

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2007

The Board of Directors is pleased to release the unaudited results for the Group for the six months ended 31 March 2007.

Net profit for the six months ended 31 March 2007 rose by 32% to \$3.12 billion from \$2.36 billion for the corresponding period of the previous year. The net profit for the second quarter of \$1.62 billion, increased by 8% compared to the first quarter and 33% compared to the similar period of 2006. The resulting earnings per ordinary stock unit for the six month period was \$1.27, compared to \$0.96 for the same period last year. Return on average shareholders equity for the six months was 23.97%, up from 21.52% for the comparative prior year period.

Total revenue for the six months was \$16.55 billion, representing an increase of \$2.51 billion or 18%, when compared \$14.04 billion a year earlier. The banking segment contributed 68% of the overall revenue of the Group, while the next largest segment was Wealth Management with 24%.

The major revenue highlights for the six months were as follows:

- Loan income and securities income increased by \$253 million or 7% and \$924.9 million or 12% respectively, as the Group focuses on growing earning assets quarter over quarter.
- Net interest income increased by \$426.4 million or 7% due mainly to the continued portfolio growth in a lower interest rate environment.
- Net fee and commission income increased by \$359.8 million or 26% which was mainly attributable to growth in card and other retail banking related fees.
- Net trading income, which includes foreign exchange gains, fixed income and equity trading, increased by \$562.4 million or 55%.
- Other operating income increased by \$360 million over the prior year due mainly to annuity premiums earned by the insurance segment since the commencement of this product in September 2006.

NON-INTEREST EXPENSES

Operating expenses (excluding interest and fee expense) for the six months totalled \$6.1 billion, \$788.4 million or 15% above the comparative prior year period. Staff costs increased by \$452.5 million or 15% mainly due to negotiated salary and allowances for the current financial year. Actuarial reserves, in relation to policyholder's liabilities in the insurance segment, reflected an overall increase of \$164.4 million.

ASSET BASE

Total assets as at 31 March 2007 stood at \$233.8 billion, reflecting an increase of \$31.9 billion or 16%, compared to 31 March 2006. Investment securities and loans and advances accounted for the increase in assets with growth of \$29.3 billion or 28% and \$9.8 billion or 25% respectively. Reverse repurchase agreements declined by \$9.2 billion or 36%. The growth in assets was mainly funded by increases in core customer deposits of \$17.1 billion or 20% and additional funding from securitisation arrangements of \$5.6 billion or 34%.

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2007

LOAN PORTFOLIO

The sustained focus of the banking segment in growing the loan portfolio resulted in an increase of \$9.8 billion compared to March 2006. Loans and advances, net of provision, totalled \$48.6 billion as at 31 March 2007 compared to \$38.8 billion as at 31 March 2006. The aggregate amount of non-performing loans amounted to \$1.7 billion and represented 3.49% of the gross loans compared to 3.66% as at 30 September 2006 and 4% as at 31 March 2006.

As at 31 March 2007 the accumulated provision for credit losses determined under Bank of Jamaica regulatory requirements of \$2.31 billion, represented an overall coverage of 132% of non-performing loans. Provisions for credit losses that exceed the amounts required by International Financial Reporting Standards (IFRS) are credited to a non-distributable Loan Loss Reserve. As at 31 March 2007 the balance in the Loan Loss Reserve was \$251.3 million. The Bank's provisioning policy is in compliance with Bank of Jamaica regulations.

CAPITAL

The Group's total stockholders' equity as at 31 March 2007 was \$27.5 billion, an increase of \$4.8 billion or 21% when compared to 31 March 2006, and this increase can be mainly attributed to the continued increase in the Group's retained earnings. As at 31 March 2007, the Risk-based Capital Ratio was 16.35% which exceeds the minimum requirement of 10% set by the Bank of Jamaica.

DIVIDENDS

The Bank made two dividend payments totalling \$0.35 per ordinary stock unit for the six months ended 31 March 2007 (March 2006 - \$0.43, three payments). At the Board of Directors meeting on 26 April 2007, an interim dividend of \$0.29 per ordinary stock unit was declared. The dividend is payable on 25 May 2007 for shareholders on record as at 11 May 2007. The financial statements for the quarter ended 31 March 2007 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the quarter ended 30 June 2007.

