

The Board of Directors is pleased to release the following financial results for National Commercial Bank Jamaica Limited (NCBJ) and its subsidiaries for the financial year ended September 30, 2013.

Performance highlights

Year ended September 30, 2013 compared with the year ended September 30, 2012

- Net profit of \$8.5 billion, a decrease of 14.9%, or \$1.5 billion.
- Earnings per stock unit of \$3.47, decreased by 14.9%, from \$4.08.
- Cost to income ratio increased to 67.60%, from 56.26%.
- Total assets of \$446.6 billion, grew by 17.7%, or \$67.1 billion.
- Return on average total assets was 2.07%, compared to 2.72%.
- Net loans of \$141.2 billion, grew by 26.1%, or \$29.2 billion.
- Customer deposits of \$178.4 billion, increased by 9.5%, or \$15.5 billion.
- Total stockholders' equity of \$72.5 billion, increased by 9.2%, or \$6.1 billion.
- Return on average stockholders' equity was 12.32%, compared to 15.66%.

Three months ended September 30, 2013 compared with the three months ended September 30, 2012

- Net profit of \$1.7 billion, decreased by 35.0%, or \$939 million.
- Earnings per stock unit of \$0.71, decreased by 35.0%, from \$1.10.
- Cost to income ratio increased to 75.13%, from 52.79%.
- Return on average total assets decreased to 1.60%, from 2.83%.
- Return on average stockholders' equity decreased to 9.80%, from 16.36%.

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

- Net profit of \$1.7 billion, decreased by 23.2%, or \$526 million.
- Earnings per stock unit of \$0.71, declined by 23.2%, from \$0.92.
- Cost to income ratio increased to 75.13%, from 65.58%.
- Return on average total assets decreased to 1.60%, from 2.16%.
- Return on average stockholders' equity decreased to 9.80%, from 13.15%.

We have concluded another challenging financial year, which was significantly impacted by a weakened economic environment, resulting in losses incurred in our participation in the debt exchange programmes, lower asset yields and increased operating expenses. Despite these negatives affecting our business performance, we experienced strong growth in our core business segments, which was reflected in increases in our loan and funding portfolios.

As Jamaica's economic environment continues to transition, we believe our diversified business model and strong risk discipline will keep us on a sustainable growth path. As we embark on the 2013/2014 financial year, we plan to improve customer experience through the use of technology, deepen customer relationships and reduce operating expenses through improved efficiencies. As we look forward, we remain well positioned to meet the needs of our customers, continue to build capital and provide appropriate returns to our shareholders.

Financial performance

Operating income

For the year ended September 30, 2013, operating income increased by 9.9%, or \$3.4 billion, when compared with the year ended September 30, 2012, mainly as a result of:

- Net interest income, increasing by 8.1%, or \$1.8 billion, primarily due to growth in loans and advances.
- Net fee and commission income, increasing by 12.5%, or \$891 million, due primarily to increased card transaction volumes in the Payment Services segment, as well as fees earned from new loans, primarily in the Retail & SME segment.
- Premium income, increasing by 196.6%, or \$3.3 billion, due mainly to the inclusion of general insurance premiums as a result of the acquisition of Advantage General Insurance Company Limited (AGIC) on February 19, 2013.

These increases were offset by a 72.4%, or \$2.7 billion reduction in gain on foreign currency and investment activities resulting from the adverse impact of our participation in the debt exchange programmes in the second quarter of the current financial year.

Operating expenses

Operating expenses increased by \$5.5 billion or 24.4% in the year ended September 30, 2013, over the year ended September 30, 2012, mainly as a result of:

- Increases of 158.3%, or \$2.3 billion, in policyholders and annuitants benefits and reserves, primarily due to general insurance benefits and reserving expenses related to the acquisition of AGIC.
- Other operating expenses, which increased by \$2.0 billion or 26.8%, due to costs associated with the postponed initial public offering, increased consultancy fees and property expenses.
- Staff costs, which increased by \$1.5 billion, or 15.5%, due primarily to a larger workforce related to the acquisition of AGIC, and costs associated with the restructuring exercise carried out during the financial year.

