

## PRESS RELEASE

April 24, 2014 – The Board of Directors is pleased to release the following unaudited financial results for National Commercial Bank Jamaica Limited (NCBJ) and its subsidiaries for the half year ended March 31, 2014.

### Performance highlights

#### Six months ended March 31, 2014 compared with the six months ended March 31, 2013

- Net profit of \$5.8 billion, an increase of 29%, or \$1.3 billion.
- Earnings per stock unit of \$2.38, increased by 29%.
- Gross revenues of \$27.3 billion, an increase of 18%, or \$4.2 billion.
- Cost to income ratio decreased to 64.6%, from 64.9%.
- Total assets of \$488.0 billion, grew by 18%, or \$73.9 billion.
- Return on average total assets increased to 2.5%, from 2.3%.
- Total stockholders' equity of \$76.1 billion, increased by 12%, or \$8.3 billion.
- Return on average stockholders' equity of 15.8%, increased from 13.5%.
- Net loans of \$150.6 billion, grew by 17%, or \$21.7 billion.
- Customer deposits of \$198.4 billion, increased by 16%, or \$27.2 billion.

#### Three months ended March 31, 2014 compared with the three months ended December 31, 2013

- Net profit of \$3.0 billion, an increase of 5%, or \$136 million.
- Earnings per stock unit of \$1.22, increased by 5%.
- Cost to income ratio decreased to 62.9%, from 66.4%.
- Return on average total assets of 2.5%, up 1 basis point.
- Return on average stockholders' equity increased to 16.1%, up 30 basis points.

The first half of the 2014 financial year has been characterised by challenging economic conditions, typified by the depreciation of the Jamaican currency and moderate growth, however our overall strategy and proactive approach to managing our business has allowed us to achieve commendable results. Our performance for the six months ended March 31, 2014 reflects strong growth in key areas such as loans, deposits, net interest income as well as improvement in key performance ratios such as return on average assets, return on average equity and earnings per share.

We continue our efforts to increase efficiency and transform how we deliver our products and services, with an aim to improving customer experience.

## Business highlights

- During the quarter, we signed an agreement to fund research on corporate renewal and transformation at the University of the West Indies. NCB's support is valued at US\$908,000, and the objectives will be to generate new knowledge to guide all Jamaican and Caribbean firms on how to develop dynamic capabilities and strategies for profitable growth in the current environment.
- NCB has partnered with International Finance Corporation (IFC), a member of the World Bank Group, as it moves to expand its trade finance business in the Caribbean and better serve small and medium enterprises. This facility will provide access to a global network of confirming banks, facilitate transactions where trade lines are limited and also provide access to advisory services and training.
- On March 1, 2014 we rolled out eStatements, which gives customers access to their statements online and is consistent with our contribution to environmental conservation. This alternate channel offers greater flexibility and ease of access to statement data at the customer's convenience. We also implemented additional security features to our Internet Banking application. As we forge ahead with the use of alternate channels of conducting business, we improved the overall security of Internet Banking and implemented measures to reduce risks associated with transaction fraud, phishing and other threats.
- We were a major sponsor at Expo Jamaica 2014, where we featured our interactive **Bank on the Go** booth. The booth included multifunction ABMs which facilitate intelligent cash deposits, along with many other transactions. These services are available in five branches (Duke Street, Knutsford Boulevard, Oxford Place, Portmore and UWI) and we expect the full rollout to be completed within the 2014 calendar year.

## Financial performance

### *Operating income*

For the six months ended March 31, 2014, operating income increased by 17%, or \$3.0 billion, when compared with the six months ended March 31, 2013, mainly as a result of:

- Gain on foreign currency and investment activities, increasing by \$440 million; the prior year included extraordinary losses of \$1.5 billion related to the debt exchange programmes implemented in February and March 2013.
- Net interest income, increasing by 5%, or \$576 million, primarily due to growth in net loans and advances.
- Premium income, increasing by 100%, or \$1.8 billion, due mainly to the inclusion of general insurance premiums as a result of the acquisition of Advantage General Insurance Company Limited (AGIC) on February 19, 2013. There was also growth in annuity and individual life insurance premiums.

## Financial performance (continued)

### Operating expenses

Operating expenses increased by 14%, or \$1.7 billion, over the six months ended March 31, 2013, mainly as a result of:

- Other operating expenses, which increased by 11%, or \$461 million, primarily due to increased property, vehicle & ABM maintenance & utilities expenses and marketing and advertising costs.
- Staff costs, which increased by 8%, or \$470 million, due primarily to a larger workforce related to the acquisition of AGIC.
- An increase of 68%, or \$891 million, in policyholders' and annuitants' benefits and reserves, primarily due to general insurance benefits and reserving expenses related to the acquisition of AGIC.

