



NATIONAL COMMERCIAL BANK JAMAICA LIMITED REPORTS NET PROFIT OF \$4,506 MILLION FOR THE FIRST SIX MONTHS OF 2008

The Board of Directors is pleased to release the following unaudited results for the Group for the six months ended 31 March 2008.

PERFORMANCE HIGHLIGHTS

Half Year ended March 2008 compared with Half Year ended March 2007

- Net Profit of \$4,506 million, grew by 44%.
- Earnings per Stock Unit of \$1.83, up by \$0.56.
- Operating Revenue of \$11,962 million, up 18%.
- Cost to Income Ratio of 50.8% vs. 59.2%.
- Risk-Based Capital Ratio of 15.5% vs. 16.4%.
- Net Loans of \$62.7 billion, grew by 29%.
- Investment Securities of \$152.0 billion, grew by 13%.
- Customer Deposits of \$120.3 billion, up 16%.
- Return on Average Equity of 29.7% vs. 24.0%.
- Return on Average Assets of 3.44% vs. 2.73%.

The results for the period include a one-off gain of \$517 million. Excluding this gain, the growth in Net Profit over March 2007 was 28%, and the Cost to Income Ratio was 53.1%.

Second Quarter 2007/2008 compared with Second Quarter 2006/2007

- Net Profit of \$2,647 million, grew by 64%.
- Earnings per Stock Unit of \$1.07 (vs. \$0.66).
- Operating Revenue up 20%.

Second Quarter 2007/2008 compared with First Quarter 2007/2008

- Net Profit grew by 42%.
- Earnings per Stock Unit of \$1.07 (vs. \$0.76).
- Operating Revenue up 13%.

The main contributors to these results are:

| NET PROFIT | Quarter ended March 2008 | Quarter ended December 2007 | Six Months ended March 2008 | Six Months ended March 2007 |
|--|-------------------------------------|--|--|--|
| National Commercial Bank Jamaica Limited | \$1,820 M | \$1,290 M | \$3,110 M | \$1,915 M |
| NCB Capital Markets Limited | \$604 M | \$417 M | \$1,021 M | \$845 M |
| NCB Insurance Company Limited | \$136 M | \$92 M | \$228 M | \$182 M |

The results for the companies listed above have been incorporated in our segment results which are as follows:



Banking

We continue to focus on our loan growth generally and our retail business specifically. These efforts have resulted in loan growth of \$14.1 billion over the March 2007 period and our net loans to total assets ratio has grown from 20.8% at March 2007 to 23.3% at March 2008. Based on the latest commercial banking industry information from the Bank of Jamaica, NCB recorded an increase in net loans of 34.0% when compared to the prior year, exceeding the total industry growth of 27.5%.

Loans and advances totalled \$62.7 billion (net of provision for credit losses) as at 31 March 2008 compared to \$48.6 billion as at 31 March 2007. The aggregate amount of non-performing loans was \$1.6 billion and represented 2.48% of the gross loans compared to 3.49% as at 31 March 2007.

NCB Jamaica Limited remains the largest commercial bank when measured by assets and branch network, and we believe these advantages provide significant opportunities for strong growth.

Excluding the Visa restructuring gain, operating revenues for the Bank increased by 21% over last year as a result of:

- net fee & commission income growing by 22% (volume-driven),
- interest income from loans increasing by 25% due to the growth in the loan portfolio.

Wealth Management

Our wealth and asset management arm contributed operating profits of \$1,310 million for the six months ended March 2008. This 14% improvement in operating profits over the prior year is mainly attributable to an 11% growth in net trading income.

Despite the various challenges being faced in the business environment, our industry leader, NCB Capital Markets, which accounts for most of this segment, continued to produce solid results and introduce innovative products to meet the diverse needs of its customers.

Insurance

We continue to experience challenges in this business segment and are currently in the process of a major restructuring exercise for NCB Insurance, the major contributor to the segment results. With our recent strategic alignment of this business with our wealth management segment, we expect to reap future benefits from the synergies. The segment earned operating profits of \$248 million for the six months ended March 2008, and NCB Insurance reported a solvency ratio of 14% which exceeds the minimum requirement of 10% stipulated by the Financial Services Commission.

