

## PRESS RELEASE

July 24, 2014 – The Board of Directors is pleased to release the following unaudited financial results for National Commercial Bank Jamaica Limited (NCBJ) and its subsidiaries for the nine months ended June 30, 2014.

### Performance highlights

#### Nine months ended June 30, 2014 compared with the nine months ended June 30, 2013

- Net profit of \$8.8 billion, an increase of 29%, or \$2.0 billion.
- Earnings per stock unit of \$3.56, increased by 29%.
- Gross revenues of \$42.1 billion, an increase of 17%, or \$6.0 billion.
- Cost to income ratio decreased to 64.4%, from 65.2%.
- Total assets of \$506.1 billion, grew by 18%, or \$78.0 billion.
- Return on average total assets increased to 2.5%, from 2.2%.
- Total stockholders' equity of \$78.3 billion, increased by 12%, or \$8.7 billion.
- Return on average stockholders' equity of 15.6%, increased from 13.3%.
- Net loans of \$152.1 billion, grew by 12%, or \$16.8 billion.
- Customer deposits of \$204.9 billion, increased by 19%, or \$33.0 billion.

#### Three months ended June 30, 2014 compared with the three months ended March 31, 2014

- Net profit of \$2.9 billion, a decrease of 2%, or \$68 million.
- Earnings per stock unit of \$1.18, declined by 2%.
- Cost to income ratio increased to 63.8%, from 62.9%.
- Return on average total assets of 2.4%, down from 2.5%.
- Return on average stockholders' equity decreased to 15.2%, from 16.1%.

We have recorded strong results for the first nine months of the 2014 financial year and improved over the previous financial year's performance. We outlined a strategy to become one of the top five financial institutions in the region and have been implementing initiatives in support of this strategy. This approach to managing our business and keeping pace of the continuously changing economic environment has allowed us to deliver consistent results while improving our key performance indicators. We continue to experience growth in the core areas within our business and have been transforming our business segments to ensure increased efficiency in how we serve our customers while delivering superior products and services.

## Business highlights

- In May 2014, our general insurance subsidiary, Advantage General Insurance Company Limited, celebrated its 50<sup>th</sup> Anniversary with a thanksgiving service and symbolic cake cutting. As the company reflects on its history we look forward to its future growth and development as a member of our Group of companies.
- For the 8<sup>th</sup> consecutive year, we have received the **Jamaica Exporters' Association Award – Financial Services Category** in recognition of our continued support to small & medium enterprises in the export industry.
- We re-launched the Jamaican Education Initiative (JEI) to fund educational programmes through the N.C.B. Foundation. When customers use their KeyCard, they assist in educating young Jamaicans through various initiatives. In keeping with this initiative, all the units within our Group collaborated to adopt 31 primary schools across the island. Through volunteerism and partnership, the schools will benefit from the introduction of financial literacy programmes, career mentorship & financial support, among other educational support.
- N.C.B. Foundation was recognised during the quarter by the Kiwanis Club of New Kingston for Outstanding Community Service.
- We launched a new TV series – *NCB's Capital Quest*, where small and medium-sized enterprises (SMEs) will compete to access up to \$50 million in capital investment. This series has been designed as a component of NCB's 2013 Technical Cooperation Agreement with the Inter-American Development Bank (IDB), which is aimed at increasing financing to SMEs to facilitate increased economic growth and strengthening the capacity of the SMEs to access financing from various sources.
- We signed a Memorandum of Understanding (MOU) with the Ministry of Science, Technology, Energy & Mining for a \$5 million sponsorship of Start-Up Jamaica, the government's youth entrepreneurship programme.

## Financial performance

### Operating income

For the nine months ended June 30, 2014, operating income increased by 14%, or \$3.8 billion, when compared with the nine months ended June 30, 2013, mainly as a result of:

- Premium income, increasing by 50%, or \$1.7 billion, due mainly to the inclusion of general insurance premiums for the full nine months compared to four and a half months in 2013. The acquisition of Advantage General Insurance Company Limited (AGIC) was effected on February 19, 2013.
- Gain on foreign currency and investment activities, increasing by \$948 million or 138%. The prior year included extraordinary losses of \$1.5 billion related to the debt exchange programmes.
- Net interest income, increasing by 5%, or \$871 million, primarily due to growth in net loans and advances and investment securities portfolios.

## Financial performance (continued)

### Operating expenses

Operating expenses increased by 8%, or \$1.6 billion, over the nine months ended June 30, 2013, mainly as a result of:

- Other operating expenses, which increased by 12%, or \$792 million, primarily due to increased asset taxes, higher maintenance expenses (property, vehicle and ABM), utilities expenses, marketing & advertising costs and credit card rebates.
- An increase of 31%, or \$778 million, in policyholders' and annuitants' benefits and reserves, primarily due to general insurance benefits and reserving expenses, which reflects a full nine months for the current financial year compared to four and a half months in the prior financial year.
- Staff costs, which increased by 7%, or \$613 million, due primarily to a larger workforce related to the acquisition of AGIC.