### Loans and advances

Loans and advances, which totalled \$150.6 billion (net of provision for credit losses) as at March 31, 2014, grew by 17%, or \$21.7 billion, compared to the loan portfolio as at March 31, 2013. Non-performing loans totalled \$7.6 billion as at March 31, 2014 (\$7.5 billion as at March 31, 2013) and represented 4.9% of the gross loans compared to 5.7% as at March 31, 2013. Our activities to ensure delinquency management remain robust and we continue to proactively respond to changes in the environment. The regulatory provision coverage at March 31, 2014 was 119.8% of non-performing loans compared to 117.3% at March 31, 2013.

### Deposits

Customer deposits were \$198.4 billion, up 16% or \$27.2 billion over the prior year. The increase was driven by increases in all our deposits types; fixed deposits, savings and demand balances were up by 38%, 12% and 4%, respectively, over the prior year.

### Capital

The Group's stockholders' equity was \$76.1 billion as at March 31, 2014, up 12% over the prior year. NCB's capital position remains strong and our individual companies continued to meet their respective regulatory capital requirements.

<u>Company</u>	<u>Regulatory capital ratios</u>	<u>March 31, 2014</u>	<u>March 31, 2013</u>
National Commercial Bank Jamaica Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 12.5%]	12.8%	12.5%
NCB Capital Markets Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 10.0%]	24.0%	21.3%
NCB Insurance Company Limited	Stockholders' equity to total liabilities (Solvency ratio) [Minimum requirement – 10.0%]	39.1%	35.1%
Advantage General Insurance Company Limited	Available assets to required assets (Minimum capital test) [Minimum requirement – 250.0%]	296.1%	252.0%

## **Segment performance for the six months ended March 31, 2014**

Commercial banking activities, comprising the Retail & SME, Payments Services, Corporate Banking, and Treasury & Correspondent Banking segments produced combined operating profits of \$3.6 billion, for the six months ended March 31, 2014, an increase of 52%, or \$1.2 billion, when compared to the six months ended March 31, 2013.

### *Retail & SME*

Operating profit of \$650 million improved by 90%, or \$308 million. Operating income increased by \$266 million, or 4%, over the prior year, driven primarily by a 5% increase in net interest income resulting from growth in the Retail & SME loan portfolio.

### *Payment Services*

Operating profit of \$1.0 billion increased by 5%, or \$52 million, driven mainly by increased fee income and net interest income.

### *Corporate Banking*

Operating profit of \$360 million decreased by 32%, or \$172 million, from the prior year and this is mainly attributed to reduced net fee and commission income and net interest income.

### *Treasury & Correspondent Banking*

Operating profit of \$1.6 billion increased by 203%, or \$1.1 billion. This increase was primarily due to increased gains on foreign currency and investment activities, when compared to the prior year; the prior year included losses incurred following our participation in the debt exchange programmes. This segment also had growth in net interest income.

### *Wealth Management*

Operating profit of \$1.6 billion decreased by 32%, or \$737 million, primarily due to reduced gains on investment activities and lower net interest income.

### *Insurance and Pension Fund Management*

Operating profit of \$1.5 billion increased by 28%, or \$329 million. Operating income increased by \$227 million, driven by increased premium income, net fee & commission income and net interest income. Operating expenses declined by \$101 million.

### *General Insurance*

Operating profit of \$594 million increased by \$423 million, or 246%. AGIC was acquired in February 2013, therefore the results of the prior year did not reflect six months of activity.

## **Dividends**

The Board of Directors, at its meeting on April 24, 2014, declared an interim dividend of \$0.35 per ordinary stock unit. The dividend is payable on May 22, 2014 for stockholders on record as at May 9, 2014.

## Corporate Social Responsibility

We believe that it is important to build the communities in which we serve and this is the mission of the N.C.B. Foundation. During the quarter, we committed over \$3 million in support of various initiatives, the focus of which were Education, Community Development (including Sports), and Youth Entrepreneurship & Development as well as some of the activities highlighted below.

### *Education*

Education continues to be regarded as critical to the national agenda and in building the future workforce and knowledgeable citizenry and in pursuit of this, tuition assistance at primary and university levels continue to be administered based on demands. In addition, St. Richards Early Childhood Education Centre received assistance with needed teaching aids and the nutrition programme of St. Francis Primary was supported.

### *Community Development & Sports*

The major projects funded during the quarter included the removal of asbestos from the roof of St. James Parish Church Hall, an area used for feeding the poor, housing classes and other community efforts in Montego Bay; restoration of the Kingston Public Hospital endoscopy unit and MVP Track Club Grassroots Programme, which is involved in the training and development of coaches at the secondary level.

