About National Commercial Bank Jamaica Limited

The NCB group of companies represents a strong and secure Jamaican brand, proudly serving the financial needs of individuals and businesses while actively contributing to nation building.

What's inside

For more information, or to download our Annual Report 2009, please go to **www.jncb.com**

Our Vision

To make NCB financially and operationally, the **strongest** and most dominant **financial institution** in the Caribbean and one that follows international best in class governance practices.

Our 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.

Our 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 whom 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.

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 Hilton Kingston Hotel, 77 Knutsford Boulevard, Kingston 5 in the parish of Saint Andrew on **Thursday, February 25, 2010 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, 2009 and the Reports of the Directors and Auditors, circulated with the Notice convening the Meeting, be and are hereby adopted."

2. **Election of Directors**
   Article 97 of the Company's Articles of Association provides that one-third of the Board (except the Managing Director and Deputy Managing Director) or, if the number of members of the Board is not three or a multiple of three, then the number nearest to one-third shall retire from office at each Annual General Meeting. The Directors retiring under this Article are **Hon. Michael Anthony Lee-Chin, OJ, Dr. Nigel Andrew Lincoln Clarke** and **Mrs. Thalia Geraldine Lyn** and being eligible, offer themselves for re-election.

   The proposed resolutions are therefore as follows:

   (i) "**THAT** Director, **HON. MICHAEL ANTHONY LEE-CHIN, OJ** retiring pursuant to Article 97 of the Articles of Association be and is hereby re-elected."

   (ii) "**THAT** Director, **DR. NIGEL ANDREW LINCOLN CLARKE**, retiring pursuant to Article 97 of the Articles of Association be and is hereby re-elected."

   (iii) "**THAT** Director, **MRS. THALIA GERALDINE LYN**, retiring pursuant to Article 97 of the Articles of Association be and is hereby re-elected."

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

   (b) "**THAT** the total remuneration of all of the Directors combined, other than the Executive Directors, for the financial year of the Company ending September 30, 2010, BE AND IS HEREBY fixed at $19,479,375, which remuneration may include such share incentive scheme for directors, as may be determined by the Board."

4. **Appointment of Auditors and their Remuneration**

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

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

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

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

DATED this 5th day of AUGUST 2009

BY ORDER OF THE BOARD

Jennifer Dewdney Kelly (Mrs.)
COMPANY SECRETARY

Our Strategic Framework

Our business plans are executed based on three brand pillars:

Innovation **Expertise** **Strength**

and operate within the context of five strategic imperatives:

1. *Enhancing Profitability*
2. *Exceeding Customer Expectations*
3. *Efficiently Running our Business*
4. *Empowering our People*
5. *Engaging in Nation Building*

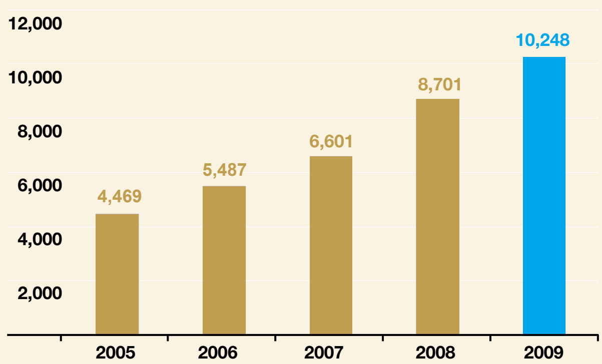
Organizational Chart

- BOARD OF DIRECTORS
  - Internal Audit Division
  - GROUP MANAGING DIRECTOR
    - Group Human Resources Division
      - Facilities & Services Division
    - GROUP CHIEF FINANCIAL OFFICER
      - Financial Control Division
      - Strategic Planning & Performance Monitoring Unit
    - DEPUTY GROUP MANAGING DIRECTOR
      - Corporate Banking Division
      - Retail Banking Division
      - Treasury & Correspondent Banking Division
      - NCB Capital Markets Ltd.
      - NCB Insurance Co. Ltd.
    - Credit & Risk Management Division
      - General Counsel Division
      - Group Compliance & Company Secretary Division
      - Group Marketing & Communications Division
      - Information Technology Division
      - Network Operations Division

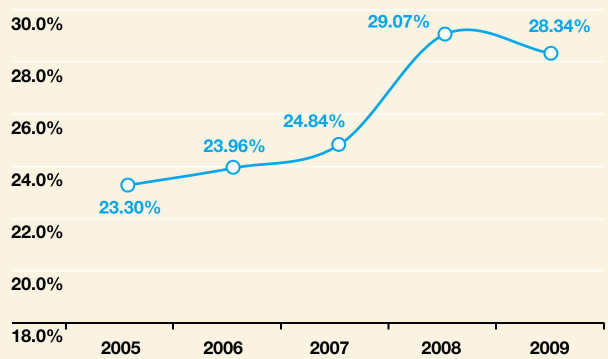
Our group at a glance

Performance Highlights

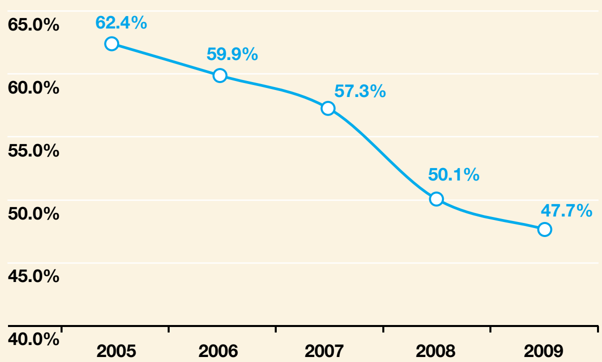
Net Profit ($'M)



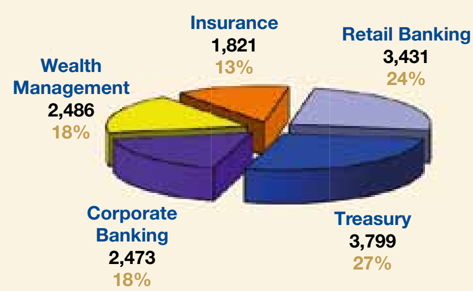
Return on Equity (%)



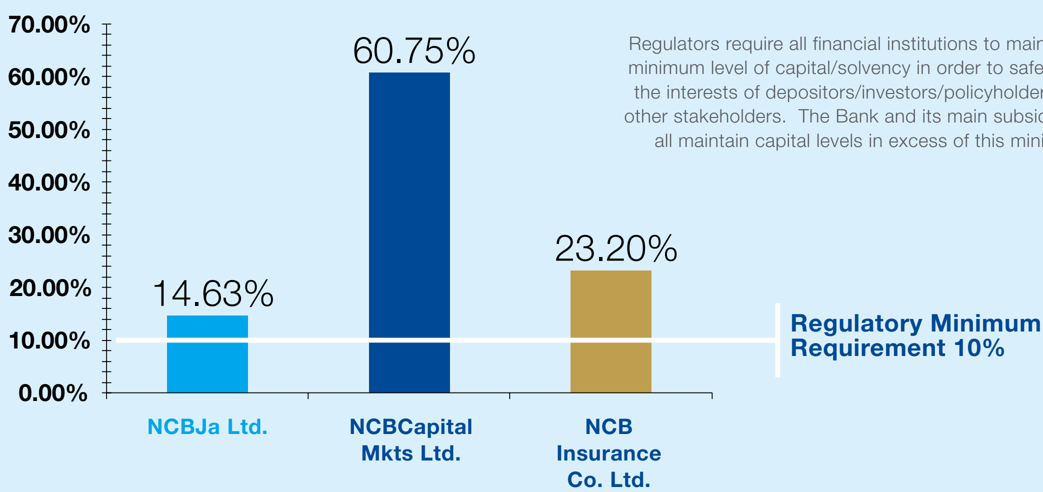
Cost to Income (%)



Segment Operating Profit Contribution ($'M | %)



Capital Strength



Regulators require all financial institutions to maintain a minimum level of capital/solvency in order to safeguard the interests of depositors/investors/policyholders and other stakeholders. The Bank and its main subsidiaries all maintain capital levels in excess of this minimum.

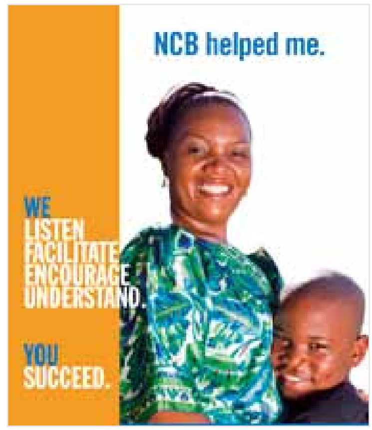
Business Highlights

Best Corporate run team at Sigma 2009 Over 200 Staff members participated in the charity run

SME NationBuilders Technical Training
NCB/ HEART Trust training workshop for our SME customers, on Developing Entrepreneurial Skills - Simple Accounting and Business Management

Pro-Care at Movie Premiere Client appreciation movie screening of "My Sister's Keeper" endorsed by the Jamaica Cancer Society and promoting NCB Insurance's Pro-Care Critical Illness Product.

NCB Money Matters
Campaign launched to provide customers with tools and options to preserve their financial stability.



Awards

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

2ND

Corporate Disclosure Award & Corporate Governance Award

NCB CAPITAL MARKETS LIMITED

1ST

Corporate Disclosure Award & Best Website Award

Overall Winner Employer of Choice

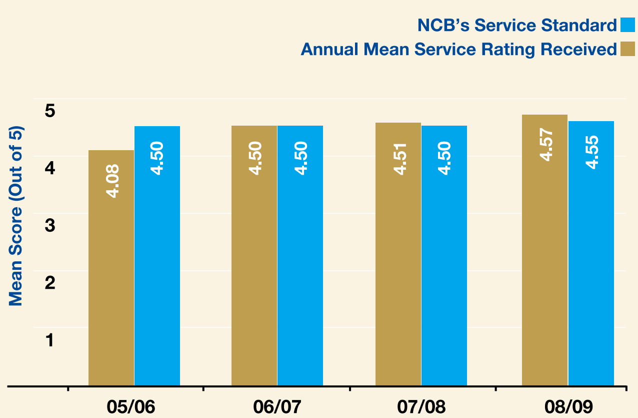
#1Employer of Choice
LARGE COMPANY CATEGORY
500+ EMPLOYEES

#1Highest Employee Satisfaction

The Banker
Bank of the Year 2009
JAMAICA

Bank of the Year
2008 and 2009

World Finance
Most Innovative Bank
2009



Customer Satisfaction Survey Results
Our service benchmark of **4.55** was surpassed this year.

10 Year financial statistical review

PROFIT & LOSS SUMMARY

	2009 (J$'000)	2008 (J$'000)	2007 (J$'000)	2006 (J$'000)
Net Profit	10,248,185	8,701,173	6,601,426	5,486,625
Gross Operating Income	45,130,831	39,524,726	33,752,955	30,004,702
Net Interest Income	18,879,974	15,826,304	12,796,777	11,778,136
Other Operating Income	8,261,017	8,893,754	7,754,802	6,198,817
Total Opertating Income	27,140,991	24,720,058	20,551,579	17,976,953
Operating Expenses	13,969,265	14,076,150	12,128,301	11,164,384
Staff Costs	7,989,772	7,281,304	6,987,550	5,955,835
Provisions for Credit Losses	1,027,634	468,287	277,603	155,786
Depreciation & Amortisation Expenses	593,538	725,936	889,246	1,028,085

BALANCE SHEET SUMMARY

	2009 (J$'000)	2008 (J$'000)	2007 (J$'000)	2006 (J$'000)
Total Assets	315,096,477	291,153,397	254,183,354	223,138,804
Net Loans	88,178,270	82,169,396	56,525,564	42,219,840
Investment Securities	167,718,957	154,571,682	142,955,539	123,765,437
Customer Deposits	130,331,351	126,099,896	118,518,051	99,026,503
Repurchase Agreements	77,374,431	69,619,957	51,305,167	50,344,707
Securitisation Arrangements	27,157,180	26,259,740	26,409,833	21,398,964
Net Worth	41,015,946	31,312,662	28,554,026	24,589,987

PROFITABILITY RATIOS

	2009	2008	2007	2006
Return on Average Equity	28.34%	29.07%	24.84%	23.96%
Return On Average Total Assets	3.38%	3.19%	2.77%	2.65%
Non-Interest Income to Operating Income	30.44%	35.98%	37.73%	34.48%
Effective Tax Rate	21.97%	19.49%	23.18%	20.83%
Cost to Income Ratio	47.68%	50.07%	57.27%	59.88%

2005 (J$'000)	2004 (J$'000)	2003 (J$'000)	2002 (J$'000)	2001 (J$'000)	2000 (J$'000)
4,468,542	2,978,045	2,830,499	1,478,407	369,914	1,514,946
27,460,769	25,175,497	22,138,992	14,264,469	14,039,817	15,298,298
10,713,444	9,603,098	6,757,882	4,282,614	4,492,754	5,544,421
5,815,035	3,344,801	4,271,679	2,349,312	1,672,925	1,998,121
16,528,479	12,947,899	11,012,147	6,631,926	6,165,679	7,542,542
10,522,418	9,155,015	7,548,897	4,920,249	5,686,071	5,937,963
5,664,701	4,639,585	4,212,281	2,928,332	2,552,278	2,223,799
(28,071)	367,869	189,147	(172,499)	(726,121)	1,389,562
1,071,135	976,029	494,910	290,997	404,470	292,520

2005 (J$'000)	2004 (J$'000)	2003 (J$'000)	2002 (J$'000)	2001 (J$'000)	2000 (J$'000)
190,341,294	174,852,385	145,883,165	115,220,390	105,770,654	94,835,223
36,064,342	34,007,614	26,400,147	15,282,721	8,639,839	7,249,634
94,960,438	78,219,804	80,444,730	67,293,256	65,268,554	58,289,832
85,067,749	79,861,826	69,688,968	63,365,179	58,351,974	51,638,190
49,407,220	37,496,253	29,624,741	11,897,440	11,227,707	8,313,809
10,798,517	9,427,736	4,576,979	4,848,691	4,105,026	0
21,213,463	17,145,003	12,871,832	11,971,477	10,889,979	9,301,508

2005	2004	2003	2002	2001	2000
23.30%	19.84%	22.79%	12.93%	3.66%	17.77%
2.45%	1.86%	2.17%	1.34%	0.37%	2.97%
35.18%	25.83%	38.79%	35.42%	27.13%	26.49%
23.45%	16.67%	19.02%	9.94%	8.42%	2.22%
62.40%	67.87%	66.83%	76.79%	104.00%	60.30%

10 Year financial statistical review cont'd

PER COMMON SHARE RATIOS

	2009	2008	2007	2006
Earnings per Share	$4.16	$3.54	$2.68	$2.23
Dividends Paid per Share	$0.88	$1.14	$0.73	$0.71
Book Value per Share	$16.66	$12.72	$11.60	$9.99

CAPITAL RATIOS

	2009	2008	2007	2006
Risk Based Capital Adequacy Ratio (Bank only) *	14.63%	14.63%	14.51%	17.28%
Net Worth to Total Assets	13.02%	10.76%	11.23%	11.02%

ASSET QUALITY RATIOS

	2009	2008	2007	2006
Non-Performing Loans to Gross Loans	2.61%	2.34%	2.56%	3.66%
Non-Performing Loans to Net Worth	5.71%	6.25%	5.17%	6.51%
Provision Coverage	147.26%	152.88%	150.99%	144.72%

BALANCE SHEET RATIOS

	2009	2008	2007	2006
Net Loans to Total Assets	27.98%	28.22%	22.24%	18.92%
Investment Securities to Total Assets	53.23%	53.09%	56.24%	55.47%
Net Fixed Assets to Total Assets	1.35%	1.41%	1.60%	1.89%
Net Loans to Customer Deposit Ratio	67.66%	65.16%	47.69%	42.63%
Net Loans to Borrowed Funds	74.04%	73.73%	64.38%	50.49%
Liquid Assets to Total Deposits	33.22%	37.56%	32.72%	42.35%

OTHER STATISTICS

	2009	2008	2007	2006
Share Price at Year End (JSE)	$ 13.00	J$ 20.00	J$ 22.40	J$ 18.21
Share Price at Year End (TTSE)	TT$0.95	TT$ 1.85	TT$1.95	TT$1.65
Price Earnings Ratio	3.12	5.66	8.35	8.17
Dividends Paid** (J$'000)	2,170,750	2,812,110	1,800,737	1,751,402
Dividend Yield	6.77%	5.70%	3.26%	3.91%
Dividend Payout Ratio	21.14%	32.24%	27.21%	31.84%
JSE Index at Year End	79,928.03	102,018.87	96,299.80	86,195.99

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

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

2005	2004	2003	2002	2001	2000
$1.82	$1.21	$1.15	$0.60	$0.15	$0.77
$0.48	$0.54	$0.51	$0.16	$0.00	$0.00
$8.62	$6.97	$5.23	$4.87	$5.52	$1.63

2005	2004	2003	2002	2001	2000
19.08%	15.77%	16.70%	29.64%	41.28%	45.22%
11.14%	9.81%	8.82%	10.39%	10.30%	9.81%

2005	2004	2003	2002	2001	2000
4.24%	4.08%	5.26%	8.84%	17.00%	24.53%
7.58%	8.61%	11.68%	12.75%	17.63%	28.10%
135.42%	154.27%	148.77%	134.74%	138.45%	130.24%

2005	2004	2003	2002	2001	2000
18.95%	19.45%	18.10%	13.26%	8.17%	7.64%
49.89%	44.73%	55 .14%	58.40%	61.71%	61.46%
2.30%	2.53%	2.69%	2.14%	1.43%	1.95%
42.39%	42.58%	37.88%	24.12%	14.81%	14.04%
51.00%	52.68%	51.06%	74.45%	49.93%	62.01%
37.94%	38.02%	27.56%	22.82%	40.14%	50.79%

2005	2004	2003	2002	2001	2000
J$ 18.00	J$ 25.20	J$ 13.30	J$ 5.70	J$ 4.90	J$ 3.00
TT$1.90	TT$2.50				
9.91	20.82	11.56	9.49	32.67	3.90
1,184,046	1,332,052	1,258,049	340,413	0	0
2.67%	2.15%	3.84%	2.81%	0.00%	0.00%
26.50%	44.73%	44.45%	23.03%	0.00%	0.00%
103,332.61	99,819.82	57,769.14	39,219.55	33,892.44	31,152.73

Hon. Michael **Lee-Chin OJ** - Chairman & Mrs Belinda **Williams -** Corporate Communications Manager

Chairman's message

My fellow shareholders,

"What we actually learn from any given set of circumstances, determines whether we become increasingly powerless or more powerful."

- **Blaine Lee**

These words encapsulate the guiding philosophies of our company over the past financial year and I commend the Board of Directors and the ardent employees for their courage and decisiveness displayed during these challenging times.

Though the NCB Group was not immune to the global financial crisis, it demonstrated its strength through its continued financial growth, a task accomplished by having the right people on board being directed by meticulous governance practices.

To maintain our dominance within the financial industry, we realized that the opportunities for the NCB Group existed within. There was realignment to enhance operational measures, through which the Group was able to achieve improved cost efficiency and internal controls, thus enabling sustainable financial performance.

We stay devoted to our desire to 'Build a Better Jamaica'. It is my strong belief that the economic future of our country relies on the next generation and the N.C.B. Foundation has dedicated its efforts to engage our young people through Education, Sports and Leadership. Through the N.C.B. Foundation, we were able to provide needed assistance during these challenging times in granting 400 academic scholarships and providing computer access to over 50,000 students island-wide. We were able to inspire and encourage the physical and entrepreneurial talents of many young Jamaicans through our involvement in sports development and entrepreneurship training. As good corporate citizens, we continue to focus on developing and investing in the lives of our people.

We have preserved the authenticity of our company as the premier Jamaican financial institution catering to the needs of our customers, through the dedication of our over 2,500 employees. Knowing that our company's strength resides in the resilience of our human capital, we continue to be committed to each staff member's learning and development. The transformation of our training facility into the Corporate Learning Campus in November 2008 reflects the change in scope and strategy to ensure that our most essential resource is able to effectively transition within any economic environment.

As we look ahead, the global future is uncertain, however, we realize that even during a crisis, opportunities still abound. I am confident that the NCB Group has what it takes to continue not only do well, but to do good, and we, the Board, have strict confidence in the management team to steer us through these difficult times.

Hon. Michael Lee-Chin OJ
Chairman

Our Board of Directors

The Board is committed to high standards of governance in order to achieve sustained business growth, enhanced shareholder value and protection of the interests of customers, employees and other stakeholders, while promoting a culture of the highest standards of integrity, transparency and accountability.

Wayne CHEN Professor Alvin G. WINT Thalia LYN Dennis COHEN Patrick HYLTON CD

Hon. Michael LEE-CHIN OJ Sandra GLASGOW Donovan LEWIS Hon. Noel HYLTON OJ Robert ALMEIDA DR. Nigel CLARKE (*NOT IN PHOTO*)

Directors' profiles

Order based on appearance in photo on pages 14-15

Wayne CHEN
LL.B.

Wayne Chen holds an LL.B (Hons.) degree from the University of the West Indies and is the Chief Executive Officer of Super Plus Food Stores. He is the 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. He is the President of the Jamaica Employers' Federation.

Mr. Chen sits on several Boards and is the Chairman of NCB Insurance Company Ltd., West Indies Trust Company Ltd. and NCB (Cayman) Ltd. He is also a Director of AIC (Barbados) Ltd. and Chairman of the Urban Development Corporation, National Land Agency and the National Gallery of Jamaica.

Professor Alvin G. WINT
B.Sc., M.B.A., D.B.A.

Alvin Wint is a Professor of International Business and a Pro Vice Chancellor at the University of the West Indies. He currently serves on the board of directors of Jamaica Producers Group, the Caribbean Policy Research Institute and the Planning Institute of Jamaica, and member of NCB subsidiares.

Professor Wint is a former Chairman of the Statistical Institute of Jamaica and former director of the Bank of Jamaica, Jamaica Promotions Corporation and the Jamaica Exporters Association.

Thalia LYN
B.A.

Mrs. Thalia Lyn holds a Bachelor's Degree from Manhattanville College in the United States of America. She was a teacher and a licensed stockbroker, as well as Marketing Manager for one of the largest Mutual Fund companies in Canada. She founded and is presently CEO of the Island Grill chain of QSC restaurants.

She is a Director of Jamaica Macaroni Factory Ltd., Consolidated Bakeries Ltd., Port Royal Patties (UK) and Jamaica Trade & Invest (JAMPRO). She also serves as Chairman of the N.C.B. Foundation, and sits on the Boards of St. Patrick's Foundation, Mustard Seed Communities and United Way. In 2004, she was appointed Jamaica's Honorary Consul General to the Kingdom of Thailand.

Dennis COHEN
F.C.A., F.C.C.A.,B.Sc.
Deputy Group Managing Director

As Deputy Group Managing Director, Mr. Cohen is charged with overseeing a number of the Bank's Business Segments comprising, corporate, treasury and retail which includes the electronic banking and merchant sales business. He is also responsible for ensuring an integrated approach is taken by the Bank and its Subsidiaries in managing customer relationships and product delivery across the NCB Group.

He has served as a member of the Public Accountancy Board and on a number of Jamaica Bankers' Association Committees. He was also a Council Member of the Jamaica Securities Dealers Association.

He is a Director of a number of subsidiares of NCB Jamaica Ltd., including NCB (Cayman) Ltd., NCB Capital Markets Ltd., NCB Insurance Company Ltd., West Indies Trust Company Ltd., Mutual Security Insurance Brokers Ltd. as well as a director of Advantage General Insurance Company Ltd.

Patrick **HYLTON**
A.C.I.B., B.B.A. CD
Group Managing Director

On December 1, 2004 Patrick Hylton was appointed the Group Managing Director two years after joining the Bank as Deputy Group Managing Director. Since then he has led the organisation to achieve record growth in profitability.

Complementing his strategic business acumen and an empathetic but firm leadership style, are his academic achievements as an Honours Graduate in Business Administration and as an Associate of the Chartered Institute of Bankers (ACIB) London.

He is Chairman of Harmonisation Ltd. and NCB Capital Markets Ltd., and he sits on several boards including the Caribbean Information and Credit Rating Services (CariCRIS).

Hon. Michael **LEE-CHIN**
OJ, Hon. LL.D., B.Sc.
Chairman

Michael Lee-Chin is the Chairman and Chief Executive Officer of AIC Limited and Chairman of NCB Jamaica Ltd. He has over 32 years experience in financial services, having founded the Canadian Mutual Fund company, AIC Ltd..

Mr. Lee-Chin holds a Bachelor's degree in Civil Engineering from the McMaster University in Canada and has received honorary Doctor of Laws degrees from McMaster University; the University of Toronto; the Northern Caribbean University Mandeville, Jamaica; the Wilfrid Laurier University School of Business & Economics, Waterloo, Canada; University of the West Indies and York University. He has received several prestigious awards in the areas of business and community service including the 2004 International Humanitarian Award from the American Friends of Jamaica.

Michael Lee-Chin was awarded the Order of Jamaica, for outstanding service in business and philanthropy, in October 2008.

Sandra GLASGOW
B.Sc., M.B.A.

Mrs. Sandra Glasgow is the Chief Executive Officer of the Private Sector Organisation of Jamaica (PSOJ) and a member of the Board of Directors of several companies including the National Export-Import Bank (Ex-IM), the Planning Institute of Jamaica, the GraceKennedy Foundation and the Jamaica Productivity Centre. She has been certified as a Director by the Commonwealth Association for Corporate Governance (CACG) and a Trainer of Trainers in Corporate Governance Board Leadership by the International Finance Corporation (IFC).

Mrs. Glasgow was Jamaica's Eisenhower Fellow in 2000. She has a Bachelor's Degree in Applied Zoology and Applied Botany and an MBA from the University of the West Indies.

Donovan LEWIS

Donovan Lewis is the founder of the Ideal Group of Companies which includes: Ideal Finance Corporation Ltd., Ideal Portfolio Services Company Ltd., Ideal Betting Company Ltd., Donwis Ltd., Ideal Resorts Ltd. and Dalk Investment Company Ltd.

Mr. Lewis is Chairman of the NCB Staff Pension Fund. His directorship include AIC (Jamaica) Ltd., NCB (Cayman) Ltd., Advantage General Insurance Company Ltd., CVM Television Ltd. and Resorts Beach (Development) Ltd.

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

Noel Hylton is the Chairman and the President & Chief Executive Officer of The Port Authority of Jamaica. He is the recipient of the national awards of Commander of the Order of Distinction (C.D.) and the Order of Jamaica (O.J.) for service to the growth and development of the shipping industry.

He has received various awards, including conferment of the Honorary Degree of Doctor of Laws (Hon. LL.D.) 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.

He is a Director of Jamaica Producers Shipping Limited and Medical Associates Limited.

Robert ALMEIDA

Robert Almeida is the Executive Director of AIC Global Holdings Inc. He is a Chartered Accountant and has over 21 years of experience as an investor and a business professional, having worked in Canada, the USA and the Caribbean.

He served as an executive at Canadian Imperial Bank of Commerce, one of Canada's largest banks and at Loblaw Companies Ltd., Canada's largest retailer where he was responsible for strategy and development which was integral in Loblaw's successful entry into financial services.

Dr. Nigel CLARKE
B.Sc., M.Sc., D. Phil.

Dr. Nigel Clarke is the Chief Executive Officer of the Facey Group of Companies and serves as Chief Operating Officer of its parent, the Musson Group. He is a member of the Board of Directors of Musson (Jamaica) Limited, Seprod Limited, Facey Commodity Company Limited and their subsidiary companies. Dr. Clarke is Chairman of the Board of Directors of the HEART Trust/National Training Agency and is a Director of NCB Capital Markets Limited.

Dr. Clarke holds a D.Phil. in Mathematics from Oxford University, an M.Sc. in Applied Statistics from Oxford University and a B.Sc. in Mathematics and Computer Science from the University of the West Indies.

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). This statement outlines the main corporate governance policies and practices that have been established by the Board and were in place throughout the 2008/2009 financial year to safeguard the interests of our depositors and shareholders and ensure that confidence in the Group is maintained.

In establishing and reviewing the Group's corporate governance framework, the Board has considered various governance standards, including the Bank of Jamaica's *Standard of Best Practice for Effective Corporate Governance of Deposit-Taking Entities*, published in July 2008 and the PSOJ Code of Corporate Governance published in 2006. The Board is committed to high standards of governance in order to achieve sustained business growth, enhanced shareholder value and protection of the interests of customers, employees and other stakeholders while promoting a culture of the highest standards of integrity, transparency and accountability.

A key objective of the governance framework is to ensure compliance with applicable legal and regulatory requirements and with best governance practice as set out in the Corporate Governance Charter, approved by the Board on July 27, 2006. The full text of the Charter is available on our website: www.jncb.com where full details of Board Committees may be viewed.

Board of Directors

Role of the Board

The Group conducts a range of business including banking, stock brokerage, securities trading and investment management, insurance and pensions fund management. In this regard, the Board is required to monitor compliance with the prudential and solvency requirements mandated by the Bank of Jamaica and the Financial Services Commission.

The Board generally meets on a monthly basis to consider matters relevant to the operations and performance of the Group, however, additional meetings are held, as required. The Board regularly meets with senior management to consider matters of strategic importance to the Group.

The Board has adopted a Charter, which sets out the principles for the operation of the Board and delineates the functions of the Board and those of the management. These principles are founded in our tradition of integrity and are consistent with our Core Values.

A summary of the key functions of the Board is outlined below:

- Approve the strategic direction and related objectives of the Group
- Approve annual operational plans and budgets
- Monitor executive management performance in the implementation and achievement of strategic and business objectives and financial performance
- Monitor and review the risk management processes, the group's risk profile; establish a strong system of compliance with prudential regulations, standards and other regulatory requirements; review and monitor processes for the maintenance of adequate credit quality
- Appoint and remove the Group Managing Director and the appointment and removal of executives reporting directly to the Group Managing Director
- Approve the Managing Director's and senior executives' performance targets; monitor performance, set remuneration and manage succession plans
- Approve major operating and capital expenditure and credit facilities in excess of the limits delegated to management.

Management is responsible for the execution of agreed strategy and for all operational matters. Details of the number of scheduled meetings of the Board and its Committees and attendance by individual Directors are set out on page 21. The terms of reference of the Committees are reviewed annually by the relevant Committees and by the Board and are available on the Bank's website (www.jncb.com) or by request to the Group Secretary.

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

Board Balance and Independence

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

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

> “The Board is required to monitor compliance with the prudential and solvency requirements mandated by the Bank of Jamaica and the Financial Services Commission”

Directors deemed Independent

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

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

Dr. Nigel Clarke	9 years 7 months
Sandra A. C. Glasgow	7 years 4 months
Hon. Noel Hylton, OJ	7 years
Thalia Lyn	7 years 4 months
Professor Alvin Wint	7 years 4 months

Information and Professional Development

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

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

Performance Evaluation

Board performance and that of individual Directors is conducted annually. The Board also receives reports from the Bank's Corporate Governance Committee and Conduct Committees of its subsidiary companies.

The objective of these evaluations is to identify any scope for improvement and to determine whether each Director continues to contribute effectively and to demonstrate commitment to the role.

The Board and individual Director performance evaluation process involves completion of questionnaires by Directors and presentation by the Corporate Governance Committee of the overall findings to the Board for its consideration and action as required.

Remuneration of Directors

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

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

Internal Controls

The Directors acknowledge their overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. Such systems are designed to control, rather than eliminate the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss. Such losses could arise because of the nature of the Group's business in undertaking a wide range of financial services that inherently involve varying degrees of risk.

The Group's overall control systems include:

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

These controls, which are embedded within the operations of the Group, are reviewed by Group Internal Audit. In these reviews, emphasis is focused on areas of greater risk as identified by risk analysis.

The Directors confirm that the Board, through its Committees, has reviewed the effectiveness of the Group's systems of internal control for the year ended 30 September 2009. 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 internal and external auditors, which contain details of any material control issues identified arising from their work, are reviewed by the Audit Committee. After each meeting of the Audit Committee, its Chairman reports to the Board on all significant issues considered by the Committee, and the minutes of meetings are circulated to all members of the Board.

Composition of the Board

As at 30 September 2009, the Board comprised nine non-executive directors and two executive directors, (The Group Managing Director and the group Deputy Managing Director). The names of the Directors, including details of the qualifications and experience are set out in the Directors' profile section of the 2009 Annual Report.

Board Committees

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

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

Audit Committee and Auditors

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

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

The Audit Committee met four times during the year. During the year Committee commenced deliberations relating to the Board's process for the approval of related party transactions. The Bank also engaged The Institute of Internal Auditors Inc., (IIA) to conduct an external quality assessment on the Group's Internal Audit Division. The principal objectives of the quality assessment were to assess the Division's conformance to The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), evaluate the IAD's effectiveness in carrying out its mission (as set forth in its Charter and expressed in the expectations of NCB's management), and identify opportunities to enhance its management and work processes, as well as its value to NCB.

The IIA stated in its overall opinion that the activities of the IAD generally conforms to the Standards and Code of Ethics. "Generally Conforms" is the top rating and means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards (or as appropriate).

Arising from this review, the adequacy of Audit Committee Charters for NCBJ and its Subsidiaries were assessed. Consequently the Charter for NCBJ was enhanced and Charters were implemented for the major Subsidiaries (NCB Capital Markets Limited and NCB Insurance Company Limited). Additionally, the Audit Committees are required to confirm annually that all responsibilities outlined in their Charters have been appropriately carried out.

The Audit Committee is chaired by an independent external director with

> **“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 2009”**

financial and accounting knowledge and is comprised of a majority of independent Board members. This composition is in accordance with the Bank Of Jamaica’s Corporate Governance Standard and the requirements of the Jamaica Stock Exchange Listing Agreement.