Loans and advances

Loans and advances, which totalled \$141.2 billion (net of provision for credit losses) as at September 30, 2013, grew by 26.1%, or \$29.2 billion, compared to the loan portfolio as at September 30, 2012. Non-performing loans totalled \$7.0 billion as at September 30, 2013 (\$8.3 billion as at September 30, 2012) and represented 4.8% of the gross loans compared to 7.1% as at September 30, 2012. The reduction is due to the full or partial write-off of impaired non-performing loans which were provided for in previous periods. Our activities to ensure that delinquency management processes remain robust and proactive are ongoing and we continue to make the necessary adjustments to respond to changes in the environment. The regulatory provision coverage at September 30, 2013 was 120.2% of non-performing loans compared to 114.0% at September 30, 2012.

Deposits

Customer deposits were \$178.4 billion, up 9.5% over the prior year; savings and current account deposits were up by 10% over the prior year.

Capital

The Group's stockholders' equity of \$72.5 billion as at September 30, 2013 grew by 9.2%, or \$6.1 billion, when compared to September 30, 2012.

- The risk-based capital adequacy ratio (risk assessed assets as a percentage of qualifying capital) for NCBJ was 12.6% (September 30, 2012 – 13.0%).

Capital (continued)

- The capital to risk weighted assets ratio (risk assessed assets as a percentage of qualifying capital) for NCB Capital Markets Limited (NCBCM) was 20.9% (September 30, 2012 – 26.2%).
- The solvency ratio (stockholders' equity as a percentage of total liabilities) for NCB Insurance Company Limited (NCBIC) was 36.3% (September 30, 2012 – 34.6%).
- The Minimum Capital Test (MCT) (ratio of available assets to required assets) for AGIC was 251.7% (September 30, 2012 – 251.6%).

Segment performance for the year ended September 30, 2013

The commercial banking activities, comprising, Retail & SME, Payments Services, Corporate Banking, and Treasury & Correspondent Banking segments produced combined operating profits of \$5.6 billion, for the year ended September 30, 2013, a decrease of 21.7%, or \$1.6 billion, when compared to the year ended September 30, 2012.

Retail & SME

Operating profits of \$793 million declined by 49.5%, or \$778 million. While operating income has increased by \$1.3 billion, or 9.6%, over the prior year, driven primarily by a 9.6% increase in net interest income, operating expenses have risen by \$1.8 billion, or 24.1%, over the prior year, mainly due to an increase in provision for credit losses and staff costs.

Payment Services

Operating profits of \$2.1 billion increased by 10.5%, or \$199 million, driven mainly by increased net interest income due to growth in the credit card portfolio over the prior year, and increased fee income linked to the higher volume of transactions carried out at our point-of-sale machines. The growth in operating income was partially offset by increased operating expenses mainly due to an increase in provision for credit losses and staff costs.

Corporate Banking

Operating profits of \$850 million increased by \$755 million or 797.4%, over the prior year and this is mainly attributed to a \$1.1 billion decline in provisions for credit losses when compared to the prior year.

Treasury & Correspondent Banking

Operating profits of \$1.9 billion decreased by 48.1%, or \$1.7 billion. This reduction was primarily due to losses incurred on foreign currency and investment activities, which were directly attributable to our participation in the debt exchange programmes.

Wealth Management

Operating profits of \$3.9 billion decreased by 2.2%, or \$87 million, primarily due to reduced operating income which was partially offset by a reduction in operating expenses. Operating income has declined by \$538 million, or 9.7%, due primarily to a reduction in gain on foreign currency and investment activities of \$403 million. The reduction in operating expenses is due to a lower level of impairment losses on securities when compared to the prior year performance.

Insurance and Pension Fund Management

Operating profits of \$2.2 billion decreased by 5.4%, or \$124 million. Operating income has decreased by \$250 million, or 5.2%, due to a reduction in gain on foreign currency and investment activities and premium income. Operating expenses have declined by \$125 million, or 5.0%.

Segment performance for the year ended September 30, 2013 (continued)

General Insurance

This new segment which was created following the acquisition of AGIC, earned operating profits of \$332 million.

Dividends

The Board of Directors, at its meeting on November 14, 2013, declared an interim dividend of \$0.16 per ordinary stock unit. The dividend is payable on December 12, 2013 for stockholders on record as at November 29, 2013.

Corporate Social Responsibility

As we continue to build the communities we serve, we committed over \$28 million to a number of social projects during the fourth quarter of the financial year ended September 30, 2013. The areas of focus were Education, Community Development, Youth Leadership and Entrepreneurship and Sports Development and some of our activities for the current quarter are highlighted below.

