



**NATIONAL COMMERCIAL BANK JAMAICA LIMITED  
REPORTS NET PROFIT OF \$4,626 MILLION FOR THE  
SIX MONTHS ENDED 31 MARCH 2009.**

The Board of Directors is pleased to release the following un-audited results for National Commercial Bank Jamaica Limited (NCBJ) and its subsidiaries for the six months ended 31 March 2009.

**PERFORMANCE HIGHLIGHTS**

**Half Year ended March 2009 compared with Half Year ended March 2008**

- Net Profit of \$4,626 million, increased by \$120 million or 3%.
- Earnings per Stock Unit of \$1.88 grew by \$0.05 or 3% .
- Operating Revenue of \$12,959 million, increased by 8%
- Cost to Income Ratio of 51.7% vs. 50.8%.
- Risk-Based Capital Ratio of 13.16% vs. 15.53%.
- Net Loans of \$88.1 billion, grew by 40%.
- Investment Securities of \$151.5 billion, decreased by \$509 million.
- Customer Deposits of \$129.9 billion, increased by 8%.
- Return on Average Equity was 28.51% vs. 29.74%.
- Return on Average Assets was 3.12% vs. 3.44%.

**Quarter ended March 2009 compared with Quarter ended March 2008**

- Net Profit of \$2,243 million, declined by 15% or \$404 million.
- Earnings per Stock Unit decreased by \$0.16 or 15%.
- Operating Revenue grew by \$293 million or 5%.
- Return on Average Equity was 27.41% vs. 34.02%.
- Return on Average Assets was 3.03% vs. 4.01%.

The results for the prior period included a one-off gain of \$530 million. Excluding this gain, the growth in Net Profit over March 2008 was 6%.

**Quarter ended March 2009 compared with Quarter ended December 2008**

- Net Profit declined by 6% or \$140 million.
- Earnings per Stock Unit of \$0.91 decreased by \$0.06 or 6%.
- Operating Revenue increased by \$344 million or 5%.
- Return on Average Equity was 27.41% vs. 30.18%.
- Return on Average Assets was 3.03% vs. 3.29%.



## **SEGMENT PERFORMANCE**

### **Banking**

The Banking segment's results for the six months ended March 2009 reflect an increase of \$54 million over the prior March 2008 period. The consistent results were driven mainly by growth in the Corporate and Retail loan portfolios, securities income and fee and commission income:

- interest income from loans increased by 36% due to the growth in the loan portfolio.
- interest income from securities increased by 14%.
- net fee & commission income grew by 6%.

Loans and advances totalled \$88.1 billion (net of provision for credit losses) as at 31 March 2009 growing by J\$25.4 billion over the balances as at 31 March 2008. Our net loans to total assets ratio, one of our key strategic measures, has improved from 23.29% at March 2008 to 29.12% at March 2009. Non-performing loans totalled \$2.3 billion as at March 2009 which represented 2.56% of the gross loans compared to 2.48% as at 31 March 2008. Our provision coverage as at March 2009 was 148.8% compared to 153.0% at March 2008.

For the six months ended 31 March 2009, provision for credit losses totalled \$477 million compared with \$214 million for the period ended 31 March 2008, both as a result of the portfolio growth as well as the impact of the challenging economic environment on our customers. We have responded to the challenges by implementing measures to mitigate the impact on our loan portfolio. We have strengthened our loan origination processes and enhanced our delinquency management. We continue to proactively manage this core business activity to ensure that, as far as is possible, we are mitigating the impact of the economic environment on our loan quality.

NCBJ remains the largest commercial bank when measured by profit, assets and branch network, and we believe these advantages provide significant opportunities for continued growth.

### **Wealth Management**

Our wealth and asset management segment contributed operating profits of \$827 million for the six months ended March 2009. NCB Capital Markets Limited (NCBCM) the main contributor to this segment provided 86% of the operating profits. The result for this segment for the six months ended 31 March 2009 reflect a 37% reduction from the 2008 period due mainly to a decline in the results of NCBCM. The current economic environment, characterised by thinning margins, mark to market losses on trading securities and inactivity in the global bond market, have negatively impacted the operations of NCBCM.



