

## **NATIONAL COMMERCIAL BANK JAMAICA LIMITED**

### **CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED 30 JUNE 2007**

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The Board of Directors is pleased to release the unaudited results for the Group for the nine months ended 30 June 2007.

Net profit for the nine months ended 30 June 2007 was \$4.88 billion, which represents an increase of \$974 million or 25% compared to \$3.91 billion for the corresponding period ended 30 June 2006. The net profit of \$1.76 billion for the third quarter increased by \$145 million or 9% compared to the second quarter of 2007 and \$211 million or 14% compared to the similar period of 2006.

Earnings per ordinary stock unit for the nine month period was \$1.98, compared to \$1.59 for the same period last year.

Return on average shareholders equity for the nine months was 24.85%, up from 23.70% for the comparative prior year period.

#### **OPERATING REVENUE**

Total revenue for the nine months was \$25 billion, representing an increase of \$3.14 billion or 14%, when compared to \$21.86 billion for the corresponding period of 2006. The banking segment contributed 69% of the overall revenue of the Group, while the Wealth Management and other segments contributed 23% and 8% respectively.

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

- Net interest income increased by \$616 million or 7% due mainly to the continued growth in the loan and investment portfolios and expert management of our funding costs.
- Net fee and commission income increased by \$404 million or 17% 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 \$715 million or 42%.
- Other operating income increased by \$521 million over the prior year due mainly to annuity premiums earned by the insurance segment since the introduction of this product in September 2006.

#### **OPERATING EXPENSES**

Operating expenses (excluding interest and fee and commission expense) for the nine months totalled \$9.14 billion, \$962 million or 12% above the comparative prior year period. Staff costs increased by \$652 million or 14% mainly due to negotiated salary and allowances for the current financial year. Actuarial reserves in relation to policyholders' liabilities in the insurance segment, reflected an overall increase of \$275 million.

# NATIONAL COMMERCIAL BANK JAMAICA LIMITED

## CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED 30 JUNE 2007

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### ASSET BASE

Total assets as at 30 June 2007 stood at \$243.86 billion, reflecting an increase of \$28.91 billion or 13%, compared to 30 June 2006. Investment securities and loans and advances accounted for the increase in assets with growth of \$27.35 billion or 24% and \$10.79 billion or 26% respectively. Reverse repurchase agreements declined by \$8.65 billion or 39%. The growth in assets was mainly funded by increases in customer deposits of \$16.56 billion or 18%, securitisation arrangements of \$6.40 billion or 40% and policyholders' liabilities of \$2.99 billion or 27%.

### LOAN PORTFOLIO

The banking segment's continued focus on the loan portfolio has resulted in significant growth during the current financial year. Loans and advances, net of provision, totalled \$52.70 billion as at 30 June 2007 compared to \$41.92 billion as at 30 June 2006. The aggregate amount of non-performing loans amounted to \$1.47 billion and represented 2.72% of the gross loans compared to 3.66% as at 30 September 2006 and 3.9% as at 30 June 2006.

As at 30 June 2007 the accumulated provision for credit losses determined under Bank of Jamaica regulatory requirements of \$2.13 billion, represented an overall coverage of 145% 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 30 June 2007 the balance in the Loan Loss Reserve was \$168 million. The Bank's provisioning policy is in compliance with Bank of Jamaica regulations.

### CAPITAL

The Group's total stockholders' equity as at 30 June 2007 was \$27.81 billion, an increase of \$5.05 billion or 22% when compared to 30 June 2006, and this increase can be mainly attributed to the continued increase in the Group's earnings. As at 30 June 2007, the Risk-Based Capital Ratio was 15.29% which exceeds the minimum requirement of 10% set by the Bank of Jamaica.

### DIVIDENDS

The Bank made three dividend payments totalling \$0.64 per ordinary stock unit for the nine months ended 30 June 2007 (30 June 2006 - \$0.57, four payments). At the Board of Directors meeting on 26 July 2007, an interim dividend of \$0.09 per ordinary stock unit was declared. The dividend is payable on 28 August 2007 for shareholders on record as at 13 August 2007. The financial statements for the quarter ended 30 June 2007 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the quarter ending 30 September 2007.