### Loans and advances

Loans and advances, which totalled \$152.1 billion (net of provision for credit losses) as at June 30, 2014, grew by 12%, or \$16.8 billion, compared to the loan portfolio as at June 30, 2013. Non-performing loans totalled \$7.8 billion as at June 30, 2014 (\$6.6 billion as at June 30, 2013) and represented 5.1% of the gross loans compared to 4.8% as at June 30, 2013. Our activities to manage delinquency remain robust. The regulatory provision coverage at June 30, 2014 was 119.3% of non-performing loans compared to 120.6% at June 30, 2013.

### Deposits

Customer deposits were \$204.9 billion, up 19% or \$33.0 billion over the prior year. The increase was driven by growth in our fixed deposits and savings portfolios, which increased by 65% and 10% respectively, over the prior year.

### Capital

The Group's stockholders' equity was \$78.3 billion as at June 30, 2014, up 12% over the prior year. NCB's capital position remains strong and our individual companies continued to meet their respective regulatory capital requirements.

<u>Company</u>	<u>Regulatory capital ratios</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
National Commercial Bank Jamaica Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 12.5%]	12.6%	12.6%
NCB Capital Markets Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 10.0%]	26.5%	21.6%
NCB Insurance Company Limited	Stockholders' equity to total liabilities (Solvency ratio) [Minimum requirement – 10.0%]	39.9%	35.6%
Advantage General Insurance Company Limited	Available assets to required assets (Minimum capital test) [Minimum requirement – 250.0%]	316.4%	254.5%

## Segment performance for the nine months ended June 30, 2014

Commercial banking activities, comprising the Retail & SME, Payments Services, Corporate Banking, and Treasury & Correspondent Banking segments produced combined operating profits of \$5.7 billion, for the nine months ended June 30, 2014, an increase of 46%, or \$1.8 billion, when compared to the nine months ended June 30, 2013.

### *Retail & SME*

Operating profit of \$1.1 billion improved by 152%, or \$677 million. Operating income increased by \$277 million, or 3%, over the prior year, driven primarily by a 4% increase in net interest income resulting from growth in the Retail & SME loan portfolio. Operating expenses declined by \$474 million, mainly due to the \$534 million reduction in loan loss provision expenses.

### *Payment Services*

Operating profit of \$1.4 billion decreased by 13%, or \$203 million. Operating expenses increased by \$590 million or 40% due to investments in strategic initiatives to bolster the card services arm of the business. Operating income grew by \$424 million, driven by increased net interest income and increased fee and commission income due to increased transaction volumes.

### *Corporate Banking*

Operating profit of \$516 million decreased by 26%, or \$179 million, from the prior year and this is mainly attributed to reduced net fee and commission income and net interest income.

### *Treasury & Correspondent Banking*

Operating profit of \$2.7 billion increased by 128%, or \$1.5 billion, primarily due to increased gains on foreign currency and investment activities and reduced operating expenses, when compared to the prior year. The prior year included losses incurred following our participation in the debt exchange programmes.

### *Wealth Management*

Operating profit of \$2.8 billion decreased by 12%, or \$366 million, primarily due to lower net interest income and increased staff costs.

### *Insurance and Pension Fund Management*

Operating profit of \$2.0 billion increased by 21%, or \$346 million. Operating income increased by \$390 million, driven by increased net interest income, premium income, and net fee & commission income.

### *General Insurance*

Operating profit of \$1.0 billion increased by \$555 million, or 124%. AGIC was acquired in February 2013, therefore the results of the prior year did not reflect nine months of activity.

## Dividends

The Board of Directors, at its meeting on July 24, 2014, declared an interim dividend of \$0.35 per ordinary stock unit. The dividend is payable on August 25, 2014 for stockholders on record as at August 12, 2014.

## **Corporate Social Responsibility**

We believe it is important to build the communities we serve and this is the mission of the N.C.B. Foundation. During the nine months ended June 30, 2014, we donated \$25 million in support of various initiatives, the focus of which were education, community development (including sports) and youth entrepreneurship.

### *Education*

Education is considered a critical element that can drive productivity as well as advance Jamaica's social agenda and the Foundation recognises its value. The month of May (Child's Month) was significant for activities towards education and youth, as our branches across the island supported schools in their communities on Read Across Jamaica Day – through reading sessions, interacting with the students and donation of books and computers. Teachers' Day also had island-wide branch support, where teachers were feted in appreciation of the work they continue to do. Other educational activities undertaken for the quarter included assistance with academic fees and purchase of equipment.

### *Community Development*


In observance of Labour Day activities, our staff members joined forces with support from N.C.B. Foundation scholars, family and friends for three Labour Day projects across the island. Two homes were built for needy families in partnership with Food for the Poor in St. Thomas and St. Ann, while Norman Manley High School benefited from a needed facelift as well as the refurbishing of a smart room. MVP Track and Field Club received financial support towards its sports development programme and 100 athletes were outfitted in co-branded dry-fit athletic shirts for the recently held JAAA National Senior Championships.

### *Youth Entrepreneurship*

In an effort to help position Jamaican youth for success and to cultivate early entrepreneurial habits we sponsored students for the annual Make Your Mark Conference and from this exposure they were given practical training in fundamental leadership skills.