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



In pursuing our strategic objectives of:

Providing superior customer service, we:

- Opened a new branch in Mandeville. This branch consolidates the operations of two locations and we now offer a drive-through ABM and drive-through tellers to our customers who access services through this location.
- Installed six (6) new ABM machines across the island.
- We commenced a series of interactive seminars aimed at our SME customers, which focused on offering critical financial guidance to customers.

Empowering employees

- In addition to our continuous training programmes, NCB has also added another prong to its staff development and training by partnering with the University of Toronto's Joseph L. Rotman School of Management, to design and implement an Executive Education Programme.

Efficiently run business, we

- Completed the centralisation of Human Resources and Marketing and Communications functions across the Group.
- Kept increases in operating expenses below the inflation level.

Profitable business growth, we

- Continued to improve on the diversification of our income streams as our ratio of non-interest income to operating income increased to 38.1% as at March 2008.
- Recorded a 50% increase in net profit per staff.

BALANCE SHEET

The total assets of the Group grew to \$269.3 billion as at 31 March 2008, representing an increase of \$35.5 billion or 15% when compared to the corresponding period of the prior year.

The Group's stockholders' equity as at 31 March 2008 was \$32.1 billion, an increase of \$4.6 billion or 17% when compared to 31 March 2007 and the Bank's Risk-Based Capital Ratio was 15.5% which exceeds the minimum requirement of 10% stipulated by the Bank of Jamaica.

DIVIDENDS

On 24 April 2008, the Board declared an interim dividend of \$0.42 per ordinary stock unit (this includes \$0.18 per ordinary stock unit relating to the one-off gain). The dividend is payable on 22 May 2008 for stockholders on record as at 09 May 2008.

COMMUNITY RELATIONS

We continued our drive towards building a better Jamaica by supporting projects and activities that enrich the quality of life for many Jamaicans. For the quarter ended 31 March 2008, the NCBJ Group contributed \$20 million to a number of educational, sporting, health, community development and entrepreneurship projects throughout the island. The main projects and activities were:



COMMUNITY RELATIONS (continued)

EDUCATION

Through the group's philanthropic arm, the N.C.B. Foundation, we funded improvements to the infrastructure of school premises. Windward Road Primary and Junior High School in Kingston, received funding towards effecting repairs to and construction of a perimeter fence. At the Duhaney Park Primary School, we assisted in financing the upgrading of the Grade 1 block which is occupied by approximately 150 students. In addition, the Foundation supported the Jamaica Employer's Federation's sensitising initiative by contributing towards the cost of producing and disseminating the *'World of Work'* handbook to high schools across Jamaica.

Nineteen students representing the Top Achievers in GSAT and CSEC/CXC, who were also PATH beneficiaries, received financial aid from the N.C.B Foundation. We thank all Keycard holders whose purchases continue to allow NCB to fund educational projects through the Jamaica Education Initiative.

HEALTH

In an effort to fortify the existing training facilities for the island's health care professionals operating at the Morant Bay Princess Margaret Hospital, the N.C.B. Foundation donated \$1M to underwrite set up costs for a multi-media projection system.

ENTREPRENEURSHIP

In keeping with our efforts to champion the development of an entrepreneurial spirit amongst young Jamaicans, we contributed to the Trinityville Skills Training Centre in St. Thomas to facilitate its expansion. The centre teaches wine-making techniques geared at equipping young persons in that community with the skills to start a small business.

COMMUNITY DEVELOPMENT

In an effort to inspire buoyancy in communities across the island, NCB Foundation continues to support community development initiatives. The Beacons for Peace and Achievement (BPA) received our ardent support which facilitated the staging of Youth Empowerment seminars in communities island-wide. The historic Holy Trinity Cathedral in Kingston received funding towards the cultural preservation and renovation project which is geared at restoring the cathedral's antique murals. City Life Ministries, serving the Southside community in the heart of downtown Kingston, received support for their homework programme.