## **SEGMENT PERFORMANCE (continued)**

### **Insurance**

Our insurance segment contributed operating profits of \$822 million for the six months ended March 2009, representing an increase of \$574 million over the corresponding period of the prior year. NCB Insurance Company Limited (NCBIC), the major contributor to this segment achieved a net profit of \$724 million, increasing by \$496 million when compared to March 2008. A year ago, in our March 2008 report, we highlighted the changes made with our restructuring of NCBIC. These changes have strengthened the company, resulting in a significant improvement in its performance.

**Overall, our segment results reflect the careful and strategic management of customer relationships and needs, expert management of interest rate spreads and liquidity and proactive and effective management of our risks and costs.**

**We remain committed to and continue to pursue our strategic objectives and most importantly to keeping our organisation strong for all our stakeholders.**

**This strength is reflected in our capital position as follows:**

### **CAPITAL**

The Group's Stockholders' Equity of \$33.6 billion increased by \$1.5 billion or 5% when compared to 31 March 2008.

- The Risk-Based Capital Ratio for NCBJ was 13.16% which exceeds the minimum requirement of 10% stipulated by the Bank of Jamaica.
- The Capital to Risk Weighted Assets Ratio for NCBCM was 55.68% which exceeds the minimum requirement of 10% stipulated by the Financial Services Commission.
- NCBIC reported a Solvency Ratio of 17.1% which exceeds the minimum requirement of 10% stipulated by the Financial Services Commission.

### **DIVIDENDS**

On 23 April 2009, the Board declared an interim dividend of \$0.10 per ordinary stock unit. The dividend is payable on 21 May 2009 for stockholders on record as at 08 May 2009.



## **AWARDS**

In March 2009, the Jamaica Chamber of Commerce (JCC) staged its annual Awards Ceremony where it lauded the achievements of Jamaica's best in business and civic leadership in 2008. We are extremely pleased to advise that **NCBJ** was judged the "Best in Chamber" company. Companies were nominated for the JCC "Best In Chamber" Award and rated by an independent panel of judges on being "an outstanding member company that has met the level of sector performance and best practices in the areas of corporate leadership, product and service quality, human resource development, marketing innovation, corporate citizenship and sustained growth".

## **COMMUNITY RELATIONS**

In pursuit of our objective of Engaging in Nation Building, we donated over \$20 million during the quarter in support of projects in the areas of Education, Health, Sports, Entrepreneurship and Community Development.

### **EDUCATION**

In education, we donated computers and funded school facilities upgrades and scholarships for 29 students. Among the schools that benefited were Balmagie Primary, Brooks Level Basic School, Cheapside All Age, Carmel Early Childhood Development Centre, and the Carberry Court School for mentally challenged students.

### **HEALTH**

We partnered with the National Blood Transfusion Unit in its island-wide Schools' Blood Drive Competition aimed at encouraging students 18 years and over to give blood.

### **ENTREPRENEURSHIP**

Intrinsic in our commitment to education is the development of an entrepreneurial spirit within our young people by supporting initiatives that seek to hone those skills which enable them to become future business leaders. This quarter, the Foundation joined the JMA in launching the implementation phase of a school entrepreneurship competition in high schools.



## **COMMUNITY RELATIONS (continued)**

### **COMMUNITY DEVELOPMENT**

The Foundation also had the opportunity to touch lives in communities across the island through our *Grant a Wish* programme which encourages NCB employees to nominate individuals in their individual communities whom they believe are in need of assistance.

Also, during the quarter, we implemented the inaugural Community Project Competition, which takes the form of a video contest on YouTube. The initiative seeks to encourage and reward work being done by youth in communities across the island.

We wish to express our deep appreciation to our staff members for their commitment and dedication to excellence in their work and for their enthusiastic involvement in the Group's philanthropic pursuits. We also wish to express our sincere gratitude to our customers for their loyalty and continued support.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke, is positioned above a solid horizontal line.

**ON BEHALF OF THE BOARD**

# National Commercial Bank Jamaica Limited

## Consolidated Profit & Loss Account

Six months ended 31 March 2009

(expressed in Jamaican dollars unless otherwise indicated)

