



Innovation. Expertise. Strength.

2007



BUILDING A BETTER JAMAICA

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Our Vision

To make NCB, financially and operationally, the strongest and most dominant financial institution in the Caribbean and one that follows international best in class governance practices.

Our Values

We hold a deep and abiding respect for each customer, every colleague in our companies, and all our shareholders.

We commit to find new, practical and innovative ways to make the term "excellent service" more relevant to each customer - every day.

We commit to the relentless renewal of our enterprise through the constant training of our people at all levels.

In our merit-based culture, individual reward and recognition will be a result of measured performance.

We treat all competitors as noble, but we will compete fairly and vigorously to win.



NOTICE is hereby given that the Annual General Meeting of National Commercial Bank Jamaica Limited will be held at the **Jamaica Conference Centre, 14 - 20 Port Royal Street**, in the parish of **Kingston** on Thursday, January 24, 2008 at 3:00 p.m. to consider and if thought fit pass the following resolutions:

ORDINARY BUSINESS

Ordinary Resolutions

1. Audited Accounts

"**THAT** the Audited Accounts for the year ended September 30, 2007 and the Reports of the Directors and Auditors, circulated with the Notice convening the Meeting, be and are hereby adopted."

2. Election of Directors

(a) **Article 97** of the Company's Articles of Association provides that one-third of the Board (except the Managing Director and Deputy Managing Director) or, if the number of members of the board is not three or a multiple of three, then the number nearest to one-third shall retire from office at each Annual General Meeting. The Directors retiring under this Article are **Mrs. Thalia Geraldine Lyn, Professor Alvin George Wint and Hon. Noel Arthur Anthony Hylton, O.J., Hon. LL.D., C.D., J.P.** and being eligible, offer themselves for re-election.

The proposed resolutions are therefore as follows:

(i) "**THAT** Director, **MRS. THALIA GERALDINE LYN** retiring pursuant to Article 97 of the Articles of Association be and is hereby re-elected."

(ii) "**THAT** Director, **PROFESSOR ALVIN GEORGE WINT**, retiring pursuant to Article 97 of the Articles of Association be and is hereby re-elected."

(iii) "**THAT** Director, **HON. NOEL ARTHUR ANTHONY HYLTON, O.J., HON. LL.D., C.D., J.P.**, retiring pursuant to Article 97 of the Articles of Association be and is hereby re-elected."

3. Directors' Remuneration

(a) "**THAT** the Directors be and are hereby empowered to fix the remuneration of the Executive Directors."

(b) "**THAT** the total remuneration of all of the Directors combined, other than the Executive Directors, for the financial year of the Company ending September 30, 2008, BE AND IS HEREBY fixed at \$18,030,000, which remuneration may include such share incentive scheme for directors, as may be determined by the Board.

4. Appointment of Auditors and their Remuneration

"**THAT** Messrs. PricewaterhouseCoopers, having signified their willingness to serve, continue in office as Auditors of the Company until the conclusion of the next Annual General Meeting, at a remuneration to be agreed with the Directors."

5. Resolutions in respect of any other business which can be transacted at an Annual General Meeting.

A Member of the Company, entitled to attend and vote, is entitled to appoint a Proxy to attend and vote in his stead, and a Proxy need not be a member.

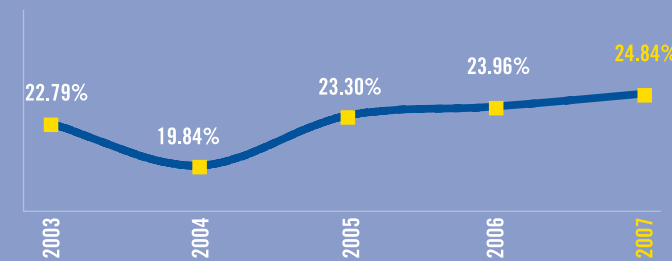
If you are unable to attend the Meeting, a Form of Proxy is enclosed for your convenience. When completed, this Form should be deposited with the Secretary, at the Registered Office of the Company, "The Atrium", 32 Trafalgar Road, Kingston 10, Jamaica, not less than **48 hours** before the time appointed for the Meeting. The Proxy Form should bear stamp duty of **\$100.00**, before being signed. The stamp duty may be paid by adhesive stamps, which are to be cancelled by the person signing the Proxy.

DATED this 26th day of **NOVEMBER 2007**

BY ORDER OF THE BOARD



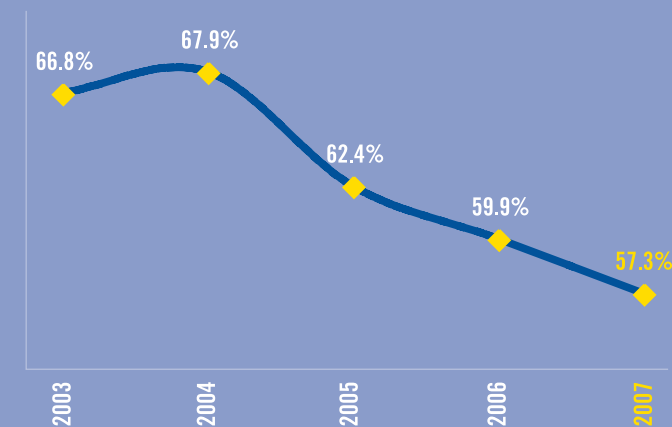
Jennifer Dewdney Kelly (Mrs.)
COMPANY SECRETARY



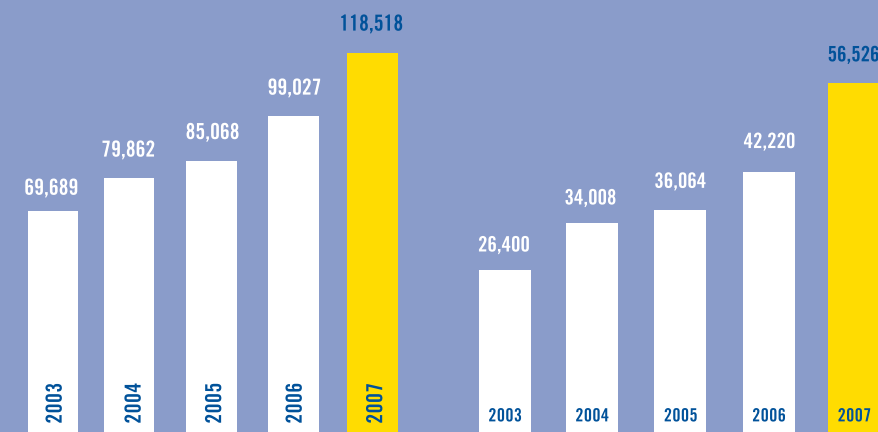
Return on Average Equity (ROE)



Return on Average Total Assets (ROA)



Cost To Income Ratio



Customer Deposits
Jamaican dollars in millions

Net Loans
Jamaican dollars in millions



National Commercial Bank Jamaica Limited

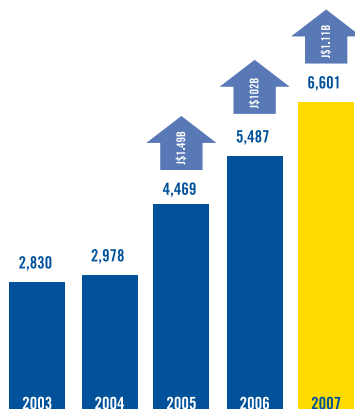


Jamaica Exporters' Association

Jamaica Exporters' Association (JEA) Top Financial Institution



Global Finance Best Foreign Exchange Bank - 2007



Net Profit After Tax
Jamaican dollars in millions

FINANCIAL STATISTICAL REVIEW

PROFIT & LOSS SUMMARY

	2007 (J\$'000)	2006 (J\$'000)	2005 (J\$'000)	2004 (J\$'000)	2003 (J\$'000)	2002 (J\$'000)	2001 (J\$'000)	2000 (J\$'000)
Net Profit	6,601,426	5,486,625	4,468,542	2,978,045	2,830,499	1,478,407	369,914	1,514,946
Gross Operating Income	33,752,955	30,004,702	27,460,769	25,175,497	22,138,992	14,264,469	14,039,817	15,298,298
Net Interest Income	12,796,777	11,778,136	10,713,444	9,603,098	6,757,882	4,282,614	4,492,754	5,544,421
Other Operating Income	7,754,802	6,198,817	5,815,035	3,344,801	4,271,679	2,349,312	1,672,925	1,998,121
Total Operating Income	20,551,579	17,976,953	16,528,479	12,947,899	11,012,147	6,631,926	6,165,679	7,542,542
Operating Expenses	12,128,301	11,164,384	10,522,418	9,155,015	7,548,897	4,920,249	5,686,071	5,937,963
Staff Costs	6,987,550	5,955,835	5,664,701	4,639,585	4,212,281	2,928,332	2,552,278	2,223,799
Provisions for Credit Losses	277,603	155,786	(28,071)	367,869	189,147	(172,499)	(726,121)	1,389,562
Depreciation & Amortisation Expenses	889,246	1,028,085	1,071,135	976,029	494,910	290,997	404,470	292,520

BALANCE SHEET SUMMARY

	2007 (J\$'000)	2006 (J\$'000)	2005 (J\$'000)	2004 (J\$'000)	2003 (J\$'000)	2002 (J\$'000)	2001 (J\$'000)	2000 (J\$'000)
Total Assets	254,183,354	223,138,804	190,341,294	174,852,385	145,886,165	115,220,390	105,770,654	94,835,223
Net Loans	56,525,564	42,219,840	36,064,342	34,007,614	26,400,147	15,282,721	8,639,839	7,249,634
Investment Securities	142,955,539	123,765,437	94,960,438	78,219,804	80,444,730	67,293,256	65,268,554	58,289,832
Customer Deposits	118,518,051	99,026,503	85,067,749	79,861,826	69,688,968	63,365,179	58,351,974	51,638,190
Repurchase Agreements	51,305,167	50,344,707	49,407,220	37,496,253	29,624,741	11,897,440	11,227,707	8,313,809
Securitisation Arrangements	26,409,833	21,398,964	10,798,517	9,427,736	4,576,979	4,848,691	4,105,026	0
Dividends Paid*	1,800,737	1,751,402	1,184,046	1,332,052	1,258,049	340,413	0	0
Paid Up Capital	2,460,720	2,460,720	2,460,720	2,460,720	2,460,720	2,460,720	1,973,410	5,701,000
Net Worth	28,554,026	24,589,987	21,213,463	17,145,003	12,871,832	11,971,477	10,889,979	9,301,508