Education

During the quarter, we awarded over 250 students with scholarships or grants for tertiary studies. Islington High and Priory Infant and Primary Schools also received infrastructural assistance and provision of equipment to aid in their daily operations.

Community Development

NCB branches continue to play a vital role in building the communities in which we serve. St. James 4H Club and National Culture Group for the Blind were among the local projects receiving assistance through branch support.

Youth Leadership & Entrepreneurship & Sports Development

We assisted by sponsoring 20 cadets to attend the annual camp at First Battalion, JCCF, and The Source, Savanna-la-mar's youth camp for youths in troubled communities was also supported during the period. We also made donations and supported school and community sporting programmes, some of which included Trench Town High School, Garvey Maceo High School and Portland Netball Association.

We are extremely grateful to our customers, shareholders, employees and other key stakeholders whose support has allowed us to fulfil our mantra of *Building a Better Jamaica*.

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



ON BEHALF OF THE BOARD

National Commercial Bank Jamaica Limited

Consolidated Income Statement

Year ended September 30, 2013

(expressed in Jamaican dollars unless otherwise indicated)

Note	<i>Current Year</i>			<i>Restated Prior Year</i>	
	Quarter ended	Quarter ended	Year ended	Quarter ended	Year ended
	September 30	June 30	September 30	September 30	September 30
	2013	2013	2013	2012	2012
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating income					
Interest income	8,428,247	8,050,389	32,810,385	7,682,548	30,475,968
Interest expense	(2,274,096)	(2,213,933)	(9,251,399)	(2,235,321)	(8,691,878)
Net interest income	6,154,151	5,836,456	23,558,986	5,447,227	21,784,090
Fee and commission income	2,533,595	2,465,299	9,730,000	2,130,526	8,300,085
Fee and commission expense	(454,754)	(462,119)	(1,724,820)	(325,206)	(1,186,403)
Net fee and commission income	2,078,841	2,003,180	8,005,180	1,805,320	7,113,682
Gain on foreign currency and investment activities	338,885	621,589	1,028,030	590,657	3,731,492
Dividend income	7,230	56,821	228,506	50,708	119,634
Premium income	1,522,609	1,712,042	5,003,097	257,117	1,687,082
Other operating income	48,165	40,793	141,784	30,154	110,969
	1,916,889	2,431,245	6,401,417	928,636	5,649,177
	10,149,881	10,270,881	37,965,583	8,181,183	34,546,949
Operating expenses					
Staff costs	2,957,025	2,719,090	11,270,133	1,813,969	9,755,916
Provision for credit losses	283,172	726,369	2,066,260	662,045	2,462,811
Depreciation and amortisation	338,581	323,738	1,209,971	232,325	812,512
Impairment losses on securities	-	87,136	87,136	153,778	467,778
Policyholders and annuitants benefits and reserves	1,270,114	1,234,360	3,812,918	271,725	1,476,324
Other operating expenses	3,040,631	2,480,732	9,372,775	2,000,790	7,390,912
	7,889,523	7,571,425	27,819,193	5,134,632	22,366,253
Operating profit	2,260,358	2,699,456	10,146,390	3,046,551	12,180,696
Share of profit of associates	236,430	205,814	861,178	465,885	947,141
Dilution gain/(loss) of share in associates	-	-	-	55,670	(11,948)
Profit before taxation	2,496,788	2,905,270	11,007,568	3,568,106	13,115,889
Taxation	(750,467)	(632,572)	(2,457,737)	(882,608)	(3,070,027)
NET PROFIT	1,746,321	2,272,698	8,549,831	2,685,498	10,045,862
Earnings per stock unit (expressed in \$ per share)					
Basic and diluted	0.71	0.92	3.47	1.10	4.08

National Commercial Bank Jamaica Limited

Consolidated Statement of Comprehensive Income

Year ended September 30, 2013

(expressed in Jamaican dollars unless otherwise indicated)

	<i>Current Year</i>			<i>Prior Year</i>	
	Quarter ended September 30 2013 \$'000	Quarter ended June 30 2013 \$'000	Year ended September 30 2013 \$'000	Quarter ended September 30 2012 \$'000	Year ended September 30 2012 \$'000
Net Profit	1,746,321	2,272,698	8,549,831	2,685,498	10,045,862
Other comprehensive income, net of tax-					
Items that may be reclassified subsequently to profit or loss					
Currency translation gains	64,302	79,186	368,431	(29,796)	92,142
Unrealised gains/(losses) on available-for-sale investments	1,283,126	624,857	436,092	(1,136,567)	(837,922)
Realised fair value (gains)/losses on sale and maturity of available-for-sale investments	(553,167)	(624,713)	(508,142)	251,127	(2,226,635)
Total other comprehensive income	794,261	79,330	296,381	(915,236)	(2,972,415)
TOTAL COMPREHENSIVE INCOME	2,540,582	2,352,028	8,846,212	1,770,262	7,073,447