# NATIONAL COMMERCIAL BANK JAMAICA LIMITED

CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED 30 JUNE 2007

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## COMMUNITY RELATIONS

National Commercial Bank Jamaica Limited throughout the third quarter of the 2007 Financial Year remained relentless in fulfilling its corporate and social responsibilities as a proactive corporate leader. The Bank continued to direct its support towards activities that encourage social and economic development, as part of its long term vision of building a better Jamaica.

### Education

The N.C.B. Foundation, through the Jamaican Education Initiative (JEI), concentrated its efforts on empowering young Jamaicans through dedicated support and funding.

On 28 June 2007, the N.C.B. Foundation announced the resumption of its CXC sponsorship programme with revised requirements, under Phase II of the Jamaican Education Initiative (JEI). Under this programme, scores of secondary students throughout the island will once again benefit from financial assistance with their examination fees for two business subjects, Principles of Business and Principles of Accounts.

Additionally, the N.C.B. Foundation contributed funds towards the staging of Optimist International's 2007 Oratorical Contest. Participation included students from Jamaica as well as from neighbouring islands such as Anguilla, Barbados and Antigua and Barbuda.

The N.C.B. Foundation donated eight computers to Jamaica House Basic School which will help to expose children between three to six years to computer literacy. Further a-field in Westmoreland, Rhodes Hall High School received a new computer to enhance the school's homework programme.

### Health

NCB recently made a donation of \$8.75 million towards the Heart Foundation of Jamaica's initiative to construct an Education and Emergency Cardiac Training Centre for the treatment of cardiovascular disease.

NCB employees in the true spirit of volunteerism, joined hundreds of cancer survivors, family, friends, service clubs and corporate Jamaica teams walking, jogging and running laps in support of the Jamaica Cancer Society's Relay for Life recently.

### Community development

NCB 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. Members of the NCB executive and management team gave of their time during the quarter by participating in High School graduation ceremonies islandwide as Guest Speakers delivering inspiring addresses to several young Jamaicans transitioning to higher education and the working world.

NCB thanks its employees and customers for their consistent support as the Bank continues to embrace its commitment to relentlessly practice good corporate citizenship.



ON BEHALF OF THE BOARD

**NATIONAL COMMERCIAL BANK JAMAICA LIMITED**  
**CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED 30 JUNE 2007**

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**PERFORMANCE AT A GLANCE**

<b>Comparison of Key Ratios</b>	<b>Nine Months Ended June-07</b>	<b>Nine Months Ended June-06</b>
Return on Average Equity	24.85%	23.70%
Return on Average Total Assets	2.79%	2.57%
Growth in Revenue	14.35%	11.93%
Cost/Income Ratio	58.27%	59.82%
Net Asset Value per Share	\$11.30	\$9.25