PROFITABILITY RATIOS

	2007	2006	2005	2004	2003	2002	2001	2000
Return on Average Equity	24.84%	23.96%	23.30%	19.84%	22.79%	12.93%	3.66%	17.77%
Return on Average Capital	268.27%	222.97%	181.59%	121.02%	115.03%	66.68%	9.64%	26.57%
Return On Average Total Assets	2.77%	2.65%	2.45%	1.86%	2.17%	1.34%	0.37%	2.97%
Non-Interest Income to Operating Income	37.73%	34.48%	35.18%	25.83%	38.79%	35.42%	27.13%	26.49%
Effective Tax Rate	23.18%	20.83%	23.45%	16.67%	19.02%	9.94%	8.42%	2.22%
Cost to Income Ratio	57.27%	59.88%	62.40%	67.87%	66.83%	76.79%	104.00%	60.30%

FINANCIAL STATISTICAL REVIEW

PER COMMON SHARE RATIOS

	2007	2006	2005	2004	2003	2002	2001	2000
Earnings per Share	\$2.68	\$2.23	\$1.82	\$1.21	\$1.15	\$0.60	\$0.15	\$0.77
Dividends Paid per Share	0.73	0.71	0.48	0.54	0.51	0.16	0.00	0.00
Book Value per Share	11.60	9.99	8.62	6.97	5.23	4.87	5.52	1.63

CAPITAL RATIOS

	2007	2006	2005	2004	2003	2002	2001	2000
Risk Based Capital Adequacy Ratio (Bank only) **	14.51%	17.28%	19.08%	15.77%	16.70%	29.64%	41.28%	45.22%
Net Worth to Total Assets	11.23%	11.02%	11.14%	9.81%	8.82%	10.39%	10.30%	9.81%

ASSET QUALITY RATIOS

	2007	2006	2005	2004	2003	2002	2001	2000
Net Loans to Total Assets	22.24%	18.92%	18.95%	19.45%	18.10%	13.26%	8.17%	7.64%
Investment Securities to Total Assets	60.74%	65.76%	64.86%	56.96%	59.14%	58.40%	61.71%	61.46%
Net Fixed Assets to Total Assets	1.60%	1.89%	2.30%	2.53%	2.69%	2.14%	1.43%	1.95%
Non-Performing Loans to Gross Loans	2.56%	3.66%	4.24%	4.08%	5.26%	8.84%	17.00%	24.53%
Non-Performing Loans to Net Worth	5.17%	6.51%	7.58%	8.61%	11.68%	12.75%	17.63%	28.10%
Provision Coverage	150.99%	144.72%	135.42%	154.27%	148.77%	134.74%	138.45%	130.24%

LIQUIDITY RATIOS

	2007	2006	2005	2004	2003	2002	2001	2000
Net Loans to Customer Deposit Ratio	47.69%	42.63%	42.39%	42.58%	37.88%	24.12%	14.81%	14.04%
Net Loans to Borrowed Funds	64.38%	50.49%	51.00%	52.68%	51.06%	74.45%	49.93%	62.01%
Liquid Assets to Total Deposits	32.72%	42.35%	37.94%	38.02%	27.56%	22.82%	40.14%	50.79%

OTHER STATISTICS

	2007	2006	2005	2004	2003	2002	2001	2000
Share Price at Year End (JSE)	J\$ 22.01	J\$ 18.21	J\$ 18.00	J\$ 25.20	J\$ 13.30	J\$ 5.70	J\$ 4.90	J\$ 3.00
Share Price at Year End (TTSE)	TT\$1.95	TT\$1.65	TT\$1.90	TT\$2.50				
Price Earnings Ratio	8.20	8.17	9.91	20.82	11.56	9.49	32.67	3.90
Dividend Yield	3.32%	3.91%	2.67%	2.15%	3.84%	2.81%	0.00%	0.00%
Dividend Payout Ratio	27.28%	31.92%	26.50%	44.73%	44.45%	23.03%	0.00%	0.00%
JSE Index at Year End	96,299.80	86,195.99	103,332.61	99,819.82	57,769.14	39,219.55	33,892.44	31,152.73

* Represents gross dividends including payments made to the NCB Employee Share Scheme.

**This ratio represents the Bank's capital base to risk adjusted assets as prescribed by the Bank of Jamaica regulations. Risk weights are assigned to both on and off balance sheet items in determining the risk adjusted assets. The capital base is determined using Tier I capital (which consists of permanent statutory capital) and Tier II capital (which primarily consists of the general provision), and adjusted for prescribed deductions. Under these regulations, the overall minimum capital to be maintained in relation to risk assets is 10%.

Chairman's Message

An investment in our employees represents an investment in NCB's future. We want that future to be rich in a corporate entrepreneurial spirit, a strong social conscience, a focused commitment on superior service delivery and the expertise for facilitating wealth creation through innovative financial products and services.



The Year 2007 marks the 5th anniversary of AIC's majority ownership in the National Commercial Bank and the 170th year of the Bank's operations in Jamaica. As I reflect on these two milestones, I am grateful and humbled in the face of our corporate performance, which must be attributed to the contribution, trust and commitment of all who have supported and served this Jamaican financial icon since its inception.

There is no doubt that NCB's history is closely interwoven into the fabric of the Jamaican landscape; we have worked to fulfill dreams for thousands of our fellow citizens from all walks of life. Today, our company is seen as the most successful indigenous financial institution, with our mantra of "building a better Jamaica" establishing us as a role model of corporate citizenship. I am proud to lead this institution as it charts its way forward, not only seeking to do well, but also to do good.

In this regard, the 2007 Financial Year saw the re-vitalizing of the N.C.B. Foundation, which has responsibility for the Jamaican Education Initiative (JEI) that our company launched in 2003. During this financial year, the Foundation, through the JEI in particular, widened its reach and increased the number of education projects that it funded by over 300%, representing over \$38M in commitments to projects and schools that have directly benefited over 10,000 Jamaicans island-wide. Over \$200M has been committed to the JEI in the last four years, thanks to the continued support of the thousands of NCB Keycard holders whose card usage enables us to assign 1% of their purchases to this fund. You have my commitment that our company will continue to work assiduously at advancing the Education agenda in Jamaica, as I firmly believe that it is through the development of our intellectual capital, that our country's future prosperity can be achieved and sustained.

I have often said that NCB represents a microcosm of the wider society; to the extent that we focus on harnessing the skills and talents of our 2500 plus employees, our company's success will be consistent and enduring. I am therefore pleased with the advances the Patrick Hylton-led team made during the 2007 Financial Year to significantly improve the opportunities for growth and development within the NCB workforce. A few of these achievements included the accreditation of our Staff Training Centre by the University Council of Jamaica and the introduction of Jamaica's first e-learning campus for virtual learning and research to our employees. An investment in our employees represents an investment in NCB's future. We want that future to be rich in a corporate entrepreneurial spirit, a strong social conscience, a focused commitment on superior service delivery and the expertise for facilitating wealth creation through innovative financial products and services.

At the level of corporate governance, our company continued to take very seriously its responsibility for conforming to the laws which apply to our operations, abiding by ethical business practices and strictly observing regulatory reporting requirements. We worked hard to strengthen our risk management framework and auditing functions through Board oversight and participation during the 2007 Financial Year. To the extent that our corporate governance structure is sound and institutionalized, we are further enabling transparency and proper accountability in the management of our assets and liabilities, and adopting world-class standards in financial operations that enhance NCB's efficiency.

We have only begun to realize the goal of NCB. Our team firmly believes that the most powerful source of further growth is a combination of innovative ways of serving customers, aggressively managing costs and building a superior workforce. We will continue to pursue these strategies, while staying true to our social purpose of helping to improve the communities in which we operate across Jamaica.

On behalf of the Board of Directors, I thank you sincerely for the support and confidence given to your NCB during this Financial Year. As we now begin to write the chapters for another 170 years of existence, I re-affirm my commitment to do my best to build a proud Jamaican legacy through the success of NCB.

Michael Lee-Chin
Chairman



BOARD OF DIRECTORS

(standing from left to right):

Dr. Nigel Clarke

Wayne Chen

Thalia Lyn

Patrick Hylton
Group Managing Director

Dennis Cohen
Deputy Group Managing Director

Sandra Glasgow

Hon. Noel Hylton

(seated from left to right):

Professor Alvin Wint

Michael Lee-Chin
Chairman

Donovan Lewis

The Rt. Hon. Edward Zacca

The Board of Directors of NCB is responsible for the governance of the Bank and its subsidiaries (the Group). The Board is committed to high standards of governance in order to achieve sustained business growth, enhanced shareholder value and protection of the interests of customers, employees and other stakeholders while promoting a culture of the highest standards of integrity, transparency and accountability.

A key objective of the governance framework is to ensure compliance with applicable legal and regulatory requirements and with best governance practices as set out in its Corporate Governance Charter, adopted by the Board on July 27, 2006. The full text of the Charter is available on our website: www.jncb.com.

As at 30 September, 2007, the Board consisted of 11 Directors (two Directors – Messrs A. Desmond Blades and Herbert Phillipps Jnr. having resigned during the year), 9 of whom were non-executive Directors and 6 identified by the Board as being “Independent”. It held 12 scheduled meetings during the year beginning October 1, 2006 and ending September 30, 2007. Agendas and papers were circulated in the week prior to each meeting to provide the Directors with relevant information to enable them to discharge their duties.

Among the Board’s most significant responsibilities are:

Stakeholder interests:

- ensuring long term sustainable returns for our stockholders giving due regard to the interests of other stakeholders, including customers, regulators, staff, suppliers and the general public;
- achieving consistent performance of our businesses while promoting, transparency and accountability; and
- reviewing and monitoring corporate governance and corporate social responsibility throughout the Group.

Strategy: approving and monitoring corporate strategy and plans; making decisions concerning the Group’s capital structure and dividend policy; and reviewing, approving and monitoring major investment and strategic commitments.

Performance: reviewing business results and monitoring budgetary controls.

