

## RELEASE

January 22, 2015 – 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 quarter ended December 31, 2014.

### Performance highlights

Effective October 1, 2014, the Group adopted International Financial Reporting Interpretation Committee (IFRIC) 21 – *Levies*. IFRIC 21 provides guidance on when to recognise the liability for a government imposed levy. The standard has impacted the Group's treatment of asset tax. IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation and is triggered in full on the first day of the reporting period. As such, asset tax is no longer eligible to be accounted for on a periodic accrual basis, but must be recorded in full when triggered. The full liability of this expense for the current financial year was recorded on October 1, 2014, based on the assets on record as at September 30, 2014. We have restated our prior period financial statements to reflect the effect of this change. The table below shows a comparison of our financial results for the quarter ended December 31, 2014 under IFRS with the pro forma normalised treatment if asset tax was accrued throughout the year.

	As reported in Financial Statements at December 31, 2014	Effect of implementation of IFRIC 21	Pro forma at December 31, 2014	Quarterly results as previously reported in Financial Statements at September 30, 2014	Quarterly results as previously reported in Financial Statements at December 31, 2013
Operating expenses (\$'000)	\$9,217,530	\$644,965	\$8,572,565	\$8,268,348	\$7,340,891
Net profit (\$'000)	\$2,133,071	\$644,965	\$2,778,036	\$2,869,575	\$2,855,979
Earnings per share (\$)	\$0.87	\$0.26	\$1.13	\$1.17	\$1.16
Cost to income ratio (%)	71.4%	(4.6%)	66.8%	62.2%	66.4%
Return on average assets (%)	1.7%	0.5%	2.2%	2.3%	2.5%
Return on average equity (%)	10.4%	3.3%	13.7%	14.4%	15.8%



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## Performance highlights (continued)

The subsequent discussion and analysis on the financial performance in this document is based on the IFRS results and financial position.

### Three months ended December 31, 2014 compared with the three months ended December 31, 2013 (restated)

- Net profit of \$2.1 billion, a decrease of 15%, or \$368 million.
- Earnings per stock unit of \$0.87, decreased by 15%.
- Cost to income ratio increased to 71.4%, from 69.8%.
- Total assets of \$500.0 billion, grew by 7%, or \$33.4 billion.
- Return on average total assets decreased to 1.7%, from 2.2%.
- Total equity of \$81.9 billion, increased by 12%, or \$8.6 billion.

- Return on average equity of 10.4%, decreased from 13.8%.
- Net loans of \$157.1 billion, grew by \$8.7 billion, or 6%.
- Customer deposits of \$205.2 billion, increased by \$10.9 billion, or 6%.

### Three months ended December 31, 2014 compared with the three months ended September 30, 2014 (restated)

- Net profit of \$2.1 billion, a decrease of 37%, or \$1.2 billion.
- Cost to income ratio increased to 71.4%, from 57.9%.
- Return on average total assets of 1.7%, down from 2.7%.

## Financial performance

### Operating income

For the three months ended December 31, 2014, operating income increased by 14%, or \$1.5 billion, when compared with the three months ended December 31, 2013, mainly as a result of:

- Gain on foreign currency and investment activities, up by \$861 million. This was due to higher levels of foreign exchange income and gains from the sale of debt securities in the December 2014 quarter.
- Net fee and commission income, increasing by \$465 million or 22%, mainly due to Payment Services fees related to card usage and transaction volumes, credit related fees from the growth in loans and greater corporate finance and unit trust fees booked in the current period.
- Net interest income, increasing by 2%, or \$151 million, primarily due to growth in net loans and advances and investment securities portfolios.

### Operating expenses

Operating expenses increased by 20%, or \$1.5 billion, over the three months ended December 31, 2013, mainly as a result of:

- Other operating expenses, which grew by 53%, or \$1.4 billion, primarily due to asset tax charges, technical, consultancy, and professional services incurred in achieving our strategic initiatives, marketing and advertising costs, irrecoverable taxes and property maintenance expenses.
- An increase of 50%, or \$197 million, in provision for credit losses due to the growth in our credit card portfolio.

## Financial performance (continued)

### Loans and advances

Loans and advances, which totalled \$157.1 billion (net of provision for credit losses) as at December 31, 2014, grew by 6%, or \$8.7 billion, compared to the loan portfolio as at December 31, 2013. Non-performing loans totalled \$9.1 billion as at December 31, 2014 (\$7.3 billion as at December 31, 2013) and represented 5.6% of the gross loans compared to 4.8% as at December 31, 2013. Our activities to manage delinquency are on-going and remain proactive and robust. We continue to monitor the environment and respond to changes that impact us and our customers. The regulatory provision coverage at December 31, 2014 was 117.1% of non-performing loans compared to 120.2% at December 31, 2013.

### Deposits

Customer deposits were \$205.2 billion, up 6% or \$10.9 billion over the prior year. This was driven by growth in our current and savings accounts portfolios, which increased by 10% and 11% respectively, over the prior year.

### Capital

The Group's stockholders' equity was \$81.9 billion as at December 31, 2014, up 12% over the prior year. Our capital position remains strong and our individual companies continued to meet their respective regulatory capital requirements.