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2007

COMMUNITY RELATIONS

National Commercial Bank throughout the second quarter of the 2007 Financial Year, continued to fulfill its corporate and social responsibilities towards a long term vision of building a better Jamaica by directing its support towards activities that foster positive social and economic development.

Education

The N.C.B. Foundation, through the Jamaican Education Initiative (JEI), concentrated on empowering young Jamaicans through ardent support and funding. To this end \$650,000 was contributed towards the staging of a three-day Mathematics Examinations Workshop for one hundred and twenty students based in the St. Ann and St. Mary area. The students who are preparing to sit upcoming CXC/CSEC examinations, benefited from the workshop that focused on the development of arithmetic skills and concepts.

The N.C.B Foundation also endorsed the Jamaica Environment Trust's Schools Environment Programme (SEP), with a commitment of \$1,000,000 over the next four years. Under this initiative, the Foundation selected the Churchill Primary School in Hanover for the funding of the school's SEP. These funds will be used to equip teachers with the necessary tools to teach children about the importance of their environment.

Throughout this quarter several educational institutions benefited from contributions toward computers and improvement to their infrastructure. Students from the Papine area and surrounding communities who utilize the Mona Baptist Church Home Work Centre now have access to a new computer donated by the N.C.B Foundation. Additionally, the Bank funded the critical network upgrade of Titchfield High School's computer lab. Further afield, Montego Bay High School received a donation from the N.C.B Foundation towards the renovation of their dilapidated Biology and Chemistry Labs.

Health

During the quarter, the N.C.B. Foundation, made a donation towards the construction of the Intermediate Care Unit and the renovation of Ward 7 at the University Hospital of the West Indies. Once operational, the Intermediate Care Unit will facilitate the treatment of those patients who no longer require the services of the Intensive Care Unit, but still need special treatment in order to achieve full recovery.

Sports

The Bank continued to promote the development of Sports throughout the country, as it sought to foster the talent that exists among our young athletes. At the 31st Annual Gibson Relays recently held at the National Stadium, NCB demonstrated its commitment to young Jamaican athletes as a sponsor. Following the superb performances at this sporting event, NCB is convinced that the exposure gained at this level will help to give these young athletes the confidence they need to compete on the world stage.

COMMUNITY RELATIONS (Cont'd)

Community development

The Bank remains focused on supporting strategic initiatives that help to strengthen our communities and transform them into more encouraging areas to live, work and conduct business. Over three hundred members of the island's police force based at the St. Catherine North Police Station in Spanish Town are now the beneficiaries of improved facilities following the N.C.B Foundation's recent contribution. The funds went toward renovation efforts, which will enhance the working environment and bolster the existing benefits for the police officers.

NCB thanks its employees and customers for their ongoing support as the Group continues to embrace its commitment to not only do well, but to do good and relentlessly practice good corporate citizenship.



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ON BEHALF OF THE BOARD

NATIONAL COMMERCIAL BANK JAMAICA LIMITED
CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2007

PERFORMANCE AT A GLANCE

Comparison of Key Ratios	Six Months Ended March-07	Six Months Ended March-06
Return on Average Equity	23.97%	21.52%
Return on Average Total Assets	2.73%	2.40%
Growth in Revenue	17.89%	7.23%
Cost/Income Ratio	59.16%	62.54%
Net Asset Value per Share	\$11.16	\$9.19