In addition, we continue to support the fundraising efforts of local service clubs, churches, lobby groups and charities. These entities included the Lions Club of Kingston, Jones Town Baptist Church, American Women's Group of Jamaica and Jamaica Employer's Federation.

A handwritten signature in dark ink, appearing to be 'J. Smith', is written over a horizontal line.

ON BEHALF OF THE BOARD

National Commercial Bank Jamaica Limited

Consolidated Profit & Loss Account

Six Months Ended 31 March 2008

| | <i>CURRENT YEAR</i> | | | <i>PRIOR YEAR</i> | |
|---------------------------------|---------------------|------------------|-------------------|-------------------|-------------------|
| | Quarter Ended | Quarter Ended | Year to Date | Quarter Ended | Year to Date |
| | 31 Mar 2008 | 31 Dec 2007 | 31 Mar 2008 | 31 Mar 2007 | 31 Mar 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Operating Revenue | | | | | |
| Interest income from loans | 2,439,212 | 2,366,135 | 4,805,347 | 1,972,740 | 3,853,322 |
| Interest income from securities | 4,587,302 | 4,520,074 | 9,107,376 | 4,130,649 | 8,451,997 |
| Total interest income | 7,026,514 | 6,886,209 | 13,912,723 | 6,103,389 | 12,305,319 |
| Interest expense | (3,261,872) | (3,251,066) | (6,512,938) | (2,928,136) | (6,006,842) |
| Net interest income | 3,764,642 | 3,635,143 | 7,399,785 | 3,175,253 | 6,298,477 |
| Fee and commission income | 1,375,353 | 1,400,141 | 2,775,494 | 1,116,818 | 2,206,511 |
| Fee and commission expense | (306,925) | (261,277) | (568,202) | (243,539) | (443,274) |
| Net fee and commission income | 1,068,428 | 1,138,864 | 2,207,292 | 873,279 | 1,763,237 |
| Net trading income | 1,343,442 | 667,214 | 2,010,656 | 870,757 | 1,575,160 |
| Dividend income | 11,899 | 26,205 | 38,104 | 12,297 | 47,378 |
| Insurance premium income | 106,487 | 104,376 | 210,863 | 271,559 | 337,436 |
| Other operating income | 63,390 | 31,515 | 94,905 | 84,059 | 78,616 |
| | 1,525,218 | 829,310 | 2,354,528 | 1,238,672 | 2,038,590 |
| | 6,358,288 | 5,603,317 | 11,961,605 | 5,287,204 | 10,100,304 |
| Operating Expenses | | | | | |
| Staff costs | 1,786,397 | 1,823,988 | 3,610,385 | 1,807,290 | 3,455,288 |
| Provision for credit losses | 84,170 | 129,731 | 213,901 | 66,884 | 112,264 |
| Depreciation and amortisation | 184,867 | 190,830 | 375,697 | 231,721 | 455,482 |
| Impairment losses | - | - | - | - | 30,380 |
| Other operating expenses | 1,078,356 | 1,015,776 | 2,094,132 | 1,138,595 | 2,064,906 |
| | 3,133,790 | 3,160,325 | 6,294,115 | 3,244,490 | 6,118,320 |
| Operating Profit | 3,224,498 | 2,442,992 | 5,667,490 | 2,042,714 | 3,981,984 |
| Share of profit of associates | 59,029 | 28,523 | 87,552 | 69,785 | 112,100 |
| Profit before Taxation | 3,283,527 | 2,471,515 | 5,755,042 | 2,112,499 | 4,094,084 |
| Taxation | (636,618) | (612,450) | (1,249,068) | (494,677) | (974,645) |
| NET PROFIT | 2,646,909 | 1,859,065 | 4,505,974 | 1,617,822 | 3,119,439 |
| EARNINGS PER STOCK UNIT | \$ 1.07 | \$ 0.76 | \$ 1.83 | \$ 0.66 | \$ 1.27 |