## Regulatory Capital Requirements

<u>Company</u>	<u>Regulatory capital ratios</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
National Commercial Bank Jamaica Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 12.5%]	12.5%	12.5%
NCB Capital Markets Limited	Regulatory capital to risk weighted assets ratio [Minimum requirement – 10.0%]	31.9%	22.9%
NCB Insurance Company Limited	Stockholders' equity to total liabilities (Solvency ratio) [Minimum requirement – 10.0%]	42.6%	35.9%
Advantage General Insurance Company Limited	Available assets to required assets (Minimum capital test) [Minimum requirement – 250.0%]	337.7%	274.7%

## Segment performance for the three months ended December 31, 2014

Commercial banking activities, comprising the Retail & SME, Payments Services, Corporate Banking, and Treasury & Correspondent Banking segments, produced combined operating profits of \$1.6 billion for the three months ended December 31, 2014, an increase of 5%, or \$78 million, when compared to the three months ended December 31, 2013.

### Retail & SME

Operating profit of \$256 million improved by 27%, or \$54 million. Allocated expenses to this segment were \$310 million or 25% below the prior period; this partially offset the lower operating profit before allocated costs. Operating income was slightly lower than the three months ended December 31, 2013, and operating expenses grew by \$239 million primarily due to increased operating expenses arising from technical consultancy and professional charges.

## **Segment performance for the three months ended December 31, 2014 (continued)**

### *Payment Services*

Operating profit of \$172 million decreased by 72%, or \$441 million. Operating expenses increased by \$1.0 billion or 101% due to technical, consultancy and professional services incurred in pursuit of our strategic payment services initiatives and higher loan loss provision expenses. Operating income grew by \$151 million, driven by fee and commission income due to higher transaction volumes.

### *Corporate Banking*

Operating profit of \$237 million grew by 83%, or \$108 million, mainly due to increased operating income of \$184 million as a result of higher loan income and net fee and commission income.

### *Treasury & Correspondent Banking*

Operating profit of \$982 million increased by 57%, or \$357 million, primarily due to gains on foreign currency and investment activities.

### *Wealth, Asset Management and Investment Banking*

Operating profit of \$645 million decreased by 5%, or \$37 million. Operating expenses grew by \$321 million resulting from higher staff costs, impairment provisions made, asset tax, marketing and professional charges. Operating income increased by \$284 million due to growth in unit trust and corporate finance fees and gains from investment activities.

### *Insurance and Pension Fund Management*

Operating profit of \$701 million increased by 9%, or \$59 million. Operating income increased by \$156 million, driven by net interest income, premium income, and net fee and commission income. Operating expenses grew by \$97 million due to staff costs and other operating expenses.

### *General Insurance*

Operating profit of \$307 million decreased by \$47 million, or 13%. Operating expenses increased by \$93 million or 8%, mainly due to policyholders and annuitants benefits and reserves. Operating income grew by \$47 million or 3% as a result of net fee and commission income.

## **Dividends**

The Board of Directors, at its meeting on January 22, 2015, declared an interim dividend of \$0.45 per ordinary stock unit. The dividend is payable on February 20, 2015 for stockholders on record as at February 6, 2015.

## **Business highlights**

- In October 2014 at our annual Nation Builder Awards ceremony, the Bank's flagship SME recognition programme, nine (9) awards were presented to celebrate the numerous quiet entrepreneurial triumphs of the country's small and medium enterprises. This programme identifies and rewards the contribution of our SME customers who build their businesses, communities and the nation. The Heart Institute of the Caribbean won top

## Business highlights (continued)

honours for a series of innovative ‘firsts’ in the diagnosis and treatment of heart conditions, which have put Jamaica in line with first world countries on cardiovascular care.

- **NCB Capital Quest**, our new reality show, was aired on Television Jamaica (TVJ) on Tuesday, January 20, 2015 at 8:30 p.m. The series follows seven finalists representing small and medium sized enterprises as they try to win up to \$50 million in equity investment on this innovative show.
- During the December 2014 quarter, NCB Capital Markets Limited added two USD portfolios and one USD-Indexed portfolio to the NCB CapFunds Unit Trust suit of products. The new USD portfolio products allow the investing public to diversify across asset classes and facilitates the needs of varying risk appetites. Persons can start their investment portfolio with USD100 per month.
- In our continued drive to deliver superior service to our customers, we have launched an island-wide ABM upgrade and replacement programme. These improvements will allow us to be compliant with international data security standards, enhance our customer experience, and improve transaction security.
- We donated \$13.5 million as the exclusive financial partner to Jamaica Business Development Centre’s (JBDC) Mobile Clinic initiative, which will provide business advice, consultancy, training and financial support services to a wide cross-section of micro, small and medium enterprises (MSMEs) in new and existing industries and sectors through the use of marked vehicles traversing across the island. This initiative is an arrangement between government agencies and the private sector, academic and research communities.
- We sponsored the 2<sup>nd</sup> two-day National Conference on Cyber Security organised and hosted by the Mona Information & Communications Technology (ICT) Policy Centre, UWI, in association with CARIMAC and the Internet Society. The conference was again being held in response to the upsurge in ICT-based crimes locally and globally. The partnership was to provide information to stakeholders on the various types of cyber threats to businesses, discuss key developments in this area, and the legal, regulatory and ethical issues involved. A key outcome was to ensure that stakeholders understood that while there are risks involved in carrying out business activities online, there are mitigating factors and legitimate methods of combatting cyber-crime.
- We sponsored over 400 local business owners at the *SME Training Seminar – More than Money* which featured Brad Sugars and his executive ActionCOACH team, who has led companies in Jamaica and around the world, to some of their most profitable periods, even in the face of challenging economic conditions.
- Our Corporate Banking Division entered into a public-private partnership led by the Jamaica Mortgage Bank. This syndicated arrangement is estimated at \$4 billion in phase one to provide accommodation for an additional 1,584 students over the next three years at the University of the West Indies, Mona Campus. The first set of 576 units will be delivered for the start of the 2015/2016 academic year.