Integrity of external reporting: reviewing and monitoring the processes, controls and procedures which are in place to maintain the integrity of the Group’s accounting and financial records and statements; and reviewing and monitoring reporting to shareholders and regulators, including the provision of objective, comprehensive, factual and timely information to the markets in which the Group’s shares are listed.

Risk management and compliance: monitoring and reviewing the risk management processes, the Group’s risk profile and processes for compliance with prudential regulations and standards and other regulatory requirements; and reviewing and monitoring processes for the maintenance of adequate credit quality.

Executive review: approving executive appointments and remuneration, and reviewing and monitoring the performance of the Group Managing Director and senior management;

Board performance: monitoring Board composition, Director selection, Board processes and performance.

Performance Evaluation

During the year, the Board undertook a review of its own performance and that of individual Directors through a self-assessment exercise. The objective of the exercise is to provide Directors with an opportunity to examine their own performance and commitment to board effectiveness, to engage in an open and constructive dialogue and agree on areas for improvement. It is intended that this review will be done on an annual basis and a report prepared by the Corporate Governance Committee presented to the Board.

The following highlights the attendance of Board members at meetings of the Board of Directors and at meetings of Committees to which they have been appointed:

	BOARD (12)	CREDIT (12)	AUDIT (6)	CORPORATE GOVERNANCE (1)
A. Desmond Blades (Independent Director) (Resigned December 2006)	1	1	N/A	N/A
Wayne Chen	12	N/A	N/A	N/A
Nigel Clarke (Independent Director)	9	4	1	N/A
Dennis Cohen (Deputy Group Managing Director)	12	11	N/A	N/A
Sandra Glasgow ** (Independent Director)	12	6	6	1
The Hon. Noel A. Hylton OJ (Independent Director)	7	N/A	N/A	N/A
Patrick A. Hylton (Group Managing Director)	12	10	N/A	N/A
Michael Lee-Chin (Chairman)	12	N/A	N/A	N/A
Donovan Lewis	11	9	5	N/A
Thalia Lyn (Independent Director)	10	N/A	N/A	N/A
Herbert Phillipps, Jnr. (Resigned August 2007)	10	N/A	6	1
Alvin Wint * (Independent Director)	11	6	6	1
The Hon. Edward Zacca OJ (Independent Director)	7	N/A	N/A	N/A

* Appointed to Credit Committee November 2006

** Appointed to Credit Committee January 2007

AUDIT COMMITTEE

The Audit Committee met 6 times during the year. The Committee, which comprises only non-executive Directors and a majority of Independent Directors, assists the Board in fulfilling its responsibilities relating to:-

- the integrity of the financial statements and any formal announcements relating to the Group's financial performance;
- overseeing the relationships between the Group and its external auditors;
- the review of the Group's internal controls, including financial controls;
- the effectiveness of the internal audit, compliance and risk management functions;
- the review of the internal and external audit plans and subsequent findings;
- the review of the auditors' report;
- obligations under applicable laws and regulations and
- the review of the effectiveness of the services provided by the external auditors and other related matters.

Members of the Committee are:

Professor Alvin Wint, Chairman	Donovan Lewis
Dr. Nigel Clarke	Sandra Glasgow
Herbert Phillipps Jnr. (Resigned August 2007)	

CREDIT COMMITTEE

The Credit Committee met 12 times for the year. The Committee is responsible for:

- approving facilities within limits set by the Board;
- reviewing and making recommendations to the Executive Committee and the Board; to the Executive Committee in respect of facilities over its limit and to the Board in respect of connected parties;
- reviewing and reporting to the Board on the broad credit portfolio and related issues within the Group.

Members of the Committee are:

A. Desmond Blades, Chairman (Resigned December 2006)	Patrick Hylton, Group Managing Director
Donovan Lewis, Chairman (Appointed January 2007)	Dr. Nigel Clarke
Dennis Cohen, Deputy Group Managing Director	Sandra Glasgow (Appointed January 2007)
Professor Alvin Wint (Appointed November 2006)	

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee met once for the year. The Committee:

- facilitates the evaluation of the performance of the Board of Directors;
- develops and recommends additions and changes to the Board's corporate governance policies and procedures;
- reviews the organisation and operation of Board Committees;
- ensures the orientation of new Directors and appropriate training of all Directors;
- monitors the Group's operations to ensure adherence to principles of good corporate governance.

Members of the Committee are:

Sandra Glasgow, Chairperson	Professor Alvin Wint
Herbert Phillipps, Jnr. (Resigned August 2007)	



STRENGTH



Expanding Revenues

EXPERTISE



Empowering Employees

INNOVATION



Exceeding Customer Expectations



WORLD CLASS FINANCIAL INSTITUTION



Efficiency in Operations



Engaging in Nation Building

Dear NCB shareholders,

Our company's performance this year demonstrates a consistent trend of improved profitability which is attributed to the team at NCB working to secure a competitive market position in all segments of our business. We did not waver from our focus on empowering employees, exceeding customer expectations, expanding revenues, increasing efficiency in operations and engaging in nation building. This resulted in net profits increasing by 20% over prior year to \$6.6B.

In this the 170th year of NCB's operations in Jamaica, we are proud to reflect on our company's position today as the country's largest financial institution, employing over 2500 individuals and serving one million individuals and businesses. We believe that our success is being driven on three pillars – Innovation, Expertise and Strength. Creating innovative products, investing in employee expertise and having a sound financial management framework, are the hallmarks of distinction to which we adhere.

The outcome of focusing on those hallmarks during the 2007 Financial Year shows that we are on the right track in terms of financial performance. However, there are many more opportunities ahead of us. We are constantly raising the bar of performance and seeking ways to improve, because our goal is to be a world class financial institution. The values that we abide by define how we will fulfill that goal. These values speak to an abundant respect for our stakeholders, excellence in service delivery, constant renewal of our enterprise through training, fair and transparent employee reward systems and competing fairly and vigorously. As we look forward, you can count on us to continue operating prudently as we drive further efficiency in our business and stay focused on satisfying unmet needs in the markets that we serve.

On behalf of the NCB team, I appreciate and thank you for your support. We look forward to serving you longer and better.



Patrick A. Hylton
Group Managing Director



We believe that our success is being driven on three pillars – Innovation, Expertise and Strength. Creating innovative products, investing in employee expertise, and having a sound financial management framework are the hallmarks of distinction to which we adhere.

Our company is divided into revenue segments which are supported by the following areas:

- Credit and Risk Management
- Facilities and Services
- Financial Control
- General Counsel
- Group Compliance and Company Secretary
- Group Human Resources
- Group Marketing and Communications
- Information Technology
- Internal Audit
- Network Operations

A summary of the financial performance of the main revenue segments is as follows:

- The Retail Banking segment continued to significantly improve its results, with operating profits of J\$1.9B, an increase of 105% over the prior year's performance.
- Our Corporate Banking segment realised operating profits of J\$1.49B, within a highly competitive loan environment.
- The Treasury and Correspondent Banking segment achieved operating profits of J\$3.2B which represents an increase of 23% over the previous financial year.
- Our Wealth Management segment achieved operating profits before tax of J\$2.1B, an increase of 33% over the prior year.
- The Insurance segment reported operating profits before tax of J\$554M, during a year in which NCB Insurance extended its product offerings to include pensions funds management and other employee group benefits.

Retail Banking

The Bank's retail banking operations oversee the development and distribution of products and services to individual and business customers through 47 branches and numerous electronic channels such as the ABM, Internet, Tele-banking and Point-Of-Sale machines. The operations also include responsibility for the issuing and acquiring of cards such as the Keycard, Visa and Mastercard brands.

The Division increased its profit contribution by 105% to end the year at \$1.9B. This was attributed to a 28% growth in the retail loan portfolio and an 18% increase in customer deposits arising from new foreign currency accounts and the sale of NCB SME product packages which include special current accounts for business customers.

In the area of Cards, fees earned from usage of NCB Point-Of-Sale (POS) machines increased by 31.9% enabling the Bank to maintain its lead position in this market, while our cardholder base grew by approximately 10%.

Corporate Banking

The Corporate Banking Division manages our relationships with large corporate clients providing loans, deposits and day to day banking services. The customer base continued to expand during the 2007 Financial Year, resulting in an 11% increase in loans booked over the period and a segment profit contribution of \$1.5B. Credit quality was also improved through the restructuring of certain major exposures, which effectively reduced the risk of delinquencies. Major loans were to investors in the Tourism sector, however many smaller projects were also financed which enabled this business segment to maintain its premier position in US-dollar lending.

Fee income was attributed to loan administration and to a lesser extent, the sale of NCB electronic banking solutions to corporate clients in areas such as preparation of payrolls, bank statement reconciliations and bill payments.



Operating Profits (J\$M)



Operating Profits (J\$M)

Treasury & Correspondent Banking

Our Treasury & Correspondent Banking Division is responsible for identifying and maintaining cost effective sources of funding, managing the Bank's liquidity and investment functions, foreign currency services and our relationships with correspondent (overseas) banks and other local financial institutions.

This business segment achieved operating profits of \$3.2B, which represents an increase of 23% over the previous Financial Year. The Division was also responsible for securing US\$50M in funding for the Bank through securitization arrangements.

Wealth Management

NCB Capital Markets is involved in stock brokerage, securities trading and investment management. The company reported a net profit of \$1.57B, representing a 26.8% increase over last year's figure and a growth in operating income of 12% to \$2.8B.

A three pronged strategy was engaged to assist in growing profitability and delivering excellent service to its clients.

1. Use capital more efficiently

The company successfully raised funding through an initial offer of preference shares in 2006. This was followed with a subsequent rights issue in 2007. These proceeds were used to take positions in assets that have provided above average returns, resulting in an increased return on investments.

2. Introduce innovative new products to the market

Responding to the changing needs of clients, NCB Capital Markets introduced Principal Protected Notes (PPN) to the market. This initiative marked the introduction of the first security of its kind in Jamaica. Done in collaboration with world renowned Deutsche Bank, the PPN provided clients with an avenue for portfolio diversification, principal protection and attractive returns.

3. Aggressively reduce costs and operating expenses

The company embarked on a business process re-engineering exercise aimed at improving systems and processes. This resulted in better cost containment and efficiency improvements.