### *Youth Leadership & Entrepreneurship*

The island-wide Jamaica Environment Trust school competition which aims to build awareness of environmental issues and provide sustainable solutions from an early stage, received funding support for the 7th year. The University of Technology's School of Entrepreneurship hosted its final year Business Model Programme and the Foundation assisted with prizes for the top students including the coverage of costs for the business incubation period aimed at further developing the top business models.

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

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



**ON BEHALF OF THE BOARD**

# National Commercial Bank Jamaica Limited

## Unaudited Consolidated Income Statement

Six months ended March 31, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	CURRENT YEAR			PRIOR YEAR	
		Quarter ended March 31	Restated		Restated	Restated
			Quarter ended	Year to date	Quarter ended	Year to date
			December 31	March 31	March 31	March 31
			2013	2014	2013	2013
\$'000	\$'000	\$'000	\$'000	\$'000		
<b>Operating income</b>						
Interest income		8,966,606	8,993,142	17,959,748	8,139,446	16,331,749
Interest expense		(2,851,981)	(2,744,952)	(5,596,933)	(2,252,413)	(4,544,800)
Net interest income		6,114,625	6,248,190	12,362,815	5,887,033	11,786,949
Fee and commission income		2,568,884	2,552,582	5,121,466	2,313,624	4,731,106
Fee and commission expense		(497,617)	(430,798)	(928,415)	(461,762)	(807,947)
Net fee and commission income		2,071,267	2,121,784	4,193,051	1,851,862	3,923,159
Gain/(loss) on foreign currency and investment activities		344,033	163,872	507,905	(728,717)	67,556
Dividend income		42,188	42,014	84,202	51,040	164,455
Premium income		1,688,802	1,851,102	3,539,904	1,506,276	1,768,446
Other operating income		44,434	43,213	87,647	32,833	52,826
		2,119,457	2,100,201	4,219,658	861,432	2,053,283
		<b>10,305,349</b>	<b>10,470,175</b>	<b>20,775,524</b>	<b>8,600,327</b>	<b>17,763,391</b>
<b>Operating expenses</b>						
Staff costs		2,931,798	3,132,158	6,063,956	2,793,522	5,594,018
Provision for credit losses		491,874	390,435	882,309	493,705	1,056,719
Depreciation and amortisation	2	278,872	356,879	635,751	291,477	547,652
Policyholders' and annuitants' benefits and reserves		1,029,418	1,169,685	2,199,103	1,109,478	1,308,444
Other operating expenses		2,239,109	2,291,734	4,530,843	2,208,877	4,069,982
		<b>6,971,071</b>	<b>7,340,891</b>	<b>14,311,962</b>	<b>6,897,059</b>	<b>12,576,815</b>
<b>Operating profit</b>		<b>3,334,278</b>	<b>3,129,284</b>	<b>6,463,562</b>	<b>1,703,268</b>	<b>5,186,576</b>
Gain on acquisition of subsidiary	4	-	301,441	301,441	-	-
Share of profit of associates		303,069	213,578	516,647	252,222	418,934
<b>Profit before taxation</b>		<b>3,637,347</b>	<b>3,644,303</b>	<b>7,281,650</b>	<b>1,955,490</b>	<b>5,605,510</b>
Taxation		(645,315)	(788,324)	(1,433,639)	(211,038)	(1,074,698)
<b>NET PROFIT</b>		<b>2,992,032</b>	<b>2,855,979</b>	<b>5,848,011</b>	<b>1,744,452</b>	<b>4,530,812</b>
<b>Earnings per stock unit</b> (expressed in \$ per share)		<b>1.22</b>	<b>1.16</b>	<b>2.38</b>	<b>0.71</b>	<b>1.84</b>
Basic and diluted						

## National Commercial Bank Jamaica Limited

Unaudited Consolidated Statement of Comprehensive Income

Six months ended March 31, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	<i>Restated</i>				
	Quarter ended	Quarter ended	Year to date	Quarter ended	Year to date
	March 31	December 31	March 31	March 31	March 31
	2014	2013	2014	2013	2013
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Net Profit</b>	2,992,032	2,855,979	5,848,011	1,744,452	4,530,812
<b>Other comprehensive income, net of tax-</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Remeasurements of post-employment benefit obligations	(19,881)	(7,043)	(26,924)	-	-
	2,972,151	2,848,936	5,821,087	1,744,452	4,530,812
<b>Items that may be subsequently reclassified to profit or loss</b>					
Currency translation gains	119,670	100,713	220,383	145,187	219,261
Unrealised gains/(losses) on available-for-sale investments	751,912	(1,480,294)	(728,382)	(1,384,571)	(1,460,527)
Realised fair value (gains)/losses on sale and maturity of available-for-sale investments	(72,025)	126	(71,899)	1,049,491	669,738
<b>Total other comprehensive income</b>	799,557	(1,379,455)	(579,898)	(189,893)	(571,528)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>3,771,708</b>	<b>1,469,481</b>	<b>5,241,189</b>	<b>1,554,559</b>	<b>3,959,284</b>