	<i>CURRENT YEAR</i>			<i>PRIOR YEAR</i>	
	Quarter Ended	Quarter Ended	Year to Date	Quarter Ended	Year to Date
	31 Mar 09	31 Dec 08	31 Mar 09	31 Mar 08	31 Mar 08
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating Income</b>					
Interest income from loans	3,324,608	3,230,222	6,554,830	2,439,212	4,805,347
Interest income from securities	5,443,889	4,847,729	10,291,618	4,587,302	9,107,376
Total interest income	8,768,497	8,077,951	16,846,448	7,026,514	13,912,723
Interest expense	(4,055,707)	(3,979,039)	(8,034,746)	(3,261,872)	(6,512,938)
Net interest income	4,712,790	4,098,912	8,811,702	3,764,642	7,399,785
Fee and commission income	1,492,006	1,547,304	3,039,310	1,400,194	2,830,004
Fee and commission expense	(354,853)	(309,172)	(664,025)	(306,925)	(568,202)
Net fee and commission income	1,137,153	1,238,132	2,375,285	1,093,269	2,261,802
Gain on foreign currency and investment activities	648,260	854,535	1,502,795	1,343,442	2,010,656
Dividend income	24,053	22,788	46,841	11,899	38,104
Insurance premium income	113,444	78,543	191,987	113,952	210,863
Other operating income	15,744	14,161	29,905	31,084	40,395
	801,501	970,027	1,771,528	1,500,377	2,300,018
	<b>6,651,444</b>	<b>6,307,071</b>	<b>12,958,515</b>	<b>6,358,288</b>	<b>11,961,605</b>
<b>Operating Expenses</b>					
Staff costs	2,078,985	2,027,728	4,106,713	1,786,397	3,610,385
Provision for credit losses	270,085	207,398	477,483	84,170	213,901
Depreciation and amortisation	147,995	155,098	303,093	184,867	375,697
Other operating expenses	1,208,481	1,087,157	2,295,638	1,078,356	2,094,132
	<b>3,705,546</b>	<b>3,477,381</b>	<b>7,182,927</b>	<b>3,133,790</b>	<b>6,294,115</b>
<b>Operating Profit</b>	<b>2,945,898</b>	<b>2,829,690</b>	<b>5,775,588</b>	<b>3,224,498</b>	<b>5,667,490</b>
Share of (losses)/profits of associate	(12,225)	11,550	(675)	59,029	87,552
<b>Profit before Taxation</b>	<b>2,933,673</b>	<b>2,841,240</b>	<b>5,774,913</b>	<b>3,283,527</b>	<b>5,755,042</b>
Taxation	(690,973)	(458,150)	(1,149,123)	(636,618)	(1,249,068)
<b>NET PROFIT</b>	<b>2,242,700</b>	<b>2,383,090</b>	<b>4,625,790</b>	<b>2,646,909</b>	<b>4,505,974</b>
<b>Earnings per stock unit</b> (expressed in \$ per share)	<b>\$ 0.91</b>	<b>\$ 0.97</b>	<b>\$ 1.88</b>	<b>\$ 1.07</b>	<b>\$ 1.83</b>

# National Commercial Bank Jamaica Limited


## Consolidated Balance Sheet


31 March 2009


(expressed in Jamaican dollars unless otherwise indicated)


	31 March 2009 S'000	30 September 2008 S'000	31 March 2008 S'000
<b>ASSETS</b>			
Cash and balances at Bank of Jamaica	24,566,855	15,442,828	15,479,670
Due from other banks	15,587,287	15,207,522	18,620,166
Investment securities at fair value through profit or loss	462,093	916,906	1,231,155
Reverse repurchase agreements	9,347,849	12,578,633	9,943,099
Loans and advances, net of provision for credit losses	88,083,808	82,169,396	62,722,641
Investment securities	150,987,770	153,654,776	150,727,368
Investments in associate	3,167,254	2,181,407	2,108,492
Investment property	13,000	13,000	13,000
Property, plant and equipment	3,777,381	3,830,313	3,986,110
Deferred income tax assets	3,280,287	1,679,056	415,700
Intangible asset - computer software	259,517	282,264	198,633
Retirement benefit asset	13,077	13,077	11,627
Income tax recoverable	1,388,108	1,157,799	895,019
Other assets	1,522,182	1,325,792	2,380,297
Customers' liability - letters of credit and undertaking	351,869	700,628	575,200
<b>Total Assets</b>	<b>302,808,337</b>	<b>291,153,397</b>	<b>269,308,177</b>
<b>LIABILITIES</b>			
Due to other banks	8,393,238	10,038,502	6,537,780
Customer deposits	129,873,442	126,099,896	120,336,726
Derivative financial instruments	357,791	104,754	168,303
Promissory notes and certificates of participation	54,723	4,626	68,085
Repurchase agreements	70,295,913	69,619,957	57,716,590
Obligations under securitisation arrangements	29,917,261	26,259,740	26,700,019
Other borrowed funds	7,125,100	5,522,891	5,717,984
Income tax payable	112,227	489,559	-
Deferred income tax liabilities	803,090	112,006	106,351
Policyholders' liabilities	17,925,763	16,533,984	15,419,563
Provision for litigation	66,000	39,000	39,000
Retirement benefit obligations	387,981	354,321	323,549
Other liabilities	3,549,980	3,960,871	3,548,815
Liability - letters of credit and undertaking	351,869	700,628	575,200
<b>Total Liabilities</b>	<b>269,214,378</b>	<b>259,840,735</b>	<b>237,257,965</b>
<b>STOCKHOLDERS' EQUITY</b>			
Share capital	6,465,731	6,465,731	6,465,731
Shares held by NCB Employee Share Scheme	(3,388)	(3,388)	(3,867)
Fair value and other reserves	(2,227,567)	(1,556,733)	1,619,260
Loan loss reserve	839,618	697,061	351,022
Banking reserve fund	3,980,371	3,663,000	2,607,000
Retained earnings reserve	8,875,761	8,875,761	6,375,761
Retained earnings	15,663,433	13,171,230	14,635,305
<b>Total Stockholders' Equity</b>	<b>33,593,959</b>	<b>31,312,662</b>	<b>32,050,212</b>
<b>Total Equity and Liabilities</b>	<b>302,808,337</b>	<b>291,153,397</b>	<b>269,308,177</b>