National Commercial Bank Jamaica Limited

Consolidated Profit & Loss Account Six Months Ended 31 March 2007

	CURRENT YEAR			PRIOR YEAR	
	Quarter Ended	Quarter Ended	Year to Date	Quarter Ended	Year to Date
	31 Dec 2006	31 Mar 2007	31 Mar 2007	31 Mar 2006	31 Mar 2006
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Revenue					
Interest income from loans	1,880,582	1,972,740	3,853,322	1,886,780	3,600,285
Interest income from securities	4,321,348	4,130,649	8,451,997	3,664,714	7,527,070
Total interest income	6,201,930	6,103,389	12,305,319	5,551,494	11,127,355
Interest expense	(3,078,706)	(2,928,136)	(6,006,842)	(2,606,869)	(5,255,243)
Net interest income	3,123,224	3,175,253	6,298,477	2,944,625	5,872,112
Fee and commission income	1,089,693	1,116,818	2,206,511	895,516	1,771,188
Fee and commission expense	(199,735)	(243,539)	(443,274)	(187,173)	(367,767)
Net fee and commission income	889,958	873,279	1,763,237	708,343	1,403,421
Net trading income	704,403	870,757	1,575,160	489,265	1,012,808
Dividend income	35,081	12,297	47,378	17,048	71,676
Other operating income	60,434	355,618	416,052	30,165	56,051
	799,918	1,238,672	2,038,590	536,478	1,140,535
	4,813,100	5,287,204	10,100,304	4,189,446	8,416,068
Operating Expenses					
Staff costs	1,647,998	1,807,290	3,455,288	1,435,393	3,002,739
Provision for credit losses	45,380	66,884	112,264	51,059	66,696
Depreciation and amortisation	223,761	231,721	455,482	259,203	516,190
Impairment Loss on Investment Securities	30,380	-	30,380	-	-
Other operating expenses	926,311	1,138,595	2,064,906	859,453	1,744,284
	2,873,830	3,244,490	6,118,320	2,605,108	5,329,909
Operating Profit	1,939,270	2,042,714	3,981,984	1,584,338	3,086,159
Share of profits of associates	42,315	69,785	112,100	30,427	51,372
Profit before Taxation	1,981,585	2,112,499	4,094,084	1,614,765	3,137,531
Taxation	(479,968)	(494,677)	(974,645)	(395,423)	(780,144)
NET PROFIT	1,501,617	1,617,822	3,119,439	1,219,342	2,357,387
EARNINGS PER STOCK UNIT	\$ 0.61	\$ 0.66	\$ 1.27	\$ 0.50	\$ 0.96

National Commercial Bank Jamaica Limited

Consolidated Balance Sheet


31 March 2007

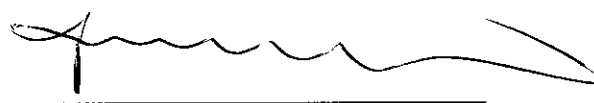
	31 March 2007 \$'000	30 September 2006 \$'000	31 March 2006 \$'000
ASSETS			
Cash and balances at Bank of Jamaica	13,438,740	12,039,998	11,030,861
Due from other banks	11,911,478	13,851,703	13,079,145
Investment securities at fair value through profit and loss	1,197,987	1,151,266	1,677,457
Reverse repurchase agreements	16,492,678	22,963,218	25,661,835
Loans and advances, net of provision for credit losses	48,617,824	42,219,840	38,780,770
Investment securities - available-for-sale	133,586,538	122,614,171	104,246,921
Derivative financial instruments	-	-	1,454
Investments in associates	2,090,889	1,992,771	1,907,845
Investment properties	13,000	13,000	12,000
Property, plant and equipment	3,772,303	3,754,324	3,686,847
Deferred tax asset	-	133,047	-
Intangible asset - computer software	370,869	458,505	609,958
Retirement benefit asset	10,118	10,118	8,812
Income tax recoverable	732,078	483,171	310,130
Other assets	1,106,767	1,156,084	629,629
Customers' liability - letters of credit and undertaking	487,889	297,588	278,472
Total Assets	<u>233,829,158</u>	<u>223,138,804</u>	<u>201,922,136</u>


National Commercial Bank Jamaica Limited
Consolidated Balance Sheet
31 March 2007

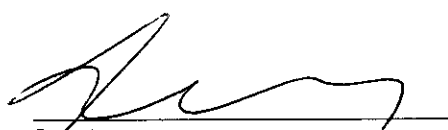
	31 March 2007 \$'000	30 September 2006 \$'000	31 March 2006 \$'000
LIABILITIES			
Due to other banks	5,285,203	7,056,889	6,334,575
Customer deposits	103,615,192	99,026,503	86,482,113
Derivative financial instruments	64,638	68,965	-
Promissory notes and certificates of participation	2,309,411	2,290,799	2,936,542
Repurchase agreements	52,034,197	50,344,707	52,287,867
Obligations under securitisation arrangements	22,065,194	21,398,964	16,429,892
Other borrowed funds	2,659,968	2,523,569	1,114,386
Income tax payable	76	3,482	69,446
Deferred tax liability	611,350	606,247	420,968
Policyholders' liabilities	13,554,987	12,010,182	10,443,622
Provision for litigation	34,000	33,907	63,873
Retirement benefit obligations	262,030	252,313	245,354
Other liabilities	3,381,426	2,634,702	2,201,967
Liability - letters of credit and undertaking	487,889	297,588	278,472
Total Liabilities	<u>206,365,561</u>	<u>198,548,817</u>	<u>179,309,077</u>
STOCKHOLDERS' EQUITY			
Stated capital	6,920,515	6,920,515	6,920,515
Shares held by NCB Employee Share Scheme	(3,867)	(3,867)	(3,867)
Fair value and other reserves	2,597,250	1,981,827	2,445,921
Loan loss reserve	251,339	252,985	246,109
Banking reserve fund	1,963,000	1,963,000	1,609,000
Retained earnings reserve	4,519,761	4,519,761	3,119,761
Retained earnings	11,215,599	8,955,766	8,275,620
Total Stockholders' Equity	<u>27,463,597</u>	<u>24,589,987</u>	<u>22,613,059</u>
Total Equity and Liabilities	<u>233,829,158</u>	<u>223,138,804</u>	<u>201,922,136</u>

