

**NATIONAL COMMERCIAL BANK JAMAICA LIMITED “the Bank” AND ITS SUBSIDIARIES “the Group”**

The Board of Directors has released the following unaudited results for the Group for the six months ended 31 March 2006.

	<b>QUARTER</b>	<b>SIX MONTHS</b>	<b>RESTATED</b>	<b>RESTATED</b>
	<b>ENDED</b>	<b>ENDED</b>	<b>ENDED</b>	<b>ENDED</b>
	<b>31 03 2006</b>	<b>31 03 2006</b>	<b>31 03 2005</b>	<b>31 03 2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
REVENUE	6,827,570	13,733,129	6,477,832	13,092,342
EXPENSE	5,243,232	10,646,970	5,687,746	11,052,785
<b>Operating Profit</b>	<b>1,584,338</b>	<b>3,086,159</b>	<b>790,086</b>	<b>2,039,557</b>
Share of profit of associates	44,103	81,671	56,741	104,477
<b>Profit before Taxation</b>	<b>1,628,441</b>	<b>3,167,830</b>	<b>846,827</b>	<b>2,144,034</b>
Taxation	(409,099)	(810,443)	(267,701)	(593,784)
<b>Net Profit</b>	<b>1,219,342</b>	<b>2,357,387</b>	<b>579,126</b>	<b>1,550,250</b>
Earnings per Stock Unit	\$0.49	\$0.96	\$0.23	\$0.63

The Group recorded a net profit of \$2.4 billion for the six months ended 31 March 2006, which represented an increase of \$807 million or 52% compared to the corresponding period of the previous year. Net interest income (gross interest income less interest expense) for the six months, was higher than the similar period last year by \$927 million or 19% mainly due to a \$636 million or 21% increase in loan income and a \$296 million or 4% increase in securities income. Net trading income decreased by \$610 million or 38% compared to March 2005, which was largely due to the stock market decline, as the foreign exchange and fixed income securities activity remained stable. The Group, however, continues to grow fee and commission income, which increased by \$346 million or 30%.

**OPERATING EXPENSES**

Operating expenses for the six months totaled \$5.4 billion, a decrease of \$411 million or 7% compared to the six months ended 31 March 2005. The operating expenses for the comparative prior year included the impairment loss on the investment in Dyoll Group Limited of \$535.8 million. There is no similar provision in the expenses for the current period under review. Staff costs for the six months increased by \$226 million or 8%, while other operating expenses were below the corresponding prior period by \$158 million or 8%.

## PERFORMANCE AT A GLANCE

### Comparison of Key Ratios

	<b>YTD March 2006</b>	<b>Restated YTD March 2005</b>
Return on Average Equity	21.50%	17.50%
Return on Average Total Assets	2.35%	1.70%
Growth in Revenue	4.9%	1.1%
Cost/Income Ratio	62.1%	66.1%
Net Asset Value per Share	\$9.17	\$7.41

### ASSET BASE

The total asset base of the Group increased by \$12.9 billion or 7%, moving from \$193.8 billion as at 30 September 2005 to \$206.8 billion as at 31 March 2006. The major increases in the Group's asset base were investment securities which grew by \$11.2 billion or 12% and loans and advances by \$2.7 billion or 8%.

### LOAN PORTFOLIO

Loans and advances (net of provision for credit losses) totaled \$38.4 billion as at 31 March 2006 compared to \$35.7 billion as at 30 September 2005. The aggregate amount of non-performing loans amounted to \$1.62 billion and represented 4% of the gross loans compared to 4.3% as at 30 September 2005 and 3.9% as at 31 March 2005.

As at 31 March 2006 the accumulated provision for credit losses of \$2.2 billion represented an overall coverage of 138% 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 2006 the balance in the Loan Loss Reserve was \$246.1 million. The Bank's provisioning policy is in compliance with the Bank of Jamaica regulations.

