JAMES STREET)
93 Barnett Street
Montego Bay
St. James
952-6539

BAYWEST AGENCY & CREDIT CENTRE
(REPORTS TO ST. JAMES STREET)
Harbour Street
Montego Bay
St. James
952-3640-3

BLACK RIVER

Maxine Brown-Cowan
Manager

Chambers Plaza
1 Brigade Street
Black River
St. Elizabeth
965-2207
965-9027
Operations Manager
– Leisa Wright

BROWN'S TOWN

Conroy Ward
Manager

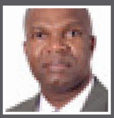
17 Main Street
Brown's Town
St. Ann
975-2242
975-2275
Operations Manager
– Ophelia Allen

CHAPELTON

Odel Laing
Relationship Manager

40 Main Street
Chapelton
Clarendon
987-2225
987-2395
Operations Manager
– Sophia McCook

CHRISTIANA



Prince Myers
Manager

Main Street
Christiana
Manchester
964-9120
964-2426
Operations Manager
- Lindon Ramsay

CROSS ROADS

Glen Shields
Manager

90-94 Slipe Road
Kingston 5, St. Andrew
926-7420-1
Asst. Manager
- Marjorie Johnson
Operations Manager
- Jacqueline Murray

DUKE STREET

Leroy Harding
Manager

37 Duke Street
Kingston
922-6710-9
Asst. Manager
- Karen Young
Operations Manager
- Sharon Tate

FALMOUTH

Brian Baggoo
Manager

Water Square
Falmouth
Trelawny
954-4129-30
Relief Operations Manager
- Keron Young

HAGLEY PARK

Donna Clarke
Manager

211 Hagley Park Road
Kingston 11
St. Andrew
923-5390-5
Operations Manager
- Lourine Martin

HALF MOON

Janet Reid
Relationship Manager

Half Moon Shopping Village
St. James
953-9281
Operations Manager
- Angella Carey

HALF WAY TREE

Robert Brooks
Manager

94 Half Way Tree Road
Kingston 10
St. Andrew
929-4280
929-6677
Operations Manager
- Pamela Harrison

JUNCTION

Duwayne Wiggan
Relationship Manager (Actg)

Junction P.O.
St. Elizabeth
965-8611-12
Operations Manager (Actg)
– Marsha McKenzie

KNUTSFORD BOULEVARD

Marva Peynado
Manager

1-7 Knutsford Boulevard
Kingston 5, St. Andrew
926-9015
Asst. Manager
- Carlos Gordon
Operations Manager
- Myrtella Skeine

LINSTEAD

Dean Simpson
Manager

29 King Street
Linstead
St. Catherine
985-2257
985-9295
Operations Manager
- Yvonne Stone

LUCEA

Kelvin Hall
Relationship Manager

Main Street
Hanover
956-2204
956-2348
Operations Manager
- Evette Moxie-Daley

MANDEVILLE

Stuart Barnes
Manager

6 Perth Road
962-2618
962-2161
Asst. Manager
- Andrea Arscott-Allen
Operations Manager (Actg)
- Karlene Harrison

MANOR PARK

Jacqueline Mighten
Manager

Manor Park Plaza
184 Constant Spring Road
Kingston 8, St. Andrew
924-6107-9
Operations Manager
- Sharon Gibson

MANOR CENTRE
(Reports to Manor Park)

195C Constant Spring Rd
Kingston 8
St. Andrew
924-4549
924-4623

MATILDA'S CORNER

Audrey McIntosh
Manager

15 Northside Drive
Northside Plaza
Kingston 6
St. Andrew
702-2421-3
Operations Manager
- Ann-Marie Mason

MAY PEN

Kevin Ingram
Manager

41 Main Street
May Pen
Clarendon
986-2411
986-2952
Operations Manager
- Marjorie Bish

MORANT BAY

Lloyd Richardson
Manager

39 Queen Street
Morant Bay
St. Thomas
982-2225
982-2272
Operations Manager
- Paulette Forsythe

NEGRIL

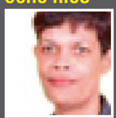
Kanhai Skeen
Manager

Sunshine Village Complex
West End Road, Negril
Westmoreland
957-4117
957-4119
Operations Manager
– Patricia Hudson-Buck

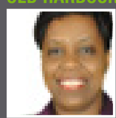
NEWPORT WEST

Joan Guthrie
Manager

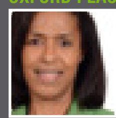
54 2nd Street
Kingston
923-9004-5
Operations Manager
- Cecile Myers