Approved for issue by the Board of Directors on 26 April 2007 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 2007

	Stated Capital	Shares Held by Share Scheme	Fair Value and Other Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 October 2005 (Restated)	6,920,515	(3,867)	2,343,004	211,590	1,609,000	3,119,761	7,013,460	21,213,463
Currency translation differences	-	-	28,714	-	-	-	-	28,714
Unrealised losses on available-for-sale investments, net of taxes	-	-	(244,723)	-	-	-	-	(244,723)
Realised fair value losses transferred to Consolidated Profit & Loss Account	-	-	10,792	-	-	-	-	10,792
Share of equity movement in associates	-	-	308,134	-	-	-	-	308,134
Net gains recognised directly in equity	-	-	102,917	-	-	-	-	102,917
Net Profit	-	-	-	-	-	-	2,357,387	2,357,387
Dividends paid	-	-	-	-	-	-	(1,060,708)	(1,060,708)
Transfer to Loan Loss Reserve	-	-	-	34,519	-	-	(34,519)	-
Balance as at 31 March 2006 (Restated)	6,920,515	(3,867)	2,445,921	246,109	1,609,000	3,119,761	8,275,620	22,613,059
Balance as at 1 October 2006	6,920,515	(3,867)	1,981,827	252,985	1,963,000	4,519,761	8,955,766	24,589,987
Currency translation differences	-	-	26,829	-	-	-	-	26,829
Unrealised gains on available-for-sale investments, net of taxes	-	-	961,298	-	-	-	-	961,298
Realised fair value gains transferred to Consolidated Profit & Loss Account	-	-	(372,704)	-	-	-	-	(372,704)
Net gains recognised directly in equity	-	-	615,423	-	-	-	-	615,423
Net Profit	-	-	-	-	-	-	3,119,439	3,119,439
Dividends paid	-	-	-	-	-	-	(861,252)	(861,252)
Transfer from Loan Loss Reserve	-	-	-	(1,646)	-	-	1,646	-
Balance as at 31 March 2007	6,920,515	(3,867)	2,597,250	251,339	1,963,000	4,519,761	11,215,599	27,463,597

National Commercial Bank Jamaica Limited

Consolidated Statement of Cash Flows

Six Months Ended 31 March 2007

	31 March 2007 \$'000	31 March 2006 \$'000
Cash Flows from Operating Activities		
Net profit	3,119,439	2,357,387
Changes in operating assets and liabilities	7,199,589	4,546,409
Other adjustments to reconcile net profit	1,009,083	744,856
Net cash provided by operating activities	<u>11,328,111</u>	<u>7,648,652</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(391,050)	(415,695)
Acquisition of intangible asset - computer software	(72,094)	(54,354)
Proceeds from disposal of property, plant and equipment	79,680	40,538
Investment securities, net	(11,295,233)	(4,328,329)
Dividends received from associates	13,983	13,983
Net cash used in investing activities	<u>(11,664,714)</u>	<u>(4,743,857)</u>
Cash Flows from Financing Activities		
Drawdowns under securitisation arrangements	-	6,309,462
Repayments under securitisation arrangements	-	(1,214,237)
Other borrowed funds	131,389	(16,436)
Dividends paid	(861,252)	(1,060,708)
Net cash (used in)/provided by financing activities	<u>(729,863)</u>	<u>4,018,081</u>
Effect of exchange rate changes on cash and cash equivalents	477,247	468,398
Net (decrease)/increase in cash and cash equivalents	(589,219)	7,391,274
Cash and cash equivalents at beginning of period	25,836,501	9,955,569
Cash and cash equivalents at end of period	<u>25,247,282</u>	<u>17,346,843</u>
Comprising:		
Cash and balances at Bank of Jamaica	3,666,347	2,436,254
Due from other banks	11,911,478	13,079,145
Investment securities	14,954,660	8,166,019
Due to other banks	(5,285,203)	(6,334,575)
	<u>25,247,282</u>	<u>17,346,843</u>