Approved for issue by the Board of Directors on 23 April 2009 and signed on its behalf by:

  
Director

  
Director

  
Director

  
Secretary

# National Commercial Bank Jamaica Limited

Consolidated Statement of Changes in Stockholders' Equity

Six months ended 31 March 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
<b>Balance as at 1 October 2007</b>	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	-	-	12,189	-	-	-	-	12,189
Unrealised gains on available-for-sale investments, net of taxes	-	-	366,200	-	-	-	-	366,200
Realised fair value gains transferred to Consolidated Profit and Loss Account, net of taxes	-	-	(354,679)	-	-	-	-	(354,679)
Net gains not recognised in Consolidated Profit and Loss Account	-	-	23,710	-	-	-	-	23,710
Net profit	-	-	-	-	-	-	4,505,974	4,505,974
Dividends paid	-	-	-	-	-	-	(1,033,498)	(1,033,498)
Transfer to Loan Loss Reserve	-	-	-	119,787	-	-	(119,787)	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	1,856,000	(1,856,000)	-
<b>Balance at 31 March 2008</b>	6,465,731	(3,867)	1,619,260	351,022	2,607,000	6,375,761	14,635,305	32,050,212
<b>Balance as at 1 October 2008</b>	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	-	-	226,701	-	-	-	-	226,701
Unrealised losses on available-for-sale investments, net of taxes	-	-	(2,044,516)	-	-	-	-	(2,044,516)
Realised fair value losses transferred to Consolidated Profit and Loss Account, net of taxes	-	-	151,137	-	-	-	-	151,137
Share of equity movement in associate	-	-	995,844	-	-	-	-	995,844
Net losses not recognised in Consolidated Profit and Loss Account	-	-	(670,834)	-	-	-	-	(670,834)
Net profit	-	-	-	-	-	-	4,625,790	4,625,790
Dividends paid	-	-	-	-	-	-	(1,673,659)	(1,673,659)
Transfer to Loan Loss Reserve	-	-	-	142,557	-	-	(142,557)	-
Transfer to Banking Reserve Fund	-	-	-	-	317,371	-	(317,371)	-
<b>Balance at 31 March 2009</b>	6,465,731	(3,388)	(2,227,567)	839,618	3,980,371	8,875,761	15,663,433	33,593,959



# National Commercial Bank Jamaica Limited

## Consolidated Statement of Cash Flows

Six months ended 31 March 2009

(expressed in Jamaican dollars unless otherwise indicated)