### FUNDING

The growth in the asset base over the six months was mainly funded as follows:

	<b>INCREASE</b>	
	<b>\$B</b>	<b>%</b>
Securitisation arrangements	5.6	52.6
Repurchase Agreements	2.7	5.7
Customer deposits	1.4	1.7
Policyholders' Liability	1.4	15.2

On 22 March 2006 the Bank raised US\$100 million in structured financing backed by the securitisation of Diversified Payment Rights arising under its existing and future U.S dollar Payment Advice and Payment Order (MT 100 Series) and U.S dollar Remittances. Interest is due and payable on a quarterly basis calculated at three month US dollar LIBOR plus 180 basis points beginning 15 June 2006. Principal repayments will commence 15 June 2008 on a quarterly basis until maturity 15 March 2013.

## **CAPITAL**

The Group's total stockholder's equity as at 31 March 2006 was \$22.6 billion, an increase of \$1.4 billion or 7% when compared to 30 September 2005 mainly due to the continued increase in the Group's retained earnings. As at 31 March 2006, the Risk-based Capital Ratio was 16.96% which exceeds the minimum requirement of 10% by the Bank of Jamaica.

## **DIVIDENDS**

At the Board of Directors meeting held 27 April 2006, an interim dividend of 14 cents per share (total payout J\$345,346,795.92) was approved. The dividend is payable on 26 May 2006 for shareholders on record as at 12 May 2006.

## **BASIS OF PREPARATION**

These financial statements 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, trading securities, derivative contracts and investment property.

As of 1 October 2005, the Group adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and are effective for accounting periods beginning on or after 1 October 2005. The adoption of these new accounting standards and interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current and prior periods:

**IAS 39:** Originated debt securities traded in an active market, which were previously carried at amortised cost, are now carried at fair value.

**IFRS 3:** Negative goodwill arising from the acquisition of an associate has been derecognised as at 1 October 2004, by crediting retained earnings at that date. Under the previous accounting policy, negative goodwill would have been amortised over its expected economic life. Positive goodwill is no longer amortised but assessed annually for impairment.

**IFRS 4:** Certain policy contracts issued by the Bank's life insurance subsidiary in 2004 which were previously accounted for as insurance contracts did not meet the definition of insurance contracts under IFRS 4 (Insurance Contracts), as they transferred primarily financial risk and did not contain significant insurance risk. In 2004 these contracts were treated as financial instruments in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). The contracts were revised during 2005 and are now treated as insurance contracts under IFRS 4.

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

All amounts are stated in Jamaican dollars unless otherwise indicated.

## **COMMUNITY RELATIONS**

NCB continues to stimulate economic and social development in the communities it serves. In support of the continuing economic developments of our small and medium-sized businesses, NCB contributed to the 2006 staging of the JMA/JEA Expo. This commitment will ensure the showcasing of the best of Jamaica's goods and services to the general public, as well as buyers from the Caribbean and North America. In addition, NCB helped to underwrite the launch of the Young Entrepreneurs Association, with the aim of developing an emerging generation of business people in Jamaica.

Our support to Education remains unstinting. In February NCB contributed to UWI Literary Symposium with the aim of providing primary and secondary school teachers, from across the island, with tools to improve the literacy levels of Jamaican children.

NCB also began preparatory work for an initiative to restore the Holy Trinity Cathedral, a historical landmark, which has fallen into disrepair. A part of the initiative will include the training of youth in the surrounding communities in the art of restoration.

NCB's corporate giving was also extended to sports. During February, the NCB Amateur Tennis Tournament gave Jamaica's youth valuable experience; while the NCB Knockout Cricket Competition, held in St. Elizabeth, was contested by twelve teams from the parish.

In addition to these events, NCB branches have continued working within their communities to promote nation building.