Members of the Committee are:
Professor Alvin Wint, Chairman
Sandra A. C. Glasgow
Hon. Noel Hylton
Donovan Lewis

External and internal auditors are in attendance at each meeting. The Group Managing Director, the Deputy Group Managing Director, Group Chief Financial Officer and other persons deemed necessary, are invited to Committee meetings at the discretion of the Committee.

Credit Committee

The Credit Committee met nine times for the year. In pursuit of its mandate to assess, identify and mitigate the Bank’s credit risk, the Committee undertook the following functions during the 2009 Financial year:

- The approval of facilities within limits set by the Board of Directors
- The review of and the making of 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.
- The review of the credit portfolio’s performance and of risk related issues associated with the portfolio.
- The review and recommendation to the Board of Directors in respect of changes in the group’s credit policies.

Members of the Committee are:
Donovan Lewis,Chairman
Patrick Hylton CD
Dennis Cohen
Dr. Nigel Clarke
Sandra A. C. Glasgow
Professor Alvin Wint

Corporate Governance Committee

The Corporate Governance Committee met four times for the year. The Committee keeps abreast of the latest regulatory requirements, trends and guidance in corporate governance and updates the Board on corporate governance issues as necessary. As set out in its Charter, the Board is responsible for setting the tone for a culture of integrity and compliance throughout the Bank. The Board also monitors the effectiveness of our corporate governance practices and approves any necessary changes, as required. During the year, the Committee recommended, for the Board’s approval, a Group Corporate Disclosure Policy as a guide to regulating the disclosure of information by the Group about its business activities. The Committee also reviewed a proposed Directors’ Code of Conduct which is to be considered by the Board and coordinated the evaluation of the Board and its Directors.
Members of the Committee are:
Sandra A. C. Glasgow, Chairperson
Professor Alvin Wint
Thalia Lyn

Attendance at Board and Committee meetings

There were eleven scheduled meetings of the Board during the financial year. Details of attendance by Directors at scheduled meetings of the Board and its Committees during the year ended 30 September 2009 are set out below. In addition, there were three special meetings of the Board held during the year.

Sandra A. C. Glasgow
Chair, Corporate Governance Committee

	BOARD 11 meetings	AUDIT 4 meetings	CREDIT 9 meetings	CORPORATE GOVERNANCE 4 meetings
Robert Almeida	11	-	-	-
Wayne Chen	10	-	-	-
Dr. Nigel Clarke	11	-	4	-
Dennis Cohen	11	-	8	-
Sandra A. C. Glasgow	11	3	9	4
Hon. Noel A. Hylton, OJ	8	1	-	-
Patrick A. Hylton, CD	11	-	9	-
Hon. Michael Lee-Chin, OJ (Chairman)	9	-	-	-
Donovan Lewis	11	3	8	-
Thalia Lyn	11	-	-	4
Professor Alvin Wint	9	4	9	4

Corporate disclosure

The following statement gives an overview of the regulation of disclosure of information by NCB about NCB and its business activities.

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

The Policy contains the following:-

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

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

Dividend policy

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

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

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

Dividend Pay Out Rate

The Board of Directors will declare, at its discretion, dividends to shareholders. These dividends will be paid from the realised earnings of NCB. The dividends will be subject to a maximum of 50% of the ordinary realised profit earned each year and will be applied after taking account of all transfers. In the event that the payout is less than 50% in any one year, the Board of Directors reserves the right to increase future distributions proportionately.

Further, the Board, at its discretion, may distribute to its shareholders the full amount of any and all realised gains arising from non-recurring or extraordinary transactions.

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

Business continuity highlights

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

The Plan is drafted in a modular format such that an individual sub-plan 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 base and system facilities. A Chief Command team is responsible for monitoring the effective execution of the Plan at the point of business disruption.

Patrick HYLTON CD - Group Managing Director

Group Managing Director's message

Dear Stakeholders,

We have successfully concluded a year in which we were busy building a financial fortress. Even though the global recession prolonged and inhibited economic activities in the international and domestic markets, we were able to confidently manage our company by ensuring that we maintained strong capital, strong liquidity, strong and robust governance and highly motivated and committed service-oriented employees.

I am therefore grateful for the support of our directors, our staff, our customers and all other stakeholders, without whom we could not have recorded the historic $10.2B in profits for the 2009 Financial Year.

All our business lines – Retail, Corporate, Treasury, Wealth and Insurance - recorded notable successes and made commendable contributions to the group's results. At times like this, we value the diversity of income streams that is afforded by the nature of our operations, as it is this diversity which allows us the flexibility and range to preserve and grow our business.

Given the limited external opportunities, we were obliged to take an introspective approach to our business during the year, focusing on internal controls, efficiencies and synergies. The centralization of key support functions such as Human Resources, Marketing and Operations led to more effective execution of activities across the Bank and Subsidiaries, as fewer resources were expended, while employee expertise in these areas were leveraged. No doubt, this contributed to the improvement in our Cost to Income Ratio to 47.7% and notable growth in profitability of 18% over the previous year.

We continued to be persistently dedicated to the needs of our customers by providing the necessary support during these difficult times. One initiative of which I was particularly proud was the **NCB Money Matters Campaign** which we launched early in the financial year. This campaign facilitated closer interaction and communication with our customers so we could provide practical solutions to help them manage their debts, as well as structure consistent savings and disciplined budgeting which served to ease the financial burdens of many. We also continued to work at creating a sustainable customer service culture throughout the group, and through training and improved processes, we focused on better service delivery. While the results of our quarterly customer satisfaction surveys done in the year were favourable, our journey towards service excellence will continue.

With the emergence of this new financial and economic paradigm, we are required to be bold in the strategic positioning of the NCB Group as a sound financial fortress. As stakeholders, you can rest assured in our organization's strength. We are focused on creating value that will redound to the sustainability of the NCB brand as a true Jamaican icon of success. The goal at hand is *'Making it Happen'* irrespective of the circumstances faced, a challenge we confidently accept.

Patrick A. Hylton, CD
Group Managing Director

Our leadership team

Rickert ALLEN
Senior General Manager, Group Human Resources

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

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

Septimus 'Bob' BLAKE
General Manager, Treasury & Correspondent Banking

Bob Blake is the General Manager of NCB Treasury & Correspondent Banking Division since June 2004 where he has portfolio responsibility for the management of interest rate, liquidity and foreign exchange risk as well as management of local financial institutions and correspondent banking relationships.

Bob is a member of NCB's Group ALCO (Asset and Liability) Committee and serves on the Investment and Investment Management Committees of NCB Capital Markets Ltd., NCB Insurance Company Ltd. and NCB Cayman. He also serves as Director on several boards.

Ffrench CAMPBELL
Senior Assistant General Manager, Facilities & Services

Ffrench Campbell has held the post of Senior Assistant General Manager, Facilities & Services Division (formerly Projects, Administration & Services) since April 2004. In this capacity, he is charged with the management of all facilities, which includes all construction projects, the acquisition and disposal of buildings, lands and equipment; the ongoing maintenance of all buildings and equipment that support the business and mechanical and electrical systems. He also oversees the security, safety, environmental and centralized purchasing portfolios for the Group.

Yvonne CLARKE
Group Chief Financial Officer

As Group Chief Financial Officer, Mrs. Yvonne Clarke is responsible for Financial Reporting, Taxation and Regulatory Reporting for National Commercial Bank Jamaica Limited and its subsidiaries. She is also responsible for monitoring the performance of the organization against strategy and budget and ensuring that strategic and operational objectives are achieved in the most effective and efficient manner.

She is a member of the Accounting Standards Committee of the Insitute of Chartered Accountants of Jamaica.

Dennis COHEN
Deputy Group Managing Director

As Deputy Group Managing Director, Dennis Cohen is charged with overseeing a number of the Bank's Business Segments comprising, corporate, treasury, retail which includes electronic banking and merchant sales business. He is also responsible for ensuring an integrated approach is taken by the Bank and its Subsidiaries in managing customer relationships and product delivery across the NCB Group.

He has served as a member of the Public Accountancy Board and on a number of Jamaica Bankers' Association Committees.

Dave GARCIA
General Manager, General Counsel and Special Projects

Dave Garcia is responsible for providing the Bank and its subsidiaries with general advice, leadership and direction on all legal and regulatory matters. He is charged with overseeing the operations of the organisation's General Counsel Division and guiding the Group's legal strategy in its drive towards becoming the most dominant financial institution in the region. His role also encompasses interaction and communication with External Counsel acting on behalf of the NCB enterprise.

Howard GORDON
General Manager, Network Operations

Howard Gordon with oversight for the Network Operations Division, is charged with reengineering the operating processes and practices to support the group's customer service strategies, implementing initiatives to promote operational efficiency across the NCB Group and leading the creation of an operations environment consistent with international banking practices to support the group's risk, sales and service strategies.

Ann Marie HAMILTON
General Manager, NCB Insurance Company Limited

Ann-Marie Hamilton as General Manager of NCB Insurance Company Ltd. (NCBIC) provides leadership to her team in her mandate to strengthen P&L and Balance Sheet performance through strategic initiatives designed to generate improved revenue performance and establish a foundation for sustainable revenue. Ms. Hamilton is also charged to improve sales team productivity and operational efficiency and enhance the company's suite of products in alignment with the Group's strategic direction.

Patrick HYLTON CD
Group Managing Director

In 2002 Patrick Hylton joined the Bank as the Deputy Group Managing Director where his responsibilities included the Bank's investment and insurance subsidiaries. On December 1, 2004 he was appointed the Group Managing Director and since then he has led the organization to achieve record growth in profitability.

Mr. Hylton is the Chairman of Harmonisation Limited and NCB Capital Markets Limited and he sits on several boards including the Caribbean Information and Credit Rating Servies (CariCRIS). He was the President of the Jamaica Bankers' Associatin for the period February 2007 to May 2009.

Jennifer DEWDNEY KELLY
Group Chief Compliance Officer & Company Secretary

As Group Chief Compliance Officer and Company Secretary, Jennifer Dewdney Kelly oversees the monitoring of compliance by National Commercial Bank Jamaica Limited and its subsidiaries ("NCB") . She also has responsibility for Corporate Secretarial matters for NCB.

She is an Attorney-At-Law, member of the Jamaican Bar Association and Co-Chair of the Compliance Committee of the Jamaica Bankers' Association.

Sheree MARTIN
Senior Assistant General Manager, Group Marketing and Communications

Sheree Martin is charged with oversight of all the marketing and communications activities for the Group, reporting directly to the Group Managing Director.

She provides leadership in the area of the Group's strategic marketing, public relations, and corporate philanthropic focus, in order to ensure effective positioning of the NCB corporate image, brands and products.

Mrs. Martin is the CEO of the N.C.B. Foundation and a Director of RISE Life Management Services.

Peter QUINN
Chief Information Officer, Information Technology

Peter Quinn has the direct responsibility for the vision, strategy, direction, planning and architecture of all information technology activities within the NCB Banking Group. In his capacity as Chief Information Officer, he will drive the formulation of the technology direction of the IT Division within the context of the strategic objectives of the Group while ensuring the effective management, efficient functioning and satisfactory availability of the Organization's IT resources.

Leadership team Cont'd

Marjorie SEEBERAN
General Manager, Corporate Banking

Marjorie Seeberan as General Manager, Corporate Banking Division 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. Core activities include lending, deal origination, structuring, negotiation and execution of large transactions to serve customers' financing needs.

Her core responsibilities also include the recruitment and development of a small group of experienced, dedicated professionals who deliver NCB's high-end products and services to the nation's Blue-Chip customers.

Audrey TUGWELL HENRY
Senior General Manager, Retail Banking

Audrey Tugwell Henry is responsible for providing strategic leadership to the Retail Banking Division where she is required to implement initiatives that will allow the business to achieve its targeted growth and profitability as well as evaluate the market trends and needs both locally and internationally in order to develop a wide array of banking solutions to meet consumer needs.

She serves on a number of boards including NCB Remittance Services (U.K.) Ltd., and J.E.T.S. Ltd.

Christopher WILLIAMS
Managing Director, NCB Capital Markets Limited

Christopher Williams has the responsibility to strategically lead, grow and manage the wealth management business focusing also on delivering client-service excellence. Under his guidance, NCB Capital Markets Limited has grown into one of Jamaica's most successful investment houses, consistently being ranked as the country's leading stock brokerage and primary dealer.

He serves as Chairman of the Jamaican Association for the Deaf and Deputy Chairman of the Jamaica Stock Exchange.

Mukisa WILSON RICKETTS
Chief Internal Auditor

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

She is a Certified Internal Auditor (CIA) with The Institute of Internal Auditors, USA, a Fellow of the Association of Chartered Certified Accountants (FCCA), UK; and a Fellow of the Institute of Chartered Acountans of Jamaica (FCA).

Allison WYNTER
General Manager, Credit & Risk Management

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

She is a member of the Bank's Credit Committee, Group ALCO (Asset & Liability) Committees and serves on the Investment Committee of NCB Insurance Company Ltd., and the Risk Management Committees of NCB Capital Markets Ltd. and NCB Cayman Ltd. She is also a member of the Accounting Standards Committee of the Institute of Chartered Accountants of Jamaica.

Management discussion & analysis

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 authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities fully recognized. Importantly, the system of control is continually reviewed for its effectiveness and is supported by written policies and guidelines, qualified personnel, and strong internal audit procedures.

The MD&A is presented to enable readers to assess the operational results and financial condition of National Commercial Bank Jamaica Limited for the financial year ended September 30, 2009, compared to prior financial years. The MD&A should be read in conjunction with the audited consolidated financial statements and related notes included in this Annual Report.

MD&A CONTENT

Core Business

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

Long Term Vision

Our vision is to make NCB, financially and operationally, the strongest and most dominant financial institution in the Caribbean and one that follows international best in class governance practices. This vision provides an important framework within which we execute our strategic and business plans, and the pillars on which we expect to build a high-performance organisation are:

- Innovation
- Expertise
- Strength

Our strategic goals are to remain focused on:

1) Enhancing Profitability
2) Exceeding Customer Expectations
3) Efficiently Running our Business
4) Empowering our People
5) Engaging in Nation Building

Performance Measurement

We have monitored our strategy using the balanced scorecard, which contains both financial and non-financial measures covering areas that are important to all stakeholders -customers, employees, communities and shareholders. Our financial measures include quantitative targets for net profit growth, return on equity, market share, capital strength, risk and efficiency. Our non-financial targets include objectives in the areas of customer satisfaction, employee engagement, community relations, and corporate governance.

Macro-economic environment

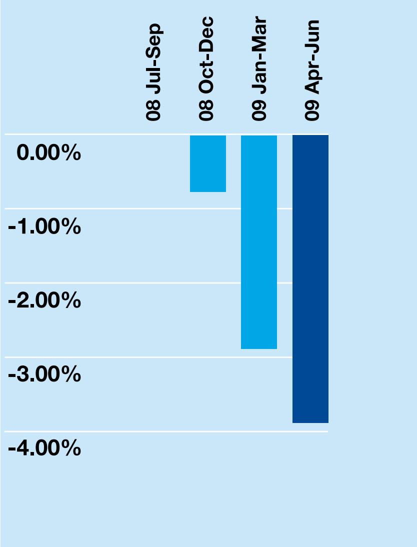
Challenges in the local economy intensified during the financial year (October 2008 to September 2009) as the ripple effects of the global financial crisis and subsequent economic downturn took a toll on the country's main hard currency generators including bauxite and remittances.

Throughout the year, the economic contraction gathered momentum and the fiscal accounts deteriorated, limiting the Government's ability to implement any kind of broad-based economic stimulus. The external capital markets also remained closed prompting the Government to approach the International Monetary Fund (IMF) with the view to resuming a borrowing relationship. The signing of a Stand-by Agreement with the fund would not only provide Balance of Payments support at a time of reduced hard currency inflows, but would also allow the Government to secure additional funding from other multi-national organizations.

Local financial markets were impacted by both the weak local economy and developments overseas. In the first half of the financial year, declining remittances, the collapse of the country's major exports and the contraction in global credit led to accelerated depreciation of the local currency. This prompted the Bank of Jamaica to hike interest rates. During the period, stock prices continued to reflect weaker earnings prospects given the pace of contraction in the local economy, rising unemployment and falling incomes . On a positive note, inflation pressures eased significantly throughout the year helped by the reduction in global commodity prices. Globally, risk appetites rebounded in the second half of the year as governments in the larger economies employed unprecedented monetary and fiscal stimuli to boost economic activity and help avoid a protracted downturn. GOJ global bond prices benefited from the subsequent rally in risky asset prices in the second half of the financial year.

Economic contraction gathered momentum

Gross Domestic Product (GDP) Contracted at Accelerating Pace

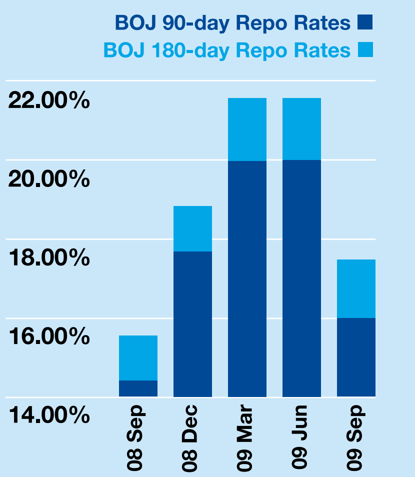


The local economy contracted at an accelerated pace during the financial year. The pace of contraction increased from -0.7% (for October to December 2008) to -3.9% (for April to June 2009) in the face of the global economic downturn. The high interest rate environment, while stabilizing the currency, helped to undermine an already weak economy. Both the Goods producing and Services sectors declined. The Mining & Quarrying sector was the main contributor to the downturn in the Goods Producing sector. Mining activity virtually grounded to a halt after the closure of three of the island's bauxite plants following the falloff in aluminum prices. In the April to June 2009 quarter mining activity declined by 62.5%. All other industries in the Goods Producing Sector recorded declines, excluding Agriculture, as production in the sector recovered from the effects of Hurricane Dean and Tropical Storm Gustav in the previous year, in addition to benefiting from the Government's Productivity Programme. Declines in 'Transport Storage and Communication' and the 'Wholesale & Retail Trade' were the main contributors to the fall in the performance of the Services Industries. This was directly related to the significant decline in remittances and the increase in unemployment which led to an erosion of consumer disposable incomes.

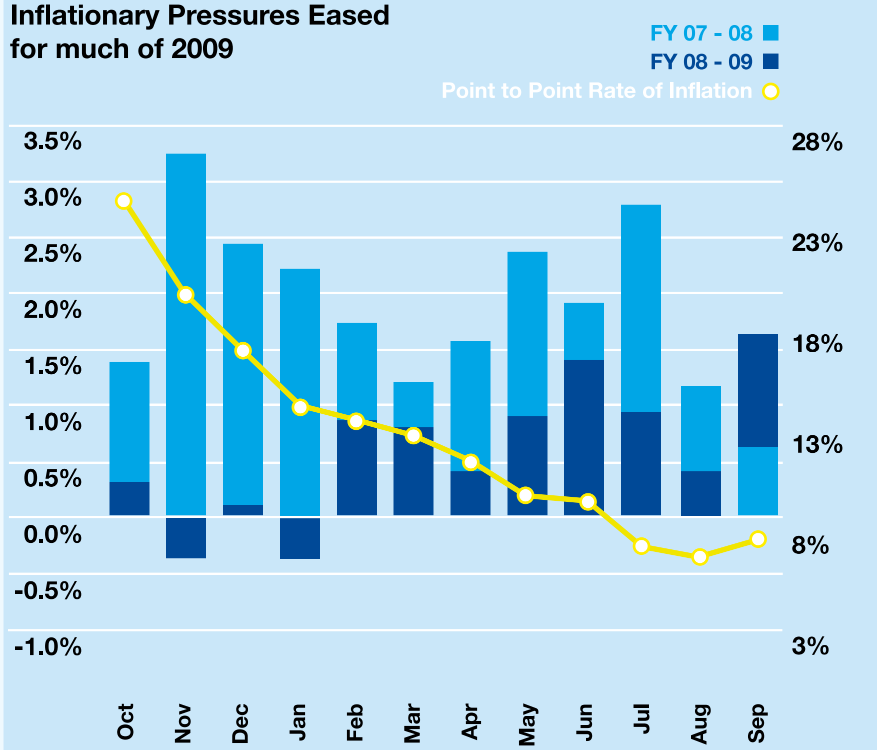
> **“Inflationary pressures abated during the year due mainly to falling commodity prices, weak consumer demand and the resulting slack in the domestic economy”**

Interest Rates

Movement in BOJ Repo Rates



Inflationary Pressures Eased for much of 2009



Pressures in the foreign exchange market early in the financial year, prompted the Bank of Jamaica to make upward adjustments to interest rates through to December 2008.

Interest rates were held at peak levels for a prolonged period until stability in the local currency and a moderation in inflation levels allowed policy makers to reduce interest rates. When the financial year came to a close, Repo rates were 450 basis points below their peaks with rates ranging from 12.50% on 30-day maturities to 17.00% on longer tenures. Market interest rates took its cue from the BOJ and also trended downwards. The yield on 90-day Treasury bill moved from a high of 22.23% to a low of 16.39% at the end of the financial year while yields on the 180-day instrument fell by 710bps to 17.35% over the same period.

Inflation Moderated

Inflationary pressures abated during the year due mainly to falling commodity prices, weak consumer demand and the resulting slack in the domestic economy. 12-month Point-to-point inflation declined from 25.3% in September 2008 to 7.2% in September 2009 despite significant increase in the prices of alcoholic beverages and tobacco (+23.0%) as a result of increased taxes on these items as the Government sought to plug the deficit in its budget. However, smaller increases in the more heavily weighted indices – ‘Food and Non Alcoholic Beverages’, ‘Housing, Water, Electricity, Gas and Other Fuels’, tempered the overall impact on the Consumer Price Index. Despite the introduction of a Special Consumption Tax on fuels, the index for ‘Housing Water, Electricity, Gas and other Fuels’ rose by just 0.9% and ‘Transport’ division declined 1.9%, helped by the reduction in commodity prices. Although the current rebound in oil and other commodity prices on the international market could put upward pressure on inflation, the slackness in the local economy due to the higher unemployment levels is expected to temper inflationary impulses.

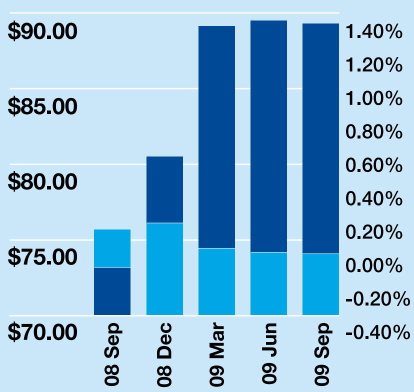
Management discussion & analysis cont'd

Macro-economic environment cont'd

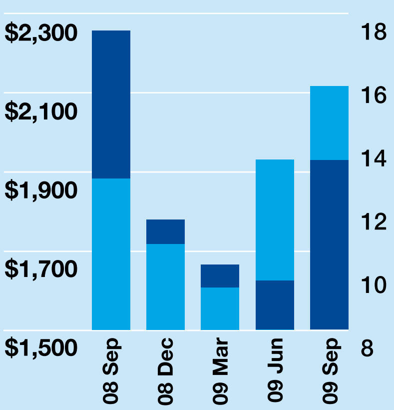
"General activity on the stock market remained sluggish during the period as investors displayed bearish sentiment"

Foreign Exchange market

The Jamaican Dollar lost 22.6% of its value against its US counterpart during the financial year. The accelerated pace of depreciation in the local currency began in September 2008 and emanated from a sharp decline in US$ liquidity due to the reduction of credit lines by international brokers and a falloff in US$ inflows. The heightened risk aversion in the global and local economy also resulted in a flight to quality and increased demand for hard currency.



Despite measures introduced by the Central Bank, including increasing domestic interest rates, hard currency injections through a special loan facility for financial institutions and direct intervention, the local currency continued to weaken into March 2009, losing 10.4% of its value during the March Quarter. This led to a sharp reduction in the Net International Reserves to critical levels. However, the combination of high interest rates and the use of moral suasion by the Bank of Jamaica helped to restore stability to the market in the second half of the financial year. Net International Reserves were boosted in August 2009 by a total allocation of US$330M of Special Drawing Rights by the IMF.



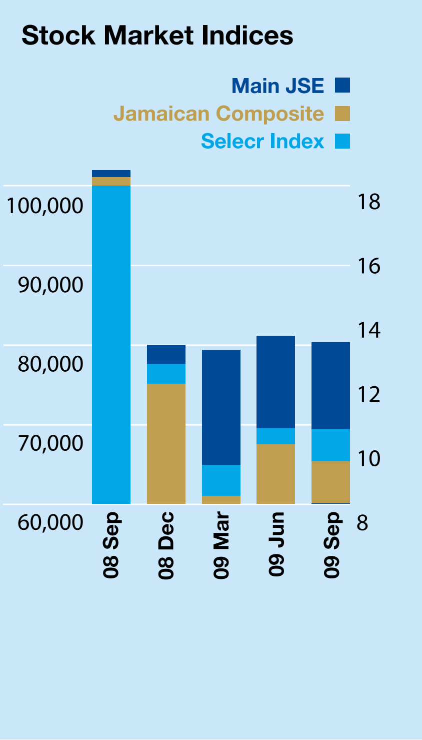
Fiscal Pressures Increased

In fiscal year 2008/09, subdued economic activity and higher domestic interest rates led to the Government reporting a fiscal deficit of $75.32B or 6.8% of GDP which exceeded the 5.8% revised target. As the economic downturn accelerated, Central Government has had to grapple with even greater challenges so far in FY 2009/10. Declining revenues from Consumption & Production and International Trade meant that despite expenditure cuts, Central Government was running well ahead of its projected deficit early in the fiscal year. The fiscal situation was also made worse by high interest rates which drove up debt servicing costs. In July 2009 the Government confirmed that the country would seek to resume a borrowing relationship with the International Monetary Fund (IMF). This decision was made against the background of continued weakness in hard currency inflows and the need to secure funding from external sources. The weakening fiscal position and later talks about a possible debt restructuring resulted in S&P downgrading the country's external credit rating twice to B from B- and later to CCC+. The country was also placed on negative watch for a further downgrade. While the Government has managed to put the debt restructuring issue to rest, the fiscal deficit continued to worsen. For the period April to August 2009, the fiscal deficit amounted to $60.48B, $2.86B above target.

The pending IMF application and the worsening fiscal deficit relative to target prompted the Government to revise its target for the FY2009/10. The Supplementary budget tabled

“Efforts by central banks and Governments have helped the global economy avoid a protracted downturn and already there are signs of recovery in the major economies”

in September showed a net $6.34B increase in planned Government expenditure for the FY 2009/10 to $561.4B due almost entirely to higher than anticipated interest costs. As a result, the fiscal deficit to GDP target has once again been revised upwards to 8.7% (from 6.6%) for the 2009/10 fiscal year.

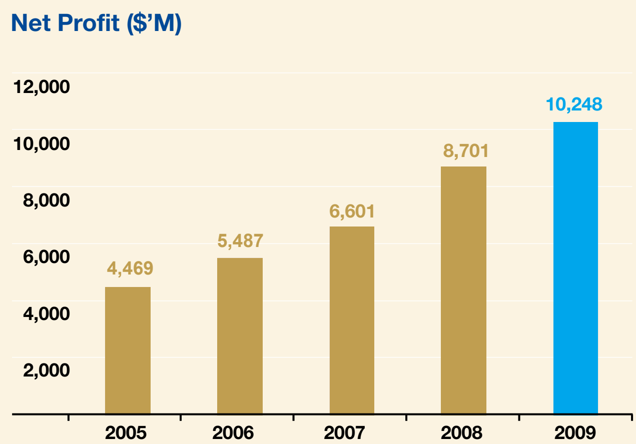


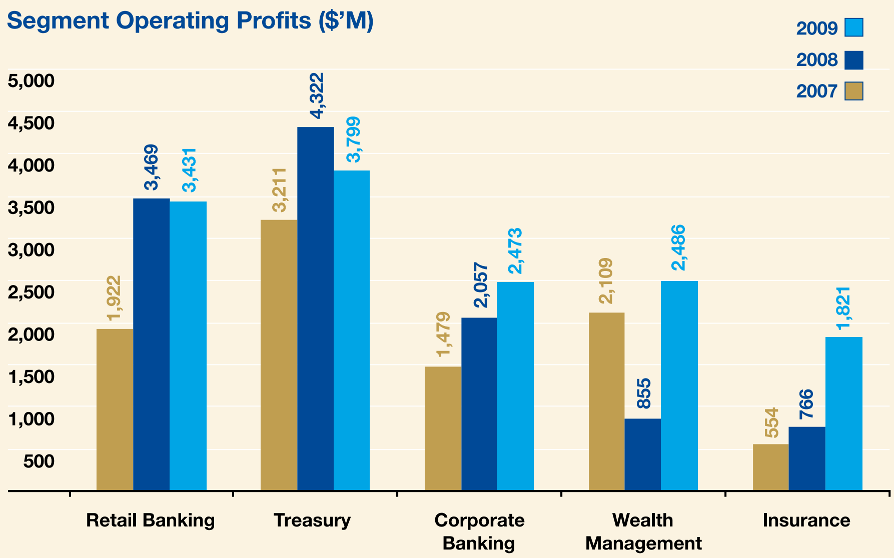
General activity on the stock market remained sluggish during the period as investors displayed bearish sentiment. The contraction in the local economy and its likely impact on sales and profits of listed companies has been a major concern for investors. Further, relatively high interest rates on fixed income instruments have generally lured money out of the stock market and into the money market and fixed income products. There is also lingering uncertainty regarding the IMF agreement and how the conditionalities are likely to affect the operating environment. Stock prices fell to record lows. As a result, the JSE Main Index declined by 21.65% to end the period at 79,928.03 points while the All Jamaica Composite lost 35.8% to close the period at 65,007.50 points and the Jamaica Select Index fell by a similar pace, losing roughly 35.6% to 1,781.23 points. Stock market activity could remain muted in the next few months. That said, the signing of an IMF agreement as well as a continued decline in interest rates could provide the impetus for the usual year-end rally in local stocks.

Enhancing Profitability

We reported net income of $10.2 billion for the financial year, a $1.5 billion or 18% increase over the prior corresponding period. The results were driven by careful and strategic management of customer relationships and needs, expert liquidity management, and proactive and effective management of our risks.

The Group's results reflect growth and consistency in our key performance indicators when compared to the 2008 financial year.



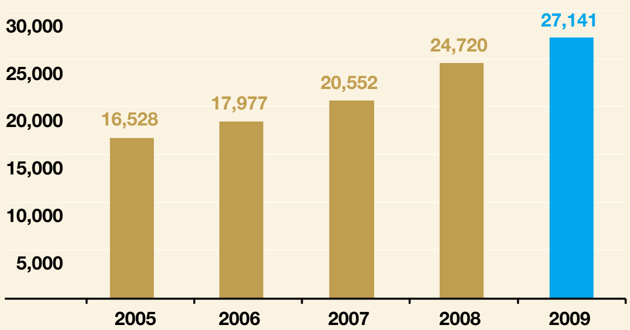


- Cost-to-income ratio at an all time low of 47.7% improving from the prior year - 50.1%, highlighting the emphasis placed on efficiency, improving processes and implementing a cost control strategy.
- Earnings per stock unit of $4.16 increased by 18% or $0.62.
- Risk-Based Capital Ratio of 14.63% compared to 14.63% as at 30 September 2008.
- Return on Equity of 28.34% decreasing from 29.07%
- Return on Assets of 3.38% increasing from 3.19%

Operating Income

We reported total operating income of $27.1 billion in 2009, up 10% over the 2008 financial performance, and this represents our highest level ever.

Operating Income ($'M)

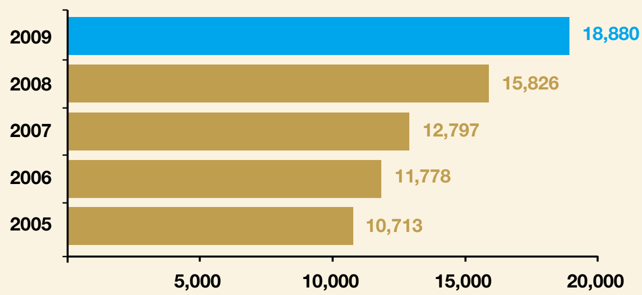


Net Interest Income

The Group's net interest income of $18.9 billion for the 2009 financial year grew by $3.1 billion or 19%, resulting from growth in our total interest earning assets:-

- Our loan portfolio increased by $6 billion or 7% to $88.2 billion when compared to the prior year, but we experienced a decline in interest rate income yields, and the primary factor causing this was the change in the portfolio's currency mix of US Dollars increasing to 57% (43% - Jamaican Dollars) when compared to the prior year's mix of 52%.
- The investment securities portfolio grew by $13.1 billion or 9% to $167.7 billion over the prior year, and increases in the open market interest rates on government instruments resulted in a higher income yield on this portfolio when compared to the prior year.
- Our funding portfolio also increased over the prior year, increasing by $14.5 billion or 6%, and the average interest paid to customers also increased over the prior year, in line with the increases in open market interest rates.