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

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



**ON BEHALF OF THE BOARD**

# National Commercial Bank Jamaica Limited

## Unaudited Consolidated Income Statement

Nine months ended June 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	<i>CURRENT YEAR</i>			<i>PRIOR YEAR</i>		
	Note	Quarter ended	Quarter ended	Year to date	<i>Restated</i>	<i>Restated</i>
		June 30	March 31	June 30	Quarter ended	Year to date
		2014	2014	2014	June 30	June 30
		\$'000	\$'000	\$'000	2013	2013
			\$'000	\$'000		
<b>Operating income</b>						
Interest income		9,338,586	8,966,606	27,298,334	8,050,389	24,382,138
Interest expense		(3,206,852)	(2,851,981)	(8,803,785)	(2,213,933)	(6,758,733)
Net interest income		6,131,734	6,114,625	18,494,549	5,836,456	17,623,405
Fee and commission income		2,584,991	2,568,884	7,706,457	2,465,299	7,196,405
Fee and commission expense		(493,881)	(497,617)	(1,422,296)	(462,119)	(1,270,066)
Net fee and commission income		2,091,110	2,071,267	6,284,161	2,003,180	5,926,339
Gain on foreign currency and investment activities		1,129,674	344,033	1,637,579	621,589	689,145
Dividend income		38,925	42,188	123,127	56,821	221,276
Premium income		1,666,150	1,688,802	5,206,054	1,712,042	3,480,488
Other operating income		41,589	44,434	129,236	40,793	93,619
		2,876,338	2,119,457	7,095,996	2,431,245	4,484,528
		<b>11,099,182</b>	<b>10,305,349</b>	<b>31,874,706</b>	<b>10,270,881</b>	<b>28,034,272</b>
<b>Operating expenses</b>						
Staff costs		2,862,038	2,931,798	8,925,994	2,719,090	8,313,108
Provision for credit losses		356,804	491,874	1,239,113	726,369	1,783,088
Depreciation and amortisation	2	289,125	278,872	924,876	323,738	871,390
Impairment losses on securities		-	-	-	87,136	87,136
Policyholders' and annuitants' benefits and reserves		1,121,508	1,029,418	3,320,611	1,234,360	2,542,805
Other operating expenses		2,812,204	2,239,109	7,343,047	2,480,732	6,550,713
		<b>7,441,679</b>	<b>6,971,071</b>	<b>21,753,641</b>	<b>7,571,425</b>	<b>20,148,240</b>
<b>Operating profit</b>		<b>3,657,503</b>	<b>3,334,278</b>	<b>10,121,065</b>	<b>2,699,456</b>	<b>7,886,032</b>
Gain on acquisition of subsidiary	4	-	-	301,441	-	-
Share of profit of associates		205,986	303,069	722,633	205,814	624,748
<b>Profit before taxation</b>		<b>3,863,489</b>	<b>3,637,347</b>	<b>11,145,139</b>	<b>2,905,270</b>	<b>8,510,780</b>
Taxation		(939,002)	(645,315)	(2,372,641)	(632,572)	(1,707,270)
<b>NET PROFIT</b>		<b>2,924,487</b>	<b>2,992,032</b>	<b>8,772,498</b>	<b>2,272,698</b>	<b>6,803,510</b>
<b>Earnings per stock unit</b> (expressed in \$ per share) Basic and diluted		<b>1.18</b>	<b>1.22</b>	<b>3.56</b>	<b>0.92</b>	<b>2.76</b>

## National Commercial Bank Jamaica Limited

Unaudited Consolidated Statement of Comprehensive Income

Nine months ended June 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Quarter ended June 30 2014 \$'000	Quarter ended March 31 2014 \$'000	Year to date June 30 2014 \$'000	Quarter ended June 30 2013 \$'000	Year to date June 30 2013 \$'000
<b>Net Profit</b>	<b>2,924,487</b>	<b>2,992,032</b>	<b>8,772,498</b>	<b>2,272,698</b>	<b>6,803,510</b>
<b>Other comprehensive income, net of tax-</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Remeasurements of post-employment benefit obligations	(16,586)	(19,881)	(43,510)	-	-
	2,907,901	2,972,151	8,728,988	2,272,698	6,803,510
<b>Items that may be subsequently reclassified to profit or loss</b>					
Currency translation gains	122,532	119,670	342,915	79,186	304,129
Unrealised gains/(losses) on available-for-sale investments	424,062	751,912	(304,320)	624,857	(847,034)
Realised fair value (gains)/losses on sale and maturity of available-for-sale investments	(324,746)	(72,025)	(396,645)	(624,713)	45,025
<b>Total other comprehensive income</b>	<b>221,848</b>	<b>799,557</b>	<b>(358,050)</b>	<b>79,330</b>	<b>(497,880)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>3,129,749</b>	<b>3,771,708</b>	<b>8,370,938</b>	<b>2,352,028</b>	<b>6,305,630</b>