## Corporate Social Responsibility

We believe it is important to build the communities we serve and this is the mission of the N.C.B. Foundation. During the three months ended December 31, 2014, we donated over \$28 million in support of various initiatives, the focus of which were education, community development (including sports) and youth entrepreneurship. With the reintroduction of the Jamaican Education Initiative (JEI), we have confirmed funding of up to 0.50% of personal Keycard sales from the previous year and this will be in addition to the commitment of 0.50% of the bank's profits from the previous year.

### *Education*

Education as a primary area of focus saw our annual Fee Sponsorship Programme being administered. This year 3,992 fees were paid totalling over \$11 million with students from 115 schools benefitting for the sitting of CSEC Principles of Accounts (POA) and Principles of Business (POB) examinations. Our inaugural Adopt a School programme came into full effect during the quarter with the first element being delivered under the renowned Junior Achievement programme. One grade 5 class was selected in 31 adopted schools, and employees of the Group were trained to deliver the Junior Achievement's More Than Money Financial Literacy curriculum. Additionally, there was a donation of musical instruments to the Music class of Brimmervale High School.

### *Community Development*

During December, through our branches, several Christmas treats were supported in schools, communities and civic groups for the benefit of the young, elderly and less fortunate.

The second staging of the Digicel/MVP Track and Field Club Grassroots Training received our support. The programme aims to expose high school coaches and athletes to more advanced training techniques in preparation for a career in track and field.

### *Youth Entrepreneurship*

We supported the newly introduced segment of the Jamaica Observer's week long initiative, Salut – Applaud it!, which seeks to give children/students the opportunity to enjoy a dining experience with the leaders of Jamaican businesses. The Foundation hosted past and present scholars to dine with NCB and the Jamaica Observer's executives and team members.

We have an unwavering commitment to develop the communities in which we serve and ensure that the financial wellbeing of Jamaicans is tangibly demonstrated in our strategic undertakings. We are extremely grateful for the support of our valued stakeholders and look forward to continued support for the remainder of the financial year.

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

Quarter ended December 31, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	<i>CURRENT YEAR</i>		<i>PRIOR YEAR</i>	
	Note	Quarter ended December 31 2014 \$'000	<i>Restated</i>	
			Quarter ended September 30 2014 \$'000	Quarter ended December 31 2013 \$'000
<b>Operating income</b>				
Interest income		9,688,923	9,601,293	8,993,142
Interest expense		(3,183,403)	(3,435,175)	(2,638,317)
Net interest income		6,505,520	6,166,118	6,354,825
Fee and commission income		3,096,984	2,890,939	2,552,582
Fee and commission expense		(510,673)	(507,929)	(430,798)
Net fee and commission income		2,586,311	2,383,010	2,121,784
Gain on foreign currency and investment activities		917,952	955,066	57,237
Premium income		1,836,510	1,791,907	1,851,102
Dividend income		37,746	37,459	42,014
Other operating income		77,132	45,383	43,213
		2,869,340	2,829,815	1,993,566
		<b>11,961,171</b>	<b>11,378,943</b>	<b>10,470,175</b>
<b>Operating expenses</b>				
Staff costs		3,019,845	2,597,936	3,132,158
Provision for credit losses		587,195	987,836	390,435
Policyholders' and annuitants' benefits and reserves		1,220,576	1,077,071	1,169,685
Depreciation and amortisation		350,390	322,527	356,879
Impairment losses on securities		88,554	200,085	-
Other operating expenses	2	3,950,970	2,591,512	2,646,718
		<b>9,217,530</b>	<b>7,776,967</b>	<b>7,695,875</b>
<b>Operating profit</b>		<b>2,743,641</b>	<b>3,601,976</b>	<b>2,774,300</b>
Negative goodwill on acquisition of subsidiary		-	-	301,441
Share of profit of associates		154,801	180,063	213,578
Gain on disposal of associate		-	349,042	-
<b>Profit before taxation</b>		<b>2,898,442</b>	<b>4,131,081</b>	<b>3,289,319</b>
Taxation		(765,371)	(770,125)	(788,324)
<b>NET PROFIT</b>		<b>2,133,071</b>	<b>3,360,956</b>	<b>2,500,995</b>
<b>Earnings per stock unit</b> (expressed in \$ per share)				
Basic and diluted		<b>0.87</b>	<b>1.37</b>	<b>1.02</b>