National Commercial Bank Jamaica Limited

Consolidated Statement of Financial Position

September 30, 2013


(expressed in Jamaican dollars unless otherwise indicated)


	September 30 2013 S'000	Restated September 30 2012 S'000	Restated September 30 2011 S'000
ASSETS			
Cash in hand and balances at Bank of Jamaica	24,388,683	24,102,812	20,725,491
Due from other banks	19,328,412	13,812,269	23,750,057
Derivative financial instruments	387,304	4,978	-
Investment securities at fair value through profit or loss	380,755	720,406	1,785,352
Reverse repurchase agreements	328,105	408,294	1,697,472
Loans and advances, net of provision for credit losses	141,150,312	111,904,854	91,728,138
Investment securities classified as available-for-sale and loans and receivables	100,856,119	90,641,280	97,379,975
Pledged assets	134,530,695	120,406,671	106,645,318
Investment in associates	8,512,251	7,149,680	6,698,130
Investment properties	462,500	12,500	12,000
Intangible assets	1,837,974	1,135,599	897,862
Property, plant and equipment	6,438,707	5,231,798	4,322,866
Deferred income tax assets	31,710	19,483	26,191
Income tax recoverable	2,173,835	887,577	1,402,777
Customers' liability - letters of credit and undertaking	1,479,108	530,719	361,606
Other assets	4,288,585	2,466,599	2,184,878
Total assets	446,575,055	379,435,519	359,618,113
LIABILITIES			
Due to other banks	17,410,200	9,324,897	6,215,824
Customer deposits	178,411,021	162,930,350	155,800,401
Repurchase agreements	117,377,395	101,890,449	84,075,103
Obligations under securitisation arrangements	10,101,032	2,593,201	14,378,119
Derivative financial instruments	1,437	5,312	-
Other borrowed funds	4,900,592	3,620,012	5,693,957
Income tax payable	14,299	11,191	12,591
Deferred income tax liabilities	2,610,379	1,398,092	2,387,682
Liabilities under annuity and insurance contracts	33,914,506	25,194,324	23,564,275
Provision for litigation	11,500	17,300	13,000
Post-employment benefit obligations	1,108,993	810,276	582,491
Liability - letters of credit and undertaking	1,479,108	530,719	361,606
Other liabilities	6,778,092	4,766,075	4,555,800
Total liabilities	374,118,554	313,092,198	297,640,849
STOCKHOLDERS' EQUITY			
Share capital	6,465,731	6,465,731	6,465,731
Shares held by NCB Employee Share Scheme	(3,388)	(3,388)	(3,388)
Fair value and capital reserves	2,490,560	2,194,179	5,166,594
Loan loss reserve	5,141,357	4,662,842	4,922,610
Banking reserve fund	6,512,634	6,512,634	6,039,667
Retained earnings reserve	18,050,657	14,013,657	11,375,761
Retained earnings	33,798,950	32,497,666	28,010,289
Total stockholders' equity	72,456,501	66,343,321	61,977,264
Total equity and liabilities	446,575,055	379,435,519	359,618,113

Approved for issue by the Board of Directors on November 14, 2013 and signed on its behalf by:


Director


Director


Director


Secretary

National Commercial Bank Jamaica Limited

Consolidated Statement of Changes in Stockholders' Equity

Year ended September 30, 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Share capital	Shares held by NCB Employee Share Scheme	Fair value and capital reserves	Loan loss reserve	Banking reserve fund	Retained earnings reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at September 30, 2011	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
Total comprehensive income	-	-	296,381	-	-	-	8,549,831	8,846,212
Dividends paid	-	-	-	-	-	-	(2,733,032)	(2,733,032)
Transfer to Loan loss reserve	-	-	-	478,515	-	-	(478,515)	-
Transfer to Retained earnings reserve	-	-	-	-	-	4,037,000	(4,037,000)	-
Balance at September 30, 2013	6,465,731	(3,388)	2,490,560	5,141,357	6,512,634	18,050,657	33,798,950	72,456,501