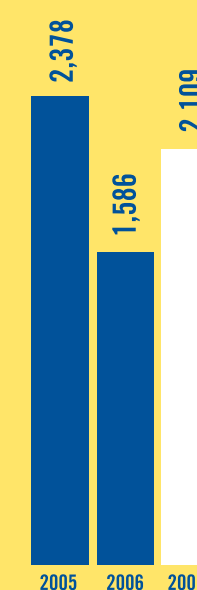
Financial Highlights

	2007 \$JB	2006 \$JB	% Change
Total Assets	\$57.93	\$60.90	- 4.88
Total Liabilities	\$49.85	\$54.10	-7.85
Funds Under Management	\$45.2	\$50.3	-10.08
Operating Revenue	\$2.81	\$2.51	11.86
Net Profit	\$1.57	\$1.24	26.82
Return on Equity	21.07%	19.65%	
Return on Assets	2.71%	2.03%	

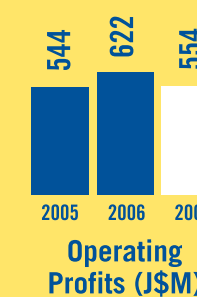
Insurance

Our insurance and pensions fund management business is carried out by NCB Insurance Company Limited, which ended the 2007 Financial Year with a net profit after tax of \$452M, 7% above the prior year. The company's main sources of revenue are Premium and Investment Income from its range of products which include:-

- OMNI
- OMNI Educator
- Group Life (Employee Care Life)
- Group Creditor Life



Operating Profits (J\$M)



Operating Profits (J\$M)

- ProVISION
- ProCARE
- Group Pensions (Employee Care Pensions)
- Group Annuities

A major milestone of the year was on April 1, 2007 when NCB Insurance entered the superannuation funds corporate pensions' market and commenced the transfer of the pensions' portfolio from the West Indies Trust Company (WITCO). NCB Insurance is proud to report on the successful integration of the pension line of business while maintaining the 'WITCO' high standard of customer service.

The growth in Premium Income from \$38M in 2005, to \$416M in 2006 and \$552M in the 2007 Financial Year, reflected the Company's success in diversifying its revenue streams.

There was a 48% increase over the previous year in the individual life insurance policies sold. This was a reflection of the market success of the Company's two flagship protection policies (ProVISION & ProCARE), whose sales grew by 278%.

Financial Highlights

	2007 \$JB	2006 \$JB	% Change
Total Assets	\$16.7	\$13.8	21%
Total Investments	\$15.7	\$12.8	22%
Funds Under Management	\$51.7	\$41.5	24.5%
Gross Operating Revenue	\$2.7	\$2.1	27%
Net Profit	.45	.42	7%
Return on Equity	24.50%	32.49%	
Return on Assets	3.00%	3.49%	
MCCSR	544.9%	561%	
Solvency Ratio	14%	13%	

Other Revenue Areas:

International Business

The International Business segment was introduced a little over two years ago in order to provide greater focus on the Diaspora customer segment. Fees from our money transfer services in the United Kingdom and Cayman are the main sources of revenue. Two subsidiaries have been established in this area – NCB Remittance Services (Cayman) Limited and NCB Remittance Services (UK) Limited.

NCB (Cayman) Limited

The Bank's offshore subsidiary has core business lines which include private banking, investment management services, and incorporation of Cayman Islands exempt companies. The subsidiary has been growing steadily over the years and is now managing assets totaling US\$60M. For the year under review the company recorded consolidated net profit of US\$1.2M or J\$85M.

West Indies Trust Company Limited, N.C.B. (Nominees) Limited and Mutual Security Insurance Brokers were other NCB subsidiaries that contributed to the Group's performance during the 2007 Financial Year.

Leadership Team

Dennis Cohen
Deputy Group Managing Director

Yvonne Clarke
Group Chief Financial Officer

Patrick Hylton
Group Managing Director

Rickert Allen
Senior General Manager,
Group Human Resources





Leadership Team

Courtney Campbell

General Manager, Retail Banking

Marjorie Seeberan

General Manager, Corporate Banking

Septimus 'Bob' Blake

General Manager, Treasury & Correspondent Banking

Alison Taffe

Asst. General Manager, Centralized Operations

Kerry O'Sullivan

Snr. Asst. General Manager, Network Operations

Sheree Martin

Snr. Asst. General Manager, Group Marketing and Communications

Jennifer Dewdney Kelly

Group Chief Compliance Officer and Company Secretary

Christopher Williams

Managing Director, NCB Capital Markets Limited

Ingrid Chambers

Managing Director, NCB Insurance Company Limited

N. Christian Stokes

General Manager, International Business

Rene Allen-Casey

Actg. Chief Internal Auditor

French Campbell

Snr. Asst. General Manager, Facilities and Services

Allison Wynter

General Manager, Credit and Risk Management

Dave Garcia

General Manager, General Counsel and Special Projects



Innovation

At NCB, we regard innovation as a top priority for driving growth. We seek to foster a strong entrepreneurial culture where ideas can be generated and shared freely. This has led to several notable “firsts” by NCB in the markets we serve. We believe our desire to be innovative has resulted in many convenient and cost-effective ways for our customers to do business with us, as well as ways in which they can more easily meet their goals.

Choice Lenders

Our loan offerings continued to distinguish us as choice lenders to individuals and small and medium enterprises (SMEs). Since the 2004 launch of NCB SME Financial Services product and service packages, the first such offering by a financial institution in Jamaica, we have improved our focus on responding to business needs. During the 2007 Financial Year, we introduced products such as the SME Development Access Facility and the NCB Keycard Biz business credit card. The Keycard Biz business credit card accounted for the highest percentage net increase in card purchases for the period under review. The special features of the card include 55 days’ free credit, an attractive cash rebate and higher credit limits designed to meet business needs

For individuals, the NCB Customer Reward Loan was launched in January 2007 to say “thank you” to customers who have been with us over the years. The special feature of the loan is the “no collateral required” as well as the ability to borrow multiples of the deposits and investments that a customer has with the Bank, NCB Capital Markets Limited or NCB Insurance Company Limited.

New Investment Products

NCB Capital Markets was the first brokerage house to offer Principal Protected Notes (PPNs) to local investors. PPNs are innovative financial products that give investors returns based on the market performance of an underlying security such as stocks or commodities. The distinguishing feature is that the principal amount – your original investment – is 100% protected if the PPN is held to maturity. Investors have the potential to receive interest payments periodically or in a lump sum at the end of the tenor. During the Year, the company issued through private placement a Note which was linked to three global stock indices and received full subscription by investors. These offerings demonstrate that we are providing solutions to meet the needs of clients who are seeking higher than average returns. The company expects to continue offering PPNs as part of its suite of investment products.

Increased Funding

A Bank typically relies on the deposits it receives to fund loans and other investment activities. At NCB, our Treasury & Correspondent Banking Division is charged to also find other cost-effective ways to diversify the sources of funding available to us. During the 2007 Financial Year, we successfully completed a second tranche in the securitization of NCB’s Diversified Payment Rights and raised an additional US\$50M. This securitization essentially involves NCB receiving funds from overseas financial

KEYCARD BIZ



NCB CAPITAL MARKETS LIMITED

Innovation

partners in exchange for the future inflows from foreign remittances. Through innovative sources like this, the Bank continued to improve its ability to fund its asset growth.

HR Operating Efficiency

In the area of Human Resources, we leveraged technology in new and different ways during the period under review. We expanded the access to NCB e-Campus - the local financial sector’s first online training and research portal - so that our employees could use it outside the office to access over 200 periodicals and business journals. In April 2007, we introduced an Online Recruitment System, which is now our exclusive channel for accepting employment applications. This system provides prospective applicants with the opportunity to search and apply for jobs online. Use of this system has resulted in reduced advertising costs and processing time for applications, enhanced storage and retrieval of applicant data.

We continue to encourage innovation within all areas of our business as this is central to our strategy and performance. In this regard, we challenge employees to find ways to improve processes, reduce costs and expand product and service offerings based on perceived customer needs.

Expertise

NCB employees have been consistently rated amongst the top financial professionals in the industry based on consecutive customer surveys. This is not a distinction that we take for granted; our human resource policies are designed and evaluated to ensure that our over 2500 employees may live the core value of “finding ways to make the term “excellent service” mean more every day.”

We invest heavily in human resources development as we regard the expertise provided by our employees as a competitive advantage that should be maximized. We aim to attract, cultivate and retain top-notch people and to complement this, integrated corporate learning based on the business objectives of the organization is a crucial part of the strategy that we use.

Corporate Learning

When we launched the NCB Institute of Leadership & Organizational Development (ILOD) in 2004, the primary objective was to identify and prepare future leaders for the organization. Over 200 employees have been enrolled in ILOD to date, with each having their own Professional Development Plan (PDP) that requires them to undertake self-development initiatives outside of their work life. We believe that in addition to ILOD providing technical training and leadership grooming, it is important for employees to focus on attaining their personal goals as well.

The ILOD faculty which teaches and mentors these enrollees include NCB Executives who regularly conduct training through the “Leaders Teach Series”, which are one to two-day courses on an area of expertise that the Executive possesses. We regard this type of interaction as extremely vital for the transfer of knowledge and for building future intellectual capacity within our organization.

The approach we have taken in ILOD is being adapted in other aspects of our corporate learning program. During the 2007 Financial Year, we launched the Branch Management Selection & Development Program (BMDP) in order to build leadership depth, capability and readiness within our Retail Banking operations, which serves the majority of our customers through the 47 branches island-wide. The NCB customer will typically interact with us through these branches and as such, the selection and placement of these employees are given high priority in our quest to be leaders in quality service.

We have defined the characteristics and traits that the ideal NCB employee must have and have made this a standard checklist in our recruitment process. To date, we have employed over 45 University graduates in our annual Management Trainee Program which was re-launched three years ago. These young NCB men and women are being held to higher standards of performance as we prepare them for the future. They are strategically placed in all areas of our organization, ranging from branch operations, wealth management, finance, marketing, strategic planning, information technology and human resources.

Our corporate learning strategy also involves empowering our employees through knowledge management. We continue to develop our online training platform, NCB e-Campus, where the e-library is now accessible to employees wherever they have an internet connection outside the office. We believe that access to this virtual training campus gives our employees an added opportunity to hone their skills, increase their knowledge and expertise, which will invariably be demonstrated on the job.