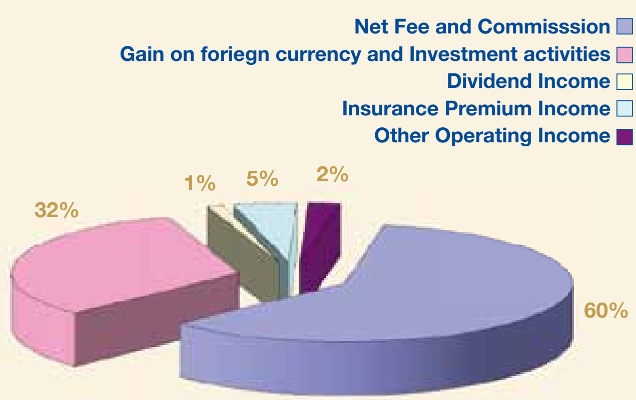
Net Interest Income ($'M)



Non-Interest Income

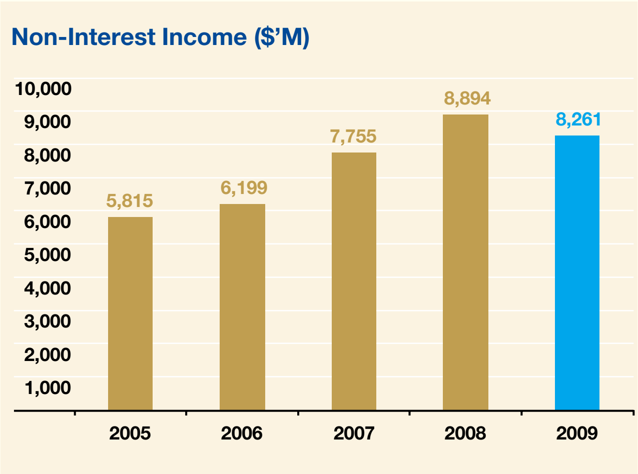
Our non-interest income, which mainly comprises net fee & commission income and gains from foreign currency trading and investment activities, declined by 7% or $632.7 million in the 2009 financial year when compared to 2008. Net fees and commissions income, which accounts for 60% of the non-interest income, increased by $275 million or 6% and this growth is mainly as a result of increases in the number of transactions conducted on our various electronic channels (Point of Sale, ABMs, etc.). Gain on foreign currency trading and investment activities decreased by $912 million or 26%; the results for the 2008 financial year included gains of $1.1 billion from the sale of Visa Incorporated shares. When the one-off Visa transaction is excluded, this portion of the non-interest income experienced negligible growth.

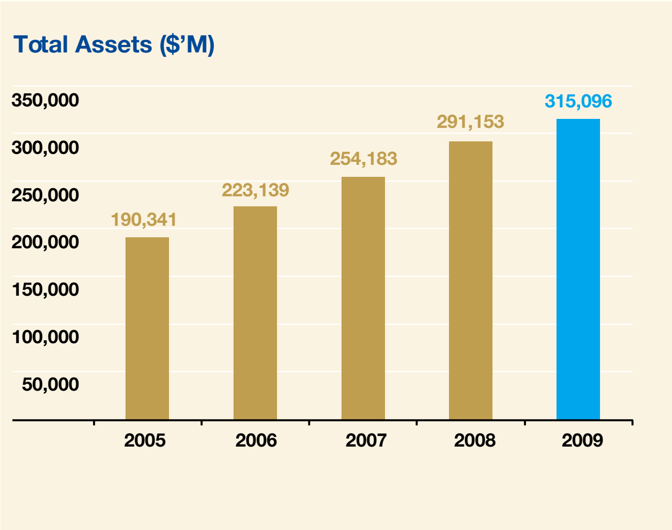
Non-Interest Income (%)



Management discussion & analysis cont'd

Enhancing profitability cont'd

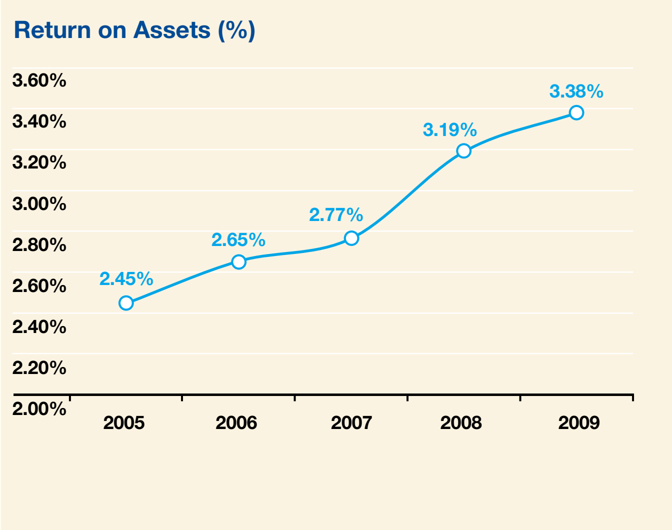




Asset Performance

The asset base of the group was $315.1 billion as at September 2009 representing a 8% or $23.9 billion increase over 2008. This was funded by increases in repurchase agreements, customer deposits, other borrowed funds, policy holders' liabilities and retained earnings.

We pursued initiatives in the 2009 financial year to further maximise shareholder return by improving asset utilization. One of our key strategic measures, the Return on Average Assets ratio, has improved from 3.19% in 2008 to 3.38% in 2009 which shows that we are effectively growing our assets while at the same time increasing the yield.



Cash & Balances at the Bank of Jamaica

These assets represent cash and statutory reserves held to enable the bank to respond adequately to liquidity shifts. Statutory reserves with the Bank of Jamaica represent the required ratio of 14% (2008 – 9%) of prescribed liabilities for Jamaican dollars (11% of prescribed liabilities for foreign exchange liabilities). These statutory reserves are not available for investment, lending or other use by the Group.

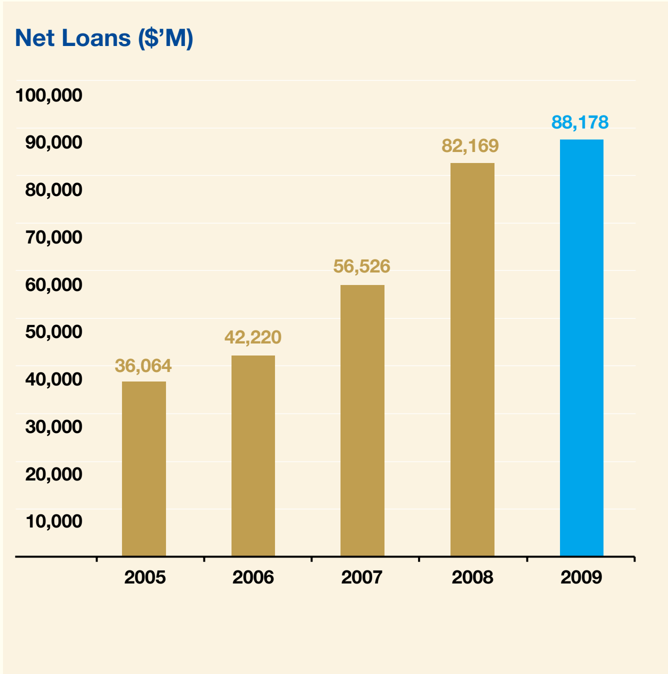
Investment Securities

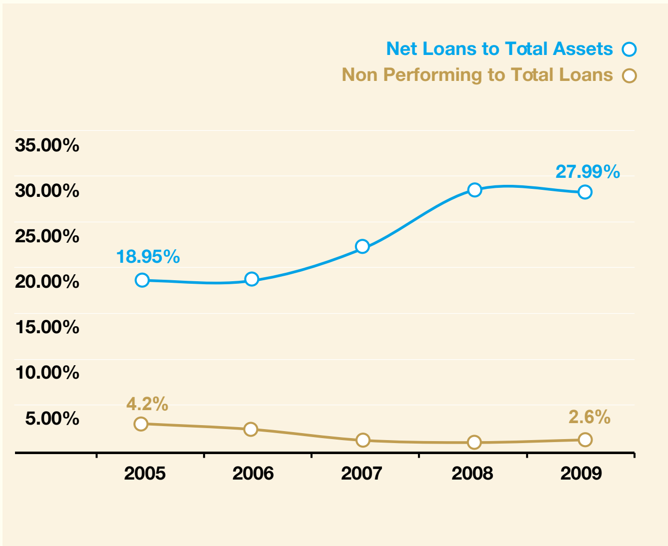
Our investment securities portfolio grew by $13.1 billion or 9% over the prior year. Despite the challenging market conditions faced in the financial year, which included limited trading opportunities, increased liquidity concerns, and depressed market prices, the group continued to strategically position itself to capitalize on market opportunities to minimize the impact of these challenges on the results of our operations.

Net Loans

Our loans and advances, net of provisions for credit losses, increased from $82.2 billion at September 2008 to $88.2 billion at September 2009. This resulted from growth in both our Retail and Corporate Banking loan portfolios. Our net loans to total assets ratio at September 2009 was 27.99% compared to 28.22% at September 2008.

The provision for credit losses increased from $3.0 billion at September 2008 to $3.4 billion at September 2009. This provides provision coverage of 147.3% (September 2008 – 152.9%). 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 $744 million as at September 2009. The Bank's provisioning policy is in compliance with the Bank of Jamaica regulations.



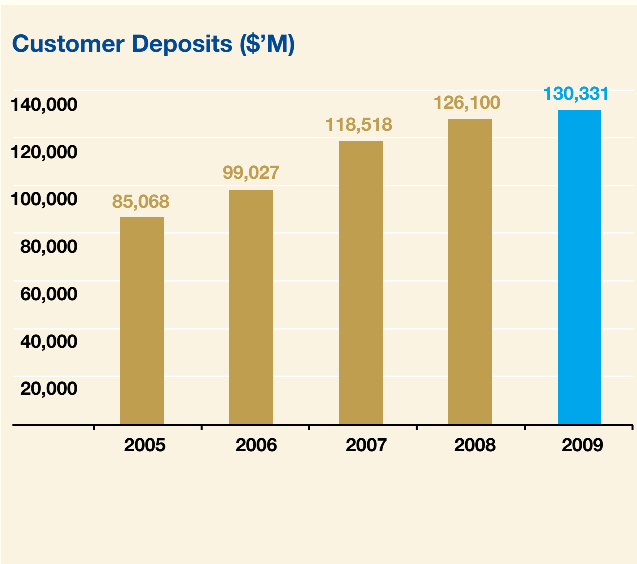


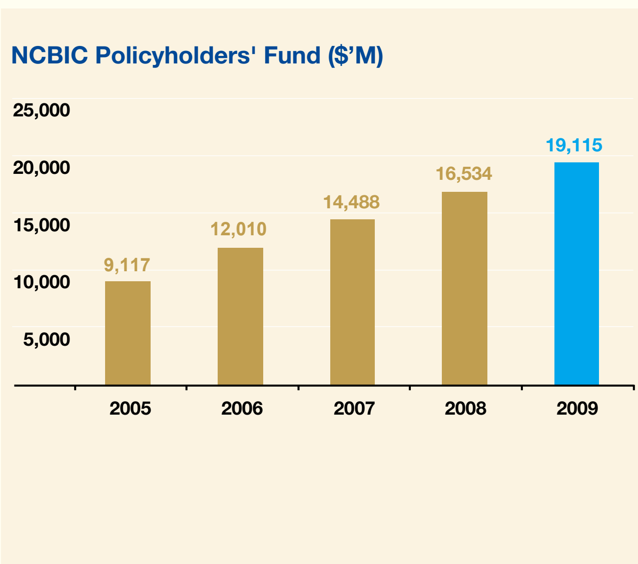
Funding Performance

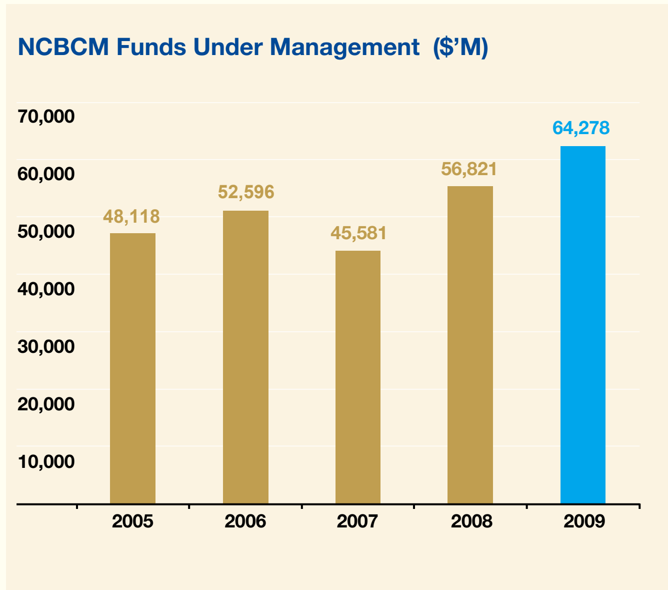
Our customer deposits ended the year at $130.3 billion, representing growth of $4.2 billion over the previous financial year. Obligations under Repurchase Agreements increased by $7.8 billion or 11% which was primarily attributable to increased funds managed by our Wealth Management segment.

Management discussion & analysis cont'd
Enhancing profitability cont'd

Policyholders' liabilities grew by $2.6 billion or 16% and this was primarily due to the growth in gross premiums in our Insurance segment.







Stockholders' Equity

The Group's Stockholders' Equity of $41.0 billion increased by $9.7 billion or 31% during the 2009 financial year. The Statutory Capital base was $19.7 billion at September 2009. The return on equity for the Group was 28.34% at September 2009 compared with 29.07% in September 2008.

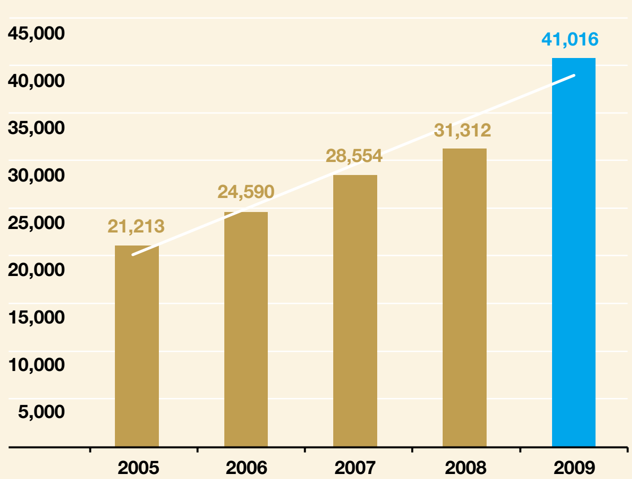
- The Risk-Based Capital Ratio for NCBJ was 14.63% at September 2009 (September 2008 – 14.63%), which exceeds the minimum requirement of 10% stipulated by the Bank of Jamaica.
- The Capital to Risk Weighted Assets Ratio for NCBCM at September 2009 was 60.75%, which exceeds the minimum requirement of 10% stipulated by the Financial Services Commission.
- NCB Insurance reported a Solvency Ratio of 23.2% at September 2009 (September 2008 - 16.2%), which exceeds the minimum requirement of 10% stipulated by the Financial Services Commission.

NATIONAL COMMERCIAL BANK JAMAICA LIMITED	
Regulated by the Bank of Jamaica	
Regulatory Capital to Risk Weighted Assets	14.63%
Regulatory Requirement	10%

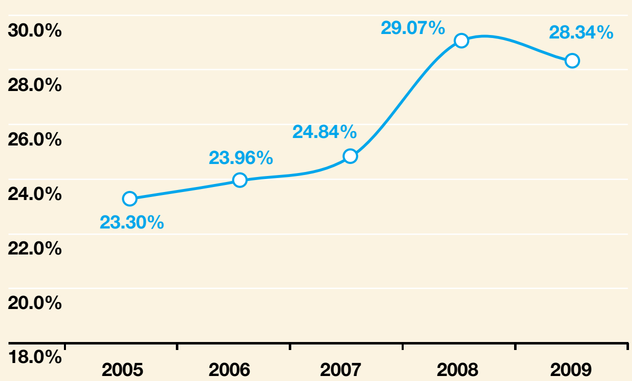
NCB CAPITAL MARKETS LIMITED	
Regulated by the Financial Services Commission	
Regulatory Capital to Risk Weighted Assets	60.75%
Regulatory Requirement	10%

NCB INSURANCE COMPANY LIMITED	
Regulated by the Financial Services Commission	
Solvency Ratio	23.20%
Regulatory Requirement	10%

Net Worth ($'M)



Return on Equity (%)



Management discussion & analysis cont'd
Enhancing profitability cont'd

Dividends

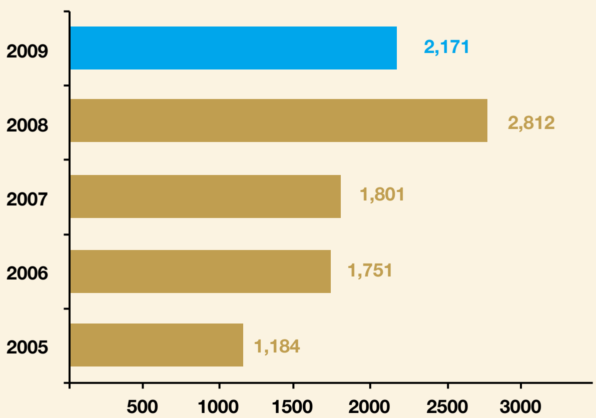
We have maintained the Group's policy of paying quarterly dividends however, the total dividend payment was lower than the previous year because earnings were retained in the business to build the group's capital strength especially in light of the uncertainties that faced us in the local and global environment. The dividend payout ratio for the financial year was 21.1% compared to 32.2% at September 2008.

The dividends paid in the 2009 financial year were $0.88 per share or $2.2 billion, compared to $1.14 per share or $2.8 billion in the prior year.

The share price as at September 30, 2009 was J$13.00 per share (September 30, 2008 - J$20.00) which has resulted in a dividend yield of 6.8% (September 2008 – 5.7%).

Earnings per Share ($)

Dividends ($'M)



Meeting of Internal Service Representatives

Exceeding Customer Expectations

Customer Service Focus

Our new service motto "Quality our Focus... Serving our Pleasure" embodies our vision for service delivery within the organization and highlights the desired direction that we believe is necessary for us to be truly differentiated from the rest of the market.

We continued to place the customers at the center of every thing we do, and for the 2009 financial year improving service delivery at all our customer touch points and creating a sustainable customer service culture throughout the Organization ranked very high on our agenda. To this end, a number of initiatives were undertaken. One initiative involved the assembly of a team of Internal Service Representatives from across the enterprise to assist in mobilizing various service initiatives and improving internal service delivery.

To ensure consistency in the manner in which we interact with our customers across the network, Internal Service Delivery standards were developed for all customer facing and non customer facing units in the Bank and Subsidiaries.

We recognize that we can only get service delivery right if the people who are required to delivery it, are up to the task and we have spared no efforts to ensure that our people are well trained and knowledgeable in the execution of their duties. In support of this objective, Quarterly Customer Service tutorials were developed for completion by each staff member across the group and special customer service workshops were designed for all members of staff in a number of our branches that had consistently received low grades in the area of customer service.

We sought to adopt an "inside-out strategy". In executing this strategy, steps have first been taken to build a strong customer service culture in all areas of our business. The logic of this strategy maintains that when excellent customer service is given to staff by the internal support areas, satisfied staff will reciprocate and in turn provide excellent service to their customers. To this end, a variety of tools including service protocols, a service vocabulary and best response guides were developed for use by customer interfacing staff. Detailed service standards were also developed and adopted for our electronic channels.

Members of staff are constantly kept on their toes through the use of quarterly Mystery Shopper surveys and Customer Satisfaction surveys.

The relationship with each customer is a valued one. We continue to work assiduously in ensuring that each customer experience is a positive one.

Banking

Retail Banking

With the ongoing challenges in the local and global economy, we recognized the need to provide our customers with tangible assurance of our continued commitment to their financial well being. The NCB **"Money Matters Campaign"** was launched in January 2009. Under the campaign, customers were offered budget planning assistance, debt refinancing or restructuring options and an opportunity to fully settle non performing loan and credit card facilities on favorable terms. Over 400 customers responded to the initiative and approximately $1 billion in loans and credit card facilities were re-structured to alleviate the financial difficulties being experienced. Additionally, two (2) credit card payment holidays were implemented (January and September) for cardholders, which provide a financial break during these usually two difficult months of the year.

We remained focused on recognizing the entrepreneurial achievements and community contributions of our customers in the Small and Medium Enterprise segment through the

NCB "Nation Builder Awards". As evidence of its growing impact and popularity, new partners have joined the effort and have sponsored a new award category – **"Women in Business"**. We were proud to showcase this year's winners –

Little Ochie Seafood - Overall Nation Builder of the Year
Totally Male - Woman in Business Award
Kool Runnings Water Park - Start-up Award
Indies Pharma Jamaica Limited - Innovation Award

The nominations received for the 2009 awards reflected a 38.67% increase over 2008 when the initiative was launched.

During the year, we continued to improve the value we bring to our customer relations as we focused on our channel migration efforts with improvements to the functionality, usability and reliability of our non-branch service channels. Six (6) new ABM locations were added, bringing the total number of locations to 170 which represent 35% of the active ABMs in the market, processing on average 46% of the total number of monthly transactions.

We continue to communicate regularly with our customers through "Be In The Know", our monthly newsletter, which provides valuable information on the various services offered by the bank.

Despite the challenging economic conditions, total Retail Banking revenue grew by 11.85% over the prior year, as we experienced modest growth in our retail loan and deposit portfolios. Growth in the retail loan portfolio was particularly challenging as the period was characterised by much fear and uncertainty about the future in the minds of customers and this impacted early repayments/payouts and new loan demand in general. On the retail deposit side, we saw notable increases on our Max Deposit (fixed deposit) portfolio in particular. The volume of transactions on the electronic channels (ABMs and Point-of Sale machines) continued to grow as well as our market share in the card acquiring business, which allowed increased fee revenue from wider and more frequent usage of cards by our customers.

Going forward, significant effort will continue to be directed towards growing our loan and deposit portfolios, as well providing enhanced electronic banking solutions that can improve customer access and convenience. We will also continue with our Money Matters programme in order to ensure that we can anticipate and meet our customer needs.

Corporate Banking

In the area of corporate banking, we were able to exceed the segment profit target mainly by maximizing usage of the Inter-American Development Bank (IDB) Line of Credit, administered by the Development Bank of Jamaica (DBJ) and the strategic deployment of the funds to clients fitting the stringent eligibility criteria. US$43.9 million was disbursed under the IDB line in various productive sectors.

Industry	No. Clients	Amount US$'M Equiv.
Tourism	3	22.78
Energy	2	9.00
Distribution	1	0.50
Transportation	1	10.00
Construction	2	1.64
Total	**9**	**43.93**

The credit quality of the corporate banking portfolio remains at its usual high standard with delinquency ratio below 1% and we will continue to monitor to ensure strict adherence to the Bank's credit and risk criteria.

Overall, the Corporate Banking Division weathered the market challenges of the past year by demonstrating flexibility, soundness of judgment and market astuteness. We will continue to do so during the coming year as we provide ongoing support to our client base and focus on local opportunities to deliver NCB group-wide products and solutions.

Everol "Blackie" Christian, owner of Little Ochie Seafood - Overall Nation Builder of the Year 2009 receives his trophy from Patrick Hylton

Treasury & Correspondent Banking

There were significant developments during the year which had implications for Bank Treasuries especially in small open economies like Jamaica. These can be summarized as follows:

- Reduction in liquidity across all credit markets
- Significant changes in the cost and availability of credit
- Widening of credit spreads
- De-leveraging
- Volatility in exchange rates and asset prices.

Locally the Bank of Jamaica spearheaded further developments in the reform of the National Payments System with the implementation of

- Real Time Gross Settlement System (RTGS) – For the settlement of large value payments – February 2009
- A Central Securities Depository (CSD) for fixed income securities – May 2009.

Within the context of these parameters, the NCB Treasury adopted a pro-active stance to liquidity management. Consequently the Bank had appropriate levels of liquidity to meet its contractual & prudential obligations under both stressed and normal conditions. This ensured that the bank did not incur un-acceptable losses, or risk sustaining long term damage to the business.

Trading activity in the local foreign exchange market declined significantly during the financial year as a result of several events occurring in the wider economic environment. Notwithstanding, the Bank maintained market share and dominance in the purchase and sale of foreign exchange. The Bank's exposure in various currencies were expertly managed to control the profit and loss variations due to movement in exchange rates.

During the year significant emphasis was placed on strengthening our relationships with the financial institutions we manage. In this regard, we sensitized our clients on the payment system reforms and the attendant impact on their businesses. As one of the leading users of the Automated Clearing House Phase 2 (ACH Phase 2) system, the Treasury division also promoted to its financial institution clients, the adoption of the various electronic payment options that the ACH Phase 2 afforded. These included: eCorporate, NCB Funds Direct and eMerchant Services. Eleven securities dealers also listed us as their settling agents for Centralised Securities Depository transactions with the Bank of Jamaica, indicating their confidence in our ability to support their cash flow management needs.

NCB (Cayman) Limited

NCB (Cayman) Limited and its subsidiaries, NCB Capital Markets (Cayman) Limited and NCB Remittance Services (Cayman) Limited reported a consolidated profit of USD1.9 million for the 2009 financial year, an increase of USD1.3 million when compared with the previous year. The increase in profit is attributable to an increased focus on the investment operations of the company and growth in assets which stood at USD110 million at September 30, 2009 compared to USD98 million as at September 30, 2008.

Management plans to build on the current year's performance by augmenting investment operations and rolling out new investment products that meet the needs of existing and new clients.

Wealth Management

NCB Capital Markets Limited

NCB Capital Markets Limited is the wealth and asset management arm of the bank offering investment options and advice for institutions and individuals for the last forty-one years. Under continued challenging market conditions, the results for the 2009 financial year demonstrate the increasing strength of the company's brand and its ability to increase its revenues. The company recorded a net profit of $1.7 billion for the 2009 financial year, compared to $776 million achieved for the previous financial year; an increase of $939 million or 121%.

	30 Sep 2009 $'000	30 Sep 2008 $'000
Net Profit after Tax	1,714,737	775,585
Net Interest Income	2,184,222	1,716,688
Operating Revenue	2,960,548	2,657,914
Operating Expenses	747,185	1,974,460
Total Assets	75,007,234	66,159,875
Funds Under Management	64,789,092	55,123,686
Shareholders' equity	8,906,596	7,389,860
Return on Average Assets	2.43%	1.26%
Return on Average Equity	21.04%	10.03%
Earnings Per Stock Unit	$1.42	$0.64
Cost to Income Ratio	25.24%	74.29%
Capital Adequacy Ratio	60.75%	67.86%

The results for the year ended 30 September 2008 included a provision of $1,230M representing a potential loss on securities held by Lehman Brothers Group. Under continued challenging market conditions the 2009 results demonstrated the resilient strength of the wealth management subsidiary to increase its revenues.

For the upcoming year, the company will focus on enhancing its sales distribution model and implement strategies to drive further cost efficiency.

Insurance

NCB Insurance Company Limited

The 2009 results show a profit after tax of $1.7B with key indicators listed as follows:-

	30 Sep 2009 $'000	30 Sep 2008 $'000
Profit After tax	1,692,632	711,797
Risk Premiums	432,990	437,465
Benefit & Reserves	(39,050)	6,787
Expenses	686,903	826,853
Return on Average Equity	46.8%	29.9%
Return on Average Assets	7.7%	3.8%
Cost to Income Ratio	24.0%	47.5%

The company is well capitalized with the relevant Capital ratios being well in excess of regulatory minimums, as follows:
Solvency Ratio - 23.20%
Capital: Total Assets - 18.34%
Minimum Continuing Capital Surplus Ratio - 503%

Total assets of the company are $24.1 billion and assets under management amount to $42.6 billion.

The company showed significant growth in profits over prior year primarily due to:

- increase in market interest rates and the ability of management to re-price its investment portfolio. The Investment portfolio grew by $3.7 billion during the year leading to investment income increasing by $1.3 Billion (58%).
- during the year the company had growth in its policyholder liabilities of $2.6 billion and growth in its total premiums by $0.8 Billion (23%).
- growth in pension fee income by $145 million (47%)
- selling and operating expenditure were reduced by 17% and have served to improve the company's Cost to Income ratio from 48% to 24%.

Remittance Services

NCB Remittance Services (Jamaica) Limited

NCB's foray in the remittance business began almost sixteen (16) years ago when it entered into an agreement with MoneyGram International. NCB Remittance Services (Jamaica) Limited started operating in February 2008 as the subsidiary with responsibility for the Bank's remittance business. Presently, NCB Remittance Services (Jamaica) Limited is a primary agent for the following overseas providers:

- MoneyGram International
- NCB Remittance Services (UK) Limited
- NCB Remittance Services (Cayman) Limited
- Senvia Money Services Inc.

At the start of the year there were 52 locations processing remittances on behalf of NCB Remittance Services (Jamaica) Limited.

The year proved to be challenging for the remittance business of NCB. The adverse effect of the global recession's impact on remittance flows to Jamaica was significant. The BOJ Remittance Update for August 2009 shows an 8.3% decline in inflows for 2009 August from 2008 August. Remittance inflows declined by 14.6% for the period 2009 January – August when compared to the same period last year.

Today, the remittance business continues to be predominantly a cash to cash business. The flow of funds through money service providers is monitored closely by regulators across the world due primarily to the money laundering challenges that it poses. As such, NCB Remittance Services (Jamaica) Limited. has had to ensure that the necessary measures were put in place to monitor, track and report transaction activities across the four agents.

Notwithstanding the downturn in the market and the challenging nature of the transfers, the company was able to make a positive contribution to the Group's profitability as net income grew by 47% over the eight month period ending 2008 September 30.

NCB Remittance Services (UK) Limited

With the recession hitting hard on the job market, the money transfer side of the business out of the United Kingdom (UK) was badly affected. However, this did not deter us in expanding activities in the UK. During the year the NCB remittance office in Brixton introduced several new services to customers such as the mobile top up services for mobile telephones of various service providers in Jamaica. This allows customers of NCB Remittance Services (UK) Limited to send credit to mobile phones in Jamaica instantaneously. This service has been well received by the Jamaican Diaspora and continues to grow in demand.

As part of the overall NCB strategic alliance with Moneygram, during the year, we introduced money transfer service to other countries across the world using the Moneygram platform. We also increased business through our remote money transfer facility which allows customers of High Street Banks in the UK to transfer money to NCB accounts in Jamaica without visiting the office in Brixton, using an electronic bill payment facility.

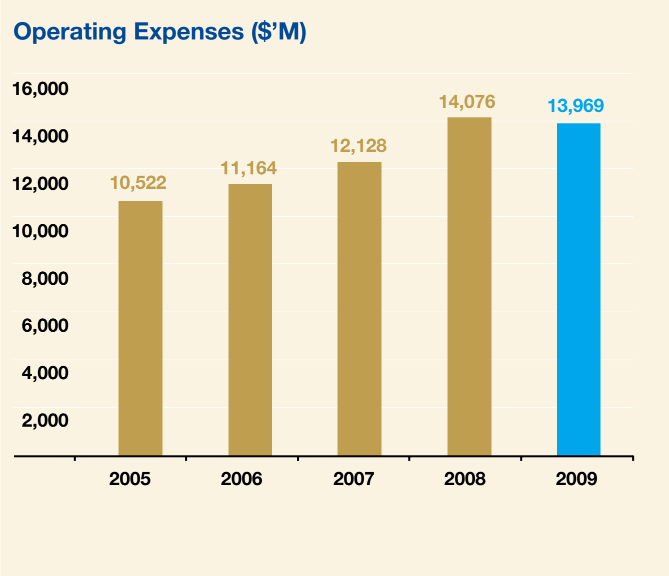
The year recorded growth of 54% in the transaction volumes over the previous year, with the majority of the increase in the number of transactions coming from new customers.

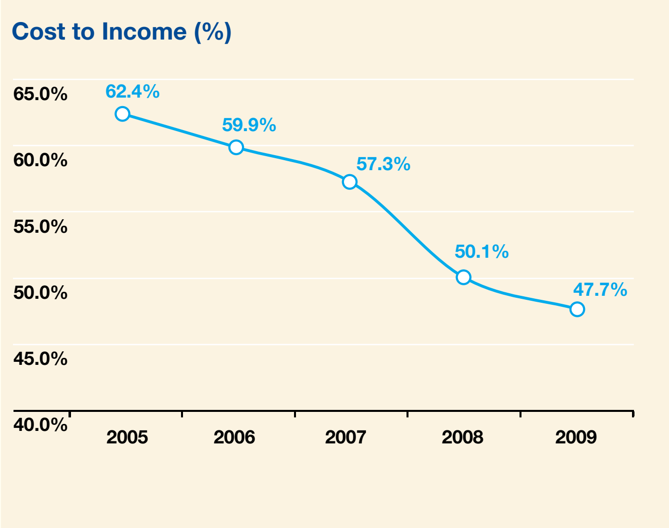
Efficiently Run Our Business

Operating Expenses

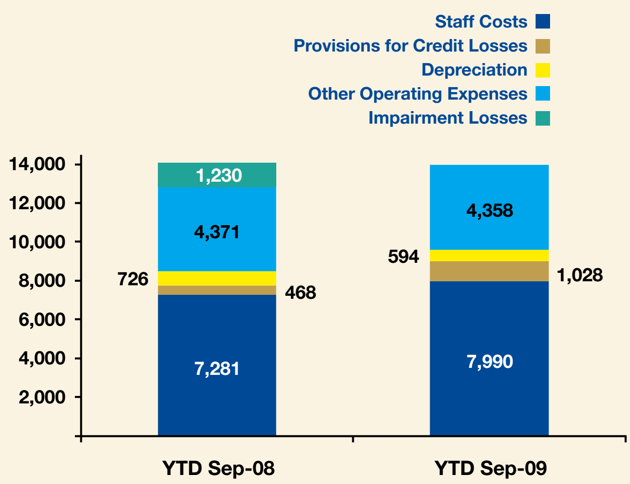
For the 2009 financial year, total operating expenses declined by $107 million. Other operating expenses which comprise the costs incurred in the running of the business, remained flat. This demonstrates our commitment to proactive cost management and improved operational efficiency. The main variances were:

- Staff costs grew by $708 million or 10% primarily due to the negotiated annual increases in wages and benefits, and higher performance-related compensation, reflecting better performances in all our business segments.
- Provisions for Loan Losses increased by $559 million due to the impact of the challenging economic environment on our customers coupled with growth in the loan portfolio. We responded by enhancing our delinquency management and loan origination processes, as well as by implementing several initiatives to provide our customers with tools and options to ensure financial stability.
- The prior year's results included an impairment provision of $1.2 billion for potential losses on securities pledged with members of the Lehman Brothers Group. No impairment provisions were made during the 2009 financial year.