# National Commercial Bank Jamaica Limited

## Unaudited Consolidated Statement of Comprehensive Income

Quarter ended December 31, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	<i>Restated</i>		
	Quarter ended December 31 2014 \$'000	Quarter ended September 30 2014 \$'000	Quarter ended December 31 2013 \$'000
<b>Net Profit</b>	<b>2,133,071</b>	<b>3,360,956</b>	<b>2,500,995</b>
<b>Other comprehensive income, net of tax-</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurements of post-employment benefit obligations	(17,175)	34,778	(7,043)
	<u>2,115,896</u>	<u>3,395,734</u>	<u>2,493,952</u>
<b>Items that may be subsequently reclassified to profit or loss</b>			
Currency translation gains	67,304	7,809	100,713
Unrealised gains/(losses) on available-for-sale investments	535,897	360,598	(1,480,294)
Realised fair value (gains)/losses on sale and maturity of available-for-sale investments	(345,373)	215,286	126
Realised gains on sale of investment in associates	-	(308,936)	-
	<u>257,828</u>	<u>274,757</u>	<u>(1,379,455)</u>
<b>Total other comprehensive income</b>	<b>257,828</b>	<b>274,757</b>	<b>(1,379,455)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b><u>2,373,724</u></b>	<b><u>3,670,491</u></b>	<b><u>1,114,497</u></b>

# National Commercial Bank Jamaica Limited

## Unaudited Consolidated Statement of Financial Position

December 31, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	December 31 2014 \$'000	Restated	
			September 30 2014 \$'000	December 31 2013 \$'000
<b>ASSETS</b>				
Cash in hand and balances at Central Bank		32,327,827	29,795,115	28,544,200
Due from other banks		22,303,119	20,393,555	19,871,412
Derivative financial instruments		448,344	581,668	507,276
Investment securities at fair value through profit or loss		882,260	523,393	821,292
Reverse repurchase agreements		2,181,143	1,621,798	880,941
Loans and advances, net of provision for credit losses		157,110,057	157,630,000	148,411,704
Investment securities classified as available-for-sale and loans and receivables		119,901,589	105,557,761	105,690,789
Pledged assets		140,574,204	159,488,612	136,216,774
Investment in associates		6,134,991	5,913,804	7,876,063
Investment properties		475,500	484,500	484,500
Intangible assets		2,578,068	2,463,849	1,929,104
Property, plant and equipment		7,723,320	7,313,869	6,682,676
Deferred income tax assets		25,232	23,390	327,345
Income tax recoverable		1,198,516	1,184,083	1,891,759
Customers' liability - letters of credit and undertaking		1,326,071	1,270,160	2,191,959
Other assets		4,808,336	5,099,535	4,314,595
<b>Total assets</b>		<b>499,998,577</b>	<b>499,345,092</b>	<b>466,642,389</b>
<b>LIABILITIES</b>				
Due to other banks		9,964,774	6,336,574	11,805,454
Customer deposits		205,190,352	202,162,392	194,298,210
Repurchase agreements		128,815,154	134,690,626	121,095,762
Obligations under securitisation arrangements		14,157,654	13,885,577	10,397,245
Derivative financial instruments		-	52,660	-
Other borrowed funds		10,727,177	11,992,819	7,634,828
Income tax payable		320,653	92,408	124,652
Deferred income tax liabilities		2,257,594	2,455,791	2,593,476
Liabilities under annuity and insurance contracts		34,640,628	34,230,910	34,065,281
Provision for litigation		1,500	3,053	11,500
Post-employment benefit obligations		2,256,916	2,185,311	1,864,023
Liability - letters of credit and undertaking		1,326,071	1,270,160	2,191,959
Other liabilities	2	8,483,761	8,140,426	7,291,768
<b>Total liabilities</b>		<b>418,142,234</b>	<b>417,498,707</b>	<b>393,374,158</b>
<b>STOCKHOLDERS' EQUITY</b>				
Share capital		6,465,731	6,465,731	6,465,731
Shares held by NCB Employee Share Scheme		(3,388)	(3,388)	(3,388)
Fair value and capital reserves		2,665,095	2,407,267	1,111,105
Loan loss reserve		5,433,407	5,375,901	5,282,568
Banking reserve fund		6,512,634	6,512,634	6,512,634
Retained earnings reserve		19,430,000	19,430,000	18,897,007
Retained earnings	2	41,352,864	41,658,240	35,002,574
<b>Total stockholders' equity</b>		<b>81,856,343</b>	<b>81,846,385</b>	<b>73,268,231</b>
<b>Total equity and liabilities</b>		<b>499,998,577</b>	<b>499,345,092</b>	<b>466,642,389</b>

Approved for issue by the Board of Directors on January 22, 2015 and signed on its behalf by:

  
Director

  
Director

  
Director

  
Secretary

## National Commercial Bank Jamaica Limited

Unaudited Consolidated Statement of Changes in Stockholders' Equity

Quarter ended December 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, 2013, as previously reported</b>	6,465,731	(3,388)	2,490,560	5,141,357	6,512,634	18,050,657	33,342,535	72,000,086
Restatement based on adoption of IFRIC 21	-	-	-	-	-	-	547,605	547,605
<b>Balance at October 1 2013, as restated</b>	6,465,731	(3,388)	2,490,560	5,141,357	6,512,634	18,050,657	33,890,140	72,547,691
Total comprehensive income	-	-	(1,379,455)	-	-	-	2,493,952	1,114,497
Dividends paid	-	-	-	-	-	-	(393,957)	(393,957)
Transfer to Loan loss reserve	-	-	-	141,211	-	-	(141,211)	-
Transfer to Retained earnings reserve	-	-	-	-	-	846,350	(846,350)	-
<b>Balance at December 31 2013, as restated</b>	6,465,731	(3,388)	1,111,105	5,282,568	6,512,634	18,897,007	35,002,574	73,268,231
<b>Balance at September 30, 2014, as previously reported</b>	6,465,731	(3,388)	2,407,267	5,375,901	6,512,634	19,430,000	40,425,607	80,613,752
Restatement based on adoption of IFRIC 21	-	-	-	-	-	-	1,232,633	1,232,633
<b>Balance at September 30, 2014, as restated</b>	6,465,731	(3,388)	2,407,267	5,375,901	6,512,634	19,430,000	41,658,240	81,846,385
Total comprehensive income	-	-	257,828	-	-	-	2,115,896	2,373,724
Dividends paid	-	-	-	-	-	-	(2,363,766)	(2,363,766)
Transfer to Loan loss reserve	-	-	-	57,506	-	-	(57,506)	-
<b>Balance at December 31, 2014</b>	6,465,731	(3,388)	2,665,095	5,433,407	6,512,634	19,430,000	41,352,864	81,856,343

# National Commercial Bank Jamaica Limited

## Unaudited Consolidated Statement of Cash Flows

Quarter ended December 31, 2014

(expressed in Jamaican dollars unless otherwise indicated)

	December 31 2014 \$'000	Restated December 31 2013 \$'000
<b>Cash Flows from Operating Activities</b>		
Net profit	2,133,071	2,500,995
Adjustments to reconcile net profit to net cash provided by operating activities	(982,550)	11,370,823
Net cash provided by operating activities	<u>1,150,521</u>	<u>13,871,818</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of subsidiary and capital injection, net of cash acquired	-	(307,063)
Acquisition of property, plant and equipment	(699,322)	(430,249)
Acquisition of intangible asset - computer software	(203,486)	(248,545)
Proceeds from disposal of property, plant and equipment	89,325	26,576
Dividends received from associates	68,605	105,376
Purchases of investment securities	(14,418,736)	(25,486,461)
Sales/maturities of investment securities	19,650,692	9,722,201
Net cash provided by/(used in) investing activities	<u>4,487,078</u>	<u>(16,618,165)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from other borrowed funds	326,143	3,147,064
Repayments of other borrowed funds	(1,715,352)	(450,195)
Due to other banks	3,342,107	(4,860,716)
Dividends paid	(2,363,766)	(393,957)
Net cash used in financing activities	<u>(410,868)</u>	<u>(2,557,804)</u>
Effect of exchange rate changes on cash and cash equivalents	96,451	1,047,988
Net increase/(decrease) in cash and cash equivalents	5,323,182	(4,256,163)
Cash and cash equivalents at beginning of period	28,246,559	28,561,967
<b>Cash and cash equivalents at end of period</b>	<b><u>33,569,741</u></b>	<b><u>24,305,804</u></b>
<b>Comprising:</b>		
Cash in hand and balances at Central Banks	9,923,206	7,013,278
Due from other banks	22,053,101	18,808,395
Reverse repurchase agreements	1,004,691	25,211
Investment securities	3,510,642	3,505,308
Due to other banks	(2,921,899)	(5,046,388)
	<b><u>33,569,741</u></b>	<b><u>24,305,804</u></b>