OCHO RIOS

Phyllis Smith
Actg. Manager

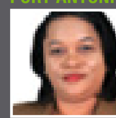
40 Main Street
Ocho Rios
St. Ann
974-2580
Operations Manager
- Peta-Gay Rodney

OLD HARBOUR

Cheryl Parkinson
Actg. Manager

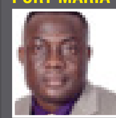
Old Harbour
St. Catherine
983-2279
983-2671
Operations Manager
- Paulette Lewis

OXFORD PLACE

Ilyn Thompson
Manager

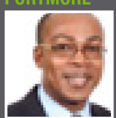
NCB Towers
2 Oxford Road, Kingston 5
St. Andrew
926-6623-4
Operations Manager
- Patricia Hall-Todd

PORT ANTONIO

Barbara Cohen
Actg. Manager

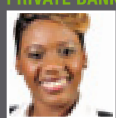
1 Gideon Street
Port Antonio
Portland
715-5011
715-5335
Operations Manager
- Janice McKenzie

PORT MARIA

Leon Drysdale
Relationship Manager

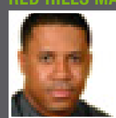
8 Main Street
Port Maria
St. Mary
994-2219
994-2551
Operations Manager
- Erica Barrett-Malcolm

PORTMORE

Laurie Spencer
Manager

13 - 14 West Trade Way
Portmore Mall
St. Catherine
988-7433-7
Operations Manager
- Kevin McDonald

PRIVATE BANKING

Sharon Williams
Manager

"The Atrium"
32 Trafalgar Road
Kingston 10, St. Andrew
929-8735
Operations Manager
- Lorna Jaddoo

RED HILLS MALL

Desron Graham
Relationship Manager

105 Red Hills Road
Kingston 19
St. Andrew
925-3314
Operations Manager
- Charmaine Oudith

SANTA CRUZ

Xavier Allen
Manager

7 Coke Drive
St. Elizabeth
966-2204
966-2664
Operations Manager
- Ann-Marie Pinto

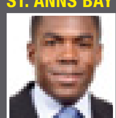
SAVANNA-LA-MAR

Kevin Walker
Manager

68 Great George Street
Savanna-la-mar
Westmoreland
955-2672
955-2338-9
Operations Manager
- Joan Graveney-Grizzle

SPALDING
(Reports to Christiana)

Spalding
Manchester
964-2268

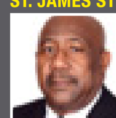
ST. ANNS BAY

Donnovan Reid
Manager

19-21 Main Street
St. Anns Bay
St. Ann
972-2490-1
972-0722
Operations Manager
- Denise Wallace

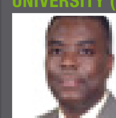
ST. JAGO SHOPPING CENTRE

Wayne Hunter
Manager

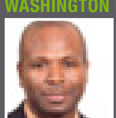
Burke Road
Spanish Town
St. Catherine
984-0672-6
Operations Manager
- Anthony Butler

ST. JAMES STREET

Peter Jennings
Manager

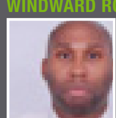
41 St. James Street
Montego Bay
St. James
952-6540-9
Asst. Manager
- Earl Leaky
Operations Manager
- Marcia O'Reggio

UNIVERSITY (UWI)

Dwight Hyde
Manager

Mona Campus
Kingston 7
St. Andrew
927-1057
927-1898
Operations Manager
- Santeta Beckford

WASHINGTON BOULEVARD

Neil Campbell
Relationship Manager

SuperCentre
45 Elma Crescent
Kgn 20, St. Andrew
934-1817
934-1081-21
Operations Manager
- Sandra Chambers-Green

WINDWARD ROAD

Glenroy Morgan
Relationship Manager

89-91 Windward Road
Kingston 2
St. Andrew
928-1167
928-5418
Operations Manager
- Norda Lewis-Harris

[Branch Directory]

NCB Subsidiaries & Foundation

NCB (CAYMAN) LIMITED

Mr. Wayne Chen CHAIRMAN
Mr. Phillip Harrison MANAGING DIRECTOR
Mr. Patrick Hylton, CD
Mr. Dennis Cohen
Prof. Alvin Wint

COMPANY SECRETARY: Misheca Seymour-Senior

NCB CAPITAL MARKETS (CAYMAN) LIMITED

[SUBSIDIARY OF NCB CAPITAL MARKETS LTD.]