# National Commercial Bank Jamaica Limited

## Unaudited Consolidated Statement of Financial Position

June 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	June 30 2014 S'000	Restated September 30 2013 S'000	Restated June 30 2013 S'000
<b>ASSETS</b>				
Cash in hand and balances at Central Bank		28,755,908	24,388,683	23,987,148
Due from other banks		32,696,991	19,328,412	15,542,753
Derivative financial instruments		466,248	387,304	1,840
Investment securities at fair value through profit or loss		461,488	380,755	578,352
Reverse repurchase agreements		1,293,965	328,105	509,509
Loans and advances, net of provision for credit losses		152,101,291	141,150,312	135,277,883
Investment securities classified as available-for-sale and loans and receivables		108,152,057	100,856,119	92,771,094
Pledged assets		155,340,538	134,530,695	135,580,222
Investment in associates		8,486,101	8,511,510	7,948,629
Investment properties		484,500	462,500	462,500
Intangible assets	2	2,365,747	1,837,974	1,881,328
Property, plant and equipment		7,361,203	6,438,707	6,079,181
Deferred income tax assets		133,052	31,710	227,306
Income tax recoverable		1,290,409	2,173,835	2,015,635
Customers' liability - letters of credit and undertaking		2,260,886	1,479,108	1,064,488
Other assets		4,412,057	4,288,585	4,162,441
<b>Total assets</b>		<b>506,062,441</b>	<b>446,574,314</b>	<b>428,090,309</b>
<b>LIABILITIES</b>				
Due to other banks		8,638,906	17,410,200	16,245,744
Customer deposits		204,937,032	178,411,021	171,926,835
Repurchase agreements		143,241,030	117,377,395	112,286,511
Obligations under securitisation arrangements	5	13,769,924	10,101,032	9,895,517
Derivative financial instruments		-	1,437	50,374
Other borrowed funds		7,852,007	4,900,592	4,311,301
Income tax payable		273,581	14,299	11,423
Deferred income tax liabilities		2,531,133	2,382,171	1,958,292
Liabilities under annuity and insurance contracts		34,346,929	33,914,506	33,470,175
Provision for litigation		3,053	11,500	11,500
Post-employment benefit obligations	2	1,978,144	1,793,616	1,753,869
Liability - letters of credit and undertaking		2,260,886	1,479,108	1,064,488
Other liabilities		7,903,184	6,778,092	5,440,230
<b>Total liabilities</b>		<b>427,735,809</b>	<b>374,574,969</b>	<b>358,426,259</b>
<b>STOCKHOLDERS' EQUITY</b>				
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		2,132,510	2,490,560	1,693,458
Loan loss reserve		5,327,255	5,141,357	4,846,155
Banking reserve fund		6,512,634	6,512,634	6,512,634
Retained earnings reserve		19,025,000	18,050,657	17,587,657
Retained earnings		38,866,890	33,341,794	32,561,803
<b>Total stockholders' equity</b>		<b>78,326,632</b>	<b>71,999,345</b>	<b>69,664,050</b>
<b>Total equity and liabilities</b>		<b>506,062,441</b>	<b>446,574,314</b>	<b>428,090,309</b>

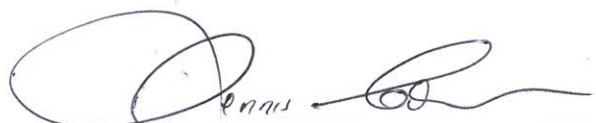
Approved for issue by the Board of Directors on July 24, 2014 and signed on its behalf by:



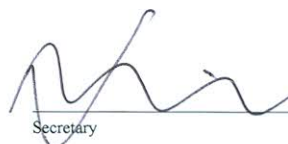
Director



Director



Director



Secretary



## National Commercial Bank Jamaica Limited

Unaudited Consolidated Statement of Changes in Stockholders' Equity

Nine months ended June 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Share capital	Shares held by NCB Employee Share Scheme	Fair value and capital reserves	Loan loss reserve	Banking reserve fund	Retained earnings reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at October 1, 2012 - Restated</b>	6,465,731	(3,388)	2,194,179	4,662,842	6,512,634	14,013,657	32,048,818	65,894,473
Total comprehensive income	-	-	(500,721)	2,841	-	-	6,803,510	6,305,630
Dividends paid	-	-	-	-	-	-	(2,536,053)	(2,536,053)
Transfer to Loan loss reserve	-	-	-	180,472	-	-	(180,472)	-
Transfer to Retained earnings reserve	-	-	-	-	-	3,574,000	(3,574,000)	-
<b>Balance at June 30, 2013 - Restated</b>	6,465,731	(3,388)	1,693,458	4,846,155	6,512,634	17,587,657	32,561,803	69,664,050
<b>Balance at October 1, 2013 - Restated</b>	6,465,731	(3,388)	2,490,560	5,141,357	6,512,634	18,050,657	33,341,794	71,999,345
Total comprehensive income	-	-	(358,050)	-	-	-	8,728,988	8,370,938
Dividends paid	-	-	-	-	-	-	(2,043,651)	(2,043,651)
Transfer to Loan loss reserve	-	-	-	185,898	-	-	(185,898)	-
Transfer to Retained earnings reserve	-	-	-	-	-	974,343	(974,343)	-
<b>Balance at June 30, 2014</b>	6,465,731	(3,388)	2,132,510	5,327,255	6,512,634	19,025,000	38,866,890	78,326,632