# National Commercial Bank Jamaica Limited

## Consolidated Profit & Loss Account Nine Months Ended 30 June 2007

	<i>CURRENT YEAR</i>			<i>PRIOR YEAR</i>	
	Quarter Ended	Quarter Ended	Year to Date	Quarter Ended	Year to Date
	31 Mar 2007	30 Jun 2007	30 Jun 2007	30 Jun 2006	30 Jun 2006
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating Revenue</b>					
Interest income from loans	1,972,740	2,075,964	5,929,286	1,859,856	5,460,141
Interest income from securities	4,130,649	4,096,094	12,548,091	4,052,246	11,627,988
Total interest income	6,103,389	6,172,058	18,477,377	5,912,102	17,088,129
Interest expense	(2,928,136)	(2,979,632)	(8,986,474)	(2,958,361)	(8,213,604)
Net interest income	3,175,253	3,192,426	9,490,903	2,953,741	8,874,525
Fee and commission income	1,116,818	1,202,470	3,408,981	1,116,755	2,887,431
Fee and commission expense	(243,539)	(192,888)	(636,162)	(165,740)	(518,592)
Net fee and commission income	873,279	1,009,582	2,772,819	951,015	2,368,839
Net trading income	870,757	837,574	2,412,734	733,136	1,697,272
Dividend income	12,297	35,163	82,541	34,912	92,471
Other operating income	355,618	198,508	614,560	38,207	93,972
	1,238,672	1,071,245	3,109,835	806,255	1,883,715
	<b>5,287,204</b>	<b>5,273,253</b>	<b>15,373,557</b>	<b>4,711,011</b>	<b>13,127,079</b>
<b>Operating Expenses</b>					
Staff costs	1,807,290	1,704,301	5,159,589	1,504,609	4,507,348
Provision for credit losses	66,884	39,113	151,377	59,008	125,704
Depreciation and amortisation	231,721	226,605	682,087	250,042	766,232
Impairment Loss on Investment Securities	-	-	30,380	199,131	199,131
Other operating expenses	1,138,595	1,051,249	3,116,155	835,356	2,579,640
	3,244,490	3,021,268	9,139,588	2,848,146	8,178,055
<b>Operating Profit</b>	<b>2,042,714</b>	<b>2,251,985</b>	<b>6,233,969</b>	<b>1,862,865</b>	<b>4,949,024</b>
Share of profits of associates	69,785	24,903	137,003	28,890	80,262
<b>Profit before Taxation</b>	<b>2,112,499</b>	<b>2,276,888</b>	<b>6,370,972</b>	<b>1,891,755</b>	<b>5,029,286</b>
Taxation	(494,677)	(514,416)	(1,489,061)	(340,766)	(1,120,910)
<b>NET PROFIT</b>	<b>1,617,822</b>	<b>1,762,472</b>	<b>4,881,911</b>	<b>1,550,989</b>	<b>3,908,376</b>
<b>EARNINGS PER STOCK UNIT</b>	<b>\$ 0.66</b>	<b>\$ 0.72</b>	<b>\$ 1.98</b>	<b>\$ 0.63</b>	<b>\$ 1.59</b>

# National Commercial Bank Jamaica Limited

## Consolidated Balance Sheet

30 June 2007

	30 June 2007 \$'000	30 September 2006 \$'000	30 June 2006 \$'000
<b>ASSETS</b>			
Cash and balances at Bank of Jamaica	13,135,801	12,039,998	10,968,372
Due from other banks	11,583,672	13,851,703	14,464,126
Investment securities at fair value through profit and loss	1,198,421	1,151,266	1,265,349
Reverse repurchase agreements	13,345,366	22,963,218	21,994,121
Loans and advances, net of provision for credit losses	52,701,851	42,219,840	41,916,560
Investment securities - available-for-sale	143,451,728	122,614,171	116,105,970
Investments in associates	2,063,670	1,992,771	1,971,994
Investment properties	13,000	13,000	12,000
Property, plant and equipment	3,774,333	3,754,324	3,695,807
Deferred tax asset	-	133,047	-
Intangible asset - computer software	317,866	458,505	579,129
Retirement benefit asset	10,118	10,118	8,812
Income tax recoverable	735,458	483,171	1,032,873
Other assets	952,997	1,156,084	663,065
Customers' liability - letters of credit and undertaking	578,930	297,588	278,744
<b>Total Assets</b>	<b><u>243,863,211</u></b>	<b><u>223,138,804</u></b>	<b><u>214,956,922</u></b>