National Commercial Bank Jamaica Limited

Consolidated Statement of Cash Flows

Year ended September 30, 2013

(expressed in Jamaican dollars unless otherwise indicated)

	September 30 2013 \$'000	Restated September 30 2012 \$'000
Cash Flows from Operating Activities		
Net profit	8,549,831	10,045,862
Adjustments to reconcile net profit to net cash provided by operating activities	41,444	5,610,409
Net cash provided by operating activities	<u>8,591,275</u>	<u>15,656,271</u>
Cash Flows from Investing Activities		
Acquisition of subsidiary, net of cash acquired	(2,883,959)	-
Acquisition of property, plant and equipment	(1,048,233)	(1,415,627)
Acquisition of intangible asset - computer software	(679,403)	(546,801)
Proceeds from disposal of property, plant and equipment	44,297	4,274
Dividends received from associates	194,355	146,761
Purchases of investment securities	(188,775,147)	(240,078,881)
Sales/maturities of investment securities	176,595,236	219,525,093
Net cash used in investing activities	<u>(16,552,854)</u>	<u>(22,365,181)</u>
Cash Flows from Financing Activities		
Proceeds from securitisation arrangements	9,640,592	-
Repayments under securitisation arrangements	(1,925,336)	(11,483,783)
Proceeds from other borrowed funds	2,226,314	943,027
Repayments of other borrowed funds	(1,122,127)	(3,035,243)
Due to other banks	5,313,864	2,513,162
Dividends paid	(2,733,032)	(2,707,390)
Net cash provided by/(used in) financing activities	<u>11,400,275</u>	<u>(13,770,227)</u>
Effect of exchange rate changes on cash and cash equivalents	3,856,575	1,044,342
Net increase/(decrease) in cash and cash equivalents	7,295,271	(19,434,795)
Cash and cash equivalents at beginning of period	21,266,744	40,701,539
Cash and cash equivalents at end of period	<u>28,562,015</u>	<u>21,266,744</u>
Comprising:		
Cash in hand and balances at Bank of Jamaica	3,996,530	6,374,868
Due from other banks	19,145,629	13,170,698
Reverse repurchase agreements	322,809	394,873
Investment securities	10,887,465	4,345,284
Due to other banks	(5,790,418)	(3,018,979)
	<u>28,562,015</u>	<u>21,266,744</u>