# National Commercial Bank Jamaica Limited

## Unaudited Consolidated Statement of Cash Flows

Nine months ended June 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	June 30 2014 \$'000	Restated June 30 2013 \$'000
<b>Cash Flows from Operating Activities</b>		
Net profit	8,772,498	6,803,510
Adjustments to reconcile net profit to net cash provided by operating activities	41,756,647	(6,776,705)
Net cash provided by operating activities	50,529,145	26,805
<b>Cash Flows from Investing Activities</b>		
Acquisition of subsidiary and capital injection, net of cash acquired	(307,063)	(2,910,325)
Acquisition of property, plant and equipment	(1,638,590)	(534,394)
Acquisition of intangible asset - computer software	(730,849)	(501,102)
Proceeds from disposal of property, plant and equipment	40,014	8,495
Dividends received from associates	183,486	194,355
Purchases of investment securities	(91,245,695)	(192,852,857)
Sales/maturities of investment securities	54,506,498	179,636,426
Net cash used in investing activities	(39,192,199)	(16,959,402)
<b>Cash Flows from Financing Activities</b>		
Proceeds from securitisation arrangements	2,647,893	9,640,592
Repayments under securitisation arrangements	-	(1,925,335)
Proceeds from other borrowed funds	3,720,356	1,489,523
Repayments of other borrowed funds	(959,099)	(892,576)
Due to other banks	(5,038,504)	4,905,578
Dividends paid	(2,043,651)	(2,536,053)
Net cash (used in)/provided by financing activities	(1,673,005)	10,681,729
Effect of exchange rate changes on cash and cash equivalents	2,696,469	2,159,532
Net increase/(decrease) in cash and cash equivalents	12,360,410	(4,091,336)
Cash and cash equivalents at beginning of period	28,561,967	21,266,744
<b>Cash and cash equivalents at end of period</b>	<b>40,922,377</b>	<b>17,175,408</b>
<b>Comprising:</b>		
Cash in hand and balances at Central Bank	7,174,461	4,663,652
Due from other banks	31,628,914	15,328,004
Reverse repurchase agreements	1,070,203	400,000
Investment securities	3,106,427	1,818,000
Due to other banks	(2,057,628)	(5,034,248)
	<b>40,922,377</b>	<b>17,175,408</b>

# National Commercial Bank Jamaica Limited

## Unaudited Segment Report

Nine months ended June 30, 2014

	Consumer & SME									Consolidated
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth Management	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
External revenue	10,706,828	6,209,877	3,386,304	6,041,242	6,692,960	4,510,298	4,524,292	28,987	-	42,100,788
Revenue from other segments	1,846,758	-	20,537	2,275,428	557,031	96,892	90,655	77,977	(4,965,278)	-
<b>Total revenue</b>	<b>12,553,586</b>	<b>6,209,877</b>	<b>3,406,841</b>	<b>8,316,670</b>	<b>7,249,991</b>	<b>4,607,190</b>	<b>4,614,947</b>	<b>106,964</b>	<b>(4,965,278)</b>	<b>42,100,788</b>
Interest income	9,927,274	2,373,175	3,097,097	7,506,578	6,121,845	2,223,014	536,452	22,568	(4,510,090)	27,297,913
Interest expense	(1,407,672)	(834,383)	(2,048,340)	(4,793,976)	(3,503,011)	(707,600)	-	(112)	4,510,090	(8,785,004)
<b>Net interest income</b>	<b>8,519,602</b>	<b>1,538,792</b>	<b>1,048,757</b>	<b>2,712,602</b>	<b>2,618,834</b>	<b>1,515,414</b>	<b>536,452</b>	<b>22,456</b>	<b>-</b>	<b>18,512,909</b>
Net fee and commission income	2,347,406	2,378,212	261,086	173,364	123,545	800,155	117,991	40,579	(63,928)	6,178,410
Gain on foreign currency and investment activities	130,980	11,772	34,840	408,978	941,016	103,784	23,059	2,261	(22,170)	1,634,520
Premium income	-	-	-	-	-	1,452,190	3,906,769	-	(152,905)	5,206,054
Other income	38,450	6,698	3,292	221,641	63,097	28,047	30,676	41,554	(253,654)	179,801
<b>Total operating income</b>	<b>11,036,438</b>	<b>3,935,474</b>	<b>1,347,975</b>	<b>3,516,585</b>	<b>3,746,492</b>	<b>3,899,590</b>	<b>4,614,947</b>	<b>106,850</b>	<b>(492,657)</b>	<b>31,711,694</b>
Staff costs	4,031,541	269,492	157,622	107,426	423,233	396,275	642,744	58,591	(26,259)	6,060,665
Provision for credit losses	665,167	559,732	16,978	-	(2,846)	-	-	-	-	1,239,031
Depreciation and amortisation	115,393	86,838	5,544	49,547	12,401	4,613	49,616	1,050	53,732	378,734
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	1,070,212	2,250,399	-	-	3,320,611
Other operating expenses	1,678,109	1,142,977	382,358	531,723	558,392	422,111	669,795	14,877	(257,532)	5,142,810
<b>Total operating expense</b>	<b>6,490,210</b>	<b>2,059,039</b>	<b>562,502</b>	<b>688,696</b>	<b>991,180</b>	<b>1,893,211</b>	<b>3,612,554</b>	<b>74,518</b>	<b>(230,059)</b>	<b>16,141,851</b>
Operating profit before allocated costs	4,546,228	1,876,435	785,473	2,827,889	2,755,312	2,006,379	1,002,393	32,332	(262,598)	15,569,843
Allocated costs	(3,423,487)	(518,725)	(269,604)	(173,676)	-	-	-	-	-	(4,385,492)
<b>Operating profit</b>	<b>1,122,741</b>	<b>1,357,710</b>	<b>515,869</b>	<b>2,654,213</b>	<b>2,755,312</b>	<b>2,006,379</b>	<b>1,002,393</b>	<b>32,332</b>	<b>(262,598)</b>	<b>11,184,351</b>
Unallocated corporate expenses										(1,063,286)
Gain on acquisition of subsidiary										301,441
Share of profit of associates										722,633
<b>Profit before taxation</b>										11,145,139
Taxation										(2,372,641)
<b>Net profit</b>										<b>8,772,498</b>
Segment assets	159,109,982	14,314,251	61,848,068	171,978,123	143,438,268	37,369,536	11,655,408	998,405	(108,430,920)	492,281,121
Associates										8,486,101
Unallocated assets										5,295,219
<b>Total assets</b>										<b>506,062,441</b>
Segment liabilities	149,322,224	8,666,312	53,229,167	154,424,842	124,164,125	27,218,782	7,699,434	186,104	(100,498,549)	424,412,441
Unallocated liabilities										3,323,368
<b>Total liabilities</b>										<b>427,735,809</b>
Capital expenditure	1,514,351	316,217	41,057	44,034	74,358	246,878	118,057	14,487	-	2,369,439