The formalization of our approach to training was advanced during the 2007 Financial Year when we succeeded in our application to register the NCB Staff Training Centre as a tertiary institution. This is an important precursor in the process of transforming that Centre to a corporate university. We are now moving forward to complete the accreditation requirements set by the University Council of Jamaica. When this is in place, our employees can receive appropriate tertiary or professional qualifications when they successfully complete our training courses.

Expertise

Consistent with our aim to cultivate the most talented employees in the financial services industry is our goal to foster work-life balance. At NCB, our employees are encouraged to follow a healthy lifestyle, which we believe positively impacts their ability to realize their full potential, as well as to serve our customers and carry out their jobs with a high level of expertise and professionalism. While training and development is a large part of our human resource strategy, our wellness policies are also a priority.

During the period under review, employees participated in workshops on retirement planning and nutrition management and benefited from access to improved family care through the expansion of our Early Childhood Development Centre which provides homework and other learning activities for their young children. The NCB Wellness & Recreation Centre continued to be a haven of after-work relaxation as we introduced more social activities and saw full attendance in our state of the art gym consistently throughout the year.

We remained committed to the provision of a positive and safe work environment through policy formation that sought to keep employees healthy and informed. In support of this, a number of wellness policies were developed and communicated during the year. These included:-

1. **An HIV/AIDS Policy** outlining issues relating to job security, equal benefits, education and procedures for care and support
2. **An Occupational Health and Safety Policy** aligned with laws and regulations under the International Labor Organization (ILO) geared at promoting a safe and healthy workplace
3. **A Communicable Disease Policy** intended to educate and protect our employees from communicable diseases and to assist with their care and recovery.

We recognize at NCB that for our organization to be sustainable, it must continue to invest in its greatest asset, its employees. We are committed to using our group human resource function to drive the strategic activities that will maximize the impact of our expertise, provided diligently and steadfastly by our dedicated team of NCB staff members.

Faces of NCB

(l-r in back)

Karlene Bailey

V. P., Investments,
NCB Capital Markets

Peter Higgins

Asst. General Manager
Foreign Exchange Trading

Gerry Wight

Senior Asst. General Manager,
Corporate Banking

Bernadette Barrow

Asst. General Manager
Small & Medium Enterprises

(l-r in front)

Claudette Rodriquez

Manager, Card Acquiring

Audrey Chin

Senior Vice President,
Bus. Dev. & Client Relations
NCB Insurance

Sharon Williams

Manager, Personal Banking
& Service Quality

Andre Ho Lung

V. P. Investments,
NCB Insurance

Barbara Hume

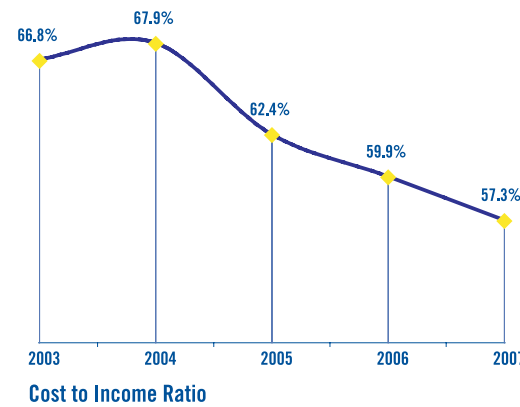
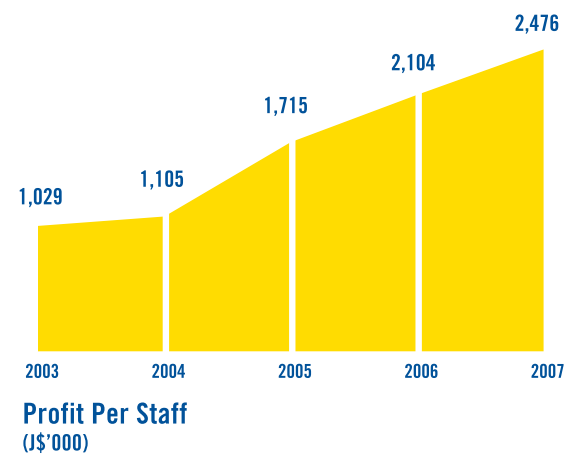
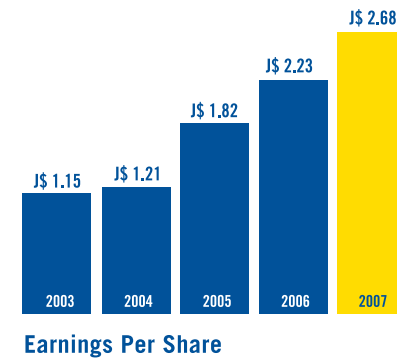
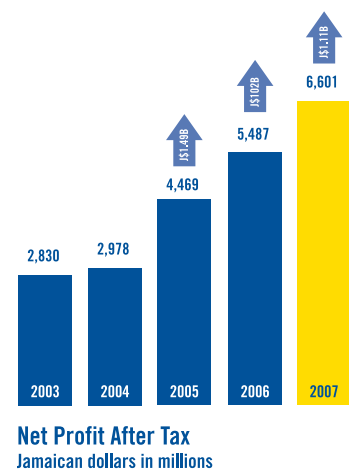
Senior Asst. General Manager
Corporate Banking



Strength

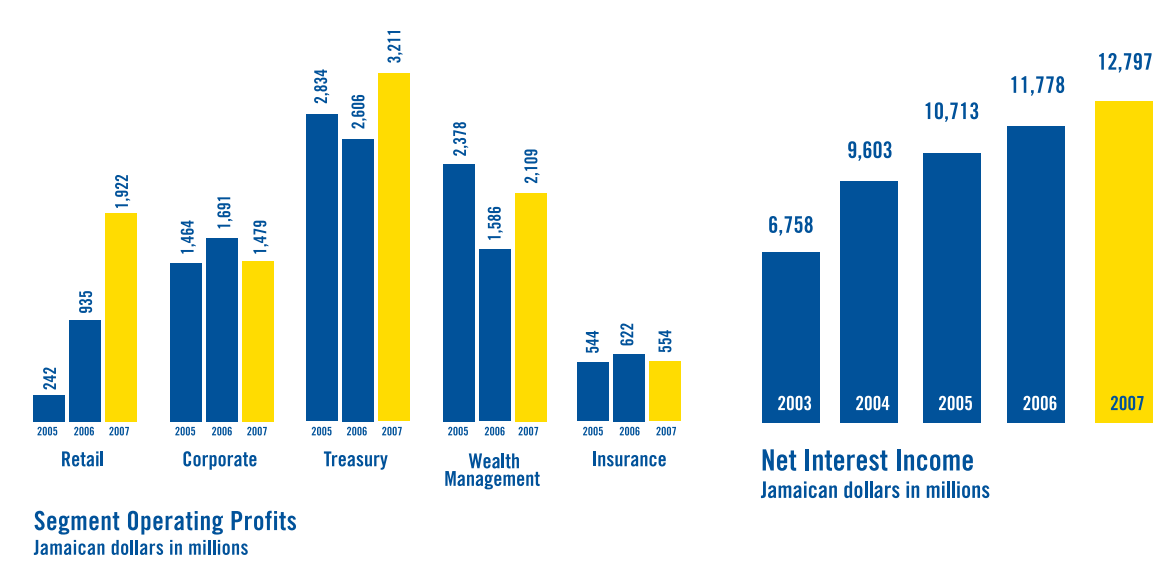
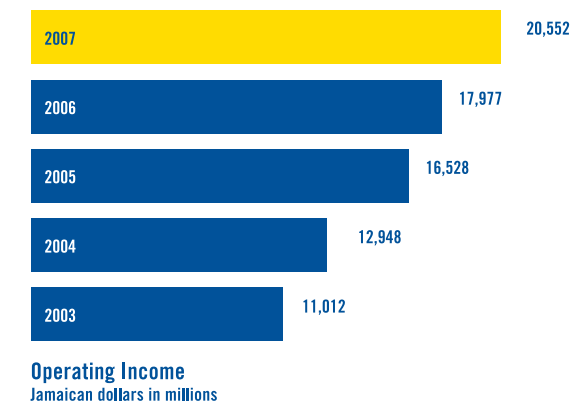
We generated a higher level of profits in the 2007 financial year by focusing on the right things: customer loyalty, employee development, expense control and revenue expansion. The results highlight the benefits of our continuous focus to establish ourselves as the employer and financial institution of first choice for highly skilled individuals and a diverse set of customers in a dynamic and competitive financial services sector.

The Group's cost-to-income ratio improved to end the financial year at a record low of 57.3% (prior year - 59.9%), highlighting the emphasis placed on eliminating rework, improving processes and maintaining cost control. The net profit per employee was J\$2.48M, an increase of 18% over the per capita profit in 2006.



Our banking, brokerage and insurance businesses have capitalised on the opportunities provided by our extensive network while our diversified business mix provided a steady revenue stream in a challenging environment. The combined results of our business segments saw Operating Income growing to J\$20.55 billion.

Strength

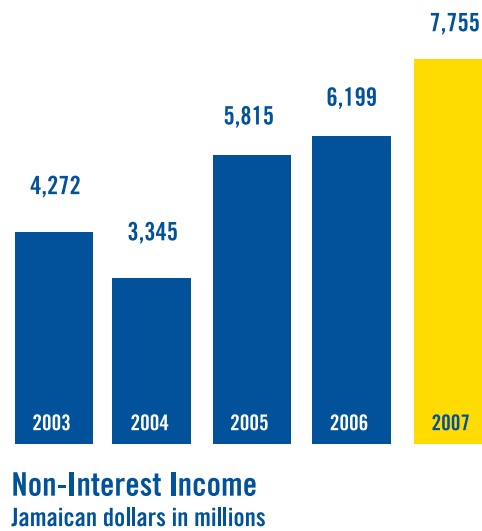


Net Interest Income

During the 2007 Financial Year, the Group's net interest income increased by J\$1.02B or 9% primarily due to the growth in our balance sheet, but this growth was diminished by the compression of our interest rate spreads. The movements in the balance sheet items which impacted net interest income are:

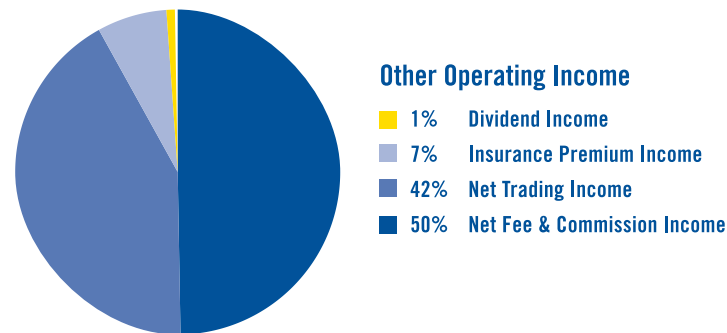
- Net Loans increased by J\$14B or 34% over the prior year,
- Investment Securities rose by J\$19B or 16% over the 2006 Financial Year,
- Customer deposits and borrowed funds increased by J\$24B or 13% over the prior year.