National Commercial Bank Jamaica Limited
Consolidated Balance Sheet
31 March 2008

| | 31 March 2008 \$'000 | 30 September 2007 \$'000 | 31 March 2007 \$'000 |
|---|-------------------------------------|---|-------------------------------------|
| ASSETS | | | |
| Cash and balances at Bank of Jamaica | 15,479,670 | 15,307,128 | 13,438,740 |
| Due from other banks | 18,620,166 | 18,977,969 | 11,911,478 |
| Investment securities at fair value through profit and loss | 1,231,155 | 1,025,768 | 1,197,987 |
| Reverse repurchase agreements | 9,943,099 | 11,425,030 | 16,492,678 |
| Loans and advances, net of provision for credit losses | 62,722,641 | 56,525,564 | 48,617,824 |
| Investment securities - available-for-sale | 150,727,368 | 141,929,771 | 133,586,538 |
| Investments in associates | 2,108,492 | 2,034,922 | 2,090,889 |
| Investment properties | 13,000 | 13,000 | 13,000 |
| Property, plant and equipment | 3,986,110 | 3,778,092 | 3,772,303 |
| Deferred tax asset | 415,700 | 289,975 | - |
| Intangible asset - computer software | 198,633 | 290,786 | 370,869 |
| Retirement benefit asset | 11,627 | 11,627 | 10,118 |
| Income tax recoverable | 895,019 | 877,584 | 732,078 |
| Other assets | 2,380,297 | 1,260,942 | 1,106,767 |
| Customers' liability - letters of credit and undertaking | 575,200 | 435,196 | 487,889 |
| Total Assets | <u>269,308,177</u> | <u>254,183,354</u> | <u>233,829,158</u> |

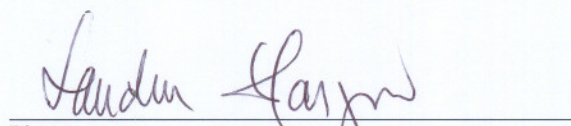
National Commercial Bank Jamaica Limited
Consolidated Balance Sheet
31 March 2008


| | 31 March 2008 \$'000 | 30 September 2007 \$'000 | 31 March 2007 \$'000 |
|--|----------------------------|--------------------------------|----------------------------|
| LIABILITIES | | | |
| Due to other banks | 6,537,780 | 4,777,587 | 5,285,203 |
| Customer deposits | 120,336,726 | 118,518,051 | 103,615,192 |
| Derivative financial instruments | 168,303 | 77,169 | 64,638 |
| Promissory notes and certificates of participation | 68,085 | 319,993 | 2,309,411 |
| Repurchase agreements | 57,716,590 | 51,305,167 | 52,034,197 |
| Obligations under securitisation arrangements | 26,700,019 | 26,409,833 | 22,065,194 |
| Other borrowed funds | 5,717,984 | 4,983,835 | 2,659,968 |
| Income tax payable | - | 1,260 | 76 |
| Deferred income tax liabilities | 106,351 | 261,309 | 611,350 |
| Policyholders' liabilities | 15,419,563 | 14,487,602 | 13,554,987 |
| Provision for litigation | 39,000 | 33,000 | 34,000 |
| Retirement benefit obligations | 323,549 | 290,549 | 262,030 |
| Other liabilities | 3,548,815 | 3,728,777 | 3,381,426 |
| Liability - letters of credit and undertaking | 575,200 | 435,196 | 487,889 |
| Total Liabilities | 237,257,965 | 225,629,328 | 206,365,561 |
| STOCKHOLDERS' EQUITY | | | |
| Share Capital | 6,465,731 | 6,465,731 | 6,465,731 |
| Shares held by NCB Employee Share Scheme | (3,867) | (3,867) | (3,867) |
| Fair value and other reserves | 1,619,260 | 1,595,550 | 3,052,034 |
| Loan loss reserve | 351,022 | 231,235 | 251,339 |
| Banking reserve fund | 2,607,000 | 2,607,000 | 1,963,000 |
| Retained earnings reserve | 6,375,761 | 4,519,761 | 4,519,761 |
| Retained earnings | 14,635,305 | 13,138,616 | 11,215,599 |
| Total Stockholders' Equity | 32,050,212 | 28,554,026 | 27,463,597 |
| Total Equity and Liabilities | 269,308,177 | 254,183,354 | 233,829,158 |