National Commercial Bank Jamaica Limited

Segment Report

Six months ended 31 March 2007

	Banking			Wealth		Other \$'000	Eliminations \$'000	Consolidated \$'000
	Retail \$'000	Corporate \$'000	Treasury \$'000	Management \$'000	Insurance \$'000			
External revenue	3,947,682	1,974,953	5,313,286	4,012,330	1,284,641	17,527	-	16,550,419
Revenue from other segments	2,998,434	17,721	482,702	18,201	59,614	48,370	(3,625,042)	-
Total revenue	6,946,116	1,992,674	5,795,988	4,030,531	1,344,255	65,897	(3,625,042)	16,550,419
Segment result	751,719	680,530	1,460,700	1,147,573	288,671	31,777	(3,260)	4,357,710
Unallocated corporate expenses								(375,726)
Operating profit								3,981,984
Share of profit in associates								112,100
Profit before tax								4,094,084
Taxation expense								(974,645)
Net profit								3,119,439
Segment assets	92,943,253	26,839,237	110,564,129	58,036,012	15,382,781	517,642	(73,276,863)	231,006,191
Associates								2,090,889
Unallocated assets								732,078
Total assets								233,829,158
Segment liabilities	90,203,038	27,695,504	96,822,747	49,561,652	13,626,810	248,777	(72,404,393)	205,754,135
Unallocated liabilities								611,426
Total liabilities								206,365,561
Depreciation and amortisation	360,653	38,587	30,012	19,496	6,203	531	-	455,482

National Commercial Bank Jamaica Limited

Segment Report

Six months ended 31 March 2006

	Retail \$'000	Banking Corporate \$'000	Treasury \$'000	Wealth Management \$'000	Insurance \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
External revenue	3,176,693	2,060,684	4,356,922	3,562,315	870,333	12,131	-	14,039,078
Revenue from other segments	2,736,983	36,258	880,124	256,361	16,866	23,665	(3,950,257)	-
Total revenue	5,913,676	2,096,942	5,237,046	3,818,676	887,199	35,796	(3,950,257)	14,039,078
Segment result	85,237	870,759	1,495,141	995,724	282,429	4,888	(316,609)	3,417,569
Unallocated corporate expenses								(331,410)
Operating profit								3,086,159
Share of profit in associates								51,372
Profit before tax								3,137,531
Taxation expense								(780,144)
Net profit								2,357,387
Segment assets	80,322,658	25,784,298	94,839,486	56,609,258	11,879,248	294,226	(70,025,013)	199,704,161
Associates								1,907,845
Unallocated assets								310,130
Total assets								201,922,136
Segment liabilities	80,337,224	24,776,949	82,412,646	49,841,089	10,530,977	319,355	(69,399,577)	178,818,663
Unallocated liabilities								490,414
Total liabilities								179,309,077
Depreciation and amortisation	414,232	44,317	34,468	17,044	5,390	740	-	516,190

National Commercial Bank Jamaica Limited

Notes to the Consolidated Financial Statements

31 March 2007

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 66.6% subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Mr. Michael Lee-Chin. 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:

	<u>Principal Activities</u>	<u>Percentage Ownership by Group</u>	
		<u>31 March</u>	<u>31 March</u>
		<u>2007</u>	<u>2006</u>
Data-Cap Processing Limited	Data Processing	100	100
Mutual Security Insurance Brokers Limited	Insurance Brokers	100	100
NCB Capital Markets Limited	Primary Dealer and Stock Broker	100	100
NCB (Cayman) Limited and its 100 % subsidiary NCB Remittance Services (Cayman) Limited (formerly NCB Servia Limited)	Commercial Banking Money Remittance	100	100
NCB Insurance Company Limited	Life Insurance	100	100
NCB (Investments) Limited	Money Market Trading	100	100
NCB Jamaica (Nominees) Limited	Securities Nominee	100	100
NCB Remittance Services (UK) Limited (formerly Servia Money Services (UK) Limited)	Money Remittance	100	100
West Indies Trust Company Limited	Investment and Pension Fund Management and Trustee Services	100	100

All subsidiaries are incorporated in Jamaica with the exception of NCB (Cayman) Limited and NCB Remittance Services (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:

	<u>Principal Activities</u>	<u>Percentage Ownership by Group</u>	
		<u>31 March</u>	<u>31 March</u>
		<u>2007</u>	<u>2006</u>
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 2007

2. Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), and 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 and loss, derivative contracts and investment properties.