	31 March 2009 \$'000	31 March 2008 \$'000
<b>Cash Flows from Operating Activities</b>		
<b>Net profit</b>	4,625,790	4,505,974
Changes in operating assets and liabilities	(2,588,771)	2,141,333
Other adjustments to reconcile net profit	3,919,254	(814,807)
Net cash provided by operating activities	<u>5,956,273</u>	<u>5,832,500</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(205,340)	(490,464)
Acquisition of intangible asset - computer software	(32,673)	(11,959)
Proceeds from disposal of property, plant and equipment	15,629	10,241
Investment securities, net	(7,302,919)	(11,000,578)
Dividends received from associate	9,322	13,983
Net cash used in investing activities	<u>(7,515,981)</u>	<u>(11,478,777)</u>
<b>Cash Flows from Financing Activities</b>		
Repayments under securitisation arrangements	(1,898,614)	-
Other borrowed funds	1,618,120	740,181
Dividends paid	(1,673,659)	(1,033,498)
Net cash used in financing activities	<u>(1,954,153)</u>	<u>(293,317)</u>
Effect of exchange rate changes on cash and cash equivalents	2,517,174	120,589
Net decrease in cash and cash equivalents	(996,687)	(5,819,005)
Cash and cash equivalents at beginning of period	18,990,303	27,513,688
<b>Cash and cash equivalents at end of period</b>	<b><u>17,993,616</u></b>	<b><u>21,694,683</u></b>
<b>Comprising:</b>		
Cash and balances at Bank of Jamaica	7,824,911	4,523,026
Due from other banks	15,587,287	18,620,166
Investment securities	2,974,656	5,089,271
Due to other banks	(8,393,238)	(6,537,780)
	<b><u>17,993,616</u></b>	<b><u>21,694,683</u></b>

# National Commercial Bank Jamaica Limited

## Segment Report

Six months ended 31 March 2009

	Banking			Wealth Management	Insurance	Other	Eliminations	Consolidated
	Retail	Corporate	Treasury					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	6,129,313	3,072,538	6,230,838	4,304,632	1,845,261	74,704	-	21,657,286
Revenue from other segments	3,616,417	1,122	1,338,790	49,426	187,069	(1,538)	(5,191,286)	-
<b>Total revenue</b>	<b>9,745,730</b>	<b>3,073,660</b>	<b>7,569,628</b>	<b>4,354,058</b>	<b>2,032,330</b>	<b>73,166</b>	<b>(5,191,286)</b>	<b>21,657,286</b>
Segment result	1,296,805	1,267,537	2,034,431	826,842	821,598	15,703	27,211	6,290,127
Unallocated corporate expenses								(514,539)
Operating profit								5,775,588
Share of losses in associate								(675)
Profit before tax								5,774,913
Taxation expense								(1,149,123)
Net profit								4,625,790
Segment assets	120,646,122	53,672,606	134,710,053	68,384,554	20,397,320	412,498	(104,220,755)	294,002,398
Associate								3,167,254
Unallocated assets								5,638,685
<b>Total assets</b>								<b>302,808,337</b>
Segment liabilities	111,522,690	48,208,926	128,927,240	63,846,020	18,021,421	119,466	(102,268,231)	268,377,532
Unallocated liabilities								836,846
<b>Total liabilities</b>								<b>269,214,378</b>
Depreciation and amortisation	240,679	6,222	5,102	18,310	30,804	1,976	-	303,093

# National Commercial Bank Jamaica Limited

## Segment Report

Six months ended 31 March 2008

	Banking			Wealth Management	Insurance	Other	Eliminations	Consolidated
	Retail	Corporate	Treasury					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	5,150,437	1,935,986	6,645,047	3,942,340	1,323,520	45,415		19,042,745
Revenue from other segments	3,617,286	-	473,650	13,414	35,402	16,181	(4,155,933)	-
Total revenue	<u>8,767,723</u>	<u>1,935,986</u>	<u>7,118,697</u>	<u>3,955,754</u>	<u>1,358,922</u>	<u>61,596</u>	<u>(4,155,933)</u>	<u>19,042,745</u>
Segment result	1,719,414	778,015	2,046,933	1,309,630	247,939	24,763	(16,292)	6,110,402
Unallocated corporate expenses								<u>(442,912)</u>
Operating profit								5,667,490
Share of profit in associate								<u>87,552</u>
Profit before tax								5,755,042
Taxation expense								<u>(1,249,068)</u>
Net profit								<u><u>4,505,974</u></u>
Segment assets	119,570,056	33,473,990	121,874,355	61,633,767	17,305,080	392,221	(90,334,419)	263,915,050
Associate								2,108,492
Unallocated assets								<u>3,284,635</u>
Total assets								<u><u>269,308,177</u></u>
Segment liabilities	111,572,125	27,204,255	116,970,020	52,955,031	15,517,438	99,704	(87,650,557)	236,668,016
Unallocated liabilities								<u>589,949</u>
Total liabilities								<u><u>237,257,965</u></u>
Depreciation and amortisation	<u>329,347</u>	<u>8,104</u>	<u>5,548</u>	<u>8,689</u>	<u>23,640</u>	<u>369</u>	<u>-</u>	<u>375,697</u>