Strength



Non-Interest Income

Other income which comprises mainly our fee & commission income and trading income grew to J\$7,755M or 25% above the previous year's earnings. The major source of growth relates to the increase in our net fee and commission income which closed the financial year at J\$3,756M or 18% better than the gross fee and commission income achieved during the 2006 Financial Year. Net trading income also performed admirably during the 2007 financial year, increasing by J\$845M over the performance during the 2006 Financial Year.

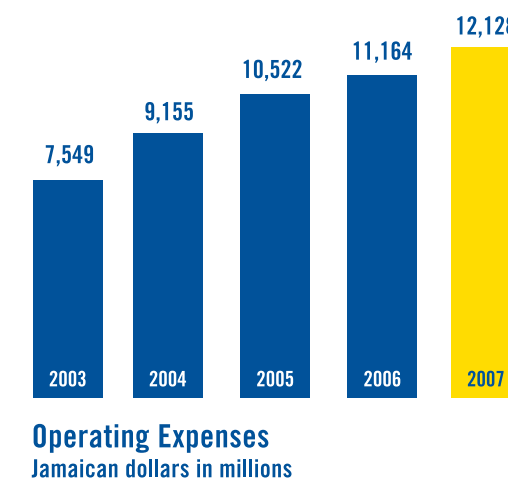


Operating Expenses

Operating expenses closed the 2007 Financial Year at J\$12.1B, an increase of J\$968M or 9% over the prior year. Staff costs, which account for 58% of total operating expenses, increased by J\$1,032M or 17% over the 2006 Financial Year and the award of a 13% salary increase related to the financial year ending September 2007 contributed significantly to this increase.

Our loan loss provision of J\$278M for the 2007 Financial Year was J\$122M higher than the provision expenses during the 2006 Financial Year. As at September 30, 2007, NCB's non-performing loans represent 2.56% of gross loans compared to 3.66% as at September 30, 2006.

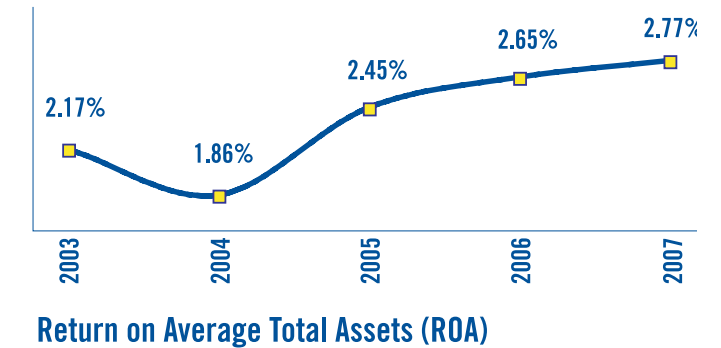
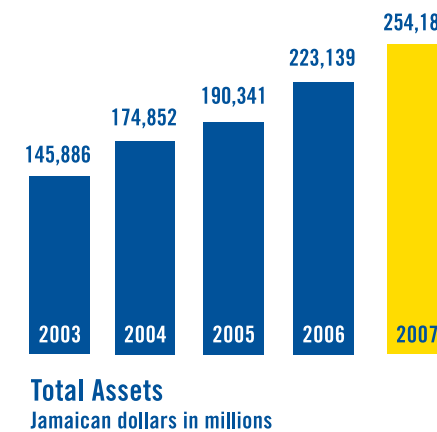
Strength



Asset Performance

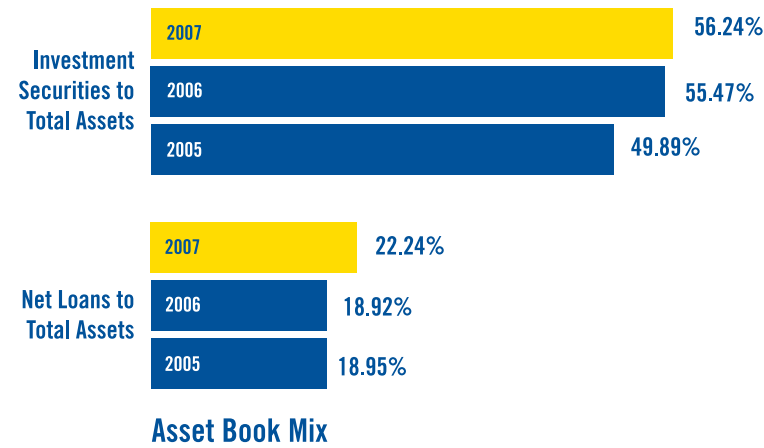
The total asset base of the Group increased by J\$31B or 14%, moving from J\$223.1B as at September 30, 2006 to close the 2007 Financial Year at J\$254.2B. The asset growth was funded mainly by increases in customer deposits, repurchase agreements, securitisation agreements and retained earnings.

Our Return on Average Assets increased from 2.65% for the 2006 Financial Year to 2.77% for the 2007 which highlights our awareness of the need to grow our balance sheet efficiently.

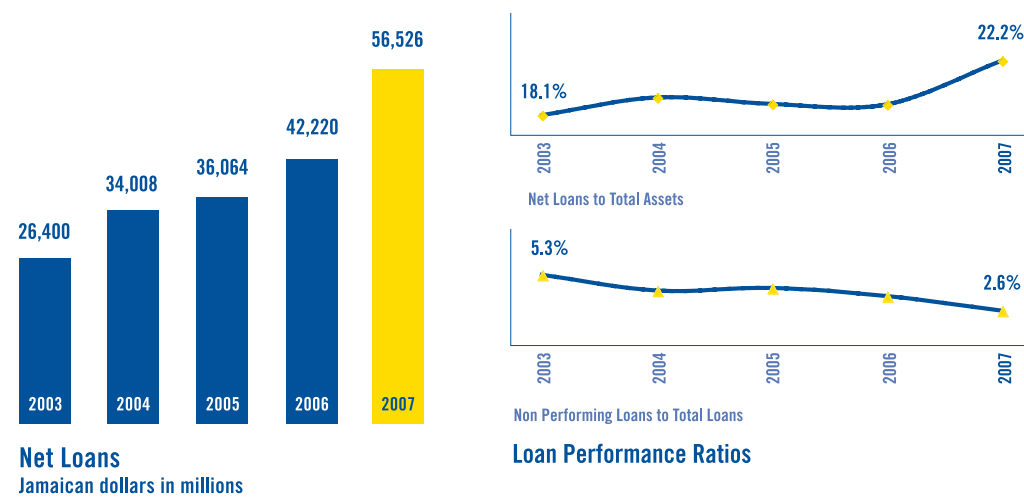


The major increases in the asset base of the bank were from Investment Securities which grew by 16% and Net Loans which increased by 34%. The investment securities are held primarily to meet the Bank's statutory liquidity requirements and also to maintain the operating liquidity levels required to ensure the Bank is able to effectively respond to market swings.

Strength



Net Loans & Advances increased by J\$14.3B or 34% and the aggregate amount of non-performing loans amounted to J\$1.475B compared to J\$1.60B as at September 30, 2006.

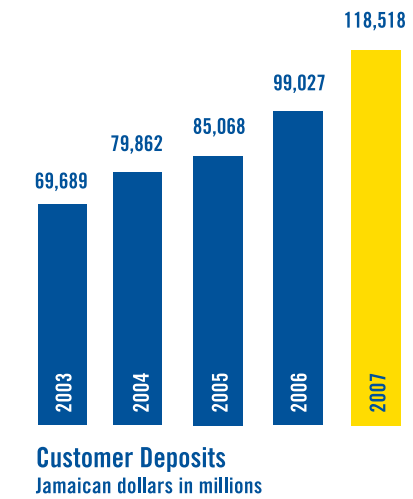


Provisions for loan losses are considered adequate and are continually evaluated due to the uncertainty of market conditions. The provision for credit losses of J\$2.2B represented 151% of non-performing loans, compared to 145% as at September 2006. The difference between the statutory provision for credit losses and the International Financial Reporting Standards (IFRS) provision is credited to a non-distributable reserve - Loan Loss Reserve. The balance in the Loan Loss Reserve was J\$231M as at the end of the 2007 Financial Year. The Bank's provisioning policy is in compliance with the Bank of Jamaica regulations.

Funding

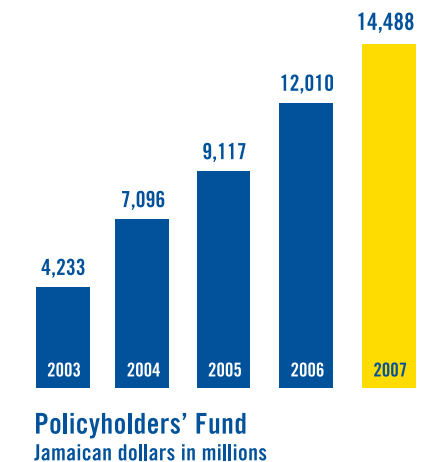
The Bank achieved an increase in the level of its customer deposit base, despite the competitive landscape. Customer deposits increased by 20%, jumping from J\$99.0B at September 2006 to J\$119B as at September 2007. This growth in our deposits underscores the continued public confidence exhibited in the Bank. We will continue to focus our efforts on garnering more deposits while ensuring that we continue to provide more innovative investment solutions through our subsidiaries.

Strength



During the 2007 Financial Year, we were able to further diversify our funding mix by raising an additional US\$50M in financing through our Diversified Payment Rights securitization arrangements.

Despite the falling interest rate environment, policyholders' liabilities increased significantly by J\$2.5B or 21% to close the 2007 Financial Year at J\$14.5B.