# National Commercial Bank Jamaica Limited

## Unaudited Segment Report

Quarter ended December 31, 2014

	Consumer & SME		Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management and Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	Consolidated
	Retail & SME	Payment Services								
	\$'000	\$'000								
External revenue	3,674,154	2,353,388	1,509,461	2,531,706	2,228,931	1,794,096	1,542,985	20,527	-	15,655,248
Revenue from other segments	630,480	-	10,043	1,031,435	248,789	31,881	(23,615)	16,237	(1,945,250)	-
<b>Total revenue</b>	<b>4,304,634</b>	<b>2,353,388</b>	<b>1,519,504</b>	<b>3,563,141</b>	<b>2,477,720</b>	<b>1,825,977</b>	<b>1,519,370</b>	<b>36,764</b>	<b>(1,945,250)</b>	<b>15,655,248</b>
Interest income	3,399,868	913,430	1,317,899	2,968,825	2,002,237	759,966	183,189	7,044	(1,863,649)	9,688,809
Interest expense	(533,425)	(376,382)	(825,870)	(1,938,824)	(1,139,707)	(226,351)	-	(39)	1,863,649	(3,176,949)
<b>Net interest income</b>	<b>2,866,443</b>	<b>537,048</b>	<b>492,029</b>	<b>1,030,001</b>	<b>862,530</b>	<b>533,615</b>	<b>183,189</b>	<b>7,005</b>	<b>-</b>	<b>6,511,860</b>
Net fee and commission income	810,151	909,928	186,467	63,629	92,109	314,548	134,783	2,512	35,713	2,549,840
Gain on foreign currency and investment activities	42,019	4,495	8,003	449,476	365,634	48,999	8,194	9,178	(19,053)	916,945
Premium income	-	-	-	-	-	687,636	1,180,859	-	(31,985)	1,836,510
Other income	2,176	515	148	77,440	17,094	14,828	12,345	18,028	(95,075)	47,499
<b>Total operating income</b>	<b>3,720,789</b>	<b>1,451,986</b>	<b>686,647</b>	<b>1,620,546</b>	<b>1,337,367</b>	<b>1,599,626</b>	<b>1,519,370</b>	<b>36,723</b>	<b>(110,400)</b>	<b>11,862,654</b>
Staff costs	1,259,225	126,600	33,213	35,846	176,610	226,728	192,224	23,690	(8,032)	2,066,104
Provision for credit losses	292,499	320,267	4,882	-	-	-	-	-	-	617,648
Depreciation and amortisation	47,333	49,541	1,751	10,061	15,963	2,501	18,515	350	17,911	163,926
Impairment losses on securities	-	-	-	-	47,108	41,446	-	-	-	88,554
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	452,273	768,303	-	-	1,220,576
Other operating expenses	913,789	527,584	281,962	528,336	452,254	176,170	233,477	4,810	(10,382)	3,108,000
<b>Total operating expense</b>	<b>2,512,846</b>	<b>1,023,992</b>	<b>321,808</b>	<b>574,243</b>	<b>691,935</b>	<b>899,118</b>	<b>1,212,519</b>	<b>28,850</b>	<b>(503)</b>	<b>7,264,808</b>
Operating profit before allocated costs	1,207,943	427,994	364,839	1,046,303	645,432	700,508	306,851	7,873	(109,897)	4,597,846
Allocated costs	(951,562)	(255,570)	(127,445)	(64,572)	-	-	-	-	-	(1,399,149)
<b>Operating profit</b>	<b>256,381</b>	<b>172,424</b>	<b>237,394</b>	<b>981,731</b>	<b>645,432</b>	<b>700,508</b>	<b>306,851</b>	<b>7,873</b>	<b>(109,897)</b>	<b>3,198,697</b>
Unallocated corporate expenses										(455,056)
Share of profit of associates										154,801
<b>Profit before taxation</b>										<b>2,898,442</b>
Taxation										(765,371)
<b>Net Profit</b>										<b>2,133,071</b>
Segment assets	163,054,757	14,626,397	67,688,057	173,691,425	129,445,424	38,533,872	11,722,902	970,526	(108,386,346)	491,347,014
Associates										6,134,991
Unallocated assets										2,516,572
<b>Total assets</b>										<b>499,998,577</b>
Segment liabilities	151,187,457	9,747,012	57,407,403	155,210,926	109,181,988	27,292,656	7,834,872	154,516	(103,013,255)	415,003,575
Unallocated liabilities										3,138,659
<b>Total liabilities</b>										<b>418,142,234</b>
Capital expenditure	528,721	209,186	32,394	6,382	32,570	50,175	35,140	8,240	-	902,808

# National Commercial Bank Jamaica Limited

## Unaudited Segment Report

Quarter ended December 31, 2013 - Restated

	Consumer & SME									Consolidated
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management and Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
External revenue	3,610,847	1,990,251	1,139,220	1,714,421	1,944,539	1,660,641	1,463,879	15,494	-	13,539,292
Revenue from other segments	571,046	-	18,370	642,041	227,012	26,711	8,880	27,219	(1,521,279)	-
<b>Total revenue</b>	<b>4,181,893</b>	<b>1,990,251</b>	<b>1,157,590</b>	<b>2,356,462</b>	<b>2,171,551</b>	<b>1,687,352</b>	<b>1,472,759</b>	<b>42,713</b>	<b>(1,521,279)</b>	<b>13,539,292</b>
Interest income	3,263,253	753,995	1,044,767	2,317,532	2,050,426	723,680	179,245	9,168	(1,349,075)	8,992,991
Interest expense	(406,460)	(251,980)	(650,887)	(1,311,696)	(1,117,280)	(243,326)	-	(59)	1,349,075	(2,632,613)
<b>Net interest income</b>	<b>2,856,793</b>	<b>502,015</b>	<b>393,880</b>	<b>1,005,836</b>	<b>933,146</b>	<b>480,354</b>	<b>179,245</b>	<b>9,109</b>	<b>-</b>	<b>6,360,378</b>
Net fee and commission income	817,033	794,157	96,330	55,234	10,254	290,617	37,965	17,493	(28,378)	2,090,705
Gain/(loss) on foreign currency and investment activities	48,008	3,736	11,673	(144,978)	94,284	52,274	519	2,816	(11,605)	56,727
Premium income	-	-	-	-	-	614,269	1,246,232	-	(9,399)	1,851,102
Other income	15,337	1,370	1,141	126,539	15,801	6,512	8,798	13,234	(135,301)	53,431
<b>Total operating income</b>	<b>3,737,171</b>	<b>1,301,278</b>	<b>503,024</b>	<b>1,042,631</b>	<b>1,053,485</b>	<b>1,444,026</b>	<b>1,472,759</b>	<b>42,652</b>	<b>(184,683)</b>	<b>10,412,343</b>
Staff costs	1,353,596	100,140	64,395	37,742	127,660	146,247	251,630	21,295	(9,735)	2,092,970
Provision for credit losses	211,014	167,582	11,880	-	-	-	-	-	-	390,476
Depreciation and amortisation	36,098	27,720	1,784	28,852	1,883	1,606	19,539	350	17,911	135,743
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	522,789	646,896	-	-	1,169,685
Other operating expenses	672,740	214,635	204,069	291,807	241,318	131,614	201,292	3,973	(57,243)	1,904,205
<b>Total operating expense</b>	<b>2,273,448</b>	<b>510,077</b>	<b>282,128</b>	<b>358,401</b>	<b>370,861</b>	<b>802,256</b>	<b>1,119,357</b>	<b>25,618</b>	<b>(49,067)</b>	<b>5,693,079</b>
Operating profit before allocated costs	1,463,723	791,201	220,896	684,230	682,624	641,770	353,402	17,034	(135,616)	4,719,264
Allocated costs	(1,261,481)	(178,119)	(91,136)	(59,340)	-	-	-	-	-	(1,590,076)
<b>Operating profit</b>	<b>202,242</b>	<b>613,082</b>	<b>129,760</b>	<b>624,890</b>	<b>682,624</b>	<b>641,770</b>	<b>353,402</b>	<b>17,034</b>	<b>(135,616)</b>	<b>3,129,188</b>
Unallocated corporate expenses										(354,888)
Negative goodwill on acquisition of subsidiary										301,441
Share of profit of associates										213,578
<b>Profit before taxation</b>										<b>3,289,319</b>
Taxation										(788,324)
<b>Net Profit</b>										<b>2,500,995</b>
Segment assets	154,971,628	12,450,264	61,849,697	133,262,395	128,230,151	37,139,609	11,034,191	999,793	(84,850,801)	455,086,927
Associates										7,876,063
Unallocated assets										3,679,399
<b>Total assets</b>										<b>466,642,389</b>
Segment liabilities	140,665,116	8,107,640	51,767,884	119,675,276	110,852,138	27,723,315	7,432,629	188,678	(76,774,956)	389,637,720
Unallocated liabilities										3,736,438
<b>Total liabilities</b>										<b>393,374,158</b>
Capital expenditure	332,118	73,417	28,313	32,010	55,114	70,822	78,905	8,095	-	678,794