**National Commercial Bank Jamaica Limited**  
**Consolidated Balance Sheet**  
**30 June 2007**

	30 June 2007 \$'000	30 September 2006 \$'000	30 June 2006 \$'000
<b>LIABILITIES</b>			
Due to other banks	4,638,216	7,056,889	8,752,416
Customer deposits	109,182,965	99,026,503	92,626,361
Derivative financial instruments	28,909	68,965	14,747
Promissory notes and certificates of participation	1,878,358	2,290,799	2,678,710
Repurchase agreements	56,050,369	50,344,707	56,061,169
Obligations under securitisation arrangements	22,352,760	21,398,964	15,950,007
Other borrowed funds	3,632,063	2,523,569	1,228,752
Income tax payable	22,617	3,482	1,295
Deferred tax liability	225,811	606,247	125,917
Policyholders' liabilities	14,123,328	12,010,182	11,137,419
Provision for litigation	33,000	33,907	79,600
Retirement benefit obligations	267,452	252,313	251,592
Other liabilities	3,042,366	2,634,702	3,009,355
Liability - letters of credit and undertaking	578,930	297,588	278,744
<b>Total Liabilities</b>	<b><u>216,057,144</u></b>	<b><u>198,548,817</u></b>	<b><u>192,196,084</u></b>
<b>STOCKHOLDERS' EQUITY</b>			
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	1,890,857	1,981,827	1,388,058
Loan loss reserve	167,757	252,985	235,337
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	12,348,044	8,955,766	9,492,034
<b>Total Stockholders' Equity</b>	<b><u>27,806,067</u></b>	<b><u>24,589,987</u></b>	<b><u>22,760,838</u></b>
<b>Total Equity and Liabilities</b>	<b><u>243,863,211</u></b>	<b><u>223,138,804</u></b>	<b><u>214,956,922</u></b>

Approved for issue by the Board of Directors on 26 July 2007 and signed on its behalf by:

  
 Director

  
 Director

  
 Director

  
 Secretary

**National Commercial Bank Jamaica Limited**  
**Consolidated Statement of Changes in Stockholders' Equity**  
**Nine Months Ended 30 June 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
<b>Balance as at 1 October 2005 (Restated)</b>	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	-	-	32,778	-	-	-	-	32,778
Unrealised losses on available-for-sale investments, net of taxes	-	-	(309,347)	-	-	-	-	(309,347)
Realised fair value gains transferred to Consolidated Profit & Loss Account	-	-	(1,045,074)	-	-	-	-	(1,045,074)
Share of equity movement in associates	-	-	366,697	-	-	-	-	366,697
Net losses recognised directly in equity	-	-	(954,946)	-	-	-	-	(954,946)
Net Profit	-	-	-	-	-	-	3,908,376	3,908,376
Dividends paid	-	-	-	-	-	-	(1,406,055)	(1,406,055)
Transfer to Loan Loss Reserve	-	-	-	23,747	-	-	(23,747)	-
<b>Balance as at 30 June 2006 (Restated)</b>	<b>6,920,515</b>	<b>(3,867)</b>	<b>1,388,058</b>	<b>235,337</b>	<b>1,609,000</b>	<b>3,119,761</b>	<b>9,492,034</b>	<b>22,760,838</b>
<b>Balance as at 1 October 2006</b>	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	-	-	39,287	-	-	-	-	39,287
Unrealised gains on available-for-sale investments, net of taxes	-	-	517,354	-	-	-	-	517,354
Realised fair value gains transferred to Consolidated Profit & Loss Account	-	-	(618,793)	-	-	-	-	(618,793)
Share of equity movement in associates	-	-	(28,818)	-	-	-	-	(28,818)
Net losses recognised directly in equity	-	-	(90,970)	-	-	-	-	(90,970)
Net Profit	-	-	-	-	-	-	4,881,911	4,881,911
Dividends paid	-	-	-	-	-	-	(1,574,861)	(1,574,861)
Transfer from Loan Loss Reserve	-	-	-	(85,228)	-	-	85,228	-
<b>Balance as at 30 June 2007</b>	<b>6,920,515</b>	<b>(3,867)</b>	<b>1,890,857</b>	<b>167,757</b>	<b>1,963,000</b>	<b>4,519,761</b>	<b>12,348,044</b>	<b>27,806,067</b>