Components of Operating Expenses ($'M)



Network Operations

This critical support function was streamlined during the 2009 financial year to allow a clearer focus on process efficiency as well as to maximize the opportunities for economies of scale and scope through centralization.

Some of the resulting achievements were the reduction of manual payments by 23% with migration to electronic transfers, thereby lowering transaction costs and enabling faster turnaround times for payments.

In the area of cash management, we were able to improve the uptime of our Automated Banking Machines (ABMs) by forecasting just-in-time cash requirements that reduced holdings by 12% and saved millions in courier costs.

In the area of account statement processing, we moved to a paperless system for staff credit card accounts, as well as fully consolidated the customer account statement preparation which resulted in lower costs for the carrying out of this function. We also implemented an imaging solution for electronic banking application forms in order to facilitate easier access and information sharing that improved turnaround times.

The centralization of the group's Treasury Function within the year resulted in enhanced management of liquidity across the organization. This centralization was another in an ongoing focus to leverage our group expertise and resources to realize benefits and cost-savings. Other areas fully centralized to date are Group Marketing, Human Resources, General Counsel and Compliance.

We successfully implemented Real Time Gross Settlement (RTGS) and Central Securities Depositories payments in our treasury operations during the year. This should result in increased operational efficiency for NCB and its financial institution clients.

We are currently conducting a comprehensive review of all our internal processes and we anticipate that this will further reduce costs and improve the customer experience at all our touch-points where our products and services are accessed.

Information Technology

During the year, we created a new three (3) year IT Application and Infrastructure Software Renewal plan focused primarily on enhancing system stability. We also developed a complete Technology Refresh strategy, with objective project priority setting and integrated resource planning that will set the stage for further information technology upgrades needed to meet the group business objectives for the future.

Compliance

Pursuant to our commitment to operate in full compliance with all applicable laws and regulations to prevent and detect money laundering and combat the financing of terrorism, the Bank has again upgraded its Anti-Money Laundering/Counter Financing Terrorism (AML/CFT) Policy and Procedures Manual to reflect current legislation (Proceeds of Crime Act 2007 and Regulations made pursuant thereto), regulatory guidance and with cognizance of international best practice. The new policy was approved by the Board in January 2009 and now guides the ongoing training of our employees in respect of compliance matters.

Management discussion & analysis cont'd

Efficiently run our business cont'd

In the course of the year, the Bank engaged a consultant who, with participation of divisions across the enterprise, spent considerable time and effort in the process of identifying an appropriate anti-money laundering/counter financing of terrorism software solution.

Financial institutions have an obligation to train all staff in matters pertaining to anti-money laundering/counter financing of terrorism. The Group Compliance Unit ("GCU") partnered with the Corporate Learning Campus to host five (5) AML/CFT Train the Trainer Workshops for Regional Managers, Branch Managers, Operations Managers and Nominated Trainers, for onward training of all frontline staff, who were subsequently trained. These workshops will be held on an annual basis.

The GCU also liaised with the NCB Corporate Learning Campus in the development of an appropriate AML/CFT training module to be delivered to new recruits, as part of the recruitment process.

The Corporate Learning Campus hosted several AML/CFT training sessions during the year, which were supplemented by quarterly eLearning sessions which are mandatory for all staff, (except for those involved in the preparation of the modules and non-clerical staff). Non-clerical staff attended face-to-face training sessions at least once during the year.

In May 2009 the Board took a decision that Directors should henceforth be offered training quarterly, via the elearning refresher courses and access was arranged for all directors.

Facilities and Services

Significant operational efficiency was realized in the area of energy consumption reduction, as our Head office location (The Atrium), recorded a 6.8% reduction in energy consumption in the year. The energy reduction strategy will be aggressively rolled out across our ten largest locations over the next year, with a target of 10% reduction.

The Facilities and Services Division successfully realized the transformation of the company's overall procurement process into a centralized function, which has resulted in the consolidation of volume purchasing to achieve lower costs, reduction of duplications, enhanced relationships with suppliers and increased skill levels of purchasing personnel.

During the year, there was an increasing trend of ABM theft/fraud across the banking industry and we were not immune. We have been pro-active in making the ABM locations safer for our customers, and implementing new security measures to protect our ABMs from theft/fraud, such as the **"Protect Your PIN"** communication campaign that we promoted to ABM users.

NCB Managers in performance during team building exercise at Retail Banking Conference/Retreat

Empowering Our People

At NCB we believe that a well trained and developed workforce is the key to a sustainable competitive advantage and we are committed to channeling our resources into those initiatives that support employee professional development and expertise.

Learning and Development

This year we continued to build our employee capabilities incorporating futuristic, next generation practices as well as learning and development interventions aligned to the NCB Business Model. Having previously divided our areas of focus into four Schools of Learning, we again partnered with a renowned international consultant in the development of corporate universities to operationalize the Schools. Arising from that initiative, we changed our learning and development methodology to achieve alignment with the philosophy of the Schools of Learning; formed a Governing Council comprising external academic counsel and internal senior management as well as changed the name of the Staff Training Centre to the Corporate Learning Campus effective November 1, 2008 to reflect the change in scope and strategy.

Having previously gained registration as a tertiary institution, we submitted our Management Training Programme to the University Council of Jamaica for accreditation and subsequently received confirmation regarding acceptance of our submission.

Leadership and People Development

Within the NCB Institute of Leadership and Organizational Development, 33 employees completed their course of study and will graduate at the next scheduled commencement exercise. We will continue to infuse our leadership talent pool and develop our employees by enrolling new cohorts in the upcoming financial year. In addition, as a precursor to the launch of a new Branch Management Programme, we conducted a comprehensive programme review in order to ensure currency and relevancy of its content.

We remained relentless in our pursuit of innovation and utilized new technology to enhance our online training portal through the introduction of new features such as e-testing and a grade book facility which allowed our employees the opportunity to view the grades of all their completed courses at a glance. To increase the availability and reach of our learning and development efforts, we introduced our epresence feature which used video conferencing as a means of knowledge sharing. This increased the number of persons who were able to access learning initiatives while reducing the associated costs of classroom residential learning for a population spread over a wide geographic area.

Our endeavours also resulted in increased opportunities for our employees to access information for research and learning as over the financial year a total of 13,571 training hours were devoted to self initiated learning by our employees (an average of 5.3 hours per employee) using our online portal. This is up from 11,147 in the previous year and the number of training days afforded to each employee increased from four to five.

Effective succession planning is integral to a company's ability to sustain and regenerate and ensure continuity of its business strategies. During the year we mobilized our succession planning initiative in which each division identified the mission critical and senior positions within the unit and identified possible successors for the roles. Development plans were then put in place by each division to groom the identified successors over defined time periods. While there will be a period of review, we expect this activity to continue in the new financial year.

Management discussion & analysis cont'd
Empowering our people cont'd

Positive Employee Climate
Given our commitment to a positive employee climate, we conducted industrial relations (IR) competency builders and refresher programmes across our business. These initiatives were established to sharpen the industrial relationship management skills of our line managers to minimize employee grievances and breaches of the Organization's Disciplinary Policy while ensuring sound judgement in managing conflict. Eighteen such workshops were conducted across the business focusing on the knowledge, comprehension and appropriate application of the country's labour laws as well as NCB's internal disciplinary/grievance management system and related policies. These principles were reinforced during refresher courses initially taught through in-class sessions and eventually made accessible via video conferencing in the latter part of the financial year.

Having obtained the results of our inaugural Employee Engagement Survey, we sought in this year to prepare a corporate action plan to address the concerns identified by our employees. Each business unit was also mandated to analyze their results, facilitate discussions within the context of employee engagement and initiate action plans to improve the levels of engagement within their units. These initiatives will continue in the upcoming financial year.

Communication
In order to determine the appropriate human resource interventions, we continued to provide opportunities for our employees to share information, opinions and ideas firstly through our Bright Ideas Portal, an electronic suggestion box, in which our team members were able to route suggestions intended to enhance productivity and efficiency directly to the heads of the respective divisions; secondly via the Group Human Resources Discussion Board in which employees were able to pose questions and seek clarity on any and all HR issues of concern to them and thirdly via our NCBTV which will also be used to facilitate communication across the business.

Wellness and Recreation
We recognize that our initiatives to develop the talent and skills of our workforce must take into account the need to balance work and personal pursuits. We hosted four workplace education programmes which provided our employees with information regarding better life options and introduced events intended to promote fitness and engender camaraderie and team spirit. We continued our cancer screening initiative by offering information and opportunities for cancer screening and recruited a Medical Response Officer to assist in increasing awareness and prevention of lifestyle related illnesses across the business.

At NCB, empowerment is recognized as the nucleus which supports expertise, one of the pillars of our success. Whereas the development and nurturing of an environment of empowerment is the responsibility of us all, we will continue to leverage the expertise of our Group Human Resources function to lead the charge on our journey to becoming a world class institution.

Corporate social responsibility report

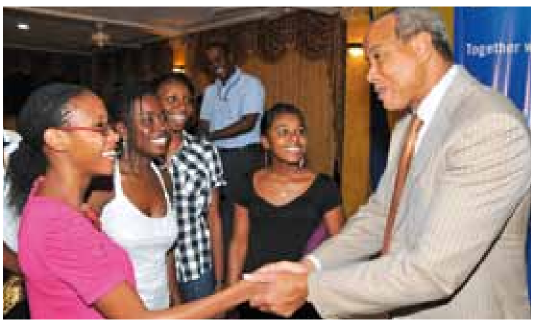
– **St. Vincent Strambi** Community IT Centre
– **Glenmuir High School's Library** Opening
– **Bustamante Children's Hospital** Christmas Treat
– **Denham Town** Renovation of the Community Park

Engaging in Nation Building

National Commercial Bank Jamaica Limited, strategically and fervently continues to undertake its role as a responsible corporate entity by systematically pursuing philantrophic activities through the N.C.B. Foundation. During the financial year under review, while we operated in an environment that was not without challenges, we remained committed to delivering on our promise of building a better Jamaica with specific emphasis on giving back to the communities in which we serve.

In line with its areas of focus, the N.C.B. Foundation strategically contributed to over **160 projects** aligned to **Education**, **Sports**, **Community Development**, **Youth Leadership** and **Entrepreneurship**, all with an overall objective of empowering, inspiring, engaging and building our youth.

Corporate social responsibility report cont'd



Empowering

During the 2009 financial year, the Foundation had the privilege once again to assist over 400 students in accomplishing their academic dreams. This year, an investment of $19 million was made in scholarships to students at the primary, secondary and tertiary levels. Students were awarded based on academic excellence, leadership qualities, and active participation in community initiatives. Encouragingly, our students continued to shine and displayed characteristics becoming of young individuals with a strong spirit of achieving excellence.

The Foundation also continued its CXC/CSEC Fee Sponsorship Programme for Principles of Business (POB) and Principles of Accounts (POA). Through the payment of $6 million, more than 2,000 students were able to sit their POB and POA examinations.

We at NCB believe that students are more receptive to learning when placed in a clean and structured environment. Therefore, some of our projects focused on improving the physical conditions of schools as well as providing school equipment that would help to hone the technical skills of students.

For the financial year, great emphasis was placed on empowering our youth through skills training. The Foundation donated over 100 computers to schools across the island giving approximately 50,000 students at the primary, secondary and tertiary levels access to computers. Over 40 schools islandwide benefited from equipment and infrastructral improvement valued over $2million.

Inspiring

At NCB, we encourage young people to be a vessel of change and to assist in the process of nation building. In so doing, we continued to support initiatives that inspired our youth to become agents of change within their communities and in their schools. These initiatives also focused on developing their leadership skills and encouraged the spirit of giving back.

One of N.C.B. Foundation's most celebrated projects this year was our 'Be the Change' initiative where celebrities and other Jamaican personalities joined the Foundation and made their pledges to lead the charge for change.

- **Brooks Level Basic School** Computer Donation
- **2009 Scholarship Recipients**
- **Post Telecomunications Department of Jamaica**
- **Abilities Foundation of Jamaica**

- **Mustard Seed**
- **Bull Bay All Age School** Infrastructural Project
- **NCB Staff Volunteers** Peace March and Rally
- **CXC/CSEC Alma Mater Programme** St. Jago High School

This initiative was aimed at inspiring our youth to make positive changes not only in their communities, but in their daily lives by embracing and living positive values. Incorporated in this initiative was a 'Be the Change' Graffiti Wall that impacted over 20,000 Jamaicans at selected events across the island. Patrons had the opportunity to sign the Graffiti Wall signifying their pledge in support of change. For every signature, the Foundation donated $100 up to a maximum of $50,000 towards a charity.

Seventeen (17) charitable organizations, including the Jamaica Special Olympics, SOS Children Village, The Sir John Golding Rehabilitation Centre, Jamaica Cancer Society, Jamaica Redevelopment Project, Mustard Seed Communities the Committee for the Upliftment of the Mentally Ill (CUMI), and the Buff Bay Hospital benefited from this initiative.

Young Jamaicans were also able to positively impact their community through the Foundation's YouTube Competition, which promoted youth activism and rewarded community service demonstrated by youth leaders across the island. We also continued our partnership with the 2009 Digicel Rising Stars and funded the top two projects namely the Brown Suga Scholarship Fund, initiated by Brown Suga the 2009 Digicel Rising Stars winner and the Whitehall Basic Expansion Project, spearheaded by the first runner-up, Princess Tia.

Engaging

As we continued to focus on empowering and inspiring our youth, the Foundation partnered with several projects that actively engaged our youth while developing their entrepreneurial and IT skills.

In an effort to engender an entrepreneurial spirit among our youth, the Foundation partnered with the Jamaica Manufacturers Association's (JMA) Nicola Gordon Rowe Entrepreneurial school competition. Secondary students between grades 10 to 13 were given the opportunity to submit business ideas that could be used to start a venture within their schools. Over 5,000 students across the island were exposed to this business competition.

As a result of the Foundation's contribution towards the upgrading of five IT Facilities, over 10,000 persons in communities islandwide benefited from the use of these facilities. IT facilities funded by the Foundation over the past year were Children First, located in Spanish Town, St. Vincent Strambi High School, located in Bull Savannah, Titchfield High School located in Port Antonio, and the Black River Primary School Computer and Resource Centre. Most notably, the Foundation partnered with the Beacons of Peace (BPA) programme and donated $2.5 million towards the establishment of a Youth Information Centre in Savanna-La-Mar. This

Corporate social responsibility report cont'd

- **MVP Track & Field Club /JAAA Sports** Partnership
- **Excelsior Primary School** Reading Day
- **The Newborn Special Care Unit** UHWI
- **Vineyard Town Golden Age** Retreat

Centre was designed to facilitate internet access, career and leadership empowerment workshops, H.E.A.R.T certified training in educational and entrepreneurial skills and providing homework assistance to students in the neighbouring communities.

This year, the Foundation incorporated sports development in its area of focus, with the aim of encouraging academic development of our youth through sports. The Foundation partnered with both the MVP Track & Field Club and the Jamaica Amateur Athletics Association (JAAA) by committing $6.5 million towards their development programmes. Both programmes also provided support for aspiring athletes at the high school and the tertiary levels. Particular emphasis was placed on nutritional needs, academic support, and leadership initiatives.

We also donated towards sports programmes in schools by assisting with sporting gear and equipment, as well as staging track meets at the primary school level. August Town Primary received sporting gear for its netball and football teams, while Green Island Primary and St. Catherine Primary received support to stage their track meets.

Building

Our focus also remained on building communities and we invested $5 million towards community development initiatives. The projects included transforming the Byndloss Early Childhood Educational Institution within the community of Linstead, as a Labour Day project and partnering with the United Way of Jamaica to assist with supplying six schools with fire safety equipment in the parish of Portland.

We also partnered with NCB Capital Markets LImited's Polo Tournament, which resulted in the Foundation donating to nine charities across the island including the Clifton Boys Home, SOS Children's Village, Garland Children's Home and the St. Patrick's Foundation.

Over the last financial year, employees took the opportunity to assist with building communities and lives through staff volunteerism initiatives. Over 2,500 students across the island were encouraged by the Bank's employees to sit their CXC/CSEC POA and POB examinations through the CXC/CSEC Alma Mater programme.

In addition, the Foundation's Grant a Wish programme also gave employees the opportunity to lift the spirits of persons in need. Families, youngsters and even the elderly benefited from this programme. Welfare needs were met which included the distribution groceries and medication. Persons also received appliances such as refrigerators and stoves. Scholarships were also granted to children through this programme.

N.C.B. Foundation Grant a Wish Programme. Mrs Athena Evans - Senior Marketing Officer made the presentation on behalf of the Bank.

- Titchfield High School Library & Computer Resource Centre
- Stella Maris Prep Computer Donation

Our staff also supported various national initiatives such as the National Peace March and Rally, Gracekennedy Education Run, and the Sigma Fund Run.

As good corporate citizens we have to create the change that will empower, inspire, engage and build a brighter future for our society. With this in mind, NCB continued its focus on developing and investing in the lives of our people. Over the last financial year, we embraced every moment of serving with compassion, enthusiasm and pride. We were able to strengthen existing relationships while fostering new ones in communities in which we serve.

NCB wholeheartedly thanks its employees for their unyielding support throughout the year in actively supporting our corporate social work. We also specially thank our customers for their continued loyalty to the NCB Family. As we look forward to yet another year of serving you, we will continue to create meaningful ways that will ensure that our nation's children are secure. Our national pride still burns bright and our hope remains strong, as "Together We Can Build a Better Jamaica".

Financial Contributions

Scholarships	**$19,000,000**
Youth Leadership & Entrepreneurship	**$10,000,000**
Community Development & Medical Assistance	**$ 5,000,000**
School Infrastructure and School Equipment	**$ 2,000,000**
Sport	**$ 7,000,000**
Total in projects and scholarships	**$43,000,000**

Risk Management

Overview

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

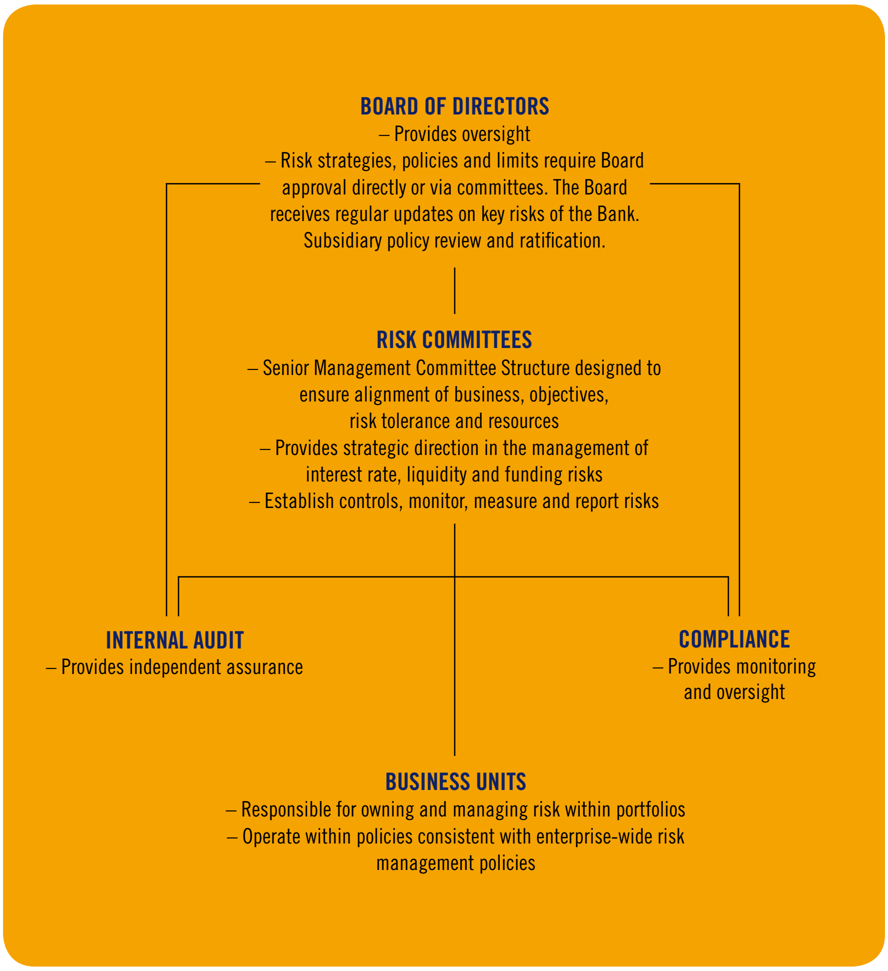
The Group's risk management framework guides its risk taking activities and ensures that it is in conformity with regulatory requirements, applicable laws, the Board's risk appetite, shareholders expectations and standards of best practice. The framework incorporates a comprehensive risk governance structure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

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

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

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

The Risk Committees provide a mechanism to bring together the many perspectives of our management team to discuss risk issues, monitor risk-taking activities and to evaluate specific transactions and exposures. All risk management committees are charged with monitoring the direction and trend or risks relative to business strategies, market conditions and other external factors.



Risk Governance Structure

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

a) administrative controls effected through the Board, relevant committees (The Audit Committee, The Credit Committee, The Asset and Liability Committee, The Risk Management Committee, The Investment Management Committee) and the establishment of policies, and
b) organizational controls effected through segregation of duties. These controls are reviewed on an ongoing basis to ensure that they provide effective governance of the Group's risk taking activities.

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

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

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

Policies & Procedures

Rigorous policies and operational procedures are established throughout the organization and are approved by the relevant management personnel 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.

Overview of Risks

Credit Risk

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

Market Risk

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

Operational Risk

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

Insurance Risk

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

Risk Management cont'd

individual risks to the issuer with the expectation of a return built into the insurance premiums earned.

Regulatory & Legal Risk

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

Reputational Risk

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

[*The various types of risk are further defined within the Risk Notes (46) of the Financial Statements.*]

Focus 2010

Macro-economic Outlook

It is expected that the local economy will continue to contract throughout FY2009/10 given the falloff in the mining and construction activity which are important industries in the goods producing sector. Importantly, the worsening fiscal situation is likely to see the Government implement even greater expenditure cuts in the face of declining revenues. There is likely to be a further increase in unemployment levels which could keep consumer spending depressed for some time. Efforts by central banks and Governments have helped the global economy avoid a protracted downturn and already there are signs of recovery in the major economies. However, unemployment levels in these economies remain elevated and as a result, inflows from remittances and tourism revenue are likely to remain subdued. The signing of an IMF agreement could have a positive impact in terms of improving confidence in the local economy, and facilitate the flow of some $US400-$500Mn from other multinational organizations which can be used for budgetary support. However, the conditionalities attached to such agreement when implemented could have adverse implications for stakeholders. There are some positives though as bauxite production is likely to increase albeit from significantly reduced levels, while the relatively stable currency and further declines in interest rates could provide some impetus for production. Rising commodity prices linked to the anticipated recovery in the global economy is likely to put upward pressure on prices. However, the pace of inflation is likely to be tempered by the slack in the economy given the decline in aggregate demand.

Business Focus for 2010

Despite the continuing challenges expected within the local and international financial markets, we are of the belief that we can continue to produce sustainable financial returns to our shareholders by continuously improving customer service, optimizing operational efficiency across the enterprise and aligning employee rewards and recognition with strategy. We expect to achieve our goals by maintaining our focus on meeting the needs of customers through ongoing innovation and by effectively collaborating across our business segments and functions. We will also remain flexible and strong enough to ensure that we are in a position to exploit any new business opportunities that arise.

N.C.B. FOUNDATION

www.ncbfoundation.org

National Commercial Bank Jamaica Limited

Financial Statements

30 September 2009

(expressed in Jamaican dollars unless otherwise indicated)

Directors' Report

The directors submit herewith the Consolidated Profit and Loss Account of National Commercial Bank Jamaica Limited and its subsidiaries for the year ended 30 September 2009, together with the Consolidated Balance Sheet as at that date:

Operating Results

	$'000
Gross operating revenue	45,130,831
Profit before taxation	13,133,635
Taxation	(2,885,450)
Net profit	10,248,185

Dividends

The following dividends were paid during the year:

- $0.40 per ordinary stock unit was paid in December 2008
- $0.28 per ordinary stock unit was paid in February 2009
- $0.10 per ordinary stock unit was paid in May 2009
- $0.10 per ordinary stock unit was paid in August 2009

Directors

The Board of Directors comprises:

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

Mrs. Jennifer Dewdney Kelly – The Company Secretary

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

Auditors

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

On behalf of the Board

Jennifer Dewdney Kelly
Secretary

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

Independent Auditors' Report

To the Members of
National Commercial Bank Jamaica Limited

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of National Commercial Bank Jamaica Limited and its subsidiaries ("the Group"), and the accompanying financial statements of National Commercial Bank Jamaica Limited ("the Bank") standing alone, set out on pages 65 to 176, which comprise the consolidated and the Bank balance sheets as of 30 September 2009 and the consolidated and the Bank profit and loss accounts, statements of changes in stockholders' equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

PRICEWATERHOUSECOOPERS

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

Independent Auditors' Report Cont'd

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as of 30 September 2009, and of the financial performance and cash flows of the Group and the Bank for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

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

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

PricewaterhouseCoopers

Chartered Accountants
5 November 2009
Kingston, Jamaica

National Commercial Bank Jamaica Limited

Consolidated Profit and Loss Account

Year ended 30 September 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	2008 $'000
Operating Income			
Interest income from loans		13,086,462	10,477,522
Interest income from securities		22,374,236	18,925,051
Total interest income		35,460,698	29,402,573
Interest expense		(16,580,724)	(13,576,269)
Net interest income		18,879,974	15,826,304
Fee and commission income	6	6,367,621	5,911,590
Fee and commission expense		(1,409,116)	(1,228,399)
Net fee and commission income		4,958,505	4,683,191
Gain on foreign currency and investment activities	7	2,654,504	3,566,692
Dividend income	8	95,923	72,883
Insurance premium income		371,778	398,754
Other operating income		180,307	172,234
		3,302,512	4,210,563
		27,140,991	24,720,058
Operating Expenses			
Staff costs	10	7,989,772	7,281,304
Provision for credit losses	23	1,027,634	468,287
Depreciation and amortisation		593,538	725,936
Impairment losses	11	-	1,229,610
Other operating expenses	9	4,358,321	4,371,013
	13	13,969,265	14,076,150
Operating Profit		13,171,726	10,643,908
Share of (loss)/profit of associate	25	(38,091)	164,101
Profit before Taxation	12	13,133,635	10,808,009
Taxation	14	(2,885,450)	(2,106,836)
NET PROFIT	15	10,248,185	8,701,173
Earnings per stock unit (expressed in $ per share)			
Basic and diluted	17	4.16	3.54

National Commercial Bank Jamaica Limited

Consolidated Balance Sheet

30 September 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	2008 $'000
ASSETS			
Cash and balances at Bank of Jamaica	18	24,668,011	15,442,828
Due from other banks	19	14,405,493	15,207,522
Derivative financial instruments	20	52,191	-
Investment securities at fair value through profit or loss	21	752,578	916,906
Reverse repurchase agreements	22	8,185,227	12,578,633
Loans and advances, net of provision for credit losses	23	88,178,270	82,169,396
Investment securities	24	166,966,379	153,654,776
Investments in associate	25	2,133,994	2,181,407
Investment property	26	13,000	13,000
Intangible asset – computer software	27	246,781	282,264
Property, plant and equipment	28	4,011,495	3,830,313
Retirement benefit asset	29	11,632	13,077
Deferred income tax assets	30	803,279	1,679,056
Income tax recoverable		1,705,001	1,157,799
Other assets	31	2,563,163	1,325,792
Customers' liability - letters of credit and undertaking		399,983	700,628
Total assets		315,096,477	291,153,397

National Commercial Bank Jamaica Limited

Consolidated Balance Sheet

30 September 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	2008 $'000
LIABILITIES			
Due to other banks	32	6,556,209	10,038,502
Customer deposits		130,331,351	126,099,896
Promissory notes and certificates of participation		194,492	4,626
Repurchase agreements		77,374,431	69,619,957
Obligations under securitisation arrangements	33	27,157,180	26,259,740
Derivative financial instruments	34	126,848	104,754
Other borrowed funds	35	7,815,552	5,522,891
Income tax payable		10,803	489,559
Deferred income tax liabilities	30	213,080	112,006
Policyholders' liabilities	36	19,114,764	16,533,984
Provision for litigation	37	28,506	39,000
Retirement benefit obligations	29	421,641	354,321
Other liabilities	38	4,335,691	3,960,871
Liability- letters of credit and undertaking		399,983	700,628
Total liabilities		274,080,531	259,840,735
STOCKHOLDERS' EQUITY			
Share capital	39	6,465,731	6,465,731
Shares held by NCB Employee Share Scheme	39	(3,388)	(3,388)
Fair value and other reserves	40	64,277	(1,556,733)
Loan loss reserve	41	744,159	697,061
Banking reserve fund	42	4,362,102	3,663,000
Retained earnings reserve	43	8,875,761	8,875,761
Retained earnings	16	20,507,304	13,171,230
Total stockholders' equity		41,015,946	31,312,662
Total equity and liabilities		315,096,477	291,153,397

Approved for issue by the Board of Directors on 5 November 2009 and signed on its behalf by:

Patrick Hylton — Group Managing Director

Donovan Lewis — Director

Sandra Glasgow — Director

Jennifer Dewdney Kelly — Secretary

National Commercial Bank Jamaica Limited

Consolidated Statement of Changes in Stockholders' Equity

Year ended 30 September 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Shares Held by Share Scheme	Fair Value and Other Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 September 2007	6,465,731	(3,867)	1,595,550	231,235	2,607,000	4,519,761	13,138,616	28,554,026
Currency translation differences	-	-	37,086	-	-	-	-	37,086
Unrealised losses on available-for-sale investments, net of taxes	-	-	(3,079,840)	-	-	-	-	(3,079,840)
Realised fair value gains on sale and maturity of available-for-sale securities	-	-	(355,791)	-	-	-	-	(355,791)
Impairment amount on available-for-sale securities from equity	-	-	235,912	-	-	-	-	235,912
Share of equity movement in associate	-	-	10,350	-	-	-	-	10,350
Net losses not recognised in Consolidated Profit and Loss Account	-	-	(3,152,283)	-	-	-	-	(3,152,283)
Net profit	-	-	-	-	-	-	8,701,173	8,701,173
Dividends paid	-	-	-	-	-	-	(2,806,790)	(2,806,790)
Sale of Treasury Shares	-	479	-	-	-	-	16,057	16,536
Transfer to Loan Loss Reserve	-	-	-	465,826	-	-	(465,826)	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	4,356,000	(4,356,000)	-
Transfer to Banking Reserve Fund	-	-	-	-	1,056,000	-	(1,056,000)	-
Balance at 30 September 2008	6,465,731	(3,388)	(1,556,733)	697,061	3,663,000	8,875,761	13,171,230	31,312,662
Currency translation differences	-	-	248,043	-	-	-	-	248,043
Unrealised gains on available-for-sale investments, net of taxes	-	-	1,672,152	-	-	-	-	1,672,152
Realised fair value gains on sale and maturity of available-for-sale	-	-	(299,156)	-	-	-	-	(299,156)
Impairment amount on available-for-sale securities from equity	-	-	(29)	-	-	-	-	(29)
Net gains not recognised in Consolidated Profit and Loss Account	-	-	1,621,010	-	-	-	-	1,621,010
Net profit	-	-	-	-	-	-	10,248,185	10,248,185
Dividends paid	-	-	-	-	-	-	(2,165,911)	(2,165,911)
Transfer to Loan Loss Reserve	-	-	-	47,098	-	-	(47,098)	-
Transfer to Banking Reserve Fund	-	-	-	-	699,102	-	(699,102)	-
Balance at 30 September 2009	6,465,731	(3,388)	64,277	744,159	4,362,102	8,875,761	20,507,304	41,015,946

National Commercial Bank Jamaica Limited

Consolidated Statement of Cash Flows

Year ended 30 September 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	2008 $'000
Cash Flows from Operating Activities			
Net cash provided by operating activities	44	23,752,838	8,801,336
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	28	(767,108)	(629,698)
Acquisition of intangible asset – computer software	27	(72,088)	(173,381)
Proceeds from disposal of property, plant and equipment		219,545	34,178
Dividends received from associate	25	9,322	27,965
Purchases of investment securities		(277,637,823)	(172,582,773)
Sales/maturities of investment securities		255,788,639	159,516,812
Net cash used in investing activities		(22,459,513)	(13,806,897)
Cash Flows from Financing Activities			
Repayments under securitisation arrangements		(4,830,126)	(964,907)
Proceeds from other borrowed funds		4,105,446	948,022
Repayments of other borrowed funds		(2,133,077)	(575,288)
Dividends paid		(2,165,911)	(2,806,790)
Net cash used in financing activities		(5,023,668)	(3,398,963)
Effect of exchange rate changes on cash and cash equivalents		3,334,274	(118,861)
Net decrease in cash and cash equivalents		(396,069)	(8,523,385)
Cash and cash equivalents at beginning of year		18,990,303	27,513,688
Cash and Cash Equivalents at End of Year		18,594,234	18,990,303
Comprising:			
Cash and balances at Bank of Jamaica	18	8,486,363	3,717,889
Due from other banks	19	14,405,493	15,207,522
Investment securities	24	2,258,587	10,103,394
Due to other banks	32	(6,556,209)	(10,038,502)
		18,594,234	18,990,303