National Commercial Bank Jamaica Limited

Segment Report

Year ended September 30, 2013

	Consumer & SME									Consolidated
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth Management	Insurance & Pension Fund Management	General Insurance	Other	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
External revenue	13,724,403	7,206,123	4,099,787	6,120,409	8,294,769	5,473,071	3,941,207	82,033	-	48,941,802
Revenue from other segments	2,275,890	-	1,632	2,019,757	835,031	63,326	8,880	66,341	(5,270,857)	-
Total revenue	16,000,293	7,206,123	4,101,419	8,140,166	9,129,800	5,536,397	3,950,087	148,374	(5,270,857)	48,941,802
Interest income	12,354,290	2,660,109	3,591,925	8,308,455	7,786,785	2,686,633	318,296	32,732	(4,929,673)	32,809,552
Interest expense	(1,344,116)	(707,045)	(1,982,649)	(5,189,693)	(4,111,737)	(996,880)	-	(411)	4,929,673	(9,402,858)
Net interest income	11,010,174	1,953,064	1,609,276	3,118,762	3,675,048	1,689,753	318,296	32,321	-	23,406,694
Net fee and commission income	3,303,019	2,774,684	459,881	190,524	114,803	948,269	99,395	88,146	(92,727)	7,885,994
Gain/(loss) on foreign currency and investment activities	178,981	13,196	35,895	(583,362)	1,078,030	220,661	87,519	(17,913)	12,045	1,025,052
Premium income	-	-	-	-	-	1,619,543	3,415,536	-	(31,982)	5,003,097
Other income	63,406	17,026	4,047	218,936	147,162	61,291	29,341	45,407	(260,382)	326,234
Total operating income	14,555,580	4,757,970	2,109,099	2,944,860	5,015,043	4,539,517	3,950,087	147,961	(373,046)	37,647,071
Staff costs	5,237,342	312,626	245,565	129,016	428,858	481,876	448,740	73,459	(34,315)	7,323,167
Provision for credit losses	1,384,905	659,960	63,969	-	-	-	-	-	-	2,108,834
Depreciation and amortisation	150,578	90,463	5,496	104,425	7,613	32,888	23,444	2,158	47,762	464,827
Impairment losses on securities	-	-	-	-	87,136	-	-	-	-	87,136
Policyholders and annuitants benefits and reserves	-	-	-	-	-	1,396,113	2,646,475	-	(229,670)	3,812,918
Other operating expenses	2,402,485	934,143	564,808	622,648	610,588	455,530	499,059	25,147	(150,876)	5,963,532
Total operating expense	9,175,310	1,997,192	879,838	856,089	1,134,195	2,366,407	3,617,718	100,764	(367,099)	19,760,414
Operating profit before allocated costs	5,380,270	2,760,778	1,229,261	2,088,771	3,880,848	2,173,110	332,369	47,197	(5,947)	17,886,657
Allocated costs	(4,587,226)	(662,561)	(379,115)	(214,376)	-	-	-	-	-	(5,843,278)
Operating profit	793,044	2,098,217	850,146	1,874,395	3,880,848	2,173,110	332,369	47,197	(5,947)	12,043,379
Unallocated corporate expenses										(1,896,989)
Share of profit of associates										861,178
Profit before taxation										11,007,568
Taxation										(2,457,737)
Net Profit										8,549,831
Segment assets	151,550,642	11,839,178	58,753,003	139,238,839	127,197,750	35,864,968	10,419,681	1,000,275	(101,119,596)	434,744,740
Associates										8,512,251
Unallocated assets										3,318,064
Total assets										446,575,055
Segment liabilities	138,952,273	7,606,865	45,753,252	127,610,695	110,512,372	26,689,951	7,433,581	199,798	(93,502,909)	371,255,878
Unallocated liabilities										2,862,676
Total liabilities										374,118,554
Capital expenditure	1,084,465	292,440	40,732	36,745	58,873	118,469	57,077	38,835	-	1,727,636

National Commercial Bank Jamaica Limited

Segment Report

Year ended September 30, 2012

	Consumer & SME							Eliminations	Consolidated
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth Management	Insurance & Pension Fund Management	Other		
	\$'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
Policyholders and annuitants benefits and reserves	-	-	-	-	-	1,476,324	-	-	1,476,324
Other operating expenses	2,259,018	740,233	390,844	535,312	600,637	462,787	22,734	(248,161)	4,763,404
Total operating expenses	7,391,217	1,410,398	1,947,542	762,523	1,585,221	2,491,856	119,501	(277,299)	15,430,959
Operating profit before allocated cost	5,891,367	2,466,557	471,595	3,883,849	3,967,965	2,297,567	23,751	(124,371)	18,878,280
Allocated costs	(4,320,718)	(567,410)	(376,865)	(272,816)	-	-	-	-	(5,537,809)
Operating profit	1,570,649	1,899,147	94,730	3,611,033	3,967,965	2,297,567	23,751	(124,371)	13,340,471
Unallocated corporate expenses									(1,159,775)
Share of profit of associates									947,141
Dilution of share in associate									(11,948)
Profit before taxation									13,115,889
Taxation									(3,070,027)
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	(94,188,656)	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	(88,041,518)	311,163,200
Unallocated liabilities									1,928,998
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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2013

(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 50.48% (2012 – 51.71%) subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael A. Lee-Chin, OJ, Chairman of the Bank.

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

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

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

	Principal Activities	Percentage Ownership by the Group	
		2013	2012
Data-Cap Processing Limited	Security Services	100	100
Mutual Security Insurance Brokers Limited	Insurance Brokerage Services	100	100
NCB Capital Markets Limited	Securities Dealer and Stock Brokerage Services	100	100
Advantage General Insurance Company Limited	General Insurance	100	-
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 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

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

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

	Principal Activities	Percentage ownership by the Group	
		2013	2012
Dyoll Group Limited	In Liquidation	44.47	44.47
Jamaica Money Market Brokers Limited	Securities Dealer and Stock Brokerage Services	26.30	26.30
Kingston Properties Limited	Ownership of real estate properties	25.17	25.17
Kingston Wharves Limited	Wharf Operations and Stevedoring	32.59	32.59

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2013

(expressed in Jamaican dollars unless otherwise indicated)

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.