# National Commercial Bank Jamaica Limited

## Notes to the Financial Statements

31 March 2009

(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 61.60% subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael Lee-Chin, OJ. The Bank’s registered office is located at 32 Trafalgar Road, Kingston 10, Jamaica.

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

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

	Principal Activities	Percentage Ownership by Group	
		31 March 2009	31 March 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	Securities Dealer	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	
		31 March 2009	31 March 2008
Kingston Wharves Limited	Wharf Operations and Stevedoring	43.45	43.45
Dyoll Group Limited	Coffee cultivation and other activities	44.47	44.47

# National Commercial Bank Jamaica Limited

## Notes to the Consolidated Financial Statements

31 March 2009

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### 2. 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.

There have been no changes in accounting policies since the most recent audited accounts as at 30 September 2008.

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

All amounts are stated in Jamaican dollars unless otherwise indicated.

### 3. Loans and Advances

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. 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.

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

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

	<b>31 March 2009 \$'000</b>	<b>31 March 2008 \$'000</b>
Specific provision	2,566,051	1,812,338
General provision	857,820	617,136
Provision required by Bank of Jamaica	<u>3,423,871</u>	<u>2,429,474</u>
Provision required by IFRS	<u>2,584,253</u>	<u>2,078,452</u>
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve	<u><u>839,618</u></u>	<u><u>351,022</u></u>

# National Commercial Bank Jamaica Limited

## Notes to the Consolidated Financial Statements

31 March 2009

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### 4. Investment Securities

Investment securities are classified into the following categories: investment securities at fair value through profit or loss, available-for-sale and loans and receivables securities. 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.

In October 2008 the International Accounting Standards Board (IASB) issued amendments to IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 7 (Financial Instruments: Disclosures) specifically in relation to the reclassification of financial assets. These amendments permitted an entity to retrospectively reclassify certain financial assets in specific circumstances. On 1 October 2008, the group reclassified certain investment securities from available-for-sale to loans and receivables. Management has determined that the criteria for reclassification have been met; in particular, these investments meet the definition of loans and receivables as they are not quoted in an active market. The company has the intention and ability to hold these reclassified loans and receivables for the foreseeable future or until maturity. No such reclassifications were made in 2008.

The reclassified investments are measured at amortised cost, using the fair value at the date of reclassification. The unrealised gains or losses in equity prior to reclassification will be amortised over the remaining life of the instruments using the effective interest method.

# National Commercial Bank Jamaica Limited

## Notes to the Consolidated Financial Statements

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### 5. Share Capital

	<b>31 March 2009 \$'000</b>	<b>31 March 2008 \$'000</b>
Authorised: 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 - 6,042,916) ordinary stock units held by Share Scheme	(3,388)	(3,867)
Issued and outstanding	<u>6,462,343</u>	<u>6,461,864</u>

### 6. Segment Reporting

The Group is organised into the following business segments:

- o Retail banking - This incorporates the provision of banking services to individuals and small business clients.
- o Corporate banking - This incorporates the provision of banking services to large corporate clients.
- o Treasury - This incorporates the Bank's liquidity and investment activities, management of correspondent bank relationships, as well as foreign currency trading services.
- o Wealth management - This incorporates stock brokerage, securities trading, investment management, pension fund management and trustee services.
- o Insurance - This incorporates life insurance and insurance brokerage services.
- o Other operations of the Group include money remittance services, 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 percent of the Group's external operating revenue, assets and capital expenditures.

### 7. 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 31 March 2009, the Group had financial assets under administration of approximately \$38,400,000,000 (31 March 2008 -\$39,700,000,000).

### 8. Acceptances, Guarantees, Indemnities and Letters of Credit

At 31 March 2009, the Group has made commitments for off-balance sheet financial instruments (acceptances, guarantees, indemnities and letters of credit) amounting to \$3,935,589,000 (31 March 2008 -\$4,295,516,000). There is an equal and offsetting claim against customers in the event of a call on these commitments.