# National Commercial Bank Jamaica Limited

## Unaudited Segment Report - Restated

Nine months ended June 30, 2013

	Consumer & SME									Consolidated
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth Management	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
External revenue	10,084,295	5,300,318	3,047,849	4,390,237	6,438,209	4,246,091	2,517,576	38,496	-	36,063,071
Revenue from other segments	1,813,494	-	1,169	1,415,695	577,105	22,655	23,434	82,942	(3,936,494)	-
<b>Total revenue</b>	<b>11,897,789</b>	<b>5,300,318</b>	<b>3,049,018</b>	<b>5,805,932</b>	<b>7,015,314</b>	<b>4,268,746</b>	<b>2,541,010</b>	<b>121,438</b>	<b>(3,936,494)</b>	<b>36,063,071</b>
Interest income	9,204,533	1,942,083	2,639,245	6,134,526	5,865,211	2,001,388	189,790	24,727	(3,620,029)	24,381,474
Interest expense	(1,043,470)	(503,768)	(1,410,463)	(3,619,518)	(3,025,922)	(759,552)	-	(336)	3,620,029	(6,743,000)
<b>Net interest income</b>	<b>8,161,063</b>	<b>1,438,315</b>	<b>1,228,782</b>	<b>2,515,008</b>	<b>2,839,289</b>	<b>1,241,836</b>	<b>189,790</b>	<b>24,391</b>	<b>-</b>	<b>17,638,474</b>
Net fee and commission income	2,412,538	2,058,680	373,929	139,796	63,534	704,434	61,827	67,650	(78,608)	5,803,780
Gain/(loss) on foreign currency and investment activities	134,796	9,678	23,569	(692,376)	941,626	188,147	86,103	(4,086)	(2,687)	684,770
Premium income	-	-	-	-	-	1,319,928	2,182,623	-	(22,063)	3,480,488
Other income	50,637	4,383	3,114	218,670	142,726	54,849	20,667	33,146	(243,926)	284,266
<b>Total operating income</b>	<b>10,759,034</b>	<b>3,511,056</b>	<b>1,629,394</b>	<b>2,181,098</b>	<b>3,987,175</b>	<b>3,509,194</b>	<b>2,541,010</b>	<b>121,101</b>	<b>(347,284)</b>	<b>27,891,778</b>
Staff costs	3,916,020	203,982	170,765	94,835	299,692	370,394	291,766	51,357	(23,177)	5,375,634
Provision for credit losses	1,199,576	518,035	64,896	-	-	-	-	-	-	1,782,507
Depreciation and amortisation	111,320	62,996	4,036	78,343	5,724	26,681	14,913	1,115	29,851	334,979
Impairment losses on securities	-	-	-	-	87,136	-	-	-	-	87,136
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	1,064,863	1,477,942	-	-	2,542,805
Other operating expenses	1,737,233	683,872	419,098	687,309	473,073	387,206	308,715	17,278	(121,950)	4,591,834
<b>Total operating expense</b>	<b>6,964,149</b>	<b>1,468,885</b>	<b>658,795</b>	<b>860,487</b>	<b>865,625</b>	<b>1,849,144</b>	<b>2,093,336</b>	<b>69,750</b>	<b>(115,276)</b>	<b>14,714,895</b>
Operating profit before allocated costs	3,794,885	2,042,171	970,599	1,320,611	3,121,550	1,660,050	447,674	51,351	(232,008)	13,176,883
Allocated costs	(3,348,685)	(481,139)	(275,486)	(156,658)	-	-	-	-	-	(4,261,968)
<b>Operating profit</b>	<b>446,200</b>	<b>1,561,032</b>	<b>695,113</b>	<b>1,163,953</b>	<b>3,121,550</b>	<b>1,660,050</b>	<b>447,674</b>	<b>51,351</b>	<b>(232,008)</b>	<b>8,914,915</b>
Unallocated corporate expenses										(1,028,883)
Share of profit of associates										624,748
<b>Profit before taxation</b>										<b>8,510,780</b>
Taxation										(1,707,270)
<b>Net profit</b>										<b>6,803,510</b>
Segment assets	145,808,908	11,293,308	59,015,622	133,416,116	119,447,882	35,477,480	10,080,427	1,017,453	(98,568,954)	416,988,242
Associates										7,948,629
Unallocated assets										3,153,438
<b>Total assets</b>										<b>428,090,309</b>
Segment liabilities	134,699,212	7,293,961	43,612,220	123,239,305	103,358,627	26,485,407	7,206,157	213,392	(90,484,792)	355,623,489
Unallocated liabilities										2,802,770
<b>Total liabilities</b>										<b>358,426,259</b>
Capital expenditure	643,761	162,589	30,064	30,044	49,826	85,152	-	34,060	-	1,035,496