National Commercial Bank Jamaica Limited

Profit and Loss Account

Year ended 30 September 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	2008 $'000
Operating Revenue			
Interest income from loans		13,048,085	10,453,794
Interest income from securities		10,460,143	10,033,974
Total interest income		23,508,228	20,487,768
Interest expense		(8,562,348)	(7,380,515)
Net interest income		14,945,880	13,107,253
Fee and commission income	6	5,460,325	5,201,035
Fee and commission expense		(1,385,674)	(1,217,891)
Net fee and commission income		4,074,651	3,983,144
Gain on foreign currency and investment activities	7	1,890,515	2,563,334
Dividend income	8	350,820	367,795
Other operating income		206,843	180,756
		2,448,178	3,111,885
		21,468,709	20,202,282
Operating Expenses			
Staff costs	10	7,021,261	6,189,402
Provision for credit losses	23	1,027,634	468,287
Depreciation and amortisation		532,370	661,122
Other operating expenses	9	3,912,848	3,860,871
	13	12,494,113	11,179,682
Profit before Taxation	12	8,974,596	9,022,600
Taxation	14	(1,983,548)	(1,981,957)
NET PROFIT		6,991,048	7,040,643

National Commercial Bank Jamaica Limited

Balance Sheet

30 September 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	2008 $'000
ASSETS			
Cash and balances at Bank of Jamaica	18	24,649,048	15,439,776
Due from other banks	19	13,673,852	14,697,655
Derivative financial instruments	20	52,191	-
Reverse repurchase agreements	22	808,271	1,232,648
Loans and advances, net of provision for credit losses	23	87,772,045	81,718,068
Investment securities	24	79,367,306	85,842,638
Investments in associate	25	471,534	471,534
Investments in subsidiaries		1,609,609	1,609,609
Intangible asset – computer software	27	120,715	151,260
Property, plant and equipment	28	3,972,689	3,780,286
Deferred income tax assets	30	529,175	1,059,940
Income tax recoverable		87,393	-
Other assets	31	1,411,030	1,143,545
Customers' liability - letters of credit and undertaking		399,983	700,628
Total assets		214,924,841	207,847,587

National Commercial Bank Jamaica Limited

Balance Sheet

30 September 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009	2008
		$'000	**$'000**
LIABILITIES			
Due to other banks	32	6,496,891	10,459,831
Customer deposits		129,308,470	123,784,672
Repurchase agreements		15,465,912	19,901,675
Obligations under securitisation arrangements	33	27,157,180	26,259,740
Derivative financial instruments	34	126,848	104,754
Other borrowed funds	35	6,316,826	2,330,328
Income tax payable		-	475,244
Provision for litigation	37	28,506	39,000
Retirement benefit obligations	29	421,641	354,321
Other liabilities	38	3,150,100	2,933,086
Liability- letters of credit and undertaking		399,983	700,628
Total liabilities		188,872,357	187,343,279
STOCKHOLDERS' EQUITY			
Share capital	39	6,465,731	6,465,731
Fair value and other reserves	40	(643,687)	(1,371,565)
Loan loss reserve	41	744,159	697,061
Banking reserve fund	42	4,362,102	3,663,000
Retained earnings reserve	43	8,875,761	8,875,761
Retained earnings		6,248,418	2,174,320
Total stockholders' equity		26,052,484	20,504,308
Total equity and liabilities		214,924,841	207,847,587

Approved for issue by the Board of Directors on 5 November 2009 and signed on its behalf by:

Patrick Hylton Group Managing Director

Donovan Lewis Director

Sandra Glasgow Director

Jennifer Dewdney Kelly Secretary

National Commercial Bank Jamaica Limited

Statement of Changes in Stockholders' Equity

Year ended 30 September 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Fair Value and Other Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 September 2007	6,465,731	338,556	231,235	2,607,000	4,519,761	3,823,613	17,985,896
Unrealised losses on available-for-sale investments, net of taxes	-	(1,586,715)	-	-	-	-	(1,586,715)
Realised fair value gains on sale and maturity of available-for-sale securities	-	(123,406)	-	-	-	-	(123,406)
Net losses not recognised in profit and loss account	-	(1,710,121)	-	-	-	-	(1,710,121)
Net profit	-	-	-	-	-	7,040,643	7,040,643
Dividends paid	-	-	-	-	-	(2,812,110)	(2,812,110)
Transfer to Loan Loss Reserve	-	-	465,826	-	-	(465,826)	-
Transfer to Banking Reserve Fund	-	-	-	1,056,000	-	(1,056,000)	-
Transfer to Retained Earnings Reserve	-	-	-	-	4,356,000	(4,356,000)	-
Balance at 30 September 2008	6,465,731	(1,371,565)	697,061	3,663,000	8,875,761	2,174,320	20,504,308
Unrealised gains available-for-sale investments, net of taxes	-	851,284	-	-	-	-	851,284
Realised fair value gains on sale and maturity of available-for-sale securities	-	(123,406)	-	-	-	-	(123,406)
Net gains recognised in profit and loss account	-	727,878	-	-	-	-	727,878
Net profit	-	-	-	-	-	6,991,048	6,991,048
Dividends paid	-	-	-	-	-	(2,170,750)	(2,170,750)
Transfer to Loan Loss Reserve	-	-	47,098	-	-	(47,098)	-
Transfer to Banking Reserve Fund	-	-	-	699,102	-	(699,102)	-
Balance at 30 September 2009	6,465,731	(643,687)	744,159	4,362,102	8,875,761	6,248,418	26,052,484

National Commercial Bank Jamaica Limited

Statement of Cash Flows

Year ended 30 September 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	2008 $'000
Cash Flows from Operating Activities			
Net cash provided by operating activities	44	2,227,848	277,284
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	28	(756,388)	(600,126)
Acquisition of intangible asset – computer software	27	(37,799)	(53,427)
Proceeds from disposal of property, plant and equipment		219,545	23,182
Investment in subsidiaries		-	(3,592)
Purchases of investment securities		(103,850,398)	(100,711,027)
Sales/maturities of investment securities		103,062,115	97,319,328
Net cash used in investing activities		(1,362,925)	(4,025,662)
Cash Flows from Financing Activities			
Repayments under securitisation arrangements		(4,830,126)	(964,907)
Proceeds from other borrowed funds		4,105,446	397,863
Repayments of other borrowed funds		(439,241)	(554,738)
Dividends paid		(2,170,750)	(2,812,110)
Net cash used in financing activities		(3,334,671)	(3,933,892)
Effect of exchange rate changes on cash and cash equivalents		3,265,832	(134,362)
Net increase/(decrease) in cash and cash equivalents		796,084	(7,816,632)
Cash and cash equivalents at beginning of year		16,301,151	24,117,783
Cash and Cash Equivalents at End of Year		17,097,235	16,301,151
Comprising:			
Cash and balances at Bank of Jamaica	18	8,467,400	3,714,837
Due from other banks	19	13,673,852	14,697,655
Investment securities	24	1,452,874	8,348,490
Due to other banks	32	(6,496,891)	(10,459,831)
		17,097,235	16,301,151

(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 57.09% (2008: 61.85%) 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, which together with the Bank are referred to as "the Group", are as follows:

	Principal Activities	Percentage Ownership by Group 30 September 2009	30 September 2008
Data-Cap Processing Limited	Security Services	100	100
Mutual Security Insurance Brokers Limited	Insurance Brokerage Services	100	100
NCB Capital Markets Limited	Primary Dealer and Stock Brokerage Services	100	100
NCB (Cayman) Limited	Commercial Banking	100	100
NCB Remittance Services (Cayman) Limited	Money Remittance Services	100	100
NCB Capital Markets (Cayman) Limited	Stock Brokerage Services	100	100
NCB Insurance Company Limited	Life Insurance, Investment and Pension Fund Management Services	100	100
N.C.B. (Investments) Limited	Money Market Trading	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

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

The Group's associates are as follows:

	Principal Activities	Percentage Ownership by Group 30 September 2009	30 September 2008
Kingston Wharves Limited	Wharf Operations and Stevedoring	43.45	43.45
Dyoll Group Limited	Coffee cultivation and other activities	44.47	44.47

2. Significant Accounting Policies

(a) Basis of preparation

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

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

Amendments to published standards and interpretations adopted by the Group during the current year are as follows:

- IAS 39 (Amendment), Financial instruments: Recognition and measurement and IFRS 7 (Amendment), Financial instruments: Disclosures, allows the reclassification of certain non-derivative financial assets, (other than those designated at fair value through profit or loss by the entity upon initial recognition) previously classified as 'held for trading' or 'available for sale' to another category under limited circumstances. The amendments also require certain disclosures where a reclassification has been made. Any reclassification made on or after 1 November 2008 takes effect from the date of reclassification. However, any reclassification before 1 November 2008 can take effect from 1 July 2008 or a subsequent date. The amendments were applied as at 1 October 2008, and have resulted in the reclassification of some financial instruments from 'available-for-sale' and 'held-for-trading' to 'loans and receivables'. The impact on the financial results and the financial position of the Group and the Bank and the required disclosures in accordance with IFRS 7 in respect of these investments are set out in Note 24.

- IFRIC 13 Customer Loyalty Programmes: clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The amendment does not have a material impact on the Group's or Bank's financial statements.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

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

- **IAS 1 (Revised) Presentation of Financial Statements** (effective for annual periods beginning on or after 1 January 2009). The main objective in revising IAS 1 was to aggregate information in the financial statements on the basis of shared characteristics. IAS 1 will affect the presentation of owner changes in equity and of comprehensive income. It will not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. IAS 1 (Revised) will require an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income will not be permitted to be presented in the statement of changes in equity. Management is currently assessing the impact of these changes.

- **IAS 19 (Amendment), 'Employee benefits'** (effective for annual periods beginning on or after 1 January 2009) - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

  - IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

  The Group will apply the IAS 19 (Amendment) from 1 October 2009.

- **IAS 23 (Amendment), Borrowing costs** (effective for annual periods beginning on or after 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 October 2009 but is currently not applicable to the Group as there are no qualifying assets.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- **IAS 27 (Revised) Consolidated and separate financial statements** (effective for annual periods beginning on or after 1 July 2009) requires that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity instead of through the profit and loss account.

  This revision also requires where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied. The amendment will not have an impact on the Group's operations because it is the Group's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity.

- **IAS 28 (Amendment), Investments in associates** (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective for annual periods beginning on or after 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses from 1 October 2009.

- **IAS 36 (Amendment), Impairment of assets** (effective for annual periods beginning on or after 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 October 2009.

- **IFRS 3 (Revised), Business Combinations** (effective for annual periods beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 October 2009.

- **IFRS 8, Operating Segments** (effective for annual periods beginning on or after 1 January 2009).
  IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- There are a number of minor amendments to IFRS 7 - Financial instruments: Disclosures; IAS 8 - Accounting policies, changes in accounting estimates and errors; IAS 10 - Events after the reporting period; IAS 18 - Revenue and IAS 34 - Interim financial reporting. These amendments are unlikely to have any material impact on the Group's accounts and have therefore not been analysed in detail.

(b) Consolidation

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

(i) Subsidiaries

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

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

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

(ii) Associates

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

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

2. Significant Accounting Policies (Continued)

(b) Consolidation (continued)

(ii) Associates (continued)

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

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the profit and loss account (applicable for trading securities), or within stockholders' equity if non-monetary financial assets are classified as available-for-sale.

2. Significant Accounting Policies (Continued)

(d) Foreign currency translation (continued)

(iii) Group companies

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

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

(d) Revenue recognition

(i) Interest income and expense

Interest income and expense are recognised in the profit and loss account for all interest-bearing instruments on an accrual basis using the effective interest method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount on treasury bills and other discounted instruments.

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

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

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on the cash basis. IFRS require that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

(ii) Fee and commission income

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

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2. Significant Accounting Policies (Continued)

(e) Revenue recognition (continued)

(iii) Dividend income

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

(f) Income taxes

Taxation expense in the profit and loss account 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 balance sheet date.

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

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

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

Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited to equity, in which case, deferred tax is also dealt with in equity.

2. Significant Accounting Policies (Continued)

(g) Investments

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

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

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

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

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.

2. Significant Accounting Policies (Continued)

(g) Investments (continued)

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

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

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

(h) Repurchase and reverse repurchase transactions

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

(i) Derivative financial instruments

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

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

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

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

2. Significant Accounting Policies (Continued)

(j) Loans and advances and provisions for credit losses

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

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

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

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

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

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

(k) Cash and cash equivalents

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

(l) Investment property

Investment property is held for long-term rental yields and is not occupied by the Group. Investment property is treated as a long-term investment and is carried at fair value, as determined annually by the directors. Changes in fair values are recorded in the profit and loss account.

2. Significant Accounting Policies (Continued)

(m) Property, plant and equipment

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

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

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

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

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

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

2. Significant Accounting Policies (Continued)

(n) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition and the fair value of the Group's share of the net identifiable assets of the acquiree. Goodwill on acquisition of associates is included in investments in associates. Goodwill is assessed annually for impairment.

(ii) Computer Software

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

(o) Leases

(i) As Lessee

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

(ii) As Lessor

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

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

Classification

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

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

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

2. Significant Accounting Policies (Continued)

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

Recognition and measurement

(i) Insurance contracts

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

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

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 profit and loss account to reflect the valuation determined under the Policy Premium Method.

(ii) Investment contracts

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

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

(q) Reinsurance contracts held

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

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

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

(s) Borrowings

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

2. Significant Accounting Policies (Continued)

(t) Provisions

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

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

(u) Employee benefits

(i) Pension plans

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

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

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains/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 profit and loss account over the employees' expected average remaining working lives. Past-service costs are recognised immediately in administrative expenses, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period), in this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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

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

2. Significant Accounting Policies (Continued)

(u) Employee benefits (continued)

(ii) Other post-employment obligations

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

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

Where the Bank is the primary obligor under acceptances, guarantees, indemnities and letters of credit and undertakings the amounts are reported as a liability on the balance sheet. 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 is not the primary obligor, the amounts are disclosed in Note 54.

(w) Share capital

(i) Share issue cost

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

(ii) Dividends on ordinary shares

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

(iii) Treasury shares

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

(x) Fiduciary activities

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

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

(b) Key sources of estimation uncertainty

(i) Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Impairment losses on loans and advances

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

(iii) Estimates of future benefit payments and premiums from long term insurance contracts

The determination of the liabilities under long-term insurance contracts represents the liability for future benefits payable by the Group based on contracts for the life assurance business in force at the balance sheet date 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.

4. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors of the insurance subsidiary pursuant to the Insurance Act appoints the Actuary. His responsibility is to carry out an annual valuation of the Group's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. In performing the valuation using the Policy Premium Method, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Group and the insurance policies in force.

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

5. Segment Reporting

The Group is organised into the following business segments:

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

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

(c) Treasury – This incorporates the Bank's liquidity and investment management function, management of correspondent bank relationships, and relationships with other financial institutions as well as foreign currency trading services.

(d) Wealth management – This incorporates stock brokerage, securities trading, investment management, pension fund management and trustee services.

(e) Insurance – This incorporates life insurance and insurance brokerage services.

Other operations of the Group include data processing, money remittance services and registrar and transfer agent services.

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

5. Segment Reporting (Continued)

Year ended 30 September 2009	Banking Retail $'000	Banking Corporate $'000	Banking Treasury $'000	Wealth Management $'000	Insurance $'000	Other $'000	Eliminations $'000	Consolidated $'000
External operating revenue	12,777,742	6,019,104	12,390,525	9,773,403	4,013,328	156,729	-	45,130,831
Operating revenue from other segments	7,847,350	1,994	2,647,489	159,037	480,143	33,713	(11,169,726)	-
Operating revenue	20,625,092	6,021,098	15,038,014	9,932,440	4,493,471	190,442	(11,169,726)	45,130,831
Segment result	3,431,230	2,473,309	3,799,487	2,486,490	1,821,331	61,265	(284,005)	13,789,107
Unallocated corporate expenses								(617,381)
Operating profit								13,171,726
Share of losses of associate								(38,091)
Profit before tax								13,133,635
Taxation expense								(2,885,450)
Net profit								10,248,185
Segment assets	126,127,233	53,645,299	136,131,956	75,315,854	22,907,269	415,536	(105,713,209)	308,829,938
Associate								2,133,994
Unallocated assets								4,132,545
Total assets								315,096,477
Segment liabilities	113,290,509	46,658,771	129,447,521	66,967,509	19,267,146	68,720	(103,716,032)	271,984,144
Unallocated liabilities								2,096,387
Total liabilities								274,080,531
Capital expenditure	702,600	18,425	1,450	46,137	56,864	13,720	-	839,196
Depreciation and amortisation	470,351	13,521	8,658	35,884	58,974	6,150	-	593,538

5. Segment Reporting (Continued)

Year ended 30 September 2008	Banking							
	Retail $'000	Corporate $'000	Treasury $'000	Wealth Management $'000	Insurance $'000	Other $'000	Eliminations $'000	Consolidated $'000
External operating revenue	11,046,344	4,609,532	13,179,765	7,778,592	2,795,834	114,659	-	39,524,726
Operating revenue from other segments	7,013,474	-	1,450,661	64,139	183,939	21,113	(8,733,326)	-
Operating revenue	18,059,818	4,609,532	14,630,426	7,842,731	2,979,773	135,772	(8,733,326)	39,524,726
Segment result	3,468,587	2,057,044	4,321,789	855,179	765,692	45,059	157,489	11,670,839
Unallocated corporate expenses								(1,026,931)
Operating profit								10,643,908
Share of profits of associate								164,101
Profit before tax								10,808,009
Taxation expense								(2,106,836)
Net profit								8,701,173
Segment assets	121,020,293	49,353,023	136,915,964	65,439,706	18,766,642	396,401	(106,772,395)	285,119,534
Associate								2,181,407
Unallocated assets								3,852,456
Total assets								291,153,397
Segment liabilities	112,185,742	43,926,040	130,957,720	58,769,476	16,664,357	84,855	(104,113,040)	258,476,050
Unallocated liabilities								1,364,685
Total liabilities								259,840,735
Impairment loss	-	-	-	1,229,610	-	-	-	1,229,610
Capital expenditure	540,450	9,666	5,205	61,201	170,265	16,292	-	803,079
Depreciation and amortisation	573,864	14,199	10,404	48,188	71,765	7,516	-	725,936

6. Fee and Commission Income

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Retail banking fees	1,045,980	1,409,972	1,106,665	1,386,241
Credit related fees	3,926,421	3,640,972	3,926,420	3,640,972
Other fees	1,395,220	860,646	427,240	173,822
	6,367,621	5,911,590	5,460,325	5,201,035

7. Gain on Foreign Currency and Investment Activities

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Foreign exchange translation and trading	2,322,952	1,466,650	1,736,581	1,245,850
Fixed income – trading securities	(19,251)	23,211	-	-
Fixed income – available-for-sale securities	414,731	466,897	153,934	258,692
Equities – trading securities	(61,103)	93,674	-	-
Equities – available-for-sale securities	(2,825)	1,516,260	-	1,058,792
	2,654,504	3,566,692	1,890,515	2,563,334

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

8. Dividend Income

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trading securities	7,107	7,984	-	-
Available-for-sale securities	88,816	64,899	41,700	44,243
Subsidiary company	-	-	301,904	301,904
Associated company	-	-	7,216	21,648
	95,923	72,883	350,820	367,795

9. Other Operating Expenses

Insurance claims for the Group of $120,019,000 (2008 - $84,060,000) are included as part of other operating expenses for the insurance subsidiary

10. Staff Costs

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Wages and salaries	5,200,594	4,568,996	4,557,414	3,859,200
Statutory contributions	612,874	560,792	551,373	484,188
Pension costs – defined contribution plans	206,177	172,968	179,496	148,513
Pension costs – defined benefit plans (Note 29)	2,122	(801)	-	-
Other post employment benefits (Note 29)	68,074	77,475	68,074	77,475
Allowances and benefits	937,138	908,131	803,560	832,571
Staff profit share	925,430	864,788	825,542	684,854
Termination benefits	37,363	128,955	35,802	102,601
	7,989,772	7,281,304	7,021,261	6,189,402

11. Impairment Losses

The Group has recognised impairment losses as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Securities pledged with Lehman Brothers Group	-	1,229,610	-	-

Securities pledged with Lehman Brothers Group

In prior year, in the normal course of business, one of the Bank's subsidiaries, NCB Capital Markets Limited, entered into Master Repurchase arrangements with members of the Lehman Brothers Group (Lehman). Under these arrangements, Government of Jamaica bonds were pledged as security for the liability of US$27,835,000 to Lehman. These bonds had a market value of US$40,690,000 as at 30 September 2008. Given the insolvency proceedings that have been initiated with respect to Lehman, full recovery of the excess of the market value of assets held over the liability is considered doubtful and accordingly a full provision for this amount was made in the prior year financial statements.

12. Profit before Taxation

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

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Directors' emoluments -				
Fees	16,698	10,309	9,581	5,800
Management remuneration	125,878	114,842	125,878	114,842
Auditors' remuneration -				
Current year	27,494	23,950	14,245	12,950
Prior year	5,802	362	-	-
(Gains)/losses on disposal of property, plant and equipment	(119,584)	(735)	(119,584)	93
Operating lease rentals	112,571	113,491	102,475	106,588

13. Expenses by Nature

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Staff costs (Note 10)	7,989,772	7,281,304	7,021,261	6,189,402
Depreciation and amortisation	593,538	725,936	532,370	661,122
Impairment losses (Note 11)	-	1,229,610	-	-
Provision for credit losses	1,027,634	468,287	1,027,634	468,287
Licensing and processing fees	711,029	647,600	660,851	590,012
Irrecoverable general consumption tax	366,458	321,400	324,146	281,330
Property, maintenance and utilities	1,308,348	1,317,689	1,236,558	1,233,079
Insurance	279,495	246,312	300,501	237,255
Communication, courier and transportation	488,697	482,584	460,060	448,411
Stationery	109,403	110,764	95,583	94,777
Marketing, advertising and donations	415,617	376,005	342,026	288,030
Technical, consultancy and professional fees	276,620	317,581	134,781	169,923
Other	402,654	551,078	358,342	518,054
	13,969,265	14,076,150	12,494,113	11,179,682

14. Taxation

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Current:				
Income tax at 33 1/3%	1,881,608	2,165,730	1,609,847	2,113,116
Premium tax at 3%	100,743	65,039	-	-
Investment income tax at 15%	205,010	81,252	-	-
Deferred income tax (Note 30)	698,089	(205,185)	373,701	(131,159)
	2,885,450	2,106,836	1,983,548	1,981,957

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

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Profit before tax	13,133,635	10,808,009	8,974,596	9,022,600
Tax calculated at a tax rate of 33 1/3%	4,377,878	3,602,670	2,991,532	3,007,533
Income not subject to tax or in respect of which tax has been remitted	(1,244,399)	(1,342,496)	(1,010,773)	(1,032,837)
Expenses not deductible for tax purposes	46,561	7,172	45,969	6,561
Effect of different tax regime applicable to life insurance subsidiary	(287,437)	(30,686)	-	-
Effect of share of associates' profit included net of tax	-	(54,700)	-	-
Losses in associate, not deductible	12,697	-	-	-
Prior year (over)/under provision	(49,653)	13,810	(43,180)	(350)
Other	29,803	(88,934)	-	1,050
Taxation expense	2,885,450	2,106,836	1,983,548	1,981,957

15. Net Profit

	2009	2008
	$'000	$'000
Dealt with in the financial statements of:		
The Bank	6,991,048	7,040,643
Subsidiaries	3,304,550	1,524,394
Associates	(47,413)	136,136
	10,248,185	8,701,173

16. Retained Earnings

	2009	2008
	$'000	$'000
Reflected in the financial statements of:		
The Bank	6,248,418	2,174,320
Subsidiaries	13,688,513	10,379,124
Associates	570,373	617,786
	20,507,304	13,171,230

17. 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.

	2009	2008
Net profit attributable to stockholders ($'000)	10,248,185	8,701,173
Weighted average number of ordinary stock units in issue ('000)	2,460,800	2,460,800
Basic and diluted earnings per stock unit ($)	4.16	3.54

18. Cash and Balances at Bank of Jamaica

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Cash in hand and at bank	2,474,885	2,635,911	2,474,885	2,635,911
Balances with the Bank of Jamaica other than statutory reserves	6,011,478	1,081,978	5,992,515	1,078,926
Included in cash and cash equivalents	8,486,363	3,717,889	8,467,400	3,714,837
Statutory reserves with the Bank of Jamaica – interest-bearing	5,567,639	4,819,272	5,567,639	4,819,272
Statutory reserves with the Bank of Jamaica – non-interest-bearing	10,613,846	6,905,638	10,613,846	6,905,638
	24,667,848	15,442,799	24,648,885	15,439,747
Interest receivable	163	29	163	29
	24,668,011	15,442,828	24,649,048	15,439,776

Statutory reserves with the Bank of Jamaica represent the required ratio of 14% (2008 – 9%) of prescribed liabilities. They are not available for investment, lending or other use by the Group.

19. Due from Other Banks

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Items in course of collection from other banks	551,139	799,397	551,139	799,397
Placements with other banks	13,853,895	14,387,839	13,122,662	13,892,640
	14,405,034	15,187,236	13,673,801	14,692,037
Interest receivable	459	20,286	51	5,618
	14,405,493	15,207,522	13,673,852	14,697,655

20. Derivative Financial Instruments

Derivatives are carried at fair value and carried in the balance sheet 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 counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group was to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis.

Foreign exchange currency forwards represent commitments to buy and sell foreign currencies on a gross basis at future dates at specified prices. The credit risk is evaluated for each contract and is collateralised where deemed necessary. The currency forward contracts are settled on a gross basis.

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

21. Investment Securities at Fair Value through Profit or Loss

	The Group	
	2009	**2008**
	$'000	**$'000**
Quoted equity securities	179,026	291,204
Government of Jamaica debt securities	387,351	447,197
Corporate bonds	171,021	160,255
	737,398	898,656
Interest receivable	15,180	18,250
	752,578	916,906

22. Reverse Repurchase Agreements

The Group and the Bank enter into collateralised reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Included within reverse repurchase agreements is related accrued interest receivable for the Group and the Bank of $763,451,000 (2008 - $599,773,000) and $5,760,000 (2008 - $5,002,000), respectively.

At 30 September 2009, the Group and the Bank held $8,342,991,000 (2008 - $12,554,100,000) and $888,654,000 (2008 - $1,349,841,000), respectively of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

23. Loans and Advances

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Gross loans and advances	89,859,232	83,815,521	89,454,007	83,380,296
Provision for credit losses	(2,706,554)	(2,295,673)	(2,701,854)	(2,291,534)
	87,152,678	81,519,848	86,752,153	81,088,762
Interest receivable	1,025,592	649,548	1,019,892	629,306
	88,178,270	82,169,396	87,772,045	81,718,068

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

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of year	2,295,673	1,997,288	2,291,534	1,993,580
Provided during the year	1,917,155	1,131,233	1,917,155	1,131,233
Recoveries	(889,521)	(662,946)	(889,521)	(662,946)
Net charge to profit	1,027,634	468,287	1,027,634	468,287
Write-offs	(616,753)	(169,902)	(617,314)	(170,333)
Balance at end of year	2,706,554	2,295,673	2,701,854	2,291,534

The aggregate amount of non-performing loans on which interest was not being accrued amounted to $2,343,292,000 as at 30 September 2009 (2008 - $1,957,623,000).

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

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Specific provision	2,624,746	2,182,574	2,620,046	2,178,435
General provision	825,967	810,160	825,967	810,160
	3,450,713	2,992,734	3,446,013	2,988,595
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 41)	744,159	697,061	744,159	697,061

24. Investment Securities

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Available-for-sale securities – at fair value				
Debt securities –				
Government of Jamaica	96,314,308	134,666,796	40,862,557	73,212,161
Foreign governments	565,697	153,843	-	153,843
Corporate	1,276,837	11,963,280	-	7,227,675
Other	1,052,965	1,973,682	1,045,941	1,963,283
Equity securities -				
Quoted	864,922	1,360,979	475,996	499,251
Unquoted	47,498	39,999	18,255	18,255
	100,122,227	150,158,579	42,402,749	83,074,468
Loans and receivables – at amortised cost				
Debt securities -				
Government of Jamaica	43,855,331	-	25,682,067	-
Corporate	17,168,111	-	8,238,041	-
	61,023,442	-	33,920,108	-
Interest receivable	5,820,710	4,489,895	3,044,449	2,768,170
	166,966,379	154,648,474	79,367,306	85,842,638
Less provision for impairment of securities pledged with Lehman Group (Note 11)	-	(993,698)	-	-
Total	166,966,379	153,654,776	79,367,306	85,842,638

Impairment loss recognised represents:

Provision for impairment	-	993,698	-	-
Impairment amount recycled from equity	-	235,912	-	-
	-	1,229,610	-	-

The Bank of Jamaica holds as security, Government of Jamaica Local Registered Stocks and Certificates of Securities held with a face value of $1,700,000,000 (2008 - $1,700,000,000) for the Group and $1,500,000,000 (2008 - $1,500,000,000) for the Bank against possible shortfalls in the operating account.

24. Investment Securities (Continued)

The Financial Services Commission holds as security, Government of Jamaica Local Registered Stocks with a face value of $90,000,000 (2008 - $90,000,000) for the life insurance subsidiary, in accordance with Section 8(1)(B) of the Insurance Regulations 2001.

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	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Debt securities with an original maturity of less than 90 days	2,258,587	10,103,394	1,452,874	8,348,490

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

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

	The Group		The Bank	
	2008		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$'000	$'000	$'000	$'000
Securities:				
Government of Jamaica Global Bonds	58,869,661	56,885,363	29,386,507	27,734,181

(a) Fair value losses of $2,661,624,000 were recognised in equity in relation to the above investments reclassified during the year, using the fair value as at 30 September 2008.

(b) Fair value losses of $7,427,482,000, for the Group and $5,233,979,000 for the Bank would have been included in equity at the end of the year had the investments not been reclassified. This amount was estimated on the basis of the mid-price of the securities as at 30 September 2009. Management does not believe that this price is necessarily indicative of the amount that the securities would have been valued if an active market for the securities actually existed at that date.

(c) The weighted average effective interest rate of the investments at the date of reclassification was 8.30%. The undiscounted cash flows to be recovered from the investment reclassified for the Group and the Bank are $99,020,192,000 and $56,273,188,000, respectively.

(d) Interest income on said reclassified securities for the Group and the Bank amounted to $5,397,519,000 and $3,171,286,000, respectively.

(e) Foreign exchange gain on said reclassified assets for the Group and the Bank amounted to $10,721,014,000 and $6,408,179,000, respectively.

24. Investment Securities (Continued)

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

	The Group			
	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000
Reclassified debt securities	104,134	4,484,827	14,676,555	61,415,722

	The Bank			
	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000
Reclassified debt securities	94,139	490,865	14,545,251	38,645,688

25. Investments in Associate

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
At the beginning of the year	2,181,407	2,034,921	471,534	471,534
Share of (loss)/profit	(38,091)	164,101	-	-
Dividends received	(9,322)	(27,965)	-	-
Other equity movements	-	10,350	-	-
At end of year	2,133,994	2,181,407	471,534	471,534

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

	Assets	Liabilities	Revenue	Net Profit/(Loss)
	$'000	$'000	$'000	$'000
2009				
Kingston Wharves Limited (30 June 2009)	12,234,812	4,994,774	2,649,452	(80,170)
Dyoll Group Limited (31 December 2007)	172,259	43,021	-	-
	12,407,071	5,037,795	2,649,452	(80,170)
2008				
Kingston Wharves Limited (30 June 2008)	9,101,952	4,019,923	2,924,292	371,541
Dyoll Group Limited (31 December 2007)	172,259	43,021	-	-
	9,274,211	4,062,944	2,924,292	371,541

	The Group			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2009	2009	2008	2008
	$'000	$'000	$'000	$'000
Kingston Wharves Limited	2,133,994	1,920,295	2,181,407	2,796,545
Dyoll Group Limited	-	-	-	-
	2,133,994	1,920,295	2,181,407	2,796,545

25. Investments in Associate (Continued)

	The Bank			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2009	2009	2008	2008
	$'000	$'000	$'000	$'000
Kingston Wharves Limited	471,534	1,486,525	471,534	2,164,843
Dyoll Group Limited	-	-	-	-
	471,534	1,486,525	471,534	2,164,843

26. Investment Property

	The Group	
	2009	2008
	$'000	$'000
Balance at beginning and end of year	13,000	13,000

The property is carried at Directors' valuation as at 30 September 2009.