# National Commercial Bank Jamaica Limited

## Consolidated Profit & Loss Account

Six months ended 31 March 2006

	Quarter Ended 31 Mar 2006	Year to Date 31 Mar 2006	Restated Quarter Ended 31 Mar 2005	Restated Year to Date 31 Mar 2005
	\$'000	\$'000	\$'000	\$'000
<b>Operating Revenue</b>				
Interest income from loans	1,886,780	3,600,285	1,451,385	2,964,573
Interest income from securities	<u>3,664,714</u>	<u>7,527,070</u>	<u>3,565,270</u>	<u>7,231,011</u>
Total interest income	5,551,494	11,127,355	5,016,655	10,195,584
Interest expense	<u>(2,606,869)</u>	<u>(5,255,243)</u>	<u>(2,587,289)</u>	<u>(5,250,512)</u>
Net interest income	2,944,625	5,872,112	2,429,366	4,945,072
Net fee and commission income	764,692	1,499,353	597,811	1,153,385
Net trading income	489,265	1,012,808	810,209	1,622,411
Dividend income	17,048	71,676	13,983	59,297
Other operating income	<u>5,071</u>	<u>21,937</u>	<u>39,174</u>	<u>61,665</u>
	<u>4,220,701</u>	<u>8,477,886</u>	<u>3,890,543</u>	<u>7,841,830</u>
<b>Operating Expenses</b>				
Staff costs	1,435,393	3,002,739	1,447,193	2,776,454
Provision for credit losses	82,314	128,514	(84,413)	80,594
Impairment loss on investment in Dyll Group Ltd	-	-	535,761	535,761
Depreciation	259,203	516,190	255,261	506,824
Other operating expenses	<u>859,453</u>	<u>1,744,284</u>	<u>946,655</u>	<u>1,902,640</u>
	<u>2,636,363</u>	<u>5,391,727</u>	<u>3,100,457</u>	<u>5,802,273</u>
<b>Operating profit</b>	<b>1,584,338</b>	<b>3,086,159</b>	<b>790,086</b>	<b>2,039,557</b>
Share of profits of associates	<u>44,103</u>	<u>81,671</u>	<u>56,741</u>	<u>104,477</u>
<b>Profit before taxation</b>	<b>1,628,441</b>	<b>3,167,830</b>	<b>846,827</b>	<b>2,144,034</b>
Taxation	<u>(409,099)</u>	<u>(810,443)</u>	<u>(267,701)</u>	<u>(593,784)</u>
<b>NET PROFIT</b>	<b><u>1,219,342</u></b>	<b><u>2,357,387</u></b>	<b><u>579,126</u></b>	<b><u>1,550,250</u></b>
<b>EARNINGS PER STOCK UNIT</b>	<b><u>\$ 0.49</u></b>	<b><u>\$ 0.96</u></b>	<b><u>\$ 0.23</u></b>	<b><u>\$ 0.63</u></b>

# National Commercial Bank Jamaica Limited

## Consolidated Balance Sheet

31 March 2006

	31 March 2006 \$'000	Restated 30 September 2005 \$'000
<b>ASSETS</b>		
Cash and balances at Bank of Jamaica	11,027,873	12,013,588
Due from other banks	12,948,580	11,112,575
Trading securities	1,672,005	2,185,753
Reverse repurchase agreements	24,330,625	26,692,189
Loans and advances, net of provision for credit losses	38,433,239	35,740,809
Investment securities	101,098,948	89,850,698
Derivative financial instruments	1,454	-
Investment in associates	1,907,845	1,562,322
Investment properties	12,000	12,000
Property, plant and equipment	3,686,847	3,629,271
Intangible asset - computer software	609,958	751,153
Retirement benefit asset	8,812	8,812
Income tax recoverable	239,582	153,040
Other assets	6,865,351	7,016,106
Customers' liability on acceptances, guarantees, indemnities and letters of credits	3,958,494	3,092,406
<b>Total Assets</b>	<b>206,801,613</b>	<b>193,820,722</b>

# National Commercial Bank Jamaica Limited

## Consolidated Balance Sheet

31 March 2006

	31 March 2006 \$'000	Restated 30 September 2005 \$'000
<b>LIABILITIES</b>		
Due to other banks	6,307,074	5,945,194
Customer deposits	85,734,776	84,371,554
Derivative financial instruments	-	695
Promissory notes and certificates of participation	2,866,804	3,366,699
Repurchase agreements	51,356,202	48,609,281
Obligations under securitisation arrangements	16,292,214	10,677,302
Other borrowed funds	1,113,871	1,128,785
Income tax payable	1,251,042	1,118,334
Deferred tax liabilities	420,968	798,685
Policyholders' liabilities	10,443,622	9,068,442
Provisions	63,873	67,573
Retirement benefit obligations	245,354	232,879
Other liabilities	4,122,286	4,117,456
Liability on acceptances, guarantees, indemnities and letters of credits	3,958,494	3,092,406
<b>Total Liabilities</b>	<b>184,176,580</b>	<b>172,595,285</b>
<b>STOCKHOLDERS' EQUITY</b>		
Share capital	2,466,763	2,466,763
Share premium	4,453,752	4,453,752
Fair value and other reserves	2,445,921	2,343,004
Loan loss reserve	246,109	211,590
Banking reserve fund	1,609,000	1,609,000
Retained earnings reserve	3,119,761	3,119,761
Retained earnings	8,283,727	7,021,567
<b>Total Stockholders' Equity</b>	<b>22,625,033</b>	<b>21,225,437</b>
<b>Total Equity and Liabilities</b>	<b>206,801,613</b>	<b>193,820,722</b>