# National Commercial Bank Jamaica Limited

Notes to the Unaudited Financial Statements

June 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

## 1. Identification and Principal Activities

National Commercial Bank Jamaica Limited ("the Bank") is incorporated in Jamaica and licensed under the Banking Act, 1992. The Bank is a 46.82% (June 30, 2013 - 50.63%) subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael 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, together with the Bank, are referred to as "the Group".

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

On December 12, 2013, the Group acquired the entire issued share capital of AIC Finance Limited, a licensed financial institution in Trinidad and Tobago. The company was acquired from AIC Financial Group Limited, which is controlled by the Chairman of National Commercial Bank Jamaica Limited. See note 4 for details of acquisition.

## 2. Basis of preparation

The condensed consolidated interim financial statements for the nine months ended June 30, 2014 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2013 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB).

### Adoption of revised IAS 19 - Employee Benefits

On October 1, 2013, the Group adopted IAS 19 (Revised), 'Employee Benefits', (effective for annual periods beginning on or after January 1, 2013). IAS 19 (Revised) amends the accounting for employment benefits to require the immediate recognition of all past service costs which were previously deferred over the period of vesting. It also eliminates the 'corridor approach' and requires that all actuarial gains and losses are recognised immediately in other comprehensive income. The revised standard also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the period.

#### (i) Pension Schemes

The Bank's defined benefit pension scheme is closed. No pension asset is recognised in respect of this scheme as the Bank would not benefit from any surplus arising on the winding up. As a result, the Bank incurs no current service or interest cost in respect of this scheme. The new standard, therefore, has had no impact on the recognition of the Bank's defined benefit pension scheme.

#### (ii) 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. In respect of the other post-employment benefits, the revised standard has resulted in an increase in the liability recognised in the statement of financial position. The adoption of the new standard was applied retrospectively and therefore the prior year financial statements have been restated to show the effects of these changes. The effect of the changes on the financial position and results of operations for the period ended September 30, 2013 and June 30, 2013 are as follows:

	September 30 2013 \$'000	June 30 2013 \$'000
Statement of Financial Position		
Post-employment benefit obligations, as previously reported	1,108,993	1,082,816
Previously unrecognised actuarial losses	684,623	671,053
Post-employment benefit obligations, as restated	<u>1,793,616</u>	<u>1,753,869</u>
Deferred taxation, as previously reported	2,610,379	2,181,976
Tax on previously unrecognised actuarial losses	(228,208)	(223,684)
Deferred taxation, as restated	<u>2,382,171</u>	<u>1,958,292</u>
Retained Earnings, as previously reported	33,798,950	33,010,651
Previously unrecognised actuarial losses	(457,156)	(448,848)
Retained Earnings, as restated	<u>33,341,794</u>	<u>32,561,803</u>
Investment in associates, as previously reported	8,512,251	7,950,108
Previously unrecognised actuarial losses	(741)	(1,479)
Investment in associates, as restated	<u>8,511,510</u>	<u>7,948,629</u>

# National Commercial Bank Jamaica Limited

Notes to the Unaudited Financial Statements

June 30, 2014

(expressed in Jamaican dollars unless otherwise indicated)

## 2. Basis of preparation (continued)

### Intangible Assets - Computer Software

Effective January 1, 2014, the amortisation period for software applications that were previously amortised over three years was changed to five years. The impact of the change in the computer software amortisation estimate for these applications was a reduction of approximately \$69 million in amortisation expenses for the quarter ended June 30, 2014.

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

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

## 3. Segment reporting

The Group is organised into the following business segments:

- Retail & SME - This incorporates the provision of banking services to individual and small and medium business clients and money remittance services.
- Payment services - This incorporates the provision of card related services.
- Corporate banking - This incorporates the provision of banking services to large corporate clients.
- Treasury & correspondent banking - This incorporates the Bank's liquidity and investment management function, management of correspondent bank relationships, and relationships with other financial institutions as well as foreign currency dealing activities.
- Wealth management - This incorporates stock brokerage, securities trading, investment management and other financial services provided by overseas subsidiaries.
- Life Insurance & pension fund management - This incorporates life insurance, pension and investment management services.
- General insurance - This incorporates property and casualty insurance services.
- The Group's insurance brokerage services, trustee services, registrar and transfer agent services are classified as Other for segment reporting.