27. Intangible Asset – Computer Software

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Net book value at beginning of year	282,264	294,304	151,260	248,582
Additions	72,088	173,381	37,799	53,427
Amortisation charge	(107,571)	(185,421)	(68,344)	(150,749)
Net book value at end of year	246,781	282,264	120,715	151,260

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Cost	2,102,730	2,035,171	1,797,351	1,759,552
Accumulated amortisation	(1,855,949)	(1,752,907)	(1,676,636)	(1,608,292)
Net book value	246,781	282,264	120,715	151,260

28. Property, Plant and Equipment

	The Group					
	Freehold Land and Buildings $'000	Leasehold Improvements $'000	Motor Vehicles, Furniture & Equipment $'000	Assets Capitalised Under Finance Leases $'000	Work-in-Progress $'000	Total $'000
Cost -						
At 1 October 2007	2,498,326	469,154	3,716,037	1,065,719	445,479	8,194,715
Additions	45,526	11,628	145,967	24,347	402,230	629,698
Disposals	(9,970)	(4,185)	(70,364)	(89,807)	(65)	(174,391)
Transfers	533,255	41,051	218,002	-	(792,308)	-
Reclassifications and adjustments	17,911	(17,594)	(16,537)	16,220	-	-
At 30 September 2008	3,085,048	500,054	3,993,105	1,016,479	55,336	8,650,022
Additions	49,910	1,151	57,692	75,178	583,177	767,108
Disposals	(80,599)	-	(52,190)	(81,063)	-	(213,852)
Transfers	391,250	7,932	152,982	39,079	(591,243)	-
Reclassifications and adjustments	432	1,725	(102,251)	100,094	-	-
At 30 September 2009	3,446,041	510,862	4,049,338	1,149,767	47,270	9,203,278
Accumulated Depreciation -						
At 1 October 2007	322,331	378,547	2,813,216	906,046	-	4,420,140
Charge for the year	47,673	34,841	388,111	69,890	-	540,515
Disposals	(1,234)	(3,108)	(59,622)	(76,983)	-	(140,947)
Reclassifications & adjustments	17,933	(17,676)	(5,290)	5,033	-	-
At 30 September 2008	386,703	392,604	3,136,415	903,986	-	4,819,708
Charge for the year	51,221	29,773	311,376	93,597	-	485,967
Disposals	(14,271)	-	(36,304)	(63,317)	-	(113,892)
Reclassifications and adjustments	295	861	(15,528)	14,372	-	-
At 30 September 2009	423,948	423,238	3,395,959	948,638	-	5,191,783
Net Book Value -						
30 September 2009	3,022,093	87,624	653,379	201,129	47,270	4,011,495
30 September 2008	2,698,345	107,450	856,689	112,493	55,336	3,830,313

28. Property, Plant and Equipment (Continued)

	The Bank					
	Freehold Land and Buildings $'000	Leasehold Improvements $'000	Motor Vehicles, Furniture & Equipment $'000	Assets Capitalised Under Finance Leases $'000	Work-in-Progress $'000	Total $'000
Cost -						
At 1 October 2007	2,498,326	394,828	3,626,628	1,067,853	442,346	8,029,981
Additions	45,526	4,311	123,710	24,347	402,232	600,126
Disposals	(9,970)	(4,185)	(48,662)	(89,807)	(64)	(152,688)
Transfers	533,255	41,051	218,002	-	(792,308)	-
Reclassifications and adjustments	17,911	(17,594)	(16,537)	16,220	-	-
At 30 September 2008	3,085,048	418,411	3,903,141	1,018,613	52,206	8,477,419
Additions	49,910	1,151	46,971	75,178	583,178	756,388
Disposals	(80,599)	-	(52,058)	(81,063)	-	(213,720)
Transfers	391,250	7,932	152,982	39,079	(591,243)	-
Reclassifications and adjustments	432	1,725	(102,251)	100,094	-	-
At 30 September 2009	3,446,041	429,219	3,948,785	1,151,901	44,141	9,020,087
Accumulated Depreciation -						
At 1 October 2007	322,331	331,978	2,755,817	906,046	-	4,316,172
Charge for the year	47,673	25,273	367,538	69,889	-	510,373
Disposals	(1,234)	(3,108)	(48,087)	(76,983)	-	(129,412)
Reclassifications and adjustments	17,933	(17,676)	(5,290)	5,033	-	-
At 30 September 2008	386,703	336,467	3,069,978	903,985	-	4,697,133
Charge for the year	51,221	27,320	291,887	93,598	-	464,026
Disposals	(14,271)	-	(36,172)	(63,318)	-	(113,761)
Reclassifications and adjustments	295	861	(15,528)	14,372	-	-
At 30 September 2009	423,948	364,648	3,310,165	948,637	-	5,047,398
Net Book Value -						
30 September 2009	3,022,093	64,571	638,620	203,264	44,141	3,972,689
30 September 2008	2,698,345	81,944	833,163	114,628	52,206	3,780,286

28. Property, Plant and Equipment (Continued)

Assets capitalised under finance leases comprise motor vehicles and computer equipment.

29. Retirement Benefits

(Assets)/liabilities recognised on the balance sheet are as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Pension schemes	(11,632)	(13,077)	-	-
Other retirement benefits	421,641	354,321	421,641	354,321

The amounts recognised in the profit and loss account are as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Pension schemes	2,122	(801)	-	-
Other retirement benefits	68,074	77,475	68,074	77,475

(a) Pension schemes

The Bank and its subsidiaries have established a number of pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. Defined benefit plans are valued by independent actuaries annually using the projected unit credit method. The latest actuarial valuations were carried out as at 30 June 2009.

The amounts recognised in the balance sheet are determined as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Present value of funded obligations	5,876,062	6,666,214	5,858,847	6,652,609
Fair value of plan assets	(14,285,671)	(14,885,186)	(14,257,355)	(14,856,910)
	(8,409,609)	(8,218,972)	(8,398,508)	(8,204,301)
Unrecognised actuarial gains	2,568,713	3,428,408	2,572,789	3,426,814
Limitation on asset due to uncertainty of obtaining economic benefits	5,829,264	4,777,487	5,825,719	4,777,487
Asset in the balance sheet	(11,632)	(13,077)	-	-

29. Retirement Benefits (Continued)

(a) Pension schemes (continued)

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

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Beginning of year	6,666,214	7,158,130	6,652,609	7,144,609
Current service cost	1,114	1,389	-	-
Interest cost	805,682	823,180	804,071	821,475
Actuarial gains	(657,400)	(717,104)	(662,943)	(715,502)
Benefits paid	(939,548)	(599,381)	(934,890)	(597,973)
End of year	5,876,062	6,666,214	5,858,847	6,652,609

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

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Beginning of year	14,885,186	12,145,202	14,856,910	12,119,779
Expected return on plan assets	1,729,693	1,184,893	1,726,736	1,182,079
Actuarial gains	(1,391,528)	2,152,742	(1,391,401)	2,153,025
Contributions received	1,868	1,730	-	-
Benefits paid	(939,548)	(599,381)	(934,890)	(597,973)
End of year	14,285,671	14,885,186	14,257,355	14,856,910

29. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in the profit and loss account are as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Current service cost	(77)	308	-	-
Interest cost	805,682	823,180	804,071	821,475
Expected return on plan assets	(1,729,693)	(1,184,893)	(1,726,736)	(1,182,079)
Net actuarial gains recognised	(125,567)	-	(125,567)	-
Change in limitation on asset	1,051,777	360,604	1,048,232	360,604
Total, included in staff costs (Note 10)	2,122	(801)	-	-

The actual return on plan assets was $338,165,000 (2008 – $3,337,635,000) and $335,335,000 (2008 – $3,335,104,000) for the Group and the Bank, respectively.

The principal actuarial assumptions used were as follows:

	The Group		The Bank	
	2009	2008	2009	2008
Discount rate	19.00%	13.00%	19.00%	13.00%
Expected return on plan assets	12.00%	10.00%	12.00%	10.00%
Future salary increases	14.00%	9.50%	14.00%	9.50%
Future pension increases	0 - 7.0%	0 - 3.5%	0 – 7.0%	0 – 3.5%

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

The life expectancy in years of a pensioner retiring at age 60 on the balance sheet date is as follows:

	The Group		The Bank	
	2009	2008	2009	2008
Male	21.33	21.33	21.33	21.33
Female	25.09	25.09	25.09	25.09

29. Retirement Benefits (Continued)

(b) Other retirement benefits

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

In addition to the assumptions used for pension schemes, the main actuarial assumption is a long-term increase in health costs of 14% per year (2008 – 10%).

The amounts recognised in the balance sheet are determined as follows:

	The Group and The Bank	
	2009	2008
	$'000	$'000
Present value of unfunded obligations	420,751	402,255
Unrecognised actuarial losses/(gains)	890	(47,934)
Liability in the balance sheet	421,641	354,321

Movement in the defined benefit obligation is as follows:

	The Group and The Bank	
	2009	2008
	$'000	$'000
Beginning of the year	402,255	424,233
Current service cost	14,543	17,335
Interest cost	53,031	54,340
Actuarial gains	(31,339)	(79,951)
Benefits paid	(17,739)	(13,702)
End of year	420,751	402,255

29. Retirement Benefits (Continued)

(b) Other retirement benefits (continued)

The amounts recognised in the profit and loss account are as follows:

	The Group and The Bank	
	2009	**2008**
	$'000	**$'000**
Current service cost	31,528	17,335
Interest cost	53,031	54,340
Actuarial gains recognised	500	5,800
Total, included in staff costs	85,059	77,475

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

	Increase	**Decrease**
Effect on the aggregate of the current service cost and interest cost	14,848	16,666
Effect on the defined benefit obligation	62,250	83,935

29. Retirement Benefits (Continued)

(c) Post-employment benefits (pension and other retirement)

Plan assets for the Bank comprised as follows:

	2009		2008	
	$'000	%	$'000	%
Equity	3,171,000	22.24%	5,070,503	34.13%
Debt	7,639,876	53.59%	6,337,664	42.66%
Other	3,446,479	24.17%	3,448,743	23.21%
	14,257,355	100.00%	14,856,910	100.00%

Pension plan assets include:

- Ordinary stock units of the Bank with a fair value of $943,243,000 (2008 - $1,684,669,000).
- Repurchase obligations, promissory notes and lease obligations of the Group aggregating $331,884,000 (2008 - $343,328,000).
- Properties occupied by the Group with a fair value of $404,950,000 (2008 - $362,000,000).

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

Expected contributions to post-employment benefit plans for the year ended 30 September 2009 are nil.

30. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 15% for the insurance subsidiary, and 33 1/3% for the Bank and all other subsidiaries except for the subsidiaries incorporated in Cayman Islands and the United Kingdom who operate under a zero tax regime and 21%, respectively.

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

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Net asset at beginning of year	(1,567,050)	(28,666)	(1,059,940)	(289,975)
Deferred tax income (Note 14)	698,089	(205,185)	373,701	(131,159)
Deferred tax charge/(credit) to stockholders' equity on available-for-sale investment securities	278,762	(1,333,199)	157,064	(638,806)
Net asset at end of year	(590,199)	(1,567,050)	(529,175)	(1,059,940)

(Assets)/liabilities recognised on the balance sheet are as follows:

Deferred tax assets	(803,279)	(1,679,056)	(529,175)	(1,059,940)
Deferred tax liabilities	213,080	112,006	-	-
Net assets	(590,199)	(1,567,050)	(529,175)	(1,059,940)

30. Deferred Income Taxes (Continued)

Deferred income tax assets and liabilities are due to the following items:

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Deferred income tax assets:				
Property, plant and equipment	23,094	59,291	14,737	50,580
Investment securities at fair value through profit or loss	28,183	19,326	-	-
Investment securities – available-for-sale	1,124,312	1,382,455	563,284	720,348
Loan loss provisions	27,269	37,700	27,269	37,700
Pensions and other post-retirement benefits	143,254	118,107	140,547	118,107
Interest payable	401,359	321,803	-	-
Interest rate swaps	24,886	34,918	24,886	34,918
Unrealised foreign exchange loss	-	57,091	-	57,091
Other temporary differences	74,595	223,327	51,992	41,196
	1,846,952	2,254,018	822,715	1,059,940
Deferred income tax liabilities:				
Property, plant and equipment	9,838	3,819	-	-
Investment securities at fair value through profit or loss	497	401	-	-
Investment securities – available-for-sale	20,121	-	-	-
Interest receivable	894,916	669,144	-	-
Unrealised foreign exchange gains	325,383	7,929	293,540	-
Other temporary differences	5,998	5,675	-	-
	1,256,753	686,968	293,540	-

The amounts shown in the balance sheet include the following:

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Deferred tax assets to be recovered after more than 12 months	(194,531)	(196,724)	(155,284)	(168,687)
Deferred tax liabilities to be settled after more than 12 months	5,998	5,675	-	-

Deferred income tax assets have not been recognised in respect of statutory losses of approximately $430,000 (2008: $94,612,000) incurred by certain subsidiaries as management has determined that it is not probable that future sustainable taxable profits will be available against which these subsidiaries will be able to utilise the benefits therefrom.

31. Other Assets

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Accounts receivable	2,296,648	1,155,401	1,171,890	978,647
Prepayments	266,515	170,391	239,140	164,898
	2,563,163	1,325,792	1,411,030	1,143,545

32. Due to Other Banks

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Items in course of payment	1,840,590	1,798,211	1,840,590	1,798,211
Deposits from other banks	4,702,032	8,161,051	4,642,714	8,582,380
	6,542,622	9,959,262	6,483,304	10,380,591
Interest payable	13,587	79,240	13,587	79,240
	6,556,209	10,038,502	6,496,891	10,459,831

33. Obligations under Securitisation Arrangements

	The Group and The Bank	
	2009	2008
	$'000	$'000
Credit card and cash advance		
Principal outstanding - US$196 million (2008 – US$225 million)	17,405,388	16,307,753
Diversified payment rights		
Principal outstanding - US$110 million (2008 – US$137 million)	9,744,770	9,897,119
	27,150,158	26,204,872
Unamortised transaction fees	(140,355)	(172,171)
	27,009,803	26,032,701
Interest payable	147,377	227,039
Net liability	27,157,180	26,259,740

Credit Card and Cash Advance

In 2001, the Bank entered into an arrangement for the sale of Future Accounts Receivable amounting to US$125,000,000 in respect of credit card and cash advance transactions in Jamaica between Visa International Service Association and Master Card International Incorporated and cardholders holding cards issued by banks outside of Jamaica (primarily in the U.S.A.). This took the form of variable funding certificates issued by Citibank N.A. through Citicorp administered commercial paper conduits. Payments under the arrangement were due quarterly commencing in October 2001 and ending October 2006. In September 2004, the arrangement was amended to extend the scheduled final payment date from October 2006 to October 2009 and to increase the facility limit to US$200,000,000. On 14 September 2006, the arrangement was further amended to extend the scheduled final payment date from October 2009 to October 2013. Additionally the facility limit was increased from US$200,000,000 to US$225,000,000. A final drawdown of US$92,500,000 was made in September 2006.

Interest is due and payable on a quarterly basis and calculated monthly based on one month LIBOR plus 250 basis points.

33. Obligations under Securitisation Arrangements (Continued)

	The Group and The Bank			
	Carrying Value 2009 $'000	Fair Value 2009 $'000	Carrying Value 2008 $'000	Fair Value 2008 $'000
Obligations under securitisation arrangements	27,157,180	27,297,535	26,259,740	26,431,911

Diversified Payment Rights

On 22 March 2006, the Bank raised US$100,000,000 in structured financing backed by the securitisation of Diversified Payment Rights arising under its existing and future US dollar Payment Advice and Payment Order (MT100 Series) and US dollar remittances.

Interest is due and payable on a quarterly basis calculated at three month US dollar LIBOR plus 230 basis points beginning 15 June 2006. Principal repayments are due quarterly commencing on 15 June 2008 and ending 15 March 2013.

On 20 July 2007, the Bank raised an additional US$50,000,000 in financing backed by the securitisation of its Diversified Payment Rights.

The transaction was structured with an interest only period of one year and thereafter principal amortisation on a straight line basis, beginning 15 June 2008 to final maturity on 15 June 2015. Interest is due and payable on a quarterly basis at a fixed rate of 7.435%.

34. Derivative Financial Instruments

	The Group and The Bank			
	Carrying Value 2009 $'000	Fair Value 2009 $'000	Carrying Value 2008 $'000	Fair Value 2008 $'000
Interest rate swaps	115,318	115,318	104,754	104,754
Foreign Exchange Forward Contracts (Note 20)	11,530	11,530	-	-
	126,848	126,848	104,754	104,754

Related to the obligations under securitisation arrangements (Note 33), the Bank entered into an interest rate swap agreement with Citibank N.A. effective June 2006. The bank pays 5.65% per annum fixed and receives three months US dollar LIBOR on a notional amount of US$75,000,000 every quarter commencing September 2006 and ending June 2011.

The fair value of the interest rate swap at 30 September 2009 is negative (US$1,298,000); (2008 - negative (US$1,445,000)).

35. Other Borrowed Funds

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
(a) Preference shares	1,077,381	1,077,381	-	-
(b) International Finance Corporation (IFC)	940,949	895,328	940,949	895,328
(c) Inter-American Development Bank	3,905,722	-	3,905,722	-
(d) Development Bank of Jamaica	947,511	891,508	947,511	891,508
(e) European Investment Bank	252,862	368,485	252,862	368,485
(f) Repurchase agreements/Margin accounts with brokers	375,299	2,073,244	-	-
(g) Finance lease obligations	249,657	156,962	249,657	156,962
	7,749,381	5,462,908	6,296,701	2,312,283
Unamortised transaction fees (IFC)	(18,103)	(20,092)	(18,103)	(20,092)
Interest payable	84,274	80,075	38,228	38,137
	7,815,552	5,522,891	6,316,826	2,330,328

(a) On 25 July 2006, 100,000,000 11.75% cumulative redeemable preference shares of $3 each in NCB Capital Markets Limited were offered to the public and fully subscribed. The shares are redeemable at par at the company's option but in any event no later than January 2010. The shares were subsequently listed on the Jamaica Stock Exchange on 22 September 2006.

In June 2007, the company executed a renounceable rights issue of 100,000,000 preference shares at a price of $3.10 per share. The preference shares were to existing shareholders on record at 18 June 2007, who had the right to accept the shares and/or renounce some or all of the shares provisionally allotted. The company retained the right to upsize the offer and did so on two occasions, offering an additional 200,000,000 preference shares to existing preference shareholders. When the offer closed on 17 August 2007, a total of 250,768,080 preference shares had been allotted. The 11.75% cumulative redeemable preference shares are redeemable at par at the company's option. Any arrears of dividends must be paid at the date of redemption.

(b) On 27 June 2005, the International Finance Corporation, the private sector arm of the World Bank Group, signed an agreement with the Bank for a US$30 million loan facility, repayable over 10 years in seventeen equal installments ending 15 June 2015. Interest on the facility approximates three month US dollar LIBOR plus 275 basis points. A drawdown of US$15 million was made on 22 September 2006. This long-term financing facility is being utilised by the Bank for general corporate purposes.

(c) In January 2009, the Inter-American Development Bank (IDB) through the Government of Jamaica established a revolving line of credit of US$300M under their Liquidity Programme for Growth and Sustainability. This facility is accessed through the Development Bank of Jamaica by Approved Financial intermediaries (AFIs) for on-lending to eligible sub-borrowers in the productive sector. Loans under this facility are priced at 6-month USD Libor plus 400bps (reset quarterly) with a maximum tenor of 36 months inclusive of a 2 year moratorium on principal repayments. At 30 September 2009 the Bank has drawn down US$43,950,000 under this facility.

35. Other Borrowed Funds (Continued)

(d) The loans from Development Bank of Jamaica are granted in both Jamaican dollar and US dollar currencies and are utilised by the Bank to finance customers with viable projects in agricultural, agro-industrial, manufacturing, mining and tourism sectors of the economy. The loans to customers are for terms up to 12 years and at rates of 10 – 13%.

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

(f) The Repurchase agreements/margin accounts represent borrowings which are fully collateralised by securities owned by a subsidiary. The borrowings, which attract interest rates of approximately 5.75% per annum, have no specified maturity date.

(g) The finance lease obligations are as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Minimum lease payments under finance leases:				
Not later than 1 year	139,532	93,474	139,532	93,474
Later than 1 year and not later than 5 years	175,753	96,673	175,753	96,673
	315,285	190,147	315,285	190,147
Future finance charges	(65,628)	(33,185)	(65,628)	(33,185)
Present value of finance lease obligations	249,657	156,962	249,657	156,962

The present value of finance lease obligations are as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Not later than 1 year	100,049	71,629	100,049	71,629
Later than 1 year and not later than 5 years	149,608	85,333	149,608	85,333
	249,657	156,962	249,657	156,962

36. Policyholders' Liabilities

	The Group	
	2009	2008
	$'000	$'000
(a) Composition of policyholders' liabilities:		
Life assurance fund	19,747,144	17,005,999
Insurance risk reserve	(675,676)	(516,608)
Benefits and claims payable	14,294	18,143
Unprocessed premiums	29,002	26,450
	19,114,764	16,533,984
(b) Change in policyholders' liabilities:		
Life assurance fund:		
At the beginning of the year	17,005,999	14,920,015
Gross premiums	3,873,568	3,076,411
Premium refunds	(24,914)	(12,195)
Mortality charges transferred to profit and loss account	(31,369)	(30,211)
Fees transferred to profit and loss account	(200,271)	(141,923)
Claims and benefits	(3,018,103)	(2,309,502)
Interest credited	2,142,234	1,503,404
At the end of the year	19,747,144	17,005,999

36. Policyholders' Liabilities (Continued)

	The Group	
	2009	2008
	$'000	$'000
Insurance risk reserve:		
At the beginning of the year	(516,608)	(439,335)
Effect of change in assumptions:		
Base renewal expense levels	204,669	-
Issue of new policies	110,497	9,266
Investment returns	(800,032)	(86,608)
Lapse and surrender rates	278,374	-
Mortality rates	(36,261)	-
Normal changes	83,685	69
At the end of the year	(675,676)	(516,608)
Benefits and claims payable:		
At the beginning of the year	18,143	11,433
Policyholders' claims and benefits	39,356	26,069
Benefits and claims paid	(43,205)	(19,359)
At the end of the year	14,294	18,143
Unprocessed premiums:		
At the beginning of the year	26,450	(4,511)
Premiums received	4,275,189	3,483,665
Premiums applied	(4,272,637)	(3,452,704)
At the end of the year	29,002	26,450

(expressed in Jamaican dollars unless otherwise indicated)

36. Policyholders' Liabilities (Continued)

Policy assumptions

For insurance contracts, the assumptions used to determine the liabilities are updated at each reporting date to reflect the latest best estimates. The assumptions used for valuing the insurance contracts disclosed in this note are as follows:

i. Mortality and morbidity

Mortality estimates are made as to the expected number of deaths for each of the years in which the Group's insurance subsidiary is exposed to risk. These assumptions are based on North American standard industry mortality tables adjusted to reflect recent local historical experience. Assumptions vary by sex, underwriting class and type of insurance contract. The main source of uncertainty is that epidemics such as AIDS and wide ranging lifestyle changes, such as in eating, smoking and exercise habits could result in future mortality being significantly worse than in the past for age groups in which the company has significant exposure to mortality risk. Conversely, improvements in longevity in excess of those allowed for in determining the liabilities could result in a lessening of future liabilities.

Morbidity relates to the frequency of illness, sickness and diseases contracted. The rate of recovery from such afflictions is derived from industry experience studies, adjusted where appropriate from the Group's insurance subsidiary own experience.

ii. Investment yields

The Group's insurance subsidiary matches assets and liabilities. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the Group's insurance subsidiary's investment policy to determine expected rates of return on these assets for all future years. Investment yields include expected future asset defaults. For the current valuation these are:

	Individual with Investment Options	Individual & Group Life	Annuities
Year 1	13.0%	12.6 - 13.0%	15.0 – 16.0%
Year 2 – 10	Decreasing to 9.6%	Decreasing to 9.2 - 9.6%	Decreasing to 12.0 - 16.0%
Year 11 – 15	Decreasing to 9.1%	Decreasing to 8.7 - 9.1%	12.0 - 16.0%
Year 16 onwards	9.0%	8.6 - 9.0%	12.0 - 16.0%

The main source of uncertainty is the fluctuation in the economy. Lower yields would result in higher reserves and reduced income.

iii. Persistency

Persistency assumptions are made in relation to the time since inception that a policy exists before it lapses or is surrendered. Lapses relate to termination of policies due to non-payment of premiums. Surrenders relate to voluntary termination of policies by the policyholders. Policy terminations are based on the Group's insurance subsidiary's own experience adjusted for expected future conditions. A statistical study of the past two years is performed in order to determine an appropriate persistency rate and best estimates of future rates are determined by examining any trends in the data. The main source of uncertainty derives from changes in policyholder behaviour as these relate to changes in economic conditions.

36. Policyholders' Liabilities (Continued)

Policy assumptions (continued)

iv. Renewal expenses and inflation

Policy maintenance expenses are derived from the Group's insurance subsidiary's own internal cost studies projected into the future with an allowance for inflation as shown below:

Year 1	6.6%
Year 2 – 10	Decreasing to 4.8%
Year 11 – 13	Decreasing to 4.2%
Year 15 onwards	4.2%

v. Taxation

It is assumed that current tax legislation and rates continue unaltered.

vi. Provisions for adverse deviations

The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the Appointed Actuary is required to include a margin in each assumption.

The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Appointed Actuary uses assumptions which are considered conservative, taking into account the risk profiles of the policies written.

37. Provision for Litigation

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
At beginning of year	39,000	36,000	39,000	36,000
Provided during the year	27,000	4,300	27,000	4,300
Utilised/reversed during the year	(37,494)	(1,300)	(37,494)	(1,300)
At end of year	28,506	39,000	28,506	39,000

38. Other Liabilities

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Accrued liabilities	2,230,975	2,630,229	1,702,228	1,751,806
Others	2,104,716	1,330,642	1,447,872	1,181,280
	4,335,691	3,960,871	3,150,100	2,933,086

39. Share Capital

	2009	2008
	$'000	$'000
Authorised		
5,750,000,000 (2008: 5,750,000,000) ordinary shares		
Issued and Fully Paid Up -		
2,466,762,828 ordinary stock units	6,465,731	6,465,731
5,293,916 (2008: 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

40. Fair Value and Other Reserves

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Fair value reserve – available-for-sale investments	(1,632,159)	(3,005,126)	(992,155)	(1,720,033)
Translation reserve	518,358	270,315	-	-
Capital reserve	308,118	308,118	348,468	348,468
Share of movement in reserves of associate	415,176	415,176	-	-
Other	454,784	454,784	-	-
	64,277	(1,556,733)	(643,687)	(1,371,565)

	The Group		The Bank	
Capital reserve comprises:				
Realised:				
Capital gains from the scheme of arrangement	-	-	300,564	300,564
Surplus on revaluation of property, plant and equipment	92,991	92,991	-	-
Retained earnings capitalised	98,167	98,167	-	-
Unrealised:				
Surplus on revaluation of property, plant and equipment	116,960	116,960	47,904	47,904
	308,118	308,118	348,468	348,468

41. 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 23).

42. 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.

43. Retained Earnings Reserve

Section 2 of the Banking Act 1992 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers.

The deposit liabilities of the Bank and other indebtedness for borrowed money together with all interest accrued should not exceed twenty-five times its capital base.

44. Cash Flows from Operating Activities

	Note	The Group		The Bank	
		2009	2008	2009	2008
		$'000	$'000	$'000	$'000
Net profit		10,248,185	8,701,173	6,991,048	7,040,643
Adjustments to reconcile net profit to cash flow provided by operating activities:					
Depreciation of property, plant and equipment	28	485,967	540,515	464,026	510,373
Amortisation of intangible asset	27	107,571	185,421	68,344	150,749
Impairment losses	11	-	1,229,610	-	-
Share of after tax losses/(profits) of associate	25	38,091	(164,101)	-	-
Provision for credit losses	23	1,027,634	468,287	1,027,634	468,287
Interest income		(35,460,698)	(29,402,573)	(23,508,228)	(20,487,768)
Interest expense		16,580,724	13,576,269	8,562,348	7,380,515
Income tax expense	14	2,885,450	2,106,836	1,983,548	1,981,957
Unrealised exchange loss on securitisation arrangements		5,775,414	831,431	5,775,414	831,431
Amortisation of upfront fees on securitisation arrangements		32,425	65,153	32,425	65,153
Unrealised exchange loss on other borrowed funds		323,200	142,009	323,200	142,009
Amortisation of upfront fees on other borrowed funds		6,290	6,041	6,290	6,041
Change in retirement benefit asset/obligation		67,320	62,322	67,320	63,772
Unrealised exchange gain on foreign currency denominated investments		(1,736,581)	(1,466,650)	(1,736,581)	(1,245,850)
(Gain)/loss on disposal of property, plant and equipment and intangible asset		(119,584)	(735)	(119,584)	93
Fair value (gains)/losses on derivative financial instruments		(30,097)	27,585	(30,097)	27,585
Changes in operating assets and liabilities:					
Statutory reserves at Bank of Jamaica		(4,456,575)	(1,410,654)	(4,456,575)	(1,410,654)
Reverse repurchase agreements		4,784,632	(818,136)	425,135	617,600
Loans and advances		(6,640,222)	(26,245,166)	(6,691,025)	(26,150,936)
Customer deposits		3,954,759	7,391,166	5,247,102	6,409,669
Repurchase agreements		7,771,279	18,841,734	(4,418,958)	12,368,203
Promissory notes and certificates of participation		189,866	(291,065)	-	-
Policyholders' liabilities		2,580,780	2,046,382	-	-
Other		(837,128)	133,639	(11,980)	(13,198)
		7,578,702	(3,443,507)	(9,999,194)	(11,244,326)
Interest received		35,852,341	28,326,528	22,846,036	19,942,717
Interest paid		(16,464,886)	(13,977,746)	(8,446,510)	(7,050,661)
Income tax paid		(3,213,319)	(2,103,939)	(2,172,484)	(1,370,446)
Net cash provided by operating activities		23,752,838	8,801,336	2,227,848	277,284

45. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The volumes of related party transactions, outstanding balances at the year end and related expenses and income for the year are as follows:

	The Group							
	The parent and entities with significant influence over the entity		Fellow subsidiaries and associates		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Loans and advances								
Balance at 1 October	-	-	8,238	6,308	44,221	43,689	1,032,443	903,376
Issued during the year	-	-	114,898	231,288	100,348	122,224	543,573	2,773,810
Repayment during the year	-	-	(116,691)	(229,358)	(87,655)	(121,692)	(830,139)	(2,644,743)
Balance at 30 September	-	-	6,445	8,238	56,914	44,221	745,877	1,032,443
Provision for loan losses	-	-	-	-	-	-	65,264	-
Interest income earned (loans and advances)	-	-	627	1,119	4,914	3,177	209,434	238,497
Investment securities								
Balance at 1 October	22,976	-	181,783	180,167	-	-	25,000	-
Net movement during the year	(22,976)	22,976	(1,524)	1,616	-	-	(25,000)	25,000
Balance at 30 September	-	22,976	180,259	181,783	-	-	-	25,000
Interest income earned (investment securities)	378	128	-	28,177	-	-	-	120,648
Reverse Repurchase Agreements								
Balance at 1 October	-	-	110,893	119,374	-	-	-	-
Net movement during the year	-	-	(110,893)	(8,481)	-	-	-	-
Balance at 30 September	-	-	-	110,893	-	-	-	-
Interest income earned (reverse repo)	-	-	-	7,846	-	-	-	-
Other assets								
Balance at 1 October	-	-	20,114	12,674	-	-	-	23,898
Balance at 30 September	-	-	-	20,114	-	-	35,871	-
Fees and commissions earned	-	6,482	36,451	42,607	1,596	984	67,350	232,492
Other operating income	-	-	2,243	1,928	-	-	193,074	68,556

45. Related Party Transactions and Balances (Continued)

	The Group							
	The parent and entities with significant influence over the entity		Fellow subsidiaries and associates		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Customer deposits								
Balance at 1 October	119,879	5,474	172,836	249,164	70,604	123,278	709,713	662,551
Net movement during the year	(110,398)	114,405	(82,506)	(76,328)	97,329	(52,674)	483,924	47,162
Balance at 30 September	9,481	119,879	90,330	172,836	167,933	70,604	1,193,637	709,713
Interest expense (customer deposits)	1,067	1,101	22,910	1,288	1,513	2,003	1,329	10,139
Repurchase agreements								
Balance at 1 October	-	-	52,788	21,841	161,926	57,043	53,604	43,642
Net movement during the year	-	-	(47,431)	30,947	4,566	104,883	87,118	9,962
Outstanding at 30 September	-	-	5,357	52,788	166,492	161,926	140,722	53,604
Interest expense (repurchase agreements)	-	-	-	18,839	8,633	6,676	420,811	3,971
Other liabilities								
Balance at 1 October	-	-	152	5,669	27,706	727	932	280
Balance at 30 September	-	-	3,604	152	1,023	27,706	12,782	932
Operating expenses								
Other operating expenses	-	-	30,737	105,905	-	2,399	17,514	-

45. Related Party Transactions and Balances (Continued)

	The Bank							
	The parent and entities with significant influence over the entity		Subsidiaries, fellow subsidiaries and associates		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Loans and advances								
Balance at 1 October	-	-	8,238	6,308	44,221	43,689	1,032,443	903,376
Issued during the year	-	-	114,898	231,288	100,348	122,224	543,573	2,773,810
Repayment during the year	-	-	(116,691)	(229,358)	(87,655)	(121,692)	(830,139)	(2,644,743)
Balance at 30 September	-	-	6,445	8,238	56,914	44,221	745,877	1,032,443
Provision for loan losses	-	-	-	-	-	-	65,264	-
Interest income earned (loans and advances)	-	-	627	1,119	4,914	3,177	209,434	238,497
Investment securities								
Balance at 1 October	-	-	-	-	-	-	-	-
Net movement during the year	-	-	-	-	-	-	-	-
Balance at 30 September	-	-	-	-	-	-	-	-
Interest income earned (investment securities)	-	-	-	-	-	-	-	112,238
Reverse repurchase agreements								
Balance at 1 October	-	-	1,013,999	507,569	-	-	-	-
Net movement during the year	-	-	(356,040)	506,430	-	-	-	-
Outstanding at 30 September	-	-	657,959	1,013,999	-	-	-	-
Interest income earned (reverse repurchase agreements)	-	-	70,798	17,762	-	-	-	-
Other assets								
Balance at 1 October	-	-	90,241	35,905	-	-	-	-
Balance at 30 September	-	-	51,284	90,241	-	-	-	-
Fees and commissions earned	-	-	90,420	87,451	1,596	872	40,508	230,021
Other operating income	-	-	12,225	13,766	-	-	3,924	4,024

45. Related Party Transactions and Balances (Continued)

	The Bank							
	The parent and entities with significant influence over the entity		Subsidiaries, fellow subsidiaries and associates		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2009	2008	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Customer deposits								
Balance at 1 October	119,879	5,474	3,889,994	2,212,956	59,633	113,289	707,129	662,551
Net movement during the year	(110,398)	114,405	3,233,735	1,677,038	(15,142)	(53,656)	486,508	44,578
Balance at 30 September	9,481	119,879	7,123,729	3,889,994	44,491	59,633	1,193,637	707,129
Interest expense (customer deposits)	1,067	1,101	399,362	132,536	1,001	1,797	1,329	10,139
Repurchase agreements								
Balance at 1 October	-	-	2,565,739	210,764	-	-	-	-
Net movement during the year	-	-	(1,534,118)	2,354,975	-	-	-	-
Balance at 30 September	-	-	1,031,621	2,565,739	-	-	-	-
Interest expense (repurchase agreements)	-	-	238,112	88,969	-	-	-	-
Borrowings from Correspondent Bank								
Balance at 1 October	-	-	407,138	-	-	-	-	-
Net movement during the year	-	-	(407,138)	407,138	-	-	-	-
Balance at 30 September	-	-	-	407,138	-	-	-	-
Interest expense (Borrowings)	-	-	4,837	1,218	-	-	-	-
Other liabilities								
Balance at 1 October	-	-	7,108	23,969	346	455	932	280
Balance at 30 September	-	-	4,698	7,108	1,023	346	12,782	932
Operating Expenses								
Other operating expenses	-	-	103,353	124,423	-	-	17,514	11,046

45. Related Party Transactions and Balances (Continued)

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Key management compensation:				
Salaries and other short-term benefits	401,225	361,182	351,794	304,054
Post-employment benefits	11,307	9,522	10,099	8,452
	412,532	370,704	361,893	312,506

46. 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 Credit Committee, The Assets and Liability Committee, The Risk Management Committee, The Investment Management Committee) and the establishment of policies; and (b) organisational controls effected through segregation of duties. These controls are reviewed on an ongoing basis to ensure that they provide effective governance of the Group's risk-taking activities.