Approved for issue by the Board of Directors on 27 April 2006 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 2006

	Share Capital	Share Premium	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 2004 (Restated)</b>	2,466,763	4,453,752	1,563,208	111,650	1,327,000	3,119,761	4,117,019	17,159,153
Currency translation differences	-	-	(7,561)	-	-	-	-	(7,561)
Unrealised gains on available-for-sale investments, net of taxes	-	-	1,359,890	-	-	-	-	1,359,890
Realised fair value gains transferred to Consolidated Profit & Loss Account	-	-	(904,821)	-	-	-	-	(904,821)
Other	-	-	3,626	-	-	-	-	3,626
Net income recognised directly in equity	-	-	451,134	-	-	-	-	451,134
Net Profit	-	-	-	-	-	-	1,550,250	1,550,250
Total recognised income for the period	-	-	451,134	-	-	-	1,550,250	2,001,384
Dividends paid	-	-	-	-	-	-	(888,035)	(888,035)
Transfer to Loan Loss Reserve	-	-	-	14,182	-	-	(14,182)	-
	-	-	-	14,182	-	-	(902,217)	(888,035)
<b>Balance as at 31 March 2005 (Restated)</b>	<b>2,466,763</b>	<b>4,453,752</b>	<b>2,014,342</b>	<b>125,832</b>	<b>1,327,000</b>	<b>3,119,761</b>	<b>4,765,052</b>	<b>18,272,502</b>
<b>Balance as at 1 October 2005 (Restated)</b>	2,466,763	4,453,752	2,343,004	211,590	1,609,000	3,119,761	7,021,567	21,225,437
Currency translation differences	-	-	28,714	-	-	-	-	28,714
Unrealised gains on available-for-sale investments, net of taxes	-	-	(244,723)	-	-	-	-	(244,723)
Realised fair value gains transferred to Consolidated Profit & Loss Account	-	-	10,792	-	-	-	-	10,792
Share of equity movement in associates	-	-	308,134	-	-	-	-	308,134
Net income recognised directly in equity	-	-	102,917	-	-	-	-	102,917
Net profit	-	-	-	-	-	-	2,357,387	2,357,387
Total recognised income for the period	-	-	102,917	-	-	-	2,357,387	2,460,304
Dividends paid	-	-	-	-	-	-	(1,060,708)	(1,060,708)
Transfer to Loan Loss Reserve	-	-	-	34,519	-	-	(34,519)	-
	-	-	-	34,519	-	-	(1,095,227)	(1,060,708)
<b>Balance as at 31 March 2006</b>	<b>2,466,763</b>	<b>4,453,752</b>	<b>2,445,921</b>	<b>246,109</b>	<b>1,609,000</b>	<b>3,119,761</b>	<b>8,283,727</b>	<b>22,625,033</b>