# National Commercial Bank Jamaica Limited

Notes to the Unaudited Financial Statements

December 31, 2014

(expressed in Jamaican dollars unless otherwise indicated)

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## 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% (December 31, 2013 – 46.43%) subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael A. Lee-Chin, OJ, Chairman of the Bank.

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

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

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

All subsidiaries are incorporated in Jamaica with the exception of NCB (Cayman) Limited, NCB Investments (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 NCB Global Finance Limited which is incorporated in Trinidad and Tobago.

## 2. Basis of preparation

The condensed consolidated interim financial statements for the quarter ended December 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, 2014 which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investment securities, investment securities at fair value through profit or loss, derivative contracts and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

There have been no changes in accounting policies since the most recent audited accounts as at September 30, 2014 except for the adoption of new and amended standards as described below.

### Standards, interpretations and amendments to existing standards effective during the current year

#### Effects of Adoption of IFRIC 21, Levies

On October 1, 2014, the Group adopted IFRIC 21, 'Levies', (effective for annual periods beginning on or after January 1, 2014). IFRIC 21 addresses the accounting for a liability to pay a levy recognised in accordance with IAS 37, 'Provisions', and the liability to pay a levy whose timing and amount is certain. It excludes income taxes within the scope of IAS 12, 'Income taxes'. IFRIC 21 indicates that the obligating event that gives rise to a liability to pay a levy is the event identified by the legislation that triggers the obligation to pay the levy. It concludes that the fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern principle, does not create an obligation to pay a levy that will arise from operating in the future. Accordingly, a liability to pay a levy is recognised when the obligating event occurs. This might arise at a point in time or progressively over time. The interpretation also requires that an obligation to pay a levy triggered by a minimum threshold is recognised when the threshold is reached. October 1, 2014 has been determined to be the trigger date under the Assets Tax (Specified Bodies) Act in Jamaica. The adoption of IFRIC 21 has resulted in Group companies with an assessment date of September 30, 2014 recognising the liability in full as at October 1, 2014 for asset-based taxes which were progressively recognised during the year ended September 30, 2014 for amounts due and payable in March 2015. The financial impact of the adoption for the quarter ended December 31, 2014 is a charge of \$993 million on the consolidated income statement with the related liability in the consolidated statement of financial position as at the end of the period. Group companies with an assessment date of December 31, 2014 will recognise the liability in full as at January 1, 2015 of approximately \$240 million. The retrospective effect of the changes on the financial position and results of operations for the period ended December 31, 2013 and the financial position as at September 30, 2014 are as follows:

# National Commercial Bank Jamaica Limited

Notes to the Unaudited Financial Statements

December 31, 2014

(expressed in Jamaican dollars unless otherwise indicated)

## Standards, interpretations and amendments to existing standards effective during the current year (continued)

### Effects of Adoption of IFRIC 21, Levies (continued)

#### Effect on the consolidated statement of financial position as at September 30, 2014

	As previously stated	Effect of restatement on non-insurance companies	Effect of restatement on insurance companies	As restated
	\$'000	\$'000	\$'000	\$'000
<b>Total Assets</b>	499,345,092			499,345,092
<b>Total Liabilities</b>	418,731,340	(992,474)	(240,159)	417,498,707
Other equity	40,188,145			40,188,145
Retained earnings	40,425,607	992,474	240,159	41,658,240
<b>Total Equity</b>	80,613,752	992,474	240,159	81,846,385
<b>Total Equity and Liabilities</b>	499,345,092	-	-	499,345,092