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

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

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

## 4. Acquisition of AIC Finance Limited

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

Net assets arising on acquisition:	\$'000
Cash in hand and balances at Central Bank	95,837
Due from other banks	783,062
Reverse repurchase agreements	12,902
Loans and advances, net of provision for credit losses	369,833
Investment securities classified as available-for-sale and loans and receivables	549,876
Intangible assets	2,092
Property, plant and equipment	18,654
Other assets	16,156
Customer deposits	(1,208,438)
Other liabilities	(28,678)
Net assets	<u>611,296</u>
Negative goodwill arising on acquisition	
Net assets acquired	611,296
Purchase consideration paid in cash	<u>(309,855)</u>
	<u>301,441</u>

## 5. Obligations under Securitisation Arrangements

On February 21, 2014, the Bank increased the existing Series 2013-1 notes by US\$25 million on the same terms as the previous note.

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

<b>Directors</b>	<b>Total</b>	<b>Direct</b>	<b>Connected Parties</b>
Robert Almeida	50,429,500	148,610	50,280,890
Wayne Chen	1,193,965,220	14,044	1,193,951,176
Dennis Cohen	73,039,457	86,480	72,952,977
Sandra Glasgow	73,025,026	75,049	72,949,977
Sanya Goffe	4,340	4,340	0
Hon. Noel Hylton, OJ, CD	354,074	14,044	340,030
Patrick Hylton, CD	425,072	425,072	0
Hon. Michael Lee-Chin, OJ	1,587,150,631	2,026,120	1,585,124,511
Thalia Lyn	73,117,935	152,838	72,965,097
Prof. Alvin Wint	88,144	88,144	0
Dave Garcia (Company Secretary)	11,210	11,210	0
<b>Senior Managers</b>	<b>Total</b>	<b>Direct</b>	<b>Connected Parties</b>
Rickert Allen	113,696	113,696	0
Septimus Blake	10,050	10,050	0
Brian Boothe	0	0	0
Robert Brooks	6,209	6,209	0
Nicole Brown	58,294	58,294	0
Ffrench Campbell	57,660	57,660	0
Lennox Channer	354	0	354
Dennis Cohen	73,039,457	86,480	72,952,977
Euton Cummings	0	0	0
Raymond Donaldson	0	0	0
Loren Edwards	7,100	7,100	0
Dave Garcia	11,210	11,210	0
Steven Gooden	4,293	4,293	0
Howard Gordon	0	0	0
Peter Higgins	0	0	0
Patrick Hylton, CD	425,072	425,072	0
Vernon James	500,000	500,000	0
Ramon Lewis	0	0	0
Alison Lynn	36,075	36,075	0
Nadeen Matthews	10,000	10,000	0
Lincoln McIntyre	134,307	133,067	1,240
Anne McMorris-Cover	940	940	0
Nadienne Neita	38,914	23,502	15,412
Marva Peynado	52,338	52,338	0
Janelle Prevost	0	0	0
Norman Reid	65,934	65,934	0
Stuart Reid	89,630	89,630	0
Marcia Reid-Grant	1,250	1,250	0
Claudette Rodriquez	42,147	42,147	0
Malcolm Sadler	0	0	0
Mark Thompson	0	0	0
Audrey Tugwell Henry	16,640	16,640	0
Tanya Watson Francis	0	0	0
Mukisa Wilson Ricketts	0	0	0
Allison Wynter	73,050,766	100,789	72,949,977

**National Commercial Bank Jamaica Limited**  
**10 Largest Shareholders as at June 30, 2014**

<b>Name of Shareholder</b>	<b>Units</b>	<b>Percentage Ownership</b>
AIC (Barbados) Limited	1,154,934,315	46.82%
Harprop Limited	314,372,000	12.74%
Sagicor PIF Equity Fund	97,352,981	3.95%
NCB Insurance Co. Ltd WT 109	62,989,156	2.55%
Ideal Portfolio Services Company Limited	54,172,500	2.20%
AIC Global Holdings Inc	49,565,238	2.01%
Portland (Barbados) Limited	38,178,106	1.55%
York Seaton & Harriet Maragh	27,111,000	1.10%
SJIML A/C 3119	26,474,981	1.07%
Beta SPV Limited	21,000,000	0.85%



**National Commercial Bank Jamaica Limited**  
**Shareholder Profile as at June 30, 2014**

<b>Number of Shareholders</b>	<b>Ownership of Each Shareholder</b>	<b>Percentage Ownership</b>	<b>Number of Units</b>
(1) shareholder with 5 accounts	46.82%	46.82%	1,154,934,315
1	10-15%	12.74%	314,372,000
7	1-5%	14.43%	355,843,962
35,536	Less than 1%	26.01%	641,612,551
<b>35,545</b>		<b>100.00%</b>	<b>2,466,762,828</b>