There have been no changes in accounting policies since the most recent audited accounts as at 30 September 2006.

Where necessary, comparative figures for 31 March 2006 have been reclassified to conform with changes in presentation in the current period.

All amounts are stated in Jamaican dollars unless otherwise indicated.

3. Reverse Repurchase Agreements

Securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective yield method. The Group enter into reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Included within reverse repurchase agreements is related accrued interest receivable of \$634,610,000 (31 March 2006 -\$1,331,210,000).

At 31 March 2007, the Group held \$16,385,477,000 (31 March 2006 - \$29,701,000,000) of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

4. 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. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

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

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

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4. Loans and Advances (Cont'd)

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

Statutory and other regulatory loan loss reserve requirements that exceed 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:

	31 March 2007 \$'000	31 March 2006 \$'000
Specific provision	1,834,677	1,854,619
General provision	478,955	385,836
Provision required by Bank of Jamaica	<u>2,313,632</u>	<u>2,240,455</u>
Provision required by IFRS	<u>2,062,293</u>	<u>1,994,346</u>
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve	<u>251,339</u>	<u>246,109</u>

5. Investments in Associates

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

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

The Group uses the financial statements of the associates at 31 December 2006 for the purposes of consolidation. Adjustments are made for significant transactions or events that occur between that date and 31 March 2007. The Group's results do not include Dyoll Group Limited's information for the December 2006 quarter, as Dyoll Group Limited has been unable to finalise its unaudited financial statements for the quarter ending 31 December 2006 and the audited statements for its year-end 2006. Effective 22 March 2007, the Jamaica Stock Exchange suspended trading in the shares of Dyoll Group Ltd. as a result of its non-compliance with Stock Exchange Rules.

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6. Stated Capital

	31 March 2007 \$'000	31 March 2006 \$'000
Authorised:		
5,750,000,000 ordinary stock units at no par value		
Issued and Fully Paid Up:-		
2,466,762,828 ordinary stock units at no par value	<u>6,920,515</u>	<u>6,920,515</u>

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

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

Under the Companies Act 2004 (the "Act") which became effective on 1 February 2005, all shares in issue are deemed to be shares without a nominal (or par) value. The Bank by ordinary resolution, elected to retain its shares with a nominal or par value for the maximum period of eighteen months which has expired.

7. Segment Reporting

The Group is organised into the following business segments:

- Retail banking - This incorporates the provision of banking services to individuals and small business clients.
- Corporate banking - This incorporates the provision of banking services to large corporate clients.
- Treasury - This incorporates the Bank's liquidity and investment management functions, management of correspondent bank relationships, as well as foreign currency trading services.
- Wealth management - This incorporates stock brokerage, securities trading, investment management, pension fund management and trustee services.
- Insurance - This incorporates life insurance and insurance brokerage services.
- Other operations of the Group include data processing, 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.

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8. 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 2007, the Group had financial assets under administration of approximately \$35 billion (31 March 2006 -\$27.6 billion)

9. Acceptances, Guarantees, Indemnities and Letters of Credit

At 31 March 2007, the Group has made commitments for off-balance sheet financial instruments (acceptances, guarantees, indemnities and letters of credit) amounting to \$4,345,223,000 (March 2006 -\$3,680,022,000). There is an equal and offsetting claim against customers in the event of a call on these commitments.

10. Subsequent Event

In 2005, the Group took the decision to transfer the pension fund portfolio of West Indies Trust Company Limited (WITCo) to NCB Insurance Company Limited (NCBIC). NCBIC recently received approval from the Financial Services Commission for both Pension Administrator and Investment Manager Licenses. The effective date of the transfer of the pension portfolio and assets of WITCo to NCBIC is 1 April 2007, while the date of WITCo's discontinuance from the pension business will be 30 June 2007. WITCo will continue to offer Trust, Estate Administration and Estate Management Services.