# National Commercial Bank Jamaica Limited

## Unaudited Consolidated Statement of Financial Position


March 31, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	March 31 2014 \$'000	Restated September 30 2013 \$'000	Restated March 31 2013 \$'000
<b>ASSETS</b>				
Cash in hand and balances at Central Bank		26,821,887	24,388,683	26,157,152
Due from other banks		19,177,810	19,328,412	15,920,026
Derivative financial instruments		484,310	387,304	6,337
Investment securities at fair value through profit or loss		608,259	380,755	433,761
Reverse repurchase agreements		1,337,430	328,105	513,895
Loans and advances, net of provision for credit losses		150,553,600	141,150,312	128,821,798
Investment securities classified as available-for-sale and loans and receivables		106,607,240	100,856,119	89,325,419
Pledged assets		156,285,458	134,530,695	131,153,035
Investment in associates		8,200,334	8,511,510	7,159,302
Investment properties		484,500	462,500	462,500
Intangible assets	2	2,222,721	1,837,974	1,748,041
Property, plant and equipment		6,833,473	6,438,707	6,048,371
Deferred income tax assets		61,683	31,710	142,465
Income tax recoverable		1,675,150	2,173,835	2,170,070
Customers' liability - letters of credit and undertaking		2,328,688	1,479,108	619,399
Other assets		4,315,727	4,288,585	3,397,848
<b>Total assets</b>		<b>487,998,270</b>	<b>446,574,314</b>	<b>414,079,419</b>
<b>LIABILITIES</b>				
Due to other banks		10,516,587	17,410,200	17,451,158
Customer deposits		198,405,849	178,411,021	171,194,319
Repurchase agreements		133,641,958	117,377,395	109,887,157
Obligations under securitisation arrangements	5	13,422,626	10,101,032	1,524,900
Derivative financial instruments		12	1,437	275
Other borrowed funds		7,768,805	4,900,592	4,490,079
Income tax payable		151,439	14,299	11,590
Deferred income tax liabilities		2,503,473	2,382,171	1,793,710
Liabilities under annuity and insurance contracts		34,303,103	33,914,506	32,430,171
Provision for litigation		1,500	11,500	16,500
Post-employment benefit obligations	2	1,918,076	1,793,616	1,693,869
Liability - letters of credit and undertaking		2,328,688	1,479,108	619,399
Other liabilities		6,977,491	6,778,092	5,254,637
<b>Total liabilities</b>		<b>411,939,607</b>	<b>374,574,969</b>	<b>346,367,764</b>
<b>STOCKHOLDERS' EQUITY</b>				
Share capital		6,465,731	6,465,731	6,465,731
Shares held by NCB Employee Share Scheme		(3,388)	(3,388)	(3,388)
Fair value and capital reserves		1,910,662	2,490,560	1,619,810
Loan loss reserve		5,178,842	5,141,357	4,892,856
Banking reserve fund		6,512,634	6,512,634	6,512,634
Retained earnings reserve		19,025,000	18,050,657	15,346,657
Retained earnings		36,969,182	33,341,794	32,877,355
<b>Total stockholders' equity</b>		<b>76,058,663</b>	<b>71,999,345</b>	<b>67,711,655</b>
<b>Total equity and liabilities</b>		<b>487,998,270</b>	<b>446,574,314</b>	<b>414,079,419</b>

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

  
Director

  
Director

  
Director

  
Secretary



## National Commercial Bank Jamaica Limited

Unaudited Consolidated Statement of Changes in Stockholders' Equity

Six months ended March 31, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Share capital	Shares held by NCB Employee Share Scheme	Fair value and capital reserves	Loan loss reserve	Banking reserve fund	Retained earnings reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at October 1, 2012 - Restated</b>	6,465,731	(3,388)	2,194,179	4,662,842	6,512,634	14,013,657	32,048,818	65,894,473
Total comprehensive income	-	-	(574,369)	2,841	-	-	4,530,812	3,959,284
Dividends paid	-	-	-	-	-	-	(2,142,102)	(2,142,102)
Transfer to Loan loss reserve	-	-	-	227,173	-	-	(227,173)	-
Transfer to Retained earnings reserve	-	-	-	-	-	1,333,000	(1,333,000)	-
<b>Balance at March 31, 2013 - Restated</b>	6,465,731	(3,388)	1,619,810	4,892,856	6,512,634	15,346,657	32,877,355	67,711,655
<b>Balance at October 1, 2013 - Restated</b>	6,465,731	(3,388)	2,490,560	5,141,357	6,512,634	18,050,657	33,341,794	71,999,345
Total comprehensive income	-	-	(579,898)	-	-	-	5,821,087	5,241,189
Dividends paid	-	-	-	-	-	-	(1,181,871)	(1,181,871)
Transfer to Loan loss reserve	-	-	-	37,485	-	-	(37,485)	-
Transfer to Retained earnings reserve	-	-	-	-	-	974,343	(974,343)	-
<b>Balance at March 31, 2014</b>	6,465,731	(3,388)	1,910,662	5,178,842	6,512,634	19,025,000	36,969,182	76,058,663