Changes in classification or presentation

The following reclassifications or changes in presentation were made in the financial statements for the year ended September 30, 2013. An additional comparative statement of financial position as at September 30, 2011 has been presented to show the effects of these changes in presentation. However, the changes had no effect on the net profit for the year ended September 30, 2012 or stockholders equity at September 30, 2012 and 2011.

- (i) Securities pledged as collateral which were previously included in "Due from Other Banks" and "Investment Securities classified as Available-for-sale and Loans and Receivables" in the statement of financial position were reclassified to "Pledged Assets" which is now shown as a separate item on the face of the statement of financial position in accordance with IAS 39, Financial Instruments: Recognition and Measurement.
- (ii) Taxes incurred on premium income earned by the life insurance subsidiary which were previously included in "Taxation" in the income statement are now included in "Other Operating Expenses" in accordance with IAS 12, Income Taxes, as they represent taxes on revenues rather than on profits.
- (iii) Certain pledged and restricted securities included in "Due from Other Banks" as well as short-term amounts with original maturities longer than 90 days included in "Due to Other Banks" were previously included in cash and cash equivalents for the purposes of the statement of cash flows. The effect of the items in "Due from Other Banks" are now reflected as operating cash flows and the effect of the items in "Due to Other Banks" are now reflected as financing cash flows.

The effect on cash and cash equivalents previously reported were as follows:

	The Group	
	2012	2011
	\$'000	\$'000
Cash and cash equivalents, as previously reported	16,717,197	38,609,519
Pledged securities included in Due from other banks	(1,114,800)	(1,062,518)
Restricted securities included in Due from other banks	(641,571)	(638,218)
Amounts included in Due to other banks with original maturities longer than 90 days	6,305,918	3,797,756
Cash and cash equivalents, as restated	<u>21,266,744</u>	<u>40,701,539</u>

Standards, interpretations and amendments to existing standards 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 interpretations and amendments, and has adopted the following, which are relevant to its operations:

Amendment to IAS 1, 'Financial Statement Presentation', (effective for annual periods beginning on or after July 1, 2012). The main change resulting from these amendments is the requirement that the items listed under other comprehensive income be split into two categories, according to whether or not they could potentially be recycled to profit or loss in future periods. The Group has applied the amendments in its statement of comprehensive income.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2013

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (continued)

Amendment to IAS 12, 'Income Taxes', (effective for annual periods beginning on or after January 1, 2012). IAS 12 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 or subjective to estimate how much of the carrying amount will be recovered through rental income and how much will be recovered through sale. This amendment 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 amendment has added a rebuttable presumption that the carrying amount of an investment property measured at fair value is entirely recovered through sale. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. There was no significant impact arising from adoption of this amendment during the year.

3. Segment Reporting

The Group is organised 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 services.
- (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) General insurance – This incorporates property and casualty insurance services.
- (h) 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 amortisation and other operating expenses and are treated as direct allocated costs.

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

Eliminations

Eliminations comprise inter-company and inter-segment transactions.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2013

(expressed in Jamaican dollars unless otherwise indicated)

4. Acquisition of Subsidiary

During the year, through its shareholding in NCB Capital Markets Limited, the Group acquired the entire share capital of Advantage General Insurance Company Limited. 96.24% of the issued share capital was acquired from AIC (Barbados) Limited and ACF Holdings Insurco Limited. Both AIC (Barbados) Limited and ACF Holdings Insurco Limited are ultimately controlled by the Chairman of the Bank.

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

	Carrying Values \$'000	Fair Values \$'000
Net assets arising on the acquisition –		
Cash	132,295	132,295
Investment securities	7,435,068	7,435,068
Investment properties	450,000	450,000
Intangible assets	7,653	613,522
Property, plant and equipment	823,334	823,334
Income tax recoverable	76,122	76,122
Post-employment benefits	114,154	(92,540)
Other assets	870,435	870,435
Policyholders liabilities	(6,545,850)	(6,545,850)
Deferred tax liabilities	(103,706)	(13,335)
Other liabilities	(215,216)	(547,682)
	<u>3,044,289</u>	<u>3,201,349</u>
Goodwill on acquisition:		\$'000
Purchase consideration –		
Cash		3,016,254
Deferred consideration		185,095
		<u>3,201,349</u>
Net assets acquired		<u>3,201,349</u>
		<u>-</u>
Net cash outlay on acquisition:		\$'000
Purchase consideration paid in cash		3,016,254
Net cash and cash equivalents acquired		(132,295)
		<u>2,883,959</u>