# National Commercial Bank Jamaica Limited

## Consolidated Statement of Cash Flows

Six months ended 31 March 2006

	31 March 2006 \$'000	Restated 31 March 2005 \$'000
<b>Cash Flows from Operating Activities</b>		
Net cash provided by operating activities	<u>7,545,588</u>	<u>599,239</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(415,695)	(338,469)
Acquisition of intangible asset	(54,354)	(83,212)
Proceeds from disposal of property, plant and equipment	40,538	24,721
Investment Securities, net	(4,328,329)	(1,773,220)
Dividends received from associates	13,983	13,983
Proceeds from disposal of investment properties	<u>-</u>	<u>11,500</u>
Net cash used in investing activities	<u>(4,743,857)</u>	<u>(2,144,697)</u>
<b>Cash Flows from Financing Activities</b>		
Drawdowns under securitisation arrangements	6,309,462	2,778,155
Repayments under securitisation arrangements	(1,214,237)	(576,290)
Other borrowed funds	(16,436)	112,184
Dividends paid	<u>(1,060,708)</u>	<u>(888,035)</u>
Net cash provided by financing activities	<u>4,018,081</u>	<u>1,426,014</u>
Effect of exchange rate changes on cash and cash equivalents	<u>468,398</u>	<u>121,721</u>
Net increase in cash and cash equivalents	7,288,210	2,277
Cash and cash equivalents at beginning of period	<u>9,955,569</u>	<u>14,892,665</u>
<b>Cash and cash equivalents at end of period</b>	<b><u><u>17,243,779</u></u></b>	<b><u><u>14,894,942</u></u></b>
<b>Comprising:</b>		
Cash and balances at Bank of Jamaica	2,436,254	5,256,366
Due from other banks	12,948,580	11,856,638
Investment securities	8,166,019	3,395,190
Due to other banks	<u>(6,307,074)</u>	<u>(5,613,252)</u>
	<b><u><u>17,243,779</u></u></b>	<b><u><u>14,894,942</u></u></b>

# NATIONAL COMMERCIAL BANK JAMAICA LIMITED

## SEGMENT REPORT

Six months ended

31 March 2006

	Banking			Wealth		Insurance	Other	Eliminations	Consolidated
	Retail \$'000	Corporate \$'000	Treasury \$'000	Management \$'000					
External operating revenue	2,870,744	2,060,684	4,356,922	3,562,315	870,333	12,131			13,733,129
Operating revenues from other segments	2,736,983	36,258	880,124	256,361	16,866	23,665	(3,950,257)		-
Operating revenue	5,607,727	2,096,942	5,237,046	3,818,676	887,199	35,796	(3,950,257)		13,733,129
Segment result	66,343	818,856	1,443,238	787,014	282,429	4,888	(316,609)		3,086,159
Share of profit of associates									81,671
Profit before tax									3,167,830
Taxation expense									(810,443)
Net Profit									2,357,387
Segment assets	80,580,260	29,206,718	95,378,853	57,322,035	11,879,248	312,085	(70,025,013)		204,654,186
Associates									1,907,845
Unallocated Assets									239,582
Total Assets									206,801,613
Segment liabilities	80,594,826	28,199,369	82,412,646	49,841,089	10,530,977	325,240	(69,399,577)		182,504,570
Unallocated liabilities									1,656,512
Total liabilities									184,176,580
Depreciation and Amortisation	414,232	44,317	34,468	17,044	5,390	740	-		516,190

**Segment Reporting (Continued)**

**Restated**

**Six months ended**

**31 March 2005**

	<b>Banking</b>			<b>Wealth</b>	<b>Insurance</b>	<b>Other</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>Retail</b>	<b>Corporate</b>	<b>Treasury</b>	<b>Management</b>				
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
External operating revenue	2,256,991	1,688,967	4,409,969	4,055,944	669,085	11,386		13,092,342
Operating revenues from other segments	3,026,803	45,679	1,044,019	115,290	83,529	19,290	(4,334,610)	-
Operating revenue	<u>5,283,794</u>	<u>1,734,646</u>	<u>5,453,988</u>	<u>4,171,234</u>	<u>752,614</u>	<u>30,676</u>	<u>(4,334,610)</u>	<u>13,092,342</u>
Segment result	(57,598)	623,122	864,086	973,334	66,970	2,066	(432,423)	2,039,557
Share of profits in associates								<u>104,477</u>
Profit before tax								2,144,034
Taxation expense								<u>(593,784)</u>
Net Profit								<u><u>1,550,250</u></u>
Segment assets	74,909,403	29,498,140	91,176,923	55,320,900	8,897,565	279,797	(72,962,252)	187,120,476
Associates								1,448,229
Unallocated Assets								<u>334,606</u>
Total Assets								<u><u>188,903,311</u></u>
Segment liabilities	75,275,237	28,653,684	79,488,268	49,691,830	8,510,603	295,908	(72,999,447)	168,916,083
Unallocated liabilities								<u>1,714,726</u>
Total liabilities								<u><u>170,630,809</u></u>
Depreciation and amortisation	409,422	43,802	34,068	13,671	4,901	960	-	506,824