# National Commercial Bank Jamaica Limited

## Unaudited Consolidated Statement of Cash Flows

Six months ended March 31, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	<b>March 31</b>	<i>Restated</i>
	<b>2014</b>	<b>March 31</b>
	<b>\$'000</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash Flows from Operating Activities</b>		
Net profit	5,848,011	4,530,812
Adjustments to reconcile net profit to net cash provided by operating activities	26,960,607	(3,221,869)
Net cash provided by operating activities	32,808,618	1,308,943
<b>Cash Flows from Investing Activities</b>		
Acquisition of subsidiary and capital injection, net of cash acquired	(307,063)	(2,662,725)
Acquisition of property, plant and equipment	(733,426)	(318,426)
Acquisition of intangible asset - computer software	(541,089)	(225,972)
Proceeds from disposal of property, plant and equipment	33,613	1,870
Dividends received from associates	105,376	194,355
Purchases of investment securities	(65,054,340)	(253,140,149)
Sales/maturities of investment securities	27,308,243	246,421,692
Net cash used in investing activities	(39,188,686)	(9,729,355)
<b>Cash Flows from Financing Activities</b>		
Proceeds from securitisation arrangements	2,647,893	-
Repayments under securitisation arrangements	-	(876,602)
Proceeds from other borrowed funds	3,410,452	1,406,123
Repayments of other borrowed funds	(697,677)	(465,101)
Due to other banks	(5,191,912)	5,906,875
Dividends paid	(1,181,871)	(2,142,102)
Net cash (used in)/provided by financing activities	(1,013,115)	3,829,193
Effect of exchange rate changes on cash and cash equivalents	2,058,490	1,541,707
Net decrease in cash and cash equivalents	(5,334,693)	(3,049,512)
Cash and cash equivalents at beginning of period	28,561,967	21,266,744
<b>Cash and cash equivalents at end of period</b>	<b>23,227,274</b>	<b>18,217,232</b>
<b>Comprising:</b>		
Cash in hand and balances at Central Bank	6,487,525	6,439,352
Due from other banks	18,109,733	15,717,550
Reverse repurchase agreements	475,667	275,877
Investment securities	2,243,066	1,022,818
Due to other banks	(4,088,717)	(5,238,365)
	<b>23,227,274</b>	<b>18,217,232</b>