#### Effect on the consolidated income statement for the quarter ended September 30, 2014

	As previously stated	Effect of restatement for non-insurance companies	Effect of restatement for insurance companies	As restated
	\$'000	\$'000	\$'000	\$'000
Operating income	11,378,943			11,378,943
Operating expenses	8,268,348	(372,860)	(118,521)	7,776,967
<b>Operating profit</b>	3,110,595	372,860	118,521	3,601,976
Share of profit of associates	180,063			180,063
Gain on disposal of associate	349,042			349,042
<b>Profit before taxation</b>	3,639,700	372,860	118,521	4,131,081
Taxation	(770,125)	-	-	(770,125)
<b>Net Profit</b>	2,869,575	372,860	118,521	3,360,956

#### Effect on the consolidated statement of financial position as at December 31, 2013

	As previously stated	Effect of restatement for non-insurance companies	Effect of restatement for insurance companies	As restated
	\$'000	\$'000	\$'000	\$'000
<b>Total Assets</b>	466,642,389			466,642,389
<b>Total Liabilities</b>	393,566,779	(127,371)	(65,250)	393,374,158
Other equity	38,265,657			38,265,657
Retained earnings	34,809,953	127,371	65,250	35,002,574
<b>Total Equity</b>	73,075,610	127,371	65,250	73,268,231
<b>Total Equity and Liabilities</b>	466,642,389	-	-	466,642,389

#### Effect on the consolidated income statement for the quarter ended December 31, 2013

	As previously stated	Effect of restatement for non-insurance companies	Effect of restatement for insurance companies	As restated
	\$'000	\$'000	\$'000	\$'000
Operating income	10,470,175			10,470,175
Operating expenses	7,340,891	371,036	(16,052)	7,695,875
<b>Operating profit</b>	3,129,284	(371,036)	16,052	2,774,300
Negative goodwill on acquisition of subsidiary	301,441			301,441
Share of profit of associates	213,578			213,578
<b>Profit before taxation</b>	3,644,303	(371,036)	16,052	3,289,319
Taxation	(788,324)	-	-	(788,324)
<b>Net Profit</b>	2,855,979	(371,036)	16,052	2,500,995

## National Commercial Bank Jamaica Limited

Notes to the Unaudited Financial Statements

December 31, 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 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, asset management and investment banking – This incorporates stock brokerage, securities trading, investment management and other financial services provided by overseas subsidiaries.
- Life Insurance & pension fund management – This incorporates life insurance, pension and investment management services.
- General insurance - This incorporates property and casualty insurance services.
- The Group’s insurance brokerage services, trustee services, registrar and transfer agent services are classified as Other for segment reporting.

The Group’s operations are located mainly in Jamaica. The operations of subsidiaries located overseas account for less than 10% of the Group’s external operating revenue, assets and capital expenditure.

#### Unallocated assets and liabilities

Unallocated assets and liabilities comprise current income tax payable and recoverable, deferred income tax assets and liabilities and assets and liabilities of support units of the Bank that are not allocated to the banking segments.

#### Direct allocated costs and unallocated corporate expenses

Costs incurred by the support units of the Bank are allocated to the business segments based on certain criteria determined by management. These criteria include staff complement, square footage and time spent providing the service to the business segment. The expenses that are allocated are mainly staff costs, depreciation and amortization and other operating expenses and are treated as direct allocated costs.

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

#### Eliminations

Eliminations comprise inter-company and inter-segment transactions.

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

<b>Directors</b>	<b>Total</b>	<b>Direct</b>	<b>Connected Parties</b>
Robert Almeida	150,707	150,707	0
Wayne Chen	1,193,965,220	14,044	1,193,951,176
Dennis Cohen *	73,039,457	86,480	72,952,977
Sandra Glasgow *	73,025,026	75,049	72,949,977
Sanya Goffe	4,340	4,340	0
Hon. Noel Hylton, OJ, CD	354,074	14,044	340,030
Patrick Hylton, CD	930,902	930,902	0
Hon. Michael Lee-Chin, OJ	1,586,467,489	2,058,630	1,584,408,859
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
Andre Ho Lung	0	0	0
Patrick Hylton, CD	930,902	930,902	0
Vernon James	420,000	420,000	0
Ramon Lewis	0	0	0
Alison Lynn	36,075	36,075	0
Nadeen Matthews	10,000	10,000	0
Anne McMorris Cover	940	940	0
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
Angus Young	0	0	0

\* Connected parties for Dennis Cohen, Sandra Glasgow, Thalia Lyn and Allison Wynter include shares of 72,949,977 held by trustees of the N.C.B. Staff Pension Fund.

**10 Largest Shareholders of National Commercial Bank Jamaica Limited as at December 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	85,581,762	3.47%
NCB Insurance Co. Ltd WT 109	62,989,156	2.55%
Ideal Portfolio Services Company Limited	56,623,105	2.30%
AIC Global Holdings Inc.	49,565,238	2.01%
Portland (Barbados) Limited	38,178,106	1.55%
York Seaton & Harriet Maragh	27,111,000	1.10%
SJIML A/C 3119	26,474,981	1.07%
Beta SPV Limited	21,000,000	0.85%

**Shareholder Profile of National Commercial Bank Jamaica Limited as at December 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 4 accounts	46.82%	46.82%	1,154,934,315
1	10-15%	12.74%	314,372,000
7	1-4%	14.05%	346,523,348
35,345	Less than 1%	26.39%	650,933,165
<b>35,354</b>		<b>100.00%</b>	<b>2,466,762,828</b>