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

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

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

46. Financial Risk Management (Continued)

Policies & Procedures

Rigorous policies and operational procedures are established throughout the organisation and are approved by the relevant management personnel and/or governance committees.

These policies and procedures incorporate requirements for compliance monitoring, maintenance of contingency plans and the provision of reports to management and the relevant governance committees and/ or the Board of Directors.

(a) Credit and counterparty risk

This is defined as potential for loss to the organisation arising from failure of a borrower, guarantor or counterparty to honour their contractual obligations to the Group.

The Group incurs credit and counterparty risk primarily in its loan business, reverse repurchase arrangements, and certain investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit Risk Management is facilitated by a cadre of loans officers and credit risk personnel, who together operate within a control framework which employs a hierarchical level of authorisations for transactions that expose the organisation to credit risk. Operating practices include the establishment of limits, ongoing monitoring of credit risk exposures, a disciplined approach to provisioning and loan loss evaluation in addition to ongoing reporting of portfolio exposures to the relevant governance committees and the regulators.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the balance sheet.

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.

46. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit review process

The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

(i) Loans

The Group employs the following classifications in assessing its exposures to its borrowing customers The classifications are in line with the BOJ regulations and are as follows:

Description
Standard
Special Mention
Sub-Standard
Doubtful
Loss

Exposure to credit risk is mitigated by the taking of financial or physical assets.

46. 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 also obtains 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:

Substandard, 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.

46. Financial Risk Management (Continued)

(a) Credit risk (continued)

The tables below show the Group's and Bank's loans and the associated impairment provision for each internal rating class:

Group's and the Bank's rating

	The Group			
	2009		2008	
	Loans $'000	Impairment provision $'000	Loans $'000	Impairment provision $'000
Standard	83,066,596	768,557	74,160,392	489
Special Mention	4,396,877	308,157	7,172,747	142,186
Sub-Standard	348,590	222,530	280,272	256,278
Doubtful	490,628	337,278	365,352	363,654
Loss	1,556,541	1,070,032	1,836,758	1,533,066
	89,859,232	2,706,554	83,815,521	2,295,673

	The Bank			
	2009		2008	
	Loans $'000	Impairment provision $'000	Loans $'000	Impairment provision $'000
Standard	82,731,221	768,557	73,865,558	489
Special Mention	4,351,910	303,457	7,041,923	138,047
Sub-Standard	323,707	222,530	270,705	256,278
Doubtful	490,628	337,278	365,352	363,654
Loss	1,556,541	1,070,032	1,836,758	1,533,066
	89,454,007	2,701,854	83,380,296	2,291,534

46. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

	Maximum exposure			
	The Group		The Bank	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Credit risk exposures relating to on-balance sheet assets are as follows:				
Balances with Bank of Jamaica	22,192,963	12,806,888	22,174,000	12,803,836
Cash and balances due from other financial institutions (excluding cash on hand)	14,405,493	15,207,522	13,673,852	14,697,655
Investment securities through profit or loss	752,578	916,906	-	-
Securities purchased under agreements to resell	8,185,227	12,578,633	808,271	1,232,648
Investment securities	166,966,379	153,654,776	87,772,045	85,842,638
Loans, net of provision for credit losses	88,178,270	82,169,396	79,367,306	81,718,068
	300,680,910	277,334,121	203,795,474	196,294,845
Credit risk exposures relating to off-balance sheet items are as follows:				
Loan commitments	20,013,778	21,617,021	20,013,778	21,617,021
Guarantees and letters of credit	3,668,532	4,214,990	3,668,532	4,214,990
	23,682,310	25,832,011	23,682,310	25,832,011

The above table represents a worst case scenario of credit risk exposure of the Group and the Bank at 30 September 2009 and 2008, without taking account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

46. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans

Credit quality of loans is summarised as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Neither past due nor impaired -				
Standard	76,190,326	47,401,879	76,002,194	46,966,654
Past due but not impaired	11,299,375	34,330,742	11,082,282	34,330,742
Impaired	2,369,531	2,082,900	2,369,531	2,082,900
Gross	89,859,232	83,815,521	89,454,007	83,380,296
Less: provision for credit losses	(2,706,554)	(2,295,673)	(2,701,854)	(2,291,534)
Net	87,152,678	81,519,848	86,752,153	81,088,762

The majority of past due loans are not considered impaired.

There are no financial assets other than loans that are past due.

Of the aggregate amount of gross past due but not impaired loans, the fair value of collateral that the Group and the Bank held were $7,320,762,000 (2008 - $26,050,275,000) and $7,320,762,000 (2008 - $26,050,275,000) respectively.

Aging analysis of past due but not impaired loans.

	The Group and The Bank	
	2009	2008
	$'000	$'000
Less than 30 days	7,079,375	27,309,761
31 to 60 days	2,592,886	4,309,532
61 to 90 days	1,627,114	2,711,449
	11,299,375	34,330,742

46. Financial Risk Management (Continued)

(a) Credit risk (continued)

Financial assets – individually impaired

Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Investment securities	-	1,229,610	-	-
Loans	2,369,531	2,082,900	2,369,531	2,082,900

There are no financial assets other than those listed above that were individually impaired.

Restructured loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. The Group's and the Bank's renegotiated loans that would otherwise be past due or impaired totalled $4,750,091,250 (2008 - $1,640,500,000) and $4,750,091,250 (2008 - $1,640,500,000) respectively.

Repossessed collateral

The Group and the Bank obtained assets by taking possession of collateral held as security. Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness.

46. Financial Risk Management (Continued)

(a) Credit risk (continued)

(i) Loans

The following table summarises the Group's and the Bank's credit exposure for loans at their carrying amounts, as categorised by the industry sectors:

	The Group		The Bank	
	Loans and Advances		Loans and Advances	
	Total	Total	Total	Total
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Agriculture	962,312	690,481	962,312	690,481
Central Government	9,704,479	14,003,446	9,704,479	14,003,446
Construction and Land Development	12,292,706	6,091,641	12,090,093	5,878,481
Other Financial Institutions	1,318	37,678	1,318	37,678
Distribution	5,988,766	10,447,556	5,988,766	10,447,556
Electricity, Water & Gas	1,092,265	585,370	1,092,265	585,370
Entertainment	147,792	190,565	147,792	190,565
Manufacturing	6,214,416	1,796,013	6,214,416	1,796,013
Mining and Processing	578,601	275,834	578,601	275,834
Personal	28,217,471	27,147,800	28,014,859	26,925,735
Professional and Other Services	5,221,932	5,804,329	5,221,932	5,804,329
Tourism	15,732,863	13,999,503	15,732,863	13,999,503
Transportation Storage and Communication	3,704,311	2,745,305	3,704,311	2,745,305
Total	89,859,232	83,815,521	89,454,007	83,380,296
Total provision	(2,706,554)	(2,295,673)	(2,701,854)	(2,291,534)
	87,152,678	81,519,848	86,752,153	81,088,762
Interest receivable	1,025,592	649,548	1,019,892	629,306
Net	88,178,270	82,169,396	87,772,045	81,718,068

The majority of loans are lent to customers in Jamaica.

46. Financial Risk Management (Continued)

(a) Credit risk (continued)

(ii) Debt securities

The following table summarises the Group's and the Bank's credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Government of Jamaica	140,169,639	134,666,796	66,544,624	73,212,161
Other Caricom countries	-	153,843	-	153,843
Corporate	18,444,948	11,963,280	8,528,609	7,227,675
Other	1,052,965	1,973,682	1,045,941	1,963,283
	159,667,552	148,757,601	76,119,174	82,556,962

46. Financial Risk Management (Continued)

(b) Liquidity risk

The Group's liquidity policy is designed to ensure that it can meet cash obligations when they fall due and take advantage of unanticipated earnings enhancement opportunities.

Liquidity management within the Group, which incorporates funding risk management, ensures that there is sufficient level of liquid assets available in addition to stable funding lines to meet ongoing cash commitments even during periods of stress. The management of liquidity risk is executed within a framework which comprises:

(i) Oversight of 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.

The Cash Flows of Financial Liabilities

The tables below present the contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the Group's and The Bank's total assets and liabilities based on the remaining period.

46. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

The Cash Flows of Financial Liabilities (continued)

	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 30 September 2009:						
Due to other banks	3,114,940	3,173,019	125,481	102,682	-	6,516,122
Customer deposits	103,268,664	10,095,874	8,775,743	54,048	-	122,194,329
Repurchase agreements	18,393,805	19,756,953	30,436,664	11,326,451	1,644	79,915,517
Obligation under securitisation arrangements	1,021,103	1,583,437	4,766,392	20,664,064	671,269	28,706,265
Other borrowed funds	78,682	316,038	470,649	5,745,614	617,093	7,228,076
Policyholders' liabilities	293,344	673,721	3,081,904	16,171,528	36,107,911	56,328,408
Other	2,062,288	1,512,910	1,747,015	296,660	467,683	6,086,556
Total financial liabilities (contractual maturity dates)	128,232,826	37,111,952	49,403,848	54,361,047	37,865,600	306,975,273
Total financial liabilities (expected maturity dates)	37,670,516	37,111,952	49,823,436	54,361,047	128,008,322	306,975,273
Total financial assets (expected maturity dates)	58,454,384	20,402,361	49,884,912	138,878,593	135,736,126	403,337,376

46. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

The Cash Flows of Financial Liabilities (continued)

	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 30 September 2008:						
Due to other banks	3,719,356	2,448,968	3,445,437	93,407	405,882	10,113,050
Customer deposits	105,257,842	9,579,510	11,524,233	263,447	22,128	126,647,160
Repurchase agreements	30,435,130	20,196,834	16,933,113	2,377,224	501	69,942,802
Obligation under securitisation arrangements	-	902,128	3,712,050	21,058,080	2,157,410	27,829,668
Other borrowed funds	2,146,010	277,419	545,302	2,118,772	488,170	5,575,673
Policyholders' liabilities	216,770	486,526	2,218,022	12,410,595	38,085,378	53,417,291
Other	1,995,746	1,991,625	639,914	451,814	393,844	5,472,943
Total financial liabilities (contractual maturity dates)	143,770,854	35,883,010	39,018,071	38,773,339	41,553,313	298,998,587
Total financial liabilities (expected maturity dates)	64,346,139	35,807,619	39,365,590	38,773,340	120,705,899	298,998,587
Total financial assets (expected maturity dates)	63,043,405	9,846,867	48,680,658	118,565,822	108,996,002	349,132,554

46. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

The 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 30 September 2009:						
Due to other banks	3,153,998	3,173,019	125,481	102,682	-	6,555,180
Customer deposits	110,514,361	10,095,874	8,775,743	54,048	-	129,440,026
Repurchase agreements	3,095,524	2,877,565	2,727,665	8,469,460	-	17,170,214
Obligation under securitisation arrangements	1,021,103	1,583,437	4,766,392	20,664,064	671,269	28,706,265
Other borrowed funds	78,682	300,690	456,889	5,733,499	617,093	7,186,853
Other	1,884,918	1,424,350	235,641	102,956	467,683	4,115,548
Total financial liabilities (contractual maturity dates)	119,748,586	19,454,935	17,087,811	35,126,709	1,756,045	193,174,086
Total financial liabilities (expected maturity dates)	29,186,276	19,454,935	17,507,398	35,126,709	91,898,768	193,174,086
Total financial assets (expected maturity dates)	55,992,464	15,309,663	23,562,075	93,324,853	87,585,373	275,774,428

46. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

The 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 30 September 2008:						
Due to other banks	4,136,677	2,448,968	3,445,437	93,407	405,882	10,530,371
Customer deposits	107,013,532	8,722,554	8,536,893	58,956	-	124,331,935
Repurchase agreements	8,225,409	5,289,396	4,354,150	2,355,564	-	20,224,519
Obligation under securitisation arrangements	-	902,128	3,712,050	21,058,080	2,157,410	27,829,668
Other borrowed funds	16,710	108,412	399,773	1,370,046	488,170	2,383,111
Other	1,719,994	1,958,285	390,390	88,441	393,844	4,550,954
Total financial liabilities (contractual maturity dates)	121,112,322	19,429,743	20,838,693	25,024,494	3,445,306	189,850,558
Total financial liabilities (expected maturity dates)	47,762,997	19,354,353	21,186,211	25,024,495	82,522,502	189,850,558
Total financial assets (expected maturity dates)	58,426,450	9,722,359	28,224,525	92,945,221	74,486,923	263,805,478

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.

46. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Off-balance sheet items

The table below shows the contractual expiry by maturity of the Group's and the Bank's contingent liabilities and commitments.

	The Group and The Bank			
	No later than 1 year	2 to 5 years	Over 5 years	Total
At 30 September 2009	$'000	$'000	$'000	$'000
Loan commitments	20,013,778	-	-	20,013,778
Guarantees, acceptances and other financial facilities	603,960	2,265,973	798,599	3,668,532
Operating lease commitments	53,424	24,696	-	78,120
Capital commitments	307,423	5,495	-	312,918
	20,978,585	2,296,164	798,599	24,073,348
At 30 September 2008				
Loan commitments	21,599,021	18,000	-	21,617,021
Guarantees, acceptances and other financial facilities	693,925	2,603,508	917,557	4,214,990
Operating lease commitments	42,412	8,807	-	51,219
Capital commitments	342,681	-	-	342,681
	22,678,039	2,630,315	917,557	26,225,911

46. Financial Risk Management (Continued)

(c) Market risk

The Group takes on exposure to market risk, which is defined as the potential for loss arising from changes in the market value of the organisation's financial instruments due to changes in certain market variables, such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads.

The Group and the Bank incur market risk primarily in treasury, trading and structural banking activities. The Group and the Bank take a comprehensive governance approach in accordance with the enterprise-wide risk management framework. This includes:

- Oversight provided by the relevant governance committees.
- An independent market risk oversight function.
- The utilisation of tools and models to measure market risk exposure.
- Limit setting mechanisms and a monitoring process.
- The utilisation of scenario analysis and of stress testing for worst case events.

There has been no change to the manner in which it the Group manages and measures the risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Group takes on open position in a currency. To control this exchange risk the Risk Management Committee (RMC) has approved limits for net open position in each currency for both intra-day and overnight position. This limit may vary from time to time as determined by RMC.

The Group also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

46. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments

The table below summarises the Group's and the Bank's exposure to foreign currency exchange rate risk as at 30 September.

	The Group					
	J$	**US$**	**GBP**	**CAN$**	**Other**	**Total**
30 September 2009	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets						
Cash and balances at Bank of Jamaica	18,258,790	5,277,839	934,538	161,687	35,157	24,668,011
Due from other banks	568,458	6,654,966	5,570,820	645,850	965,399	14,405,493
Investment securities at fair value through profit and loss	479,589	272,989	-	-	-	752,578
Reverse repurchase agreements	7,293,994	891,233	-	-	-	8,185,227
Loans and advances net of provision for credit losses	37,862,648	50,315,642	-	(20)	-	88,178,270
Investment securities	91,515,376	72,170,516	1,327,385	-	1,953,102	166,966,379
Investments in associates	2,133,994	-	-	-	-	2,133,994
Other	9,062,962	137,762	162,369	21,344	421,088	9,806,525
Total assets	167,175,811	135,721,947	7,995,112	828,861	3,374,746	315,096,477
Liabilities						
Due to other banks	2,015,629	1,649,322	74,292	29,686	2,787,280	6,556,209
Customer deposits	71,692,356	49,854,007	6,629,510	973,955	1,181,523	130,331,351
Promissory notes and certificates of participation	2,139	192,353	-	-	-	194,492
Repurchase agreements	29,204,927	46,496,049	1,131,922	52,231	489,302	77,374,431
Obligations under securitisation arrangements	(140,355)	27,297,535	-	-	-	27,157,180
Other borrowed funds	2,599,100	5,216,452	-	-	-	7,815,552
Retirement benefit obligations	421,641	-	-	-	-	421,641
Other	23,534,675	655,890	14,259	(25)	24,876	24,229,675
Total liabilities	129,330,112	131,361,608	7,849,983	1,055,847	4,482,981	274,080,531
Net on-balance sheet position	37,845,699	4,360,339	145,129	(226,986)	(1,108,235)	41,015,946
Off-balance sheet						
Guarantees and letters of credits	1,930,183	1,600,591	-	-	137,758	3,668,532
Credit commitments	7,060,611	12,953,167	-	-	-	20,013,778

46. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments (continued)

	The Group					
	J$	US$	GBP	CAN$	Other	Total
30 September 2008	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets						
Cash and balances at Bank of Jamaica	10,120,256	4,515,651	690,202	96,073	20,646	15,442,828
Due from other banks	733,372	8,930,463	4,524,849	552,276	466,562	15,207,523
Investment securities at fair value through profit and loss	518,021	386,382	-	-	12,503	916,906
Reverse repurchase agreements	11,012,989	1,565,644	-	-	-	12,578,633
Loans and advances net of provision for credit losses	39,211,730	42,957,460	-	-	206	82,169,396
Investment securities	90,889,965	59,623,992	1,252,319	-	1,888,500	153,654,776
Investments in associates	2,181,407	-	-	-	-	2,181,407
Other	7,264,062	414,588	189,445	14,036	1,119,798	9,001,929
Total assets	161,931,802	118,394,180	6,656,815	662,385	3,508,215	291,153,397
Liabilities						
Due to other banks	1,768,707	8,097,641	56,880	24,848	90,426	10,038,502
Customer deposits	80,636,942	38,373,694	5,905,266	658,272	525,722	126,099,896
Repurchase agreements	30,463,803	37,335,886	352,901	171	1,467,196	69,619,957
Obligations under securitisation arrangements	(172,171)	26,431,911	-	-	-	26,259,740
Other borrowed funds	2,486,476	2,915,455	-	-	120,960	5,522,891
Retirement benefit obligations	354,321	-	-	-	-	354,321
Other	22,848,632	(682,996)	68,479	(1,470)	(287,217)	21,945,428
Total liabilities	138,386,710	112,471,591	6,383,526	681,821	1,917,087	259,840,735
Net on-balance sheet position	23,545,092	5,922,589	273,288	(19,438)	1,591,131	31,312,662
Off-balance sheet						
Guarantees and letters of credits	2,037,440	2,019,335	-	-	158,215	4,214,990
Credit commitments	8,522,414	13,094,607	-	-	-	21,617,021

46. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments (continued)

	The Bank					
	J$	**US$**	**GBP**	**CAN$**	**Other**	**Total**
30 September 2009	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets						
Cash and balances at Bank of Jamaica	18,289,447	5,277,839	884,918	161,687	35,157	24,649,048
Due from other banks	949,905	6,019,820	5,539,626	644,373	520,128	13,673,852
Reverse repurchase agreements	268,367	539,904	-	-	-	808,271
Loans and advances net of provision for credit losses	37,862,648	49,909,417	-	(20)	-	87,772,045
Investment securities	40,036,125	36,646,207	1,014,840	-	1,670,134	79,367,306
Investments in subsidiaries	1,328,655	131,565	149,389	-	-	1,609,609
Investments in associates	471,534	-	-	-	-	471,534
Other	6,160,049	5,436	132	2	407,557	6,573,176
Total assets	105,366,730	98,530,188	7,588,905	806,042	2,632,976	214,924,841
Liabilities						
Due to other banks	1,956,311	1,649,322	74,292	29,686	2,787,280	6,496,891
Customer deposits	78,938,053	41,769,454	6,605,447	972,324	1,023,193	129,308,470
Repurchase agreements	1,082,846	13,881,558	501,508	-	-	15,465,912
Obligations under securitisation arrangements	(140,355)	27,297,535	-	-	-	27,157,180
Other borrowed funds	1,128,510	5,188,315	-	-	-	6,316,826
Other	3,573,400	544,068	7,652	(25)	1,983	4,127,078
Total liabilities	86,538,765	90,330,252	7,188,899	1,001,985	3,812,456	188,872,357
Net on–balance sheet position	18,827,965	8,199,936	400,006	(195,943)	(1,179,480)	26,052,484
Off-balance sheet						
Guarantees and letters of credits	1,930,183	1,600,591	-	-	137,758	3,668,532
Credit commitments	7,060,611	12,953,167	-	-	-	20,013,778

46. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

	The Bank					
	J$	**US$**	**GBP**	**CAN$**	**Other**	**Total**
30 September 2008	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets						
Cash and balances at Bank of Jamaica	10,117,204	4,515,651	690,202	96,073	20,646	15,439,776
Due from other banks	1,182,860	8,303,892	4,362,225	543,949	304,729	14,697,655
Reverse repurchase agreements	10,003	1,222,645	-	-	-	1,232,648
Loans and advances net of provision for credit losses	39,211,730	42,506,133	-	-	205	81,718,068
Investment securities	51,748,511	31,764,431	913,502	-	1,416,194	85,842,638
Investments in subsidiaries	1,328,655	131,565	149,389	-	-	1,609,609
Investments in associates	471,534	-	-	-	-	471,534
Other	5,815,817	12,771	475	-	1,006,596	6,835,659
Total assets	109,886,314	88,457,088	6,115,793	640,022	2,748,370	207,847,587
Liabilities						
Due to other banks	2,190,037	8,097,641	56,880	24,848	90,425	10,459,831
Customer deposits	80,636,942	35,927,116	5,902,660	659,913	658,041	123,784,672
Repurchase agreements	4,801,976	14,055,628	-	-	1,044,071	19,901,675
Obligations under securitisation arrangements	(172,171)	26,431,911	-	-	-	26,259,740
Other borrowed funds	1,033,320	1,297,008	-	-	-	2,330,328
Other	3,974,287	534,678	63,099	-	34,969	4,607,033
Total liabilities	92,464,391	86,343,982	6,022,639	684,761	1,827,506	187,343,279
Net on–balance sheet position	17,421,923	2,113,106	93,154	(44,739)	920,864	20,504,308
Off-balance sheet						
Guarantees and letters of credits	2,037,440	2,019,335	-	-	158,215	4,214,990
Credit commitments	8,522,414	13,094,607	-	-	-	21,617,021

Government of Jamaica US$ indexed bonds are included in the US$ category for currency risk disclosure.

Foreign currency sensitivity

The following tables indicate the currencies to which the Group and the Bank have significant exposures on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represent management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for changes in foreign currency rates. The sensitivity analysis includes loans and advances to customers, investment securities and deposits. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be considered on an individual basis. It should be noted that movements in these variables are non-linear.

46. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

The Group

		% Change in Currency Rate 2009	Effect on Net Profit 2009 $'000	Effect on Equity 2009 $'000	% Change in Currency Rate 2008	Effect on Net Profit 2008 $'000	Effect on Equity 2008 $'000
Currency:							
USD		4% Appreciation	(408,669)	(408,669)	5%	319,728	370,927
		(10%) Depreciation	1,021,673	1,021,673			
GBP		4% Appreciation	(10,601)	(10,601)	5%	(3,822)	(1,540)
		(10%) Depreciation	26,503	26,503			
CAN		4% Appreciation	7,487	7,487			
		(10%) Depreciation	(18,718)	(18,718)	5%	2,298	2,298

The Bank

		% Change in Currency Rate 2009	Effect on Net Profit 2009 $'000	Effect on Equity 2009 $'000	% Change in Currency Rate 2008	Effect on Net Profit 2008 $'000	Effect on Equity 2008 $'000
Currency:							
USD		4% Appreciation	(336,196)	(336,196)	5%	140,635	140,635
		10% Depreciation	840,490	840,490			
GBP		4% Appreciation	(10,766)	(10,766)	5%	(9,138)	(9,138)
		10% Depreciation	26,915	26,915			
CAN		4% Appreciation	7,836	7,836			
		10% Depreciation	19,590	19,590	5%	1,555	1,555

(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 mismatch position. The Group's policy requires that such mismatches are managed. Accordingly, The Board requires that a comprehensive system of limits, gap analysis and stress testing are all used to manage the Group's exposure.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

46. 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, which is monitored by the Asset and Liability Committee.

The following tables summarise the Group's and the Bank's exposure to interest rate risk. It includes the Group's and the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

46. 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
30 September 2009	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash and balances at Bank of Jamaica	11,607,587	-	-	-	-	13,060,423	24,668,011
Due from other banks	12,431,171	704,640	-	-	-	1,269,683	14,405,493
Investment securities at fair value through profit or loss	2,992	41,332	63,143	279,884	-	365,227	752,578
Reverse repurchase agreements	1,529,757	1,791,230	4,420,444	-	-	443,795	8,185,227
Loans and advances net of provision for credit losses	73,394,532	10,579,380	230,014	2,678,715	275,738	1,019,892	88,178,271
Investment securities	15,685,229	32,197,127	22,217,201	43,377,371	47,571,849	5,917,602	166,966,379
Investment in associate	-	-	-	-	-	2,133,994	2,133,994
Other	115,019	-	1,199,163	-	-	8,492,342	9,806,524
Total assets	114,766,287	45,313,709	28,129,965	46,335,970	47,847,587	32,702,959	315,096,477
Liabilities							
Due to other banks	1,392,785	3,125,959	79,207	143,138	-	1,815,120	6,556,209
Customer deposits	45,812,999	21,339,116	33,505,523	132,208	-	29,541,505	130,331,351
Repurchase agreements	32,964,214	19,963,132	15,710,698	7,347,292	912	1,388,183	77,374,431
Obligations under securitisation arrangements	17,351,492	9,658,311	-	-	-	147,377	27,157,180
Other borrowed funds	93,495	1,169,382	5,218,430	707,281	573,603	53,361	7,815, 552
Other	17,800,040	542,709	1,665,874	192,353	-	4,644,832	24,845,808
Total liabilities	115,415,025	55,798,609	56,179,732	8,522,272	574,515	37,590,378	274,080,531
On balance sheet interest sensitivity gap	(648,738)	(10,484,900)	(28,049,767)	37,813,698	47,273,072	(4,887,419)	41,015,946
Cumulative interest sensitivity gap	(648,738)	(11,133,638)	(39,183,405)	(1,369,707)	45,903,365	41,015,946	

46. 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
30 September 2008	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash and balances at Bank of Jamaica	5,893,324	-	-	-	-	9,549,504	15,442,828
Due from other banks	7,970,728	1,639,293	143,888	-	-	5,453,613	15,207,522
Investment securities at fair value through profit or loss	32,245	4,414	52,431	157,646	360,716	309,454	916,906
Reverse repurchase agreements	3,243,059	2,034,075	6,955,158	-	-	346,342	12,578,633
Loans and advances net of provision for credit losses	64,401,857	13,011,901	555,715	3,414,364	156,190	629,369	82,169,396
Investment securities	20,755,396	35,744,202	24,385,193	27,554,580	40,275,597	4,939,807	153,654,776
Investment in associates	-	-	-	-	-	2,181,407	2,181,407
Other	59,736	-	634,276	-	-	8,307,916	9,001,928
Total assets	102,356,345	52,433,885	32,726,661	31,126,590	40,792,503	31,717,412	291,153,397
Liabilities							
Due to other banks	1,871,598	2,337,176	3,387,783	158,613	405,882	1,877,450	10,038,502
Customer deposits	45,246,789	19,137,203	29,826,588	252,435	21,744	31,615,137	126,099,896
Repurchase agreements	30,037,427	19,839,831	16,279,748	2,376,782	490	1,085,679	69,619,957
Obligations under securitisation arrangements	16,241,335	9,790,754	-	-	-	227,651	26,259,740
Other borrowed funds	1,767,183	1,042,321	146,037	769,964	639,931	1,157,455	5,522,891
Other	16,128,195	333,074	1,232,878	450,590	-	4,155,011	22,299,748
Total liabilities	111,292,527	52,480,359	50,873,034	4,008,384	1,068,047	40,118,383	259,840,735
On balance sheet interest sensitivity gap	(8,936,182)	(46,474)	(18,146,373)	27,118,206	39,724,456	(8,400,971)	31,312,662
Cumulative interest sensitivity gap	(8,936,182)	(8,982,656)	(27,129,029)	(10,823)	39,713,633	31,312,662	

46. 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
30 September 2009	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash and balances at Bank of Jamaica	11,513,639	-	-	-	-	13,135,409	24,649,048
Due from other banks	11,635,148	704,640	-	-	-	1,334,064	13,673,852
Reverse repurchase agreements	351,091	451,420	-	-	-	5,760	808,271
Loans and advances net of provision for credit losses	73,373,382	10,571,560	166,563	2,619,885	20,765	1,019,890	87,772,045
Investment securities	4,672,463	17,936,906	9,322,297	21,465,191	22,431,749	3,538,700	79,367,306
Investments in subsidiaries	-	-	-	-	-	1,609,609	1,609,609
Investments in associate	-	-	-	-	-	471,534	471,534
Other	-	-	-	-	-	6,573,176	6,573,176
Total assets	101,545,723	29,664,526	9,488,860	24,085,076	22,452,514	27,688,142	214,924,841
Liabilities							
Due to other banks	1,294,409	3,125,959	79,207	143,138	-	1,854,178	6,496,891
Customer deposits	49,782,156	20,341,579	29,591,003	52,227	-	29,541,505	129,308,470
Repurchase agreements	2,990,034	2,824,993	2,128,326	7,331,561	-	190,998	15,465,912
Obligations under securitisation arrangements	17,351,492	9,658,311	-	-	-	147,377	27,157,180
Other borrowed funds	-	1,023,400	3,974,679	706,917	573,603	38,227	6,316,826
Other	-	126,848	-	-	-	4,000,230	4,127,078
Total liabilities	71,418,091	37,101,090	35,773,215	8,233,843	573,603	35,772,515	188,872,357
On balance sheet interest sensitivity gap	30,127,632	(7,436,564)	(26,284,355)	15,851,233	21,878,911	(8,084,373)	26,052,484
Cumulative interest sensitivity gap	30,127,632	22,691,068	(3,593,287)	12,257,946	34,136,857	26,052,484	

46. 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
30 September 2008	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash and balances at Bank of Jamaica	5,890,272	-	-	-	-	9,549,504	15,439,776
Due from other banks	7,672,319	1,574,783	-	-	-	5,450,553	14,697,655
Reverse repurchase agreements	1,010,209	217,437	-	-	-	5,002	1,232,648
Loans and advances net of provision for credit losses	64,179,279	13,011,901	538,706	3,358,812	-	629,370	81,718,068
Investment securities	11,837,423	21,850,476	14,219,888	15,306,900	19,342,275	3,285,676	85,842,638
Investments in subsidiaries	-	-	-	-	-	1,609,609	1,609,609
Investments in associate	-	-	-	-	-	471,534	471,534
Other	-	-	-	-	-	6,835,659	6,835,659
Total assets	90,589,502	36,654,597	14,758,594	18,665,712	19,342,275	27,836,907	207,847,587
Liabilities							
Due to other banks	2,292,927	2,337,176	3,387,783	158,613	405,882	1,877,450	10,459,831
Customer deposits	45,919,356	18,295,103	27,903,587	51,489	-	31,615,137	123,784,672
Repurchase agreements	8,107,452	5,184,802	4,046,053	2,355,564	-	207,804	19,901,675
Obligations under securitisation arrangements	16,241,946	9,790,754	-	-	-	227,040	26,259,740
Other borrowed funds	-	876,033	6,561	769,668	639,931	38,135	2,330,328
Other	-	104,754	-	-	-	4,502,279	4,607,033
Total liabilities	72,561,681	36,588,622	35,343,984	3,335,334	1,045,813	38,467,845	187,343,279
On balance sheet interest sensitivity gap	18,027,821	65,975	(20,585,390)	15,330,378	18,296,462	(10,630,938)	20,504,308
Cumulative interest sensitivity gap	18,027,821	18,093,796	(2,491,594)	12,838,784	31,135,246	20,504,308	

(expressed in Jamaican dollars unless otherwise indicated)

46. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The table below summarises the effective interest rates by major currencies for financial instruments of the Group and the Bank.

	The Group				The Bank			
	J$	US$	CAN$	GBP	J$	US$	CAN$	GBP
30 September 2009	%	%	%	%	%	%	%	%
Assets								
Cash and balances at Bank of Jamaica	1.0	0.2	2.4	4.1	1.0	0.2	2.4	4.1
Due from other banks	7.1	0.2	3.5	4.9	7.1	0.2	3.5	4.9
Investment securities at fair value through profit or loss – debt securities	18.0	9.6	-	-	-	-	-	-
Reverse repurchase agreements	17.7	7.4	-	-	13.6	8.2	-	-
Loans and advances	23.2	8.7	5.4	-	23.2	8.7	5.4	-
Investment securities	18.8	7.2	-	8.0	18.6	8.1	-	8.0
Liabilities								
Due to other banks	14.6	5.4	-	-	14.6	5.4	-	-
Customer deposits	4.8	3.3	1.3	1.8	4.8	3.3	1.3	1.8
Repurchase agreements	17.3	6.6	-	-	17.8	6.7	-	-
Obligations under securitisation arrangements	-	4.1	-	-	-	4.1	-	-
Other borrowed funds	13.0	5.6	-	-	12.3	5.8	-	-

(expressed in Jamaican dollars unless otherwise indicated)

46. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The table below summarises the effective interest rates by major currencies for financial instruments of the Group and the Bank.