**INTEREST/OWNERSHIP OF SECURITIES BY DIRECTORS AND SENIOR MANAGERS IN
NATIONAL COMMERCIAL BANK JAMAICA LIMITED AS AT SEPTEMBER 30, 2013**

Directors	Total	Direct	Connected Parties
Robert Almeida	50,424,883	143,993	50,280,890
Wayne Chen	1,284,368,885	14,044	1,284,354,841
Dennis Cohen	73,039,457	86,480	72,952,977
Sandra Glasgow	73,015,026	65,049	72,949,977
Sanya Goffe	4,340	4,340	0
Hon. Noel Hylton, OJ, CD	354,074	14,044	340,030
Patrick Hylton, CD	425,072	425,072	0
Hon. Michael Lee-Chin, OJ	1,577,476,520	1,948,344	1,575,528,176
Thalia Lyn	73,117,935	152,838	72,965,097
Prof. Alvin Wint	88,144	88,144	0
Dave Garcia (Company Secretary)	11,210	11,210	0
Senior Managers	Total	Direct	Connected Parties
Rickert Allen	113,696	113,696	0
Bernadette Barrow	0	0	0
Septimus Blake	10,050	10,050	0
Brian Boothe	0	0	0
Robert Brooks	6,209	6,209	0
Nicole Brown	58,294	58,294	0
Ffrench Campbell	57,660	57,660	0
Nichole Case	0	0	0
Lennox Channer	354	0	354
Yvonne Clarke	67,871	67,871	0
Dennis Cohen	73,039,457	86,480	72,952,977
Euton Cummings	0	0	0
Raymond Donaldson	0	0	0
Loren Edwards	7,100	7,100	0
Dave Garcia	11,210	11,210	0
Howard Gordon	0	0	0
Peter Higgins	0	0	0
Barbara Hume	69,900	43,320	26,580
Patrick Hylton, CD	425,072	425,072	0
Vernon James	99,504	99,504	0
Ramon Lewis	0	0	0
Alison Lynn	36,075	36,075	0
Sheree Martin	12,436	12,436	0
Nadeen Matthews	10,000	10,000	0
Lincoln McIntyre	134,307	133,067	1,240
Anne McMorris-Cover	940	940	0
Nadienne Neita	38,914	23,502	15,412
Marva Peynado	52,338	52,338	0
Janelle Prevost	0	0	0
Norman Reid	65,934	65,934	0
Stuart Reid	89,630	89,630	0
Marcia Reid-Grant	1,250	1,250	0
Claudette Rodriguez	42,147	42,147	0
Deryck Russell	229,517	108,089	121,428
Malcolm Sadler	0	0	0
Marjorie Seeberan	76,339	76,339	0
Mark Thompson	0	0	0
Audrey Tugwell Henry	16,640	16,640	0
Tanya Watson Francis	0	0	0
Mukisa Wilson Ricketts	0	0	0
Allison Wynter	73,050,766	100,789	72,949,977

**NATIONAL COMMERCIAL BANK JAMAICA LIMITED
10 LARGEST SHAREHOLDERS AS AT SEPTEMBER 30, 2013**

Name of Shareholder	Units	Percentage Ownership
AIC (Barbados) Limited	1,245,337,980	50.48%
Harprop Limited	214,372,000	8.69%
Sagicor PIF Equity Fund	116,836,404	4.74%
NCB Insurance Co. Ltd WT 109	62,989,156	2.55%
AIC Global Holdings Inc	49,565,238	2.01%
Ideal Portfolio Services Company Limited	45,974,615	1.86%
Portland (Barbados) Limited	38,178,106	1.55%
SJIML A/C 3119	25,446,820	1.03%
Beta SPV Limited	21,000,000	0.85%
Grace Kennedy Pension Scheme	18,923,296	0.77%

**NATIONAL COMMERCIAL BANK JAMAICA LIMITED
SHAREHOLDER PROFILE AS AT SEPTEMBER 30, 2013**

Number of Shareholders	Ownership of Each Shareholder	Total Percentage Ownership	Number of Units
(1) shareholder with 5 accounts	50.48%	50.48%	1,245,337,980
1	6-9%	8.69%	214,372,000
6	1-5%	13.74%	338,990,339
35,842	Less than 1%	27.09%	668,062,509
35,850		100.00%	2,466,762,828