# National Commercial Bank Jamaica Limited

## Unaudited Segment Report

Six months ended March 31, 2014

	Consumer & SME									Consolidated
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth Management	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
External revenue	7,350,186	4,083,725	2,233,595	3,594,616	4,001,473	3,037,302	2,975,039	24,937	-	27,300,873
Revenue from other segments	1,044,190	-	18,827	1,477,765	445,213	55,546	90,655	49,765	(3,181,961)	-
<b>Total revenue</b>	<b>8,394,376</b>	<b>4,083,725</b>	<b>2,252,422</b>	<b>5,072,381</b>	<b>4,446,686</b>	<b>3,092,848</b>	<b>3,065,694</b>	<b>74,702</b>	<b>(3,181,961)</b>	<b>27,300,873</b>
Interest income	6,601,265	1,556,970	2,043,788	4,789,810	4,058,412	1,438,920	349,087	15,297	(2,894,092)	17,959,457
Interest expense	(879,803)	(528,569)	(1,341,209)	(2,974,931)	(2,279,405)	(474,736)	-	(79)	2,894,092	(5,584,640)
<b>Net interest income</b>	<b>5,721,462</b>	<b>1,028,401</b>	<b>702,579</b>	<b>1,814,879</b>	<b>1,779,007</b>	<b>964,184</b>	<b>349,087</b>	<b>15,218</b>	<b>-</b>	<b>12,374,817</b>
Net fee and commission income	1,598,508	1,573,262	173,668	118,587	45,160	551,731	75,865	30,403	(44,297)	4,122,887
Gain on foreign currency and investment activities	92,615	8,116	25,654	31,221	297,946	48,673	9,952	1,922	(10,282)	505,817
Premium income	-	-	-	-	-	1,037,573	2,610,929	-	(108,598)	3,539,904
Other income	30,262	5,349	2,415	128,761	46,349	15,951	19,861	27,078	(150,743)	125,283
<b>Total operating income</b>	<b>7,442,847</b>	<b>2,615,128</b>	<b>904,316</b>	<b>2,093,448</b>	<b>2,168,462</b>	<b>2,618,112</b>	<b>3,065,694</b>	<b>74,621</b>	<b>(313,920)</b>	<b>20,668,708</b>
Staff costs	2,728,300	190,591	108,317	69,544	284,397	275,384	415,928	40,685	(18,378)	4,094,768
Provision for credit losses	481,616	386,858	13,743	-	-	-	-	-	-	882,217
Depreciation and amortisation	73,872	57,030	3,561	39,224	8,155	3,114	33,025	700	35,821	254,502
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	609,500	1,589,603	-	-	2,199,103
Other operating expenses	1,120,112	608,059	250,409	298,423	318,819	225,226	432,812	10,498	(177,712)	3,086,646
<b>Total operating expense</b>	<b>4,403,900</b>	<b>1,242,538</b>	<b>376,030</b>	<b>407,191</b>	<b>611,371</b>	<b>1,113,224</b>	<b>2,471,368</b>	<b>51,883</b>	<b>(160,269)</b>	<b>10,517,236</b>
Operating profit before allocated costs	3,038,947	1,372,590	528,286	1,686,257	1,557,091	1,504,888	594,326	22,738	(153,651)	10,151,472
Allocated costs	(2,389,102)	(335,856)	(168,605)	(113,473)	-	-	-	-	-	(3,007,036)
<b>Operating profit</b>	<b>649,845</b>	<b>1,036,734</b>	<b>359,681</b>	<b>1,572,784</b>	<b>1,557,091</b>	<b>1,504,888</b>	<b>594,326</b>	<b>22,738</b>	<b>(153,651)</b>	<b>7,144,436</b>
Unallocated corporate expenses										(680,874)
Gain on acquisition of subsidiary										301,441
Share of profit of associates										516,647
<b>Profit before taxation</b>										<b>7,281,650</b>
Taxation										(1,433,639)
<b>Net Profit</b>										<b>5,848,011</b>
Segment assets	156,106,309	13,223,723	61,671,408	156,450,246	131,670,757	37,248,613	11,653,691	988,445	(94,369,690)	474,643,502
Associates										8,200,334
Unallocated assets										5,154,434
<b>Total assets</b>										<b>487,998,270</b>
Segment liabilities	146,627,441	8,190,586	51,280,253	140,509,609	113,196,136	27,248,768	7,898,134	179,998	(86,279,376)	408,851,549
Unallocated liabilities										3,088,058
<b>Total liabilities</b>										<b>411,939,607</b>
Capital expenditure	757,740	175,717	30,882	40,727	45,310	189,540	21,824	12,775	-	1,274,515