Approved for issue by the Board of Directors on 24 April 2008 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 2008

| | Share Capital | Shares Held by Share Scheme | Fair Value and Other Reserves | Loan Loss Reserve | Banking Reserve Fund | Retained Earnings Reserve | Retained Earnings | Total |
|--|------------------|-----------------------------------|-------------------------------------|----------------------|----------------------------|---------------------------------|----------------------|-------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance as at 1 October 2006 | 6,465,731 | (3,867) | 2,436,611 | 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 | 6,465,731 | (3,867) | 3,052,034 | 251,339 | 1,963,000 | 4,519,761 | 11,215,599 | 27,463,597 |
| Balance as at 1 October 2007 | 6,465,731 | (3,867) | 1,595,550 | 231,235 | 2,607,000 | 4,519,761 | 13,138,616 | 28,554,026 |
| Currency translation differences | - | - | 12,189 | - | - | - | - | 12,189 |
| Unrealised gains on available-for-sale investments, net of taxes | - | - | 366,200 | - | - | - | - | 366,200 |
| Realised fair value gains transferred to Consolidated Profit & Loss Account | - | - | (354,679) | - | - | - | - | (354,679) |
| Net gains recognised directly in equity | - | - | 23,710 | - | - | - | - | 23,710 |
| Net Profit | - | - | - | - | - | - | 4,505,974 | 4,505,974 |
| Dividends paid | - | - | - | - | - | - | (1,033,498) | (1,033,498) |
| Transfer to Retained Earnings Reserve | - | - | - | - | - | 1,856,000 | (1,856,000) | - |
| Transfer to Loan Loss Reserve | - | - | - | 119,787 | - | - | (119,787) | - |
| Balance as at 31 March 2008 | 6,465,731 | (3,867) | 1,619,260 | 351,022 | 2,607,000 | 6,375,761 | 14,635,305 | 32,050,212 |

National Commercial Bank Jamaica Limited
Consolidated Statement of Cash Flows
Six Months Ended 31 March 2008

| | 31 March 2008 \$'000 | 31 March 2007 \$'000 |
|--|-------------------------------------|-------------------------------------|
| Cash Flows from Operating Activities | | |
| Net profit | 4,505,974 | 3,119,439 |
| Changes in operating assets and liabilities | 2,141,333 | 7,199,589 |
| Other adjustments to reconcile net profit | (814,807) | 1,009,083 |
| Net cash provided by operating activities | <u>5,832,500</u> | <u>11,328,111</u> |
| Cash Flows from Investing Activities | | |
| Acquisition of property, plant and equipment | (490,464) | (391,050) |
| Acquisition of intangible asset - computer software | (11,959) | (72,094) |
| Proceeds from disposal of property, plant and equipment | 10,241 | 79,680 |
| Investment securities, net | (11,000,578) | (11,295,233) |
| Dividends received from associates | 13,983 | 13,983 |
| Net cash used in investing activities | <u>(11,478,777)</u> | <u>(11,664,714)</u> |
| Cash Flows from Financing Activities | | |
| Other borrowed funds | 740,181 | 131,389 |
| Dividends paid | (1,033,498) | (861,252) |
| Net cash used in financing activities | <u>(293,317)</u> | <u>(729,863)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>120,589</u> | <u>477,247</u> |
| Net decrease in cash and cash equivalents | (5,819,005) | (589,219) |
| Cash and cash equivalents at beginning of period | <u>27,513,688</u> | <u>25,836,501</u> |
| Cash and cash equivalents at end of period | <u>21,694,683</u> | <u>25,247,282</u> |
| Comprising: | | |
| Cash and balances at Bank of Jamaica | 4,523,026 | 3,666,347 |
| Due from other banks | 18,620,166 | 11,911,478 |
| Investment securities | 5,089,271 | 14,954,660 |
| Due to other banks | (6,537,780) | (5,285,203) |
| | <u>21,694,683</u> | <u>25,247,282</u> |

National Commercial Bank Jamaica Limited
Segment Report
Six Months ended 31 March 2008