	The Group				The Bank			
	J$	US$	CAN$	GBP	J$	US$	CAN$	GBP
30 September 2008	%	%	%	%	%	%	%	%
Assets								
Cash and balances at Bank of Jamaica	1.0	2.4	2.4	4.1	1.0	2.4	2.4	4.1
Due from other banks	-	2.8	3.5	4.9	-	3.0	3.5	4.9
Reverse repurchase agreements	14.2	8.2	-	-	11.9	5.7	-	-
Loans and advances	21.9	8.4	5.4	-	21.9	8.4	5.4	-
Investment securities	13.9	8.0	-	8.0	12.8	8.4	-	8.0
Liabilities								
Due to other banks	9.3	4.4	-	-	9.3	4.4	-	-
Customer deposits	4.3	3.1	1.3	1.8	4.3	2.9	1.3	1.8
Repurchase agreements	13.5	5.7	-	-	13.8	5.3	-	-
Obligations under securitisation arrangements	-	5.8	-	-	-	5.8	-	-
Other borrowed funds	11.5	5.6	-	-	10.5	6.3	-	-

46. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Group's and the Bank's profit and loss account and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of non-trading financial assets and financial liabilities. The sensitivity of stockholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	The Group			
	Effect on Net Profit 2009 $'000	Effect on Equity 2009 $'000	Effect on Net Profit 2008 $'000	Effect on Equity 2008 $'000
Change in basis points:				
-200	(1,302,497)	1,791,827	(1,051,258)	6,679,908
+200	1,302,497	(1,791,827)	1,061,692	(6,197,114)

	The Bank			
	Effect on Net Profit 2009 $'000	Effect on Equity 2009 $'000	Effect on Net Profit 2008 $'000	Effect on Equity 2008 $'000
Change in basis points:				
-200	(683,708)	427,531	(622,717)	3,350,926
+200	683,708	(427,531)	622,717	(3,350,926)

46. 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.

46. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Frequency and severity of claims (continued)

The Group also manages mortality risks on its contracts through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to minimise the risk of anti-selection. The Group's underwriting strategy has a two fold approach:

a) products that are subject to traditional methods of application and assessment are controlled by traditional underwriting methods including medical and financial selection with benefits being limited to reflect the health and/or financial condition of applicants and by the application of retention limits on any single life insured.

b) products which are not subject to traditional methods of application and assessment contain pre-existing conditions and exclusionary clauses for certain types of high-risk medical and financial events, claims on these types of policies are examined for breaches to those clauses and are denied or settled accordingly.

The table below indicates the concentration of insured benefits across bands of insured benefits per individual life assured. The Group uses catastrophe re-insurance cover against its Individual contracts as the main risks faced by these contracts are interest rate and liquidity risks:

	Total Benefits Assured - Individual			
	2009		2008	
	$'000	$'000	$'000	$'000
	Contracts with Investment Options	Contracts without Investment Options	Contracts with Investment Options	Contracts without Investment Options
Benefits assured per life assured ($'000)				
0 – 1,000	11,484,843	1,066,194	10,592,222	1,132,427
1,000 – 2,000	3,152,094	4,676,738	2,465,044	5,257,394
2,000 – 5,000	3,684,935	1,187,214	2,181,978	1,051,214
5,000 – 10,000	2,942,452	-	2,364,842	-
Over 10,000	3,449,510	-	2,628,617	-
	24,713,834	6,930,146	20,232,703	7,441,035

46. Financial Risk Management (Continued)

(e) Insurance risk (continued)

	Total Benefits Assured - Group			
	2009		2008	
	$'000	$'000	$'000	$'000
	Before Re-insurance	After Re-insurance	Before Re-insurance	After Re-insurance
Benefits assured per life assured ($'000)				
0 – 1,000	6,060,331	6,060,321	2,576,563	2,576,563
1,000 – 2,000	3,635,213	3,635,213	3,158,585	3,158,585
2,000 – 5,000	6,753,128	6,426,506	4,893,281	4,662,948
5,000 - 10,000	6,164,002	3,676,947	4,828,262	2,806,612
Over 10,000	2,928,984	784,203	1,667,758	210,326
	25,541,658	20,583,190	17,124,449	13,415,034

The following table for annuity contracts illustrates the concentration of risk in relation to the amount payable as if the annuity were in payment at the year end. The Group does not hold any re-insurance against the liabilities in these contracts.

	Total Annuities Payable	
	2009	2008
	$'000	$'000
Annuity payable per annum per annuitant ($'000)		
0 -100	2,011	1,430
100 - 300	2,214	10,834
300 – 500	3,519	2,905
500 – 1,000	8,607	15,213
Over 1,000	62,716	67,799
	79,067	98,181

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.

46. Financial Risk Management (Continued)

(f) Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To comply with the capital requirements set by the regulators of the financial markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

(i) The Banking segment

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Bank of Jamaica (BOJ), the Credit and Risk Management Division, the Asset and Liability Committee (ALCO) and Basel II as implemented by the BOJ for supervisory purposes. The required information is filed with the respective Authority at the stipulated intervals.

The BOJ requires the Bank to:

- Hold the minimum level of the regulatory capital, and
- Maintain a ratio of total regulatory capital to the risk-weighted assets.

The Bank's regulatory capital is divided into two tiers:

Tier 1 capital: ordinary share capital, non-redeemable non-cumulative preference shares, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill and net unrealised loss positions arising from fair value accounting are deducted in arriving at Tier 1 capital; and

Tier 2 capital: non-redeemable cumulative preference shares, qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on fair valuation of instruments held as available-for-sale.

46. Financial Risk Management (Continued)

(f) Capital management (continued)

(i) The Banking segment (continued)

Investments and share of accumulated losses in associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 30 September 2009 and 2008. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject.

	The Bank	
	2009	2008
	$'000	$'000
Tier 1 capital	18,711,438	17,284,459
Tier 2 capital	825,967	810,160
Prescribed deduction – associated companies	(2,173,774)	(2,176,767)
Total regulatory capital	17,363,631	15,917,852
Risk-weighted assets:		
On-balance sheet	85,466,371	83,848,530
Off-balance sheet	33,202,383	24,929,567
Total risk-weighted assets	118,668,754	108,778,097
Tier one capital ratio	16%	16%
Total capital ratio	15%	15%
Required ratio	10%	10%

The increase of the regulatory capital in 2009 is mainly due to the transfer of realised profits to the banking reserve from current year profit and a reduction in fair value losses.

46. Financial Risk Management (Continued)

(f) Capital management (continued)

(i) The Insurance subsidiary

The insurance subsidiary maintains a capital structure consisting mainly of shareholders' funds consistent with the company's profile and the regulatory and market requirements. The insurance subsidiary is subject to a number of regulatory capital tests and also employs scenario testing on an annual basis to assess the adequacy of capital. The insurance subsidiary has met all of these requirements during the year. Capital adequacy is managed at the operational level.

In reporting financial strength, capital and solvency are measured using the regulations prescribed by the Financial Services Commission (FSC). These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written by the insurance subsidiary.

The relevant capital requirement is the Minimum Continuing Capital Surplus Ratio (MCCSR) determined in accordance with the FSC regulations. This ratio is calculated by the Appointed Actuary and reviewed by executive management, the Audit Committee and the Board of Directors. This measure is a risk-based formula that compares available capital and surplus to a minimum requirement set by the FSC in regard to the asset and liability profile of the company. The FSC currently requires a minimum ratio of 150%. Companies that operate with a comparable formula and which are seen as financially strong tend to set targets for capital in the range of 180%-215%. The company has set an internal target ratio of 200%. As at 31 December 2008, the MCCSR was measured at 503% (2007 – 504%).

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 balance sheet 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.

(expressed in Jamaican dollars unless otherwise indicated)

46. Financial Risk Management (Continued)

(f) Capital management (continued)

(ii) The Insurance subsidiary (continued)

The results of the latest DCAT are as follows.

The DCAT conducted has not tested any correlation that may exist between assumptions. The following table represents the sensitivity of the MCCSR and the Insurance Risk Reserve in each of the above scenarios:

		2009		2008	
	Variable	MCCSR	Change in Liability	MCCSR	Change in Liability
Worsening rate of lapses	+3% for 5 yrs	759%	(157,645)	421%	255,111
High interest rates	+500 bp for 5 yrs	994%	(7,206,396)	744%	(5,911,966)
Low interest rates	-500 bp for 5 yrs	522%	(136,266)	449%	1,158,164
Worsening of mortality	-3% for 5 yrs	632%	(1,091,551)	600%	202,879
Higher expenses	+5% for 5 yrs	517%	(51,745)	488%	1,242,685
No sales growth	+0% for 5 yrs	857%	(1,240,049)	645%	54,381
High sales growth	+50% for 5 yrs	578%	(1,299,800)	578%	(5,370)
Extreme lapse and termination rates	x3 for 5 yrs	601%	(110,387)	0%	1,184,043
Fall in interest rates to 7%	-6% for 5 yrs	327%	2,593,583	178%	3,888,013

(expressed in Jamaican dollars unless otherwise indicated)

46. Financial Risk Management (Continued)

(f) Capital management (continued)

(iii) NCB Capital Markets

The company is regulated by the Financial Services Commission (FSC) and is subjected to regulatory capital tests employed by the regulator. Under the FSC regulations, the level of capital adequacy determines the maximum amount of liabilities including repurchase agreements the company is able to offer to clients. In addition to the requirements of the FSC, the company also engages in periodic internal testing which is reviewed by the Risk and Compliance Unit. Capital adequacy is managed at the operational level of the company.

The regulatory capital of the company is divided into two tiers:

(i) Tier 1 capital: share capital, retained earnings and reserves created from appropriations of retained earnings.

(ii) Tier 2 capital: qualifying subordinated debt or loan capital, qualifying capital reserves and unrealised gains derived from the fair valuation of equity instruments classified as available-for-sale.

The FSC requires that the company maintains a capital base comprising at least 50% of Tier 1 capital.

In addition, the FSC employs certain ratios to tests capital adequacy and solvency. The results of these ratios are included in a mandatory quarterly report submitted to the FSC. Two of the critical early warning ratios relating to the test for capital adequacy are 'Capital over Total Assets' and the 'Capital Base over Risk Weighted Assets (RWA)'. The results of these ratios at 30 September 2009 and the comparatives for 30 September 2008 are highlighted in the table below:

	FSC Benchmark	2009	2008
Capital Base / Total Assets	Greater than 6%	11.65%	11.17%
	Early Warning : 14%		
Capital Base / RWA	Minimum 10%	60.75%	67.86%
Tier 1 Capital / Capital Base	Greater than 50%	99.87%	99.86%

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.

47. 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. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(a) Investment securities at fair value through profit or loss, derivatives and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount for these items;

(b) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;

(c) The fair value of liquid assets and other assets maturing within one year (Cash and Balances at Bank of Jamaica, Due from other banks) is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;

(d) The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the balance sheet date;

(e) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts; and

(f) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.

(g) The quoted market price for investment in associate was deemed by management not to be fair value as the market is inactive. The fair value is based on pricing models or other recognised valuation techniques.

The fair values of the obligations under securitisation arrangements is disclosed in Notes 33. The fair values for all other financial instruments approximate their carrying values.

48. Banking Act

(i) At 30 September 2009 and 30 September 2008, the Bank was in breach of Section 13(1)(b)(i) of the Banking Act prohibiting the acquisition of property for purposes other than banking business or staff housing. These properties were formerly utilised in banking operations and though management has made efforts to dispose of them, to date, no purchasers have been found.

(ii) At 30 September 2009 and 30 September 2008, the Bank was in breach of Section 13(1)(f)(i) of the Banking Act. This section deals with the granting of credit facilities to any one person (not being another bank) in excess of 20% of the Bank's Capital Base, and in relation to the aforementioned credit facilities, grant any unsecured portion in excess of 5% of the bank's capital base.

(iii) At 30 September 2009 and 30 September 2008, the Bank was in breach of Section 13(1)(d)(i) of the Banking Act. This section deals with unsecured lending to connected persons. These lendings represent approximately 0.001% (2008: 0.089%) of the Bank's loans and advances.

49. Commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	The Group and The Bank	
	2009	2008
	$'000	$'000
Authorised and contracted	102,834	102,027
Authorised but not yet contracted	267,744	240,654
	370,578	342,681

50. Pledged Assets

	The Group		The Bank	
	Asset	Related Liability	Asset	Related Liability
	$'000	$'000	$'000	$'000
Balances at Bank of Jamaica	16,181,485	-	16,181,485	-
Due from other banks	4,419,619	4,119,004	4,419,619	4,119,004
Securities	86,576,365	72,514,779	20,626,113	15,274,876
Property, plant and equipment	203,264	249,657	203,264	249,657

Assets are pledged as collateral for repurchase agreements, loans from other institutions, possible shortfall in the Bank of Jamaica operating account, security deposits relating to stock exchange membership and in accordance with the Insurance Regulations. Assets are also pledged to third parties under various other agreements.

Statutory reserves are also held with the Bank of Jamaica. These deposits are not available to finance the Group's day-to-day operations.

51. Fiduciary Activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At 30 September 2009, the Group had financial assets under administration of approximately $42,600,000,000 (2008 - $39,500,000,000).

52. Dividends

On 5 November 2009, the Board declared a final interim dividend in respect of 2009 of $0.89 per ordinary stock. The dividend is payable on 3 December 2009 for stockholders on record as at 20 November 2009. The financial statements for the year ended 30 September 2009 do not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the year ending 30 September 2010.

53. Litigation and Contingent Liabilities

(i) Litigation

The Bank and its subsidiaries are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both its financial position and results of operations.

Significant matters are as follows:

(a) Suit has been filed by Bank's Staff Association against the Bank and Trustees of the N.C.B. Pension Scheme for breach of trust in respect of matters concerning the amendment and merger of the former pension funds, as well as the management and investment of the funds of the pension scheme. On 20 June 2008, Judgment was handed down in this matter in the Supreme Court in favour of the Bank and other Defendants. The Bank was ordered to pay to the Trustees of the 1975 Pension Fund all the monies required to satisfy the contributions required of it under that scheme for the period 1 October 1999 to 16 May 2000. A provision has been made in the financial statements.

(b) 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.

(c) 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.

53. Litigation and Contingent Liabilities (Continued)

(i) Litigation (continued)

(d) 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.

(e) 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.

(f) Suit has been filed against the bank by customers seeking declarations and damages as compensation for breach of contract/statutory duties in connection with facilities the customers have with the Bank. The claim for damages is approximately $166 million. Based on the advice of the Bank's attorneys, no provision has been made in the financial statements.

(g) Suit has been filed by a customer against the Bank seeking a Declaration that the Bank make payment under Guarantees issued. The claim against the Bank's is approximately $130,000,000. 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.

(h) Suit has been filed by a customer seeking specific performance, damages for breach of contract, interest and costs. No provision has been made in these financial statements for this claim as the Bank's attorneys are of the view that the suit against the Bank's 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. The sums total approximately $40,000,000. In some instances counter claims have been filed by the Bank. Provision has been made in the financial statements for certain of these claims. No provision has been made where the Bank's attorneys are of the view that the Bank has a good defence.

(ii) Contingent Liability

One of the Bank's subsidiaries received income tax assessments in respect of the years 2003 and 2005 from the Commissioner, Taxpayer Audit & Assessment Department (TAAD), for additional income taxes totaling $585,000,000. The subsidiary has objected to the assessments and discussions with the TAAD continue. No provision has been made in the financial statements as the Group's management and attorneys are of the opinion that there is no proper basis in law for the assessments and they ought to be discharged.

54. Acceptances, Guarantees, Indemnities and Letters of Credit

As at 30 September 2009, the Bank has made commitments for off-balance sheet financial instruments (acceptances, guarantees, indemnities and letters of credit) amounting to $3,668,532,000 (2008 - $4,214,990,000). There is an equal and offsetting claim against customers in the event of a call on these commitments.

❖ Shareholdings

10 LARGEST SHAREHOLDERS as at September 30, 2009	**Units**	**Percentage Ownership**
AIC Barbados Limited	1,408,285,965	57.09
Stocks & Securities Ltd. Alpha	85,858,820	3.48
AIC Global Holdings Inc/Holding	85,479,457	3.47
Advantage General Insurance Co. Ltd.	49,430,043	2.00
LOJ PIF Equity Fund	48,588,765	1.97
NCB Insurance Co. Ltd WT 109	45,874,302	1.86
Ideal Portfolio Services Company Limited	33,858,092	1.37
Capital & Credit Merchant Bank Limited	27,831,817	1.13
T&T Unit Trust Corporation - Fus.	18,250,000	0.74
National Insurance Fund	16,911,712	0.68

SHAREHOLDINGS OF DIRECTORS* as at September 30, 2009	
Robert Almeida	145,453,229
Wayne Chen	1,410,178,692
Dr. Nigel Clarke	15,709
Dennis G. Cohen	49,519,523
Sandra Glasgow	70,509
Hon. Noel A.A. Hylton, OJ, CD	94,044
Patrick Andrew Hylton, CD	425,072
Hon. Michael Lee-Chin, OJ	1,555,502,515
Donovan Lewis	83,769,488
Thalia Lyn	41,664
Prof. Alvin Wint	24,044

SHAREHOLDINGS OF LEADERSHIP TEAM* as at September 30, 2009	
Rickert George Allen	113,696
Septimus Blake	10,050
Ffrench Campbell	57,660
Yvonne Clarke	67,871
Dennis G. Cohen	49,519,523
Jennifer Dewdney Kelly	33,694
Dave Garcia	10,000
Howard Gordon	Nil
Ann-Marie Hamilton	Nil
Patrick Andrew Hylton, C.D	425,072
Sheree Martin	13,917
Peter Quinn	Nil
Marjorie Seeberan	73,973
Audrey Tugwell Henry	Nil
Christopher Williams	36,643
Mukisa Wilson Ricketts	Nil
Allison Wynter	192,784

* Include shares held by connected persons/parties.

Branch directory

Annotto Bay
Main Street
Annotto Bay
St. Mary
996-2213, 996-2219
Manager - Doreen Pindling
Operations Manager - Denise Wallace

***Barnett Street Agency**
93 Barnett Street
Montego Bay
St. James
952-6539
Operations Manager - Marcia O'Reggio

***Baywest Agency & Credit Centre**
Harbour Street
Montego Bay
St. James
952-0077, 952-3640-3
Assistant Manager - Earl Leakey

Black River
Chambers Plaza
1 Brigade Street
Black River
St. Elizabeth
965-2207, 965-9027
Manager - Conroy Ward
Operations Manager - Lindon Ramsay

Brown's Town
17 Main Street
Brown's Town
St. Ann
975-2242, 975-2275
Manager - Damion Hylton
Operations Manager - Cecile Myers

Chapelton
40 Main Street
Chapelton
Clarendon
987-2225, 987-2395
Manager - Prince Myers
Operations Manager - Lorna Robertson

Christiana
Main Street
Christiana
Manchester
964-2235, 964-2426
Manager - Jeffrey Johnson
Operations Manager - Caroline Calbert

Cross Roads
90-94 Slipe Road
Kingston 5
St. Andrew
926-7420-1, 926-7428-9
Manager - Ilyn Thompson
Operations Manager - Marjorie Bish

Duke Street
37 Duke Street
Kingston
922-6710-9, 922-6732-6
Manager - Leroy Harding
Asst. Managers - Karen Young
Asst. Manager - Andrew McCalla
Operations Manager - Donna Solomon

Falmouth
Water Square
Falmouth
Trelawny
954-3232, 954-3233
Manager - Brian Baggoo
Operations Manager - Jean Gaynor

Hagley Park
211 Hagley Park Road
Kingston 11
St. Andrew
923-5391-5, 923-0560-2
Manager - Donna Clarke
Operations Manager - Lourine Martin

Half Moon
Half Moon Shopping Village
St. James
953-9281
Manager - Phyllis Smith
Operations Manager - Patricia Murray-Reid

Half Way Tree
94 Half Way Tree Road
Kingston 10
St. Andrew
920-8313, 920-8315
Manager - Marva Peynado
Asst. Manager - Patricia Cole
Operations Manager - Sharon Gibson

Harbour View
Harbour View Shopping Centre
Kingston 17
Kingston & St. Andrew
928-6361, 928-7513
Manager - Avis Andrews
Operations Manager - Norda Lewis-Harris

Junction
Junction P.O.
St. Elizabeth
965-8611, 965-8612
Manager - Carlos Gordon
Operations Manager - Angella Carey

Knutsford Boulevard
1-7 Knutsford Boulevard
Kingston 5,
St. Andrew
926-9015-23, 926-1040-9
Manager - Stuart Reid
Asst. Manager - Jennifer Valentine
Operations Manager - Myrtella Skeine

Linstead
29 King Street
Linstead
St. Catherine
985-2257, 985-9295
Manager - Dean Simpson
Operations Manager - Yvonne Stone

Lucea
Main Street
Lucea
Hanover
956-2204, 956-2348
Manager - Jerome Newton
Operations Manager - Evette Moxie-Daley

Mandeville
6 Perth Road
962-2083, 962-2886
Manager - Winston Lawson
Assistant Manager - Andrea Arscott-Allen
Operations Manager - Pamela Harrison

Manor Centre Agency
195C Constant Spring Rd
Kingston 8
St. Andrew
755-1804
Operations Manager - Christine Whittingham

Manor Park
Manor Park Plaza
184 Constant Spring Road
Kingston 8
St. Andrew
925-9039, 924-1388
Manager - Audrey McIntosh
Operations Manager - Christine Whittingham

Matilda's Corner
15 Northside Drive, Northside Plaza,
Kingston 6
St. Andrew
702-2421-3, 977-2534-5
Manager - Noel Barker
Operations Manager - Jacqueline Murray

May Pen
41 Main Street
May Pen, Clarendon
986-2343, 986-2411
Manager - Peter Jennings
Asst. Manager - Barbara Cohen
Operations Manager - Marcia Clarke-Palmer

Morant Bay
39 Queen Street
Morant Bay, St. Thomas
982-2225, 982-2272
Manager - Lloyd Richardson
Operations Manager - Natalie Kong

Negril
Sunshine Village Complex
West End Road
Negril
Westmoreland
957-4117, 957-4119
Manager - Wayne Hunter
Operations Manager - Patricia Hudson -Buck

Newport West
54 2nd Street
Kingston 11
Kingston
923-9004-5, 923-9011-2
Manager - Kay Earl
Operations Manager - Joan Guthrie

Ocho Rios
40 Main Street
Ocho Rios
St. Ann
974-2522, 974-2580
Manager - Jacqueline Lucas
Operations Manager - Peta Gay Rodney

Old Harbour
Old Harbour
St. Catherine
983-2279, 983-2671
Manager - Kevin Walker
Operations Manager - Paulette Lewis

Oxford Place
NCB Towers
2 Oxford Road
Kingston 5
St. Andrew
926-6623-4, 926-6628
Manager - Glen Shields
Operations Manager - Patricia Hall-Todd

Port Antonio
1 Gideon Street
Port Antonio
Portland
715-6267,715-5080
Manager - Maxine Mckenzie
Operations Manager - Janice McKenzie

Port Maria
8 Main Street
Port Maria
St. Mary
994-2219, 994-2551
Manager - Xavier Allen
Operations Manager - Erica Barrett Malcolm

Portmore
13 - 14 West Trade Way, St. Catherine
Portmore Mall
St. Catherine
988-7433-7, 988-5505
Manager - Laurie Spencer
Operations Manager - Kevin McDonald

Private Banking
"The Atrium"
32 Trafalgar Road
Kingston 10
St. Andrew
929-7717, 929-8735
Manager - Elizabeth Thompson
Asst. Manager - Athelstan Bellamy
Operations Manager - Lorna Jaddoo

Red Hills Mall
105 Red Hills Road
Kingston 19
St. Andrew
925-3313, 925-3314
Manager - Jacqueline Mighten
Operations Manager - Sharon Tate

Santa Cruz
7 Coke Drive
St. Elizabeth
St. Elizabeth
966-2204, 966-2664
Manager - Dave Wilson
Operations Manager - Ann Marie Pinto

Savanna-La-Mar
68 Great George Street
Savanna-la-mar
Westmoreland
955-2672, 955-2338-9
Manager - Stuart Barnes
Operations Manager - Joan Graveney-Grizzle

St. Anns Bay
19-21 Main Street
St. Anns Bay
St. Ann
972-2490-1, 972-0722
Manager - Kevin Ingram
Operations Manager - Paulette Mignott

St. Jago Shopping Centre
Burke Road
Spanish Town
St. Catherine
984-5604,984-0672-6
Manager - Mark Fletcher
Operations Manager - Anthony Butler

St. James Street
41 St. James Street
Montego Bay
St. James
952-6540-9, 952-6112
Manager - Robert Brooks
Asst. Manager - Earl Leaky
Operations Manager - Marcia O'Reggio

University (UWI)
Mona Campus
Kingston 7
Kingston & St. Andrew
927-1057, 927-1898
Manager - Lavern Francis
Operations Manager - Pauline White

Washington Boulevard SuperCentre
45 Elma Crescent
Kingston 20
St. Andrew
934-1817, 9341081-21
Manager - Lorna Brown
Operations Manager - Sandra Chambers-Green

Windward Road Agency
89-91 Windward Road
Kingston 2
Kingston & St. Andrew
928-1167, 928-2922

Customer Care Centre
The South Towers
2 Oxford Road
Kingston 5
1-888-NCB-FIRST
1-888-622-34778

Centralized Disbursement Securities Unit
(near Matildas Corner Branch)
133 Old Hope Road
Kingston 6
Northside Plaza
Kingston 6

Network Operations
14 Eureka Road
Kingston 5
501-7737

NCB Corporate Learning Campus
2 ½ Altamont Crescent
Kingston 10
920-2170,929-8471,929-8466

Corporate directory

Corporate Banking
Marjorie Seeberan - General Manager
Barbara Hume - Senior Assistant General Manager
Brian Boothe - Senior Assistant General Manager (Western Region)
Nadienne Neita - Assistant General Manager
Deryck Russell - Assistant General Manager

Credit & Risk Management
Allison Wynter - General Manager
Lincoln McIntyre - Assistant General Manager
Henry Pratt - Assistant General Manager

Facilities and Services
Ffrench Campbell - Senior Assistant General Manager
Stacey Hamilton - Manager, Planning, Performance & Special Projects
Rodney O. Davis - Purchasing Manager
Glenroy Findlay - Security, Safety & Environmental Manager
Shevene Logan - Quantity Surveyor

Financial Control
Josephine Bennett - Assistant General Manager
Malcolm Sadler - Assistant General Manager
Denzil Whyte - Group Regulatory & Taxation Manager

General Counsel
Dave Garcia - General Manager, General Counsel & Special Projects
Lana Smith - Senior Legal Counsel
Janelle Muschette Leiba - Legal Counsel
Nicola Whyms-Stone - Legal Counsel

Group Compliance & Company Secretary
Jennifer Dewdney Kelly - Group Chief Compliance Officer & Company Secretary
Fiona Briscoe - Senior Compliance Manager
Misheca Seymour Senior - Compliance Manager & Assistant Company Secretary

Group Human Resources
Rickert Allen - Senior General Manager
Euton Cummings - Assistant General Manager
Sandra Grey - HR Relationship Manager

Group Managing Director's Office
Patrick Hylton - Group Managing Director
Dennis Cohen - Deputy Group Managing Director
Yvonne Clarke - Group Chief Financial Officer
Lennox Channer - Assistant General Manager, Strategic Planning & Performance Monitoring

Group Marketing & Communications
Sheree Martin - Senior Assistant General Manger
Nicole Walker - Group Marketing Manager
Belinda Williams - Manager, Corporate Communications
Kerine Hamilton - Marketing Manager, Consumer Services
Charmaine Wright - Marketing Manager, Wealth & Business Services
Samantha Chantrelle - Projects Manager, N.C.B. Foundation

Information Technology
Peter Quinn - Chief Information Officer
Nicole Brown - Assistant General Manager – I. T. Solutions
Wayne Lewis - Assistant General Manager – I. T. Services
Neil Edwards - Manager, I.T. Operations & Change Management
Sandie King-James - Manager, Information Security
Cheryl McIntyre-Hall - Manager, Enterprise Projects
Cecil Williams - Manager, Service Desk & Problem Management

Internal Audit
Mukisa Wilson Ricketts - Chief Internal Auditor
Richard Hines - Manager, Special Investigations Unit

Network Operations
Howard Gordon - General Manager
Anne McMorris - Assistant General Manager
Alison Lyn - Assistant General Manager

Retail Banking
Audrey Tugwell Henry - Senior General Manager,
Norman Reid - Regional Manager
Loren Edwards - Regional Manager
Bernadette Barrow - Assistant General Manager, Small & Medium Enterprises
Marcia Reid-Grant - Assistant General Manager, Retail Banking
Darcy Parkins - Managing Director, NCB Remittance Services (Jamaica) Limited
Sharon Williams - Manager, Consumer Banking & Customer Relations
Claudette Rodriquez - Assistant General Manager, Card Services & e-Channels
Claudell Robinson - Manager, Customer Care Center

Treasury & Correspondent Banking
Septimus 'Bob' Blake - General Manager
Tanya Watson - Assistant General Manager, Fixed Income
Peter Higgins - Assistant General Manager, F/X Trading

NCB Subsidiaries & N.C.B. Foundation

NCB Capital Markets Limited
Directors
Patrick Hylton (Chairman)
Christopher Williams (Managing Director) *resigned effective January 30, 2010*
Michael Ammar (Jr.)
Dr. Cecil Batchelor
Septimus (Bob) Blake
John Bell
Dr. Nigel Clarke
Yvonne Clarke
Dennis Cohen
Shamena Khan
Harry Smith

NCB Insurance Company Limited
Directors
Wayne Chen (Chairman)
Ann Marie Hamilton (General Manager)
Yvonne Clarke
Dennis Cohen
Dave Garcia
Patrick Hylton
William Mahfood
Dr. Colin McKenzie
Hilary Reid
Milverton Reynolds
Audrey Tugwell Henry
Christopher Williams
Prof. Alvin Wint

NCB (Cayman) Limited
Directors
Wayne Chen (Chairman)
Phillip Harrison (Managing Director)
Dennis Cohen
Patrick Hylton
Donovan Lewis
Prof. Alvin Wint
Christopher Williams

NCB Capital Markets (Cayman) Limited
(Subsidiary of NCB (Cayman) Ltd.)
Directors
Wayne Chen (Chairman)
Phillip Harrison
Dennis Cohen
Patrick Hylton
Donovan Lewis
Prof. Alvin Wint
Christopher Williams *- resigned effective January 30, 2010*

NCB Remittance Services (Cayman) Limited
(Subsidiary of NCB (Cayman) Ltd.)
Directors
Wayne Chen (Chairman)
Phillip Harrison (Managing Director)
Dennis Cohen
Patrick Hylton
Donovan Lewis
Darcy Parkins
Prof. Alvin Wint

NCB Remittance Services (Jamaica) Limited
Directors
Prof. Alvin Wint (Chairman)
Darcy Parkins (Managing Director)
Dr. Dillon Alleyne *resigned effective December 18, 2009*
Septimus (Bob) Blake

NCB Remittance Services (Jamaica) Limited cont'd
Yvonne Clarke
Ronald Graham
Audrey Tugwell Henry

NCB Remittance Services (UK) Limited
Directors
Yvonne Clarke (Chair)
Leonard Mahipalamudali (Business Development Manager)
Franklyn Johnston
Darcy Parkins
Audrey Tugwell Henry

N.C.B. Jamaica (Nominees) Limited
Mellisa Williams - Registrar
Directors
Yvonne Clarke (Chair)
Josephine Bennett
Malcolm Sadler

Mutual Security Insurance Brokers Limited
Directors
Dennis Cohen (Chairman)
Josephine Bennett
Diana McCaulay
David Williams

West Indies Trust Company Limited
Directors
Wayne Chen (Chairman)
Patrick Hylton
Dennis Cohen

Data-Cap Processing Limited
Directors
Yvonne Clarke (Chair)
Rickert Allen
Josephine Bennett
Ffrench Campbell

N.C.B. (Investments) Limited
The company is presently dormant.

Resort Beach Development Limited
Directors
Donovan Lewis (Chairman)
Ludlow Bowie
Barringston Chisholm
Yvonne Clarke
Sandra Glasgow
Ann Marie Hamilton
Audrey Deer Williams

N.C.B. Foundation
Samantha Chantrelle (Project Manager)
Directors
Thalia Lyn (Chair)
Sheree Martin (Chief Executive Officer)
Dr. Joy Callendar
Yvonne Clarke
Lisa Lakhan Chen
Diana Oddi
Andrew Pairman
Diana Thorburn
Irene Walter


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Proxy Form

Postage Stamp

National Commercial Bank Jamaica Limited
Annual General Meeting
Form of Proxy

I/We ____

of ____

being a Member/Members of the abovenamed Company, hereby appoint

____

of ____

or failing him/her ____

of ____ as my/

our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the **Hilton Kingston Hotel, 77 Knutsford Boulevard, Kingston 5** in the parish of **Saint Andrew** on **Thursday, February 25, 2010 at 3:00 p.m.** and at any adjournment thereof.

Dated the ________________ date of ______________________________ 2010

Signed: ____

NOTES:

1. This Form of Proxy must be received by the Secretary of the Company not less than 48 hours before the time appointed for the Meeting.
2. This Form of Proxy should bear stamp duty of $100. Adhesive stamps are to be cancelled by the personsigning the proxy.
3. If the appointer is a Corporation, this Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized in writing.

We make it **happen**
The Atrium
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Jamaica, West Indies
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Fax. 876-929-8390
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