# National Commercial Bank Jamaica Limited

## Unaudited Segment Report - Restated

Six months ended March 31, 2013

	Consumer & SME									
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth Management	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	6,580,152	3,460,526	1,984,181	2,654,410	4,490,527	2,897,698	1,028,566	20,078	-	23,116,138
Revenue from other segments	1,395,211	-	844	864,615	364,575	15,283	16,373	44,254	(2,701,155)	-
<b>Total revenue</b>	<b>7,975,363</b>	<b>3,460,526</b>	<b>1,985,025</b>	<b>3,519,025</b>	<b>4,855,102</b>	<b>2,912,981</b>	<b>1,044,939</b>	<b>64,332</b>	<b>(2,701,155)</b>	<b>23,116,138</b>
Interest income	6,206,420	1,275,373	1,682,252	4,084,566	4,046,354	1,382,527	77,309	17,441	(2,440,961)	16,331,281
Interest expense	(752,992)	(336,523)	(894,280)	(2,455,606)	(2,013,761)	(522,043)	-	(235)	2,440,961	(4,534,479)
<b>Net interest income</b>	<b>5,453,428</b>	<b>938,850</b>	<b>787,972</b>	<b>1,628,960</b>	<b>2,032,593</b>	<b>860,484</b>	<b>77,309</b>	<b>17,206</b>	<b>-</b>	<b>11,796,802</b>
Net fee and commission income	1,601,739	1,360,935	284,304	90,997	51,290	467,700	19,215	45,552	(64,041)	3,857,691
Gain/(loss) on foreign currency and investment activities	89,339	6,177	12,310	(865,809)	643,227	149,197	29,460	(20,671)	22,690	65,920
Premium income	-	-	-	-	-	873,215	909,930	-	(14,699)	1,768,446
Other income	32,349	2,610	1,715	206,691	113,524	40,343	9,025	22,009	(220,174)	208,092
<b>Total operating income</b>	<b>7,176,855</b>	<b>2,308,572</b>	<b>1,086,301</b>	<b>1,060,839</b>	<b>2,840,634</b>	<b>2,390,939</b>	<b>1,044,939</b>	<b>64,096</b>	<b>(276,224)</b>	<b>17,696,951</b>
Staff costs	2,661,198	140,571	118,706	65,459	209,623	246,844	129,830	30,570	(15,533)	3,587,268
Provision for credit losses	741,194	349,764	(34,244)	-	-	-	-	-	-	1,056,714
Depreciation and amortisation	75,549	39,893	2,763	51,365	3,797	18,053	6,201	744	11,940	210,305
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	687,156	621,288	-	-	1,308,444
Other operating expenses	1,053,295	461,244	277,164	315,424	333,293	262,648	115,977	12,150	(84,636)	2,746,559
<b>Total operating expense</b>	<b>4,531,236</b>	<b>991,472</b>	<b>364,389</b>	<b>432,248</b>	<b>546,713</b>	<b>1,214,701</b>	<b>873,296</b>	<b>43,464</b>	<b>(88,229)</b>	<b>8,909,290</b>
Operating profit before allocated costs	2,645,619	1,317,100	721,912	628,591	2,293,921	1,176,238	171,643	20,632	(187,995)	8,787,661
Allocated costs	(2,303,340)	(332,210)	(190,490)	(109,160)	-	-	-	-	-	(2,935,200)
<b>Operating profit</b>	<b>342,279</b>	<b>984,890</b>	<b>531,422</b>	<b>519,431</b>	<b>2,293,921</b>	<b>1,176,238</b>	<b>171,643</b>	<b>20,632</b>	<b>(187,995)</b>	<b>5,852,461</b>
Unallocated corporate expenses										(665,885)
Share of profit of associates										418,934
<b>Profit before taxation</b>										5,605,510
Taxation										(1,074,698)
<b>Net Profit</b>										4,530,812
Segment assets	146,035,509	10,472,845	53,038,287	131,852,405	118,771,205	34,861,117	9,485,641	1,066,471	(102,840,603)	402,742,877
Associates										7,159,302
Unallocated assets										4,177,240
<b>Total assets</b>										414,079,419
Segment liabilities	131,742,524	7,352,849	41,848,575	121,398,510	102,692,958	26,073,126	6,669,001	288,951	(94,697,557)	343,368,937
Unallocated liabilities										2,998,827
<b>Total liabilities</b>										346,367,764
Capital expenditure	383,652	65,802	13,189	21,121	13,295	40,485	-	6,854	-	544,398

# National Commercial Bank Jamaica Limited

Notes to the Unaudited Financial Statements

March 31, 2014

(expressed in Jamaican dollars unless otherwise indicated)

---

## 1. Identification and Principal Activities

National Commercial Bank Jamaica Limited ("the Bank") is incorporated in Jamaica and licensed under the Banking Act, 1992. The Bank is a 46.82% (March 31, 2013 - 50.63%) subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael Lee-Chin, OJ.

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

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

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

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

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

## 2. Basis of preparation

The condensed consolidated interim financial statements for the six months ended March 31, 2014 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2013 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB).

### *Adoption of revised IAS 19 - Employee Benefits*

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

#### (i) Pension Schemes

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

# National Commercial Bank Jamaica Limited

Notes to the Unaudited Financial Statements

March 31, 2014

(expressed in Jamaican dollars unless otherwise indicated)

## 2. Basis of preparation (continued)

### (ii) Other Post-Employment Benefits

In addition to pension benefits, the Group offers medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. In respect of the other post-employment benefits, the revised standard has resulted in an increase in the liability recognised in the statement of financial position. The adoption of the new standard was applied retrospectively and therefore the prior year financial statements have been restated to show the effects of these changes. The effect of the changes on the financial position and results of operations for the period ended September 30, 2013 and March 31, 2013 are as follows:

	September 30	March 31
	2013	2013
	\$'000	\$'000
Statement of Financial Position		
Post-employment benefit obligations, as previously reported	1,108,993	1,022,816
Previously unrecognised actuarial losses	684,623	671,053
Post-employment benefit obligations, as restated	<u>1,793,616</u>	<u>1,693,869</u>
Deferred taxation, as previously reported	2,610,379	2,017,394
Tax on previously unrecognised actuarial losses	(228,208)	(223,684)
Deferred taxation, as restated	<u>2,382,171</u>	<u>1,793,710</u>
Retained Earnings, as previously reported	33,798,950	33,326,203
Previously unrecognised actuarial losses	(457,156)	(448,848)
Retained Earnings, as restated	<u>33,341,794</u>	<u>32,877,355</u>
Investment in associates, as previously reported	8,512,251	7,160,781
Previously unrecognised actuarial losses	(741)	(1,479)
Investment in associates, as restated	<u>8,511,510</u>	<u>7,159,302</u>

### Intangible Assets - Computer Software

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

Effective January 1, 2014, the amortisation period for software applications that were previously amortised over three years was changed to five years. The impact of the change in the computer software amortisation estimate for these applications was a reduction of approximately \$69 million in amortisation expenses for the quarter ended March 31, 2014.