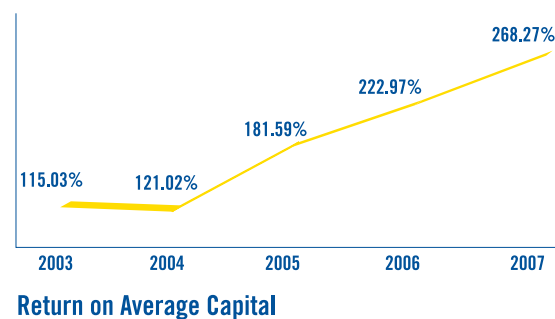
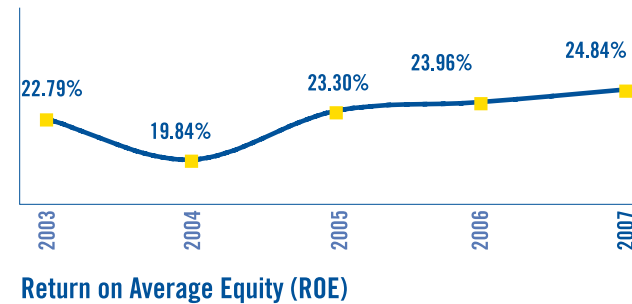
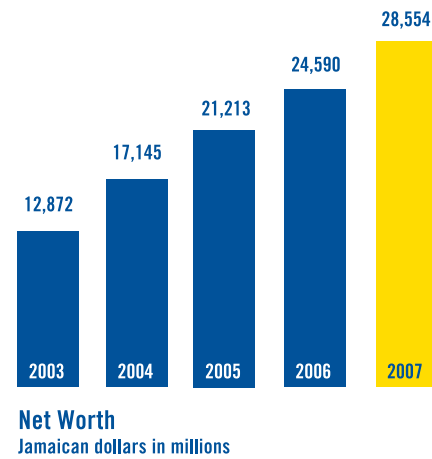


Capital

The Group's total stockholders equity as at the end of the 2007 Financial Year was J\$28.6B, an increase of J\$4.0B or 16% when compared to the stockholders' equity as at September 30, 2006.

National Commercial Bank is well capitalized as evidenced by the international benchmark of capital adequacy; the Risk-based Capital Ratio was 14.51% at September 30, 2007 (17.28% at September 30, 2006). The Bank's statutory capital base as at September 30, 2007 was J\$13.6B.

Strength



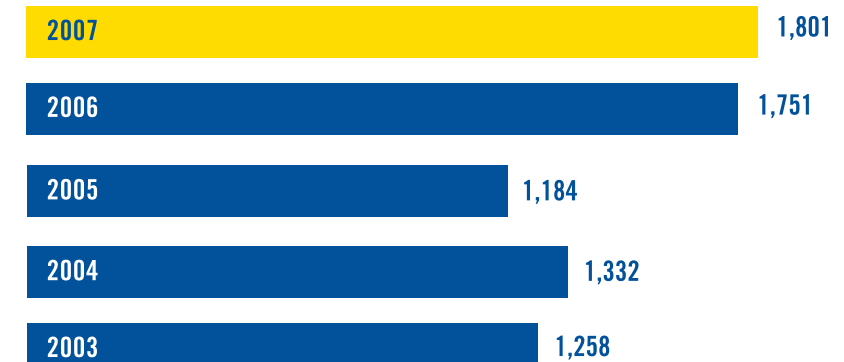
Dividend Policy

We have maintained the policy of paying quarterly dividends in line with the earnings trend, while ensuring that sufficient capital is maintained to protect customer deposits and manage the growth of the Banks' business. The dividend payout ratio, which is computed as the gross dividends paid, expressed as a percentage of the net profit after tax was 27.3% compared to 31.9% for the 2006 Financial Year.

Dividends per share rose to J\$0.73 in 2007, a 3% increase over the 2006 Financial Year level of J\$0.71. Total dividends paid to stockholders in the 2007 Financial Year totalled J\$1,801M, which was an increase of J\$49M over the previous year's gross payout.

The share price as at September 30, 2007 was J\$22.01 per share and this resulted in a dividend yield of 3.32%.

Strength



Dividends

Jamaican dollars in millions

Risk Management

Our business exposes us to certain types of risk including credit risk, market risk, liquidity risk and operational risk. NCB's risk governance framework has been structured around the main objective of preserving and maximising shareholder value. Our risk management strategy is supported by four main components: our business units, our independent risk management function, internal audit and compliance units and our Risk Committees.

Our business units are responsible for identifying, quantifying, mitigating and managing all risks. We believe that our management processes, structure and policies allow us to place the ownership and accountability of risk with the business units, since they are intimate with the changing nature of risks and best able to act on our behalf in managing and mitigating those risks.

Our risk management function proactively works with the business units and senior management to ensure we have a continuous, strategic focus on key risks and emerging trends which may change our risk oversight. All business units are managed within the approved risk limits set by the risk management organisation which has an objective view of our risk-taking activities.

The Internal Audit Division of NCB acts as an objective unit within the Group, providing a reasonable assessment of our internal control environment which includes our management systems, risk governance, and policies and procedures. The reviews carried out by the Internal Audit Division are designed to provide assurance that resources are safeguarded, and that managerial information is complete, accurate and reliable. The Compliance unit has responsibility for ensuring our actions comply with our business policies and procedures and applicable laws and regulations.

The Risk Committees provide a mechanism to bring together the many perspectives of our management team to discuss risk issues, monitor risk-taking activities and to evaluate specific transactions and exposures. All Risk Committees ultimately report to the Board of Directors and they are charged with monitoring the direction and trend of risks relative to business strategies, market conditions and other external factors.

[The various types of risk are further defined within the risk notes of the Financial Statements]

The Directors submit herewith the Consolidated Profit and Loss Account of National Commercial Bank Jamaica Limited and its subsidiaries for the year ended 30 September 2007, together with the Consolidated Balance Sheet as at that date:

Operating Results

	\$'000
Gross operating revenue	33,752,955
Profit before taxation	<u>8,593,844</u>
Taxation	(1,992,418)
Net profit	<u>6,601,426</u>

Dividends

The following dividends were paid during the year:

- \$0.22 per ordinary stock unit was paid in December 2006
- \$0.13 per ordinary stock unit was paid in February 2007
- \$0.29 per ordinary stock unit was paid in May 2007
- \$0.09 per ordinary stock unit was paid in August 2007

Directors

The Board of Directors comprises:

Mr. Michael A. Lee-Chin – Chairman
 Mr. Patrick A.A. Hylton, CD – Group Managing Director
 Mr. Dennis Cohen – Deputy Group Managing Director
 Mr. Wayne C. Chen
 Dr. Nigel Andrew Lincoln Clarke
 Mrs. Sandra A.C. Glasgow
 Hon. Noel A.A. Hylton, OJ, CD, Hon. LL D
 Mr. Donovan Anthony Lewis
 Mrs. Thalia Lyn
 Professor Alvin G. Wint
 Rt. Hon. Justice Edward Zacca, OJ., PC

Mrs. Jennifer Dewdney-Kelly – Company Secretary

Mr. Aylmer Desmond Blades (resigned effective 30 December 2006)
 Mr. Herbert I. Phillipps (Jr.) (resigned effective 22 August 2007)

Pursuant to Article 97 of the Company's Articles of Association, one third of the Directors (or the number nearest to one third) other than the Managing Director and Deputy Managing Director will retire at the Annual General Meeting and shall then be eligible for re-election. Pursuant to Article 103 of the Company's Articles of Association, any Director appointed by the Board, either to fill a casual vacancy, or as an addition to the existing Board will retire at the Annual General Meeting and shall then be eligible for re-election.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and offer themselves for re-appointment.

On behalf of the Board



Jennifer Dewdney Kelly
Secretary

Independent Auditors' Report

To the Members of
National Commercial Bank Jamaica Limited

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of National Commercial Bank Jamaica Limited and its subsidiaries ("the Group"), and the accompanying financial statements of National Commercial Bank Jamaica Limited ("the Bank") standing alone, set out on the following pages 40 to 114, which comprise the consolidated and Bank balance sheets as of 30 September 2007 and the consolidated and Bank profit and loss accounts, statements of changes in stockholders' equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as of 30 September 2007, and of the financial performance and cash flows of the Group and the Bank for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.



Chartered Accountants
 12 November 2007
 Kingston, Jamaica

Year ended 30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 \$'000	2006 \$'000
Operating Income			
Interest income from loans		8,135,324	7,345,494
Interest income from securities		<u>16,898,046</u>	<u>15,669,297</u>
Total interest income		25,033,370	23,014,791
Interest expense		<u>(12,236,593)</u>	<u>(11,236,655)</u>
Net interest income		<u>12,796,777</u>	<u>11,778,136</u>
Fee and commission income	6	4,720,843	3,965,699
Fee and commission expense		<u>(964,783)</u>	<u>(791,094)</u>
Net fee and commission income		<u>3,756,060</u>	<u>3,174,605</u>
Net trading income	7	3,201,336	2,356,046
Dividend income	8	88,032	98,768
Insurance premium income		523,200	389,678
Other operating income		<u>186,174</u>	<u>179,720</u>
		<u>3,998,742</u>	<u>3,024,212</u>
		<u>20,551,579</u>	<u>17,976,953</u>
Operating Expenses			
Staff costs	10	6,987,550	5,955,835
Provision for credit losses	22	277,603	155,786
Depreciation and amortisation		889,246	1,028,085
Impairment losses	11	80,340	244,257
Other operating expenses	9	<u>3,893,562</u>	<u>3,780,421</u>
		<u>12,128,301</u>	<u>11,164,384</u>
Operating Profit		<u>8,423,278</u>	<u>6,812,569</u>
Share of profit of associates	24	<u>170,566</u>	<u>117,985</u>
Profit before Taxation	12	8,593,844	6,930,554
Taxation	14	<u>(1,992,418)</u>	<u>(1,443,929)</u>
NET PROFIT	15	<u>6,601,426</u>	<u>5,486,625</u>
Earnings per stock unit (expressed in \$ per share)			
Basic and diluted	17	<u>2.68</u>	<u>2.23</u>