# National Commercial Bank Jamaica Limited

## Consolidated Statement of Cash Flows

Nine Months Ended 30 June 2007

	30 June 2007 \$'000	30 June 2006 \$'000
<b>Cash Flows from Operating Activities</b>		
<b>Net profit</b>	4,881,911	3,908,376
Changes in operating assets and liabilities	16,200,630	20,300,237
Other adjustments to reconcile net profit	1,571,757	(220,749)
Net cash provided by operating activities	<u>22,654,298</u>	<u>23,987,864</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(486,830)	(548,991)
Acquisition of intangible asset - computer software	(117,109)	(117,968)
Proceeds from disposal of property, plant and equipment	46,681	9,287
Investment securities, net	(26,912,902)	(22,049,129)
Dividends received from associates	37,287	37,288
Net cash used in investing activities	<u>(27,432,873)</u>	<u>(22,669,513)</u>
<b>Cash Flows from Financing Activities</b>		
Drawdowns under securitisation arrangements	-	6,302,904
Repayments under securitisation arrangements	-	(1,843,172)
Other borrowed funds	1,121,120	98,445
Dividends paid	(1,574,861)	(1,406,055)
Net cash (used in)/provided by financing activities	<u>(453,741)</u>	<u>3,152,122</u>
Effect of exchange rate changes on cash and cash equivalents	1,020,418	820,833
Net (decrease)/increase in cash and cash equivalents	(4,211,898)	5,291,306
Cash and cash equivalents at beginning of period	25,836,501	9,955,569
<b>Cash and cash equivalents at end of period</b>	<b><u>21,624,603</u></b>	<b><u>15,246,875</u></b>
<b>Comprising:</b>		
Cash and balances at Bank of Jamaica	3,681,166	2,745,450
Due from other banks	11,583,672	14,464,126
Investment securities	10,997,981	6,789,715
Due to other banks	(4,638,216)	(8,752,416)
	<b><u>21,624,603</u></b>	<b><u>15,246,875</u></b>

# National Commercial Bank Jamaica Limited

## Segment Report

Nine months ended 30 June 2007

	Retail \$'000	Banking Corporate \$'000	Treasury \$'000	Wealth Management \$'000	Insurance \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
External revenue	6,025,235	3,099,236	8,084,385	5,857,052	1,902,741	27,545	-	24,996,194
Revenue from other segments	4,515,500	21,340	828,017	42,272	86,595	54,619	(5,548,343)	-
<b>Total revenue</b>	<b>10,540,735</b>	<b>3,120,576</b>	<b>8,912,402</b>	<b>5,899,324</b>	<b>1,989,336</b>	<b>82,164</b>	<b>(5,548,343)</b>	<b>24,996,194</b>
Segment result	1,300,451	1,059,414	2,374,326	1,661,762	419,866	31,721	(20,104)	6,827,436
Unallocated corporate expenses								(593,467)
Operating profit								6,233,969
Share of profit in associates								137,003
Profit before tax								6,370,972
Taxation expense								(1,489,061)
Net profit								4,881,911
Segment assets	99,141,161	30,201,657	117,283,012	57,574,704	15,996,262	512,174	(79,644,887)	241,064,083
Associates								2,063,670
Unallocated assets								735,458
<b>Total assets</b>								<b>243,863,211</b>
Segment liabilities	96,851,393	25,039,035	109,112,114	49,109,597	14,223,206	251,460	(78,778,089)	215,808,716
Unallocated liabilities								248,428
<b>Total liabilities</b>								<b>216,057,144</b>
Depreciation and amortisation	535,805	57,342	44,599	24,788	18,631	922	-	682,087