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

# National Commercial Bank Jamaica Limited

Notes to the Unaudited Financial Statements

March 31, 2014

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Segment reporting

The Group is organised into the following business segments:

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

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

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

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

## 4. Acquisition of AIC Finance Limited

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

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

## 5. Obligations under Securitisation Arrangements

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

**Interest/Ownership of Securities by Directors and Senior Managers in National Commercial Bank Jamaica  
Limited as at March 31, 2014**

<b>Directors</b>	<b>Total</b>	<b>Direct</b>	<b>Connected Parties</b>
Robert Almeida	50,427,487	146,597	50,280,890
Wayne Chen	1,193,965,220	14,044	1,193,951,176
Dennis Cohen	73,039,457	86,480	72,952,977
Sandra Glasgow	73,015,026	65,049	72,949,977
Sanya Goffe	4,340	4,340	0
Hon. Noel Hylton, OJ, CD	354,074	14,044	340,030
Patrick Hylton, CD	425,072	425,072	0
Hon. Michael Lee-Chin, OJ	1,587,115,436	1,990,925	1,585,124,511
Thalia Lyn	73,117,935	152,838	72,965,097
Prof. Alvin Wint	88,144	88,144	0
Dave Garcia (Company Secretary)	11,210	11,210	0
<b>Senior Managers</b>	<b>Total</b>	<b>Direct</b>	<b>Connected Parties</b>
Rickert Allen	113,696	113,696	0
Septimus Blake	10,050	10,050	0
Brian Boothe	0	0	0
Robert Brooks	6,209	6,209	0
Nicole Brown	58,294	58,294	0
Ffrench Campbell	57,660	57,660	0
Lennox Channer	354	0	354
Dennis Cohen	73,039,457	86,480	72,952,977
Euton Cummings	0	0	0
Raymond Donaldson	0	0	0
Loren Edwards	7,100	7,100	0
Dave Garcia	11,210	11,210	0
Steven Gooden	4,293	4,293	0
Howard Gordon	0	0	0
Peter Higgins	0	0	0
Patrick Hylton, CD	425,072	425,072	0
Vernon James	99,504	99,504	0
Ramon Lewis	0	0	0
Alison Lynn	36,075	36,075	0
Nadeen Matthews	10,000	10,000	0
Lincoln McIntyre	134,307	133,067	1,240
Anne McMorris-Cover	940	940	0
Nadienne Neita	38,914	23,502	15,412
Marva Peynado	52,338	52,338	0
Janelle Prevost	0	0	0
Norman Reid	65,934	65,934	0
Stuart Reid	89,630	89,630	0
Marcia Reid-Grant	1,250	1,250	0
Claudette Rodriquez	42,147	42,147	0
Malcolm Sadler	0	0	0
Mark Thompson	0	0	0
Audrey Tugwell Henry	16,640	16,640	0
Tanya Watson Francis	0	0	0
Mukisa Wilson Ricketts	0	0	0
Allison Wynter	73,050,766	100,789	72,949,977



**National Commercial Bank Jamaica Limited**  
**10 Largest shareholders as at March 31, 2014**

<b>Name of shareholder</b>	<b>Units</b>	<b>Percentage ownership</b>
AIC (Barbados) Limited	1,154,934,315	46.82%
Harprop Limited	314,372,000	12.74%
Sagicor PIF Equity Fund	97,352,981	3.95%
NCB Insurance Co. Ltd WT 109	62,989,156	2.55%
AIC Global Holdings Inc	49,565,238	2.01%
Ideal Portfolio Services Company Limited	47,099,989	1.91%
Portland (Barbados) Limited	38,178,106	1.55%
York Seaton & Harriet Maragh	27,111,000	1.10%
SJIML A/C 3119	26,474,981	1.07%
Beta SPV Limited	21,000,000	0.85%



**National Commercial Bank Jamaica Limited**  
**Shareholder profile as at March 31, 2014**

<b>Number of shareholders</b>	<b>Ownership of each shareholder</b>	<b>Percentage ownership</b>	<b>Number of units</b>
(1) shareholder with 5 accounts	46.82%	46.82%	1,154,934,315
1	10-15%	12.74%	314,372,000
7	1-5%	14.14%	348,771,451
35,662	Less than 1%	26.30%	648,685,062
<b>35,671</b>		<b>100.00%</b>	<b>2,466,762,828</b>