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

National Commercial Bank Jamaica Limited

Segment Report

Six Months ended 31 March 2007

| | Banking | | | Wealth Management | Insurance | Other | Eliminations | Consolidated |
|--------------------------------|-------------|------------|-------------|----------------------|------------|---------|--------------|--------------|
| | Retail | Corporate | Treasury | | | | | |
| | \$'000 | \$'000 | \$'000 | | | | | |
| External revenue | 3,947,682 | 1,974,953 | 5,313,286 | 4,012,330 | 1,284,641 | 17,528 | - | 16,550,420 |
| 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 | 65,898 | (3,625,042) | 16,550,420 |
| 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 | 100,983,315 | 27,848,673 | 103,001,066 | 58,036,012 | 15,382,781 | 511,638 | (77,069,206) | 228,694,279 |
| Associates | | | | | | | | 2,090,889 |
| Unallocated assets | | | | | | | | 3,043,990 |
| Total assets | | | | | | | | 233,829,158 |
| Segment liabilities | 93,647,755 | 23,432,998 | 101,539,255 | 49,561,652 | 13,626,810 | 248,777 | (76,196,739) | 205,860,508 |
| Unallocated liabilities | | | | | | | | 505,053 |
| 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

Notes to the Consolidated Financial Statements

31 March 2008

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 64.35% 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>2008</u> | <u>31 March</u> <u>2007</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 | Commercial Banking Money Remittance Services | 100 | 100 |
| NCB Insurance Company Limited | Life Insurance, 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 Services | 100 | - |
| NCB Remittance Services (UK) Limited | Money Remittance Services | 100 | 100 |
| West Indies Trust Company Limited | Trust and Estate Management Services | 100 | 100 |

All subsidiaries are incorporated in Jamaica with the exception of NCB (Cayman) Limited 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>2008</u> | <u>31 March</u> <u>2007</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 2008

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance 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 2007.

Where necessary, comparative figures for 31 March 2007 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 enters into reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations. Included in reverse repurchase agreements is related accrued interest receivable of \$212,843,000 (31 March 2007 - \$634,610,000).

At 31 March 2008, the Group held \$10,510,908,000 (31 March 2007 - \$16,385,477,000) 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

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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 2008 \$'000 | 31 March 2007 \$'000 |
|--|-------------------------------------|-------------------------------------|
| Specific provision | 1,812,338 | 1,834,677 |
| General provision | 617,136 | 478,955 |
| Provision required by Bank of Jamaica | 2,429,474 | 2,313,632 |
| Provision required by IFRS | 2,078,452 | 2,062,293 |
| Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve | 351,022 | 251,339 |

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 Kingston Wharves Limited as at 31 December 2007 for the purposes of consolidation. Adjustments are made for significant transactions or events that occur between that date and 31 March 2008.

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 Jamaica Stock Exchange rules. The Group's investment in the Dyoll Group has been fully provided for and no further losses are being taken.

6. Net Trading Income

Net trading income includes \$517 million representing the proceeds from the mandatory sale of a portion of the shares allocated to National Commercial Bank Jamaica Limited as a result of the Visa Incorporated initial public offering (IPO) that occurred in March 2008.

National Commercial Bank Jamaica Limited

Notes to the Consolidated Financial Statements

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7. Share Capital

| | <u>31 March 2008 \$'000</u> | <u>31 March 2007 \$'000</u> |
|--|-------------------------------------|-------------------------------------|
| 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 | 6,465,731 | 6,465,731 |
| 6,042,916 ordinary stock units held by NCB Employee Share Scheme | (3,867) | (3,867) |
| Issued and outstanding | <u>6,461,864</u> | <u>6,461,864</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.

8. Segment Reporting

The Group is organised into the following business segments

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

9. 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 2008, the Group had financial assets under administration of approximately \$39.7 billion (31 March 2007 - \$35 billion).

10. Acceptances, Guarantees, Indemnities and Letters of Credit

At 31 March 2008, the Group has made commitments for off-balance sheet financial instruments (acceptances, guarantees, indemnities and letters of credit) amounting to \$4,295,516,000 (31 March 2007 - \$4,345,223,000). There is an equal and offsetting claim against customers in the event of a call on these commitments.