Mr. Wayne Chen CHAIRMAN
Mr. Phillip Harrison MANAGING DIRECTOR
Mr. Patrick Hylton, CD
Mr. Dennis Cohen
Prof. Alvin Wint

COMPANY SECRETARY: Misheca Seymour-Senior

NCB REMITTANCE SERVICES (CAYMAN) LIMITED

[A SUBSIDIARY OF NCB (CAYMAN) LTD.]

Mr. Wayne Chen CHAIRMAN
Mr. Phillip Harrison MANAGING DIRECTOR
Mr. Patrick Hylton, CD
Mr. Dennis Cohen
Prof. Alvin Wint
Mrs. Darcy Parkins

COMPANY SECRETARY: Misheca Seymour-Senior

NCB REMITTANCE SERVICES (JAMAICA) LIMITED

Prof. Alvin Wint CHAIRMAN
Mr. Ronald Graham
Mrs. Yvonne Clarke
Mr. Septimus (Bob) Blake
Mrs. Darcy Parkins
Mrs. Audrey Tugwell Henry

COMPANY SECRETARY: Nicola Whyms-Stone

NCB REMITTANCE SERVICES (UK) LIMITED

Mrs. Yvonne Clarke CHAIRMAN
Mrs. Audrey Tugwell Henry
Mr. Leonard Mahipalamudali
Dr. Franklyn Johnston
Mr. Septimus "Bob" Blake
Mrs. Darcy Parkins

COMPANY SECRETARY: MF&G Corporate Services

DATA-CAP PROCESSING LIMITED

Mrs. Yvonne Clarke CHAIRMAN
Mr. Rickert Allen
Mr. Ffrench Campbell
Mr. Patrick Hylton, CD

COMPANY SECRETARY: Dave Garcia

MUTUAL SECURITY INSURANCE BROKERS LIMITED

Mr. Dennis Cohen CHAIRMAN
Ms. Diana E. Mccaulay
Mr. David Williams

COMPANY SECRETARY: Janelle Muschette-Leiba

NCB INSURANCE COMPANY LIMITED

Mr. Wayne Chen CHAIRMAN
Mr. Vernon James GENERAL MANAGER
Mr. Patrick Hylton, CD
Mr. Milverton Reynolds
Prof. Alvin G. Wint
Dr. Colin Mckenzie
Mr. Dennis Cohen
Mrs. Yvonne Clarke
Miss. Hilary B. Reid
Mrs. Audrey Tugwell Henry
Mrs. Sheree Martin

COMPANY SECRETARY: Dave Garcia

N.C.B. JAMAICA (NOMINEES) LIMITED

Mrs. Yvonne Clarke CHAIRMAN
Mr. Malcolm Sadler

COMPANY SECRETARY: Misheca Seymour-Senior

WEST INDIES TRUST COMPANY LIMITED

Mr. Wayne Chen CHAIRMAN
Mr. Patrick Hylton, CD
Mr. Dennis Cohen

COMPANY SECRETARY: Nicola Whyms-Stone

N.C.B. FOUNDATION

Mrs. Thalia Lyn, OD CHAIRMAN
Mrs. Sheree Martin CEO
Dr. Joy Callender
Mrs. Irene Walter
Mrs. Lisa Lakhan-Chen
Dr. Diana Thorburn
Mrs. Diana Oddi
Mrs. Yvonne Clarke
Mr. Andrew Pairman
Mrs. Marjorie Seeberan
Mr. Vernon James
Mr. Stuart L Reid
Mr. Kanhai Skeen

COMPANY SECRETARY: Janelle Muschette-Leiba

NCB CAPITAL MARKETS LIMITED

Mr. Patrick Hylton, CD CHAIRMAN
Mr. Dennis Cohen CEO
Prof. Alvin Wint
Mr. Michael Ammar (Jr.)
Dr. Cecil Batchelor
Miss. Shamena Khan
Mrs. Yvonne Clarke
Mr. Septimus (Bob) Blake
Mr. Harry Smith
Mr. Steven Gooden

COMPANY SECRETARY: Misheca Seymour-Senior

Notes

Notes

DESIGN
Graphics & Production Unit - **NCB Marketing, Communications and Service Delivery Division**

PHOTOGRAPHY
Dwayne Watkins - PORTRAITS, Directors/Executives
Paul Mullings I Andre Gordon | Dameon Brackett

AUDITORS
PricewaterhouseCoopers

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Lithographic Printers Ltd.

JAMAICA 50™
A NATION ON A MISSION

175th
Special Edition

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JAMAICA LIMITED

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