# National Commercial Bank Jamaica Limited

## Segment Report

Nine months ended 30 June 2006

	Retail \$'000	Banking Corporate \$'000	Treasury \$'000	Wealth Management \$'000	Insurance \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
External revenue	4,958,046	3,082,514	6,806,849	5,599,260	1,393,821	18,785	-	21,859,275
Revenue from other segments	4,109,233	58,803	1,248,267	75,530	34,833	34,368	(5,561,034)	-
Total revenue	9,067,279	3,141,317	8,055,116	5,674,790	1,428,654	53,153	(5,561,034)	21,859,275
Segment result	337,253	1,222,352	1,977,727	1,154,548	550,160	11,391	69,393	5,322,824
Unallocated corporate expenses								(373,800)
Operating profit								4,949,024
Share of profit in associates								80,262
Profit before tax								5,029,286
Taxation expense								(1,120,910)
Net profit								3,908,376
Segment assets	86,272,810	27,427,471	100,781,770	60,135,039	12,770,621	463,941	(75,899,597)	211,952,055
Associates								1,971,994
Unallocated assets								1,032,873
Total assets								214,956,922
Segment liabilities	84,433,976	23,428,808	94,136,399	53,100,939	11,162,651	220,990	(75,158,950)	191,324,813
Unallocated liabilities								871,270
Total liabilities								192,196,083
Depreciation and amortisation	620,067	66,337	51,596	18,244	8,783	1,205	-	766,232

# National Commercial Bank Jamaica Limited

## Notes to the Consolidated Financial Statements

30 June 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>30 June</u> <u>2007</u>	<u>30 June</u> <u>2006</u>
Data-Cap Processing Limited	Data Processing	100	100
Mutual Security Insurance Brokers Limited	Insurance Brokerage Services	100	100
NCB Capital Markets Limited	Primary Dealer and Stock Brokerage Services	100	100
NCB (Cayman) Limited 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 and Investment and Pension Fund Management	100	100
NCB (Investments) Limited	Money Market Trading	100	100
NCB Jamaica (Nominees) Limited	Registrar Services	100	100
NCB Remittance Services (Jamaica) Limited	Money Remittance	100	-
NCB Remittance Services (UK) Limited (formerly Servia Money Services (UK) Limited)	Money Remittance	100	100
West Indies Trust Company Limited	Trust and Estate management Services	100	100

All subsidiaries are incorporated in Jamaica with the exception of NCB (Cayman) Limited 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.

NCB Remittance Services (Jamaica) Limited was incorporated in Jamaica on 17 May 2007 and has not yet began trading.

The Group's associates are as follows:

	<u>Principal Activities</u>	<u>Percentage Ownership by Group</u>	
		<u>30 June</u> <u>2007</u>	<u>30 June</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

### 30 June 2007

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#### 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 30 June 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 \$299,539,000 ( 30 June 2006 -\$1,220,710,000).

At 30 June 2007, the Group held \$13,550,643,000 (30 June 2006 - \$20,844,503,000) 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.

# National Commercial Bank Jamaica Limited

## Notes to the Consolidated Financial Statements

30 June 2007

### 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:

	<b>30 June 2007 \$'000</b>	<b>30 June 2006 \$'000</b>
Specific provision	1,613,808	1,851,954
General provision	518,732	413,228
Provision required by Bank of Jamaica	<u>2,132,540</u>	<u>2,265,182</u>
Provision required by IFRS	<u>1,964,783</u>	<u>2,029,845</u>
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve	<u>167,757</u>	<u>235,337</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 uses the financial statements of the associates at 31 March 2007 for the purposes of consolidation. Adjustments are made for significant transactions or events that occur between that date and 30 June 2007. The Group's results do not include Dyoll Group Limited's information for the six months ended March 2007, 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.

# National Commercial Bank Jamaica Limited

## Notes to the Consolidated Financial Statements

30 June 2007

### 6. Stated Capital

	30 June 2007 \$'000	30 June 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	6,920,515	6,920,515

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.

# National Commercial Bank Jamaica Limited

## Notes to the Consolidated Financial Statements

30 June 2007

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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 30 June 2007, the Group had financial assets under administration of approximately \$35.1 billion (30 June 2006 - \$28.6 billion)

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

At 30 June 2007, the Group has made commitments for off-balance sheet financial instruments (acceptances, guarantees, indemnities and letters of credit) amounting to \$5,104,290,000 (30 June 2006 - \$3,575,718,000). There is an equal and offsetting claim against customers in the event of a call on these commitments.