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 \$'000	2006 \$'000
ASSETS			
Cash and balances at Bank of Jamaica	18	15,307,128	12,039,998
Due from other banks	19	18,977,969	13,851,703
Investment securities at fair value through profit and loss	20	1,025,768	1,151,266
Reverse repurchase agreements	21	11,425,030	22,963,218
Loans and advances, net of provision for credit losses	22	56,525,564	42,219,840
Investment securities – available-for-sale	23	141,929,771	122,614,171
Investments in associates	24	2,034,921	1,992,771
Investment properties	25	13,000	13,000
Intangible asset – computer software	26	290,786	458,505
Property, plant and equipment	27	3,778,092	3,754,324
Retirement benefit asset	30	11,627	10,118
Deferred income tax assets	29	289,975	133,047
Income tax recoverable		877,584	483,171
Other assets	28	1,260,943	1,156,084
Customers' liability - letters of credit and undertaking		435,196	297,588
Total Assets		<u>254,183,354</u>	<u>223,138,804</u>
LIABILITIES			
Due to other banks	31	4,777,587	7,056,889
Customer deposits		118,518,051	99,026,503
Derivative financial instruments	32	77,169	68,965
Promissory notes and certificates of participation		319,993	2,290,799
Repurchase agreements		51,305,167	50,344,707
Obligations under securitisation arrangements	32	26,409,833	21,398,964
Other borrowed funds	33	4,983,835	2,523,569
Income tax payable		1,260	3,482
Deferred income tax liabilities	29	261,309	606,247
Policyholders' liabilities	34	14,487,602	12,010,182
Provision for litigation	35	36,000	33,907
Retirement benefit obligations	30	290,549	252,313
Other liabilities	36	3,725,777	2,634,702
Liability- letters of credit and undertaking		435,196	297,588
Total liabilities		<u>225,629,328</u>	<u>198,548,817</u>
STOCKHOLDERS' EQUITY			
Share capital	37	6,465,731	6,465,731
Shares held by NCB Employee Share Scheme	37	(3,867)	(3,867)
Fair value and other reserves	38	1,595,550	2,436,611
Loan loss reserve	39	231,235	252,985
Banking reserve fund	40	2,607,000	1,963,000
Retained earnings reserve	41	4,519,761	4,519,761
Retained earnings	16	13,138,616	8,955,766
Total stockholders' equity		<u>28,554,026</u>	<u>24,589,987</u>
Total equity and liabilities		<u>254,183,354</u>	<u>223,138,804</u>

Approved for issue by the Board of Directors on 12 November 2007 and signed on its behalf by:



Director



Director



Director



Secretary

Year ended 30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

Share Capital	Shares Held by Share Scheme	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	\$'000
2,466,763	(3,867)	4,453,752	2,343,004	211,590	1,609,000	3,119,761	7,013,460	21,213,463
-	-	-	34,290	-	-	-	-	34,290
-	-	-	433,240	-	-	-	-	433,240
-	-	-	(1,178,458)	-	-	-	-	(1,178,458)
-	-	-	349,751	-	-	-	-	349,751
-	-	-	(361,177)	-	-	-	-	(361,177)
-	-	-	-	-	-	-	5,486,625	5,486,625
-	-	-	-	-	-	-	(1,748,924)	(1,748,924)
3,998,968	-	(4,453,752)	454,784	-	-	-	-	-
-	-	-	-	41,395	-	-	(41,395)	-
-	-	-	-	-	1,400,000	-	(1,400,000)	-
-	-	-	-	-	354,000	-	(354,000)	-
6,465,731	(3,867)	-	2,436,611	252,985	1,963,000	4,519,761	8,955,766	24,589,987
-	-	-	64,626	-	-	-	-	64,626
-	-	-	(351,208)	-	-	-	-	(351,208)
-	-	-	(513,310)	-	-	-	-	(513,310)
-	-	-	(41,169)	-	-	-	-	(41,169)
-	-	-	(841,061)	-	-	-	-	(841,061)
-	-	-	-	-	-	-	6,601,426	6,601,426
-	-	-	-	-	-	-	(1,796,326)	(1,796,326)
-	-	-	-	(21,750)	-	-	21,750	-
-	-	-	-	-	644,000	-	(644,000)	-
6,465,731	(3,867)	-	1,595,550	231,235	2,607,000	4,519,761	13,138,616	28,554,026

Balance as at 1 October 2005

Currency translation differences
Unrealised gains on available-for-sale investments,
net of taxes

Realised fair value gains transferred to Consolidated
Profit and Loss Account

Share of equity movement in associates

Net losses not recognised in

Consolidated Profit and Loss Account

Net profit

Dividends paid

Transfer of share premium

Transfer to Loan Loss Reserve

Transfer to Retained Earnings Reserve

Transfer to Banking Reserve Fund

Balance at 30 September 2006

Currency translation differences

Unrealised losses on available-for-sale investments,
net of taxes

Realised fair value gains transferred to Consolidated
Profit and Loss Account

Share of equity movement in associates

Net losses not recognised in Consolidated Profit
and Loss Account

Net profit

Dividends paid

Transfer from Loan Loss Reserve

Transfer to Banking Reserve Fund

Balance at 30 September 2007

Year ended 30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 \$'000	2006 \$'000
Cash Flows from Operating Activities			
Net cash provided by operating activities	42	24,708,833	21,045,300
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment		(630,055)	(841,130)
Acquisition of intangible asset – computer software		(165,283)	(86,729)
Proceeds from disposal of property, plant and equipment		55,905	51,942
Dividends received from associates		37,287	37,287
Investment securities, net		(28,104,768)	(14,718,451)
Net cash used in investing activities		(28,806,914)	(15,557,081)
Cash Flows from Financing Activities			
Drawdowns under securitisation arrangements		3,327,211	12,255,011
Repayments under securitisation arrangements		-	(2,480,447)
Other borrowed funds		2,448,746	1,374,123
Dividends paid		(1,796,326)	(1,748,924)
Net cash provided by financing activities		3,979,631	9,399,763
Effect of exchange rate changes on cash and cash equivalents		1,795,637	964,198
Net increase in cash and cash equivalents		1,677,187	15,852,180
Cash and cash equivalents at beginning of year		25,836,501	9,984,321
Cash and Cash Equivalents at End of Year		27,513,688	25,836,501
Comprising:			
Cash and balances at Bank of Jamaica	18	4,992,675	3,021,217
Due from other banks	19	18,977,969	13,851,703
Investment securities – available-for sale	23	8,320,631	16,020,470
Due to other banks	31	(4,777,587)	(7,056,889)
		27,513,688	25,836,501

Year ended 30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 \$'000	2006 \$'000
Operating Revenue			
Interest income from loans		8,114,962	7,327,366
Interest income from securities		8,915,473	7,732,590
Total interest income		17,030,435	15,059,956
Interest expense		(6,485,176)	(5,331,922)
Net interest income		10,545,259	9,728,034
Fee and commission income	6	4,213,217	3,499,014
Fee and commission expense		(866,737)	(718,942)
Net fee and commission income		3,346,480	2,780,072
Net trading income	7	2,003,406	1,353,915
Dividend income	8	88,774	88,305
Other operating income		157,862	101,530
		2,250,042	1,543,750
		16,141,781	14,051,856
Operating Expenses			
Staff costs	10	5,854,494	5,085,496
Provision for credit losses	22	277,603	155,786
Depreciation and amortisation		828,048	974,504
Impairment loss	11	71,633	-
Other operating expenses		3,454,702	3,383,023
		10,486,480	9,598,809
Profit before Taxation	12	5,655,301	4,453,047
Taxation	14	(1,360,078)	(916,196)
NET PROFIT		4,295,223	3,536,851

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 \$'000	2006 \$'000
ASSETS			
Cash and balances at Bank of Jamaica	18	14,872,967	11,431,160
Due from other banks	19	17,362,968	12,996,287
Reverse repurchase agreements	21	1,847,473	3,550,634
Loans and advances, net of provision for credit losses	22	56,183,173	41,962,572
Investment securities – available-for-sale	23	81,365,884	72,572,557
Investments in associates	24	471,534	543,167
Investments in subsidiaries		1,606,017	1,606,017
Intangible asset – computer software	26	245,064	418,760
Property, plant and equipment	27	3,717,327	3,697,328
Deferred income tax assets	29	289,975	133,047
Income tax recoverable		267,426	47,905
Other assets	28	777,949	816,229
Customers' liability - letters of credit and undertaking		435,196	297,588
Total Assets		179,442,953	150,073,251
LIABILITIES			
Due to other banks	31	4,803,945	7,056,889
Customer deposits		117,156,445	98,790,273
Derivative financial instruments	32	77,169	68,965
Repurchase agreements		7,381,265	2,496,623
Obligations under securitisation arrangements	32	26,409,833	21,398,964
Other borrowed funds	33	2,336,173	2,223,569
Provision for litigation	35	36,000	33,907
Retirement benefit obligations	30	290,549	252,313
Other liabilities	36	2,530,482	1,670,943
Liability- letters of credit and undertaking		435,196	297,588
Total liabilities		161,457,057	134,290,034
STOCKHOLDERS' EQUITY			
Share capital	37	6,465,731	6,465,731
Fair value and other reserves	38	338,556	630,363
Loan loss reserve	39	231,235	252,985
Banking reserve fund	40	2,607,000	1,963,000
Retained earnings reserve	41	4,519,761	4,519,761
Retained earnings		3,823,613	1,951,377
Total stockholders' equity		17,985,896	15,783,217
Total equity and liabilities		179,442,953	150,073,251

Approved for issue by the Board of Directors on 12 November 2007 and signed on its behalf by:



Director



Director



Director



Secretary

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Year ended 30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

	Share Capital \$'000	Share Premium \$'000	Fair Value and Other Reserves \$'000	Loan Loss Reserve \$'000	Banking		Retained Earnings \$'000	Total \$'000
					Reserve Fund \$'000	Earnings Reserve \$'000		
Balance as at 1 October 2005	2,466,763	3,998,968	1,042,265	211,590	1,609,000	3,119,761	1,961,323	14,409,670
Unrealised losses on available-for-sale investments, net of taxes	-	-	(50,948)	-	-	-	-	(50,948)
Realised fair value gains transferred to Profit and Loss Account	-	-	(360,954)	-	-	-	-	(360,954)
Net losses not recognised in Profit and Loss Account	-	-	(411,902)	-	-	-	-	(411,902)
Net profit	-	-	-	-	-	-	3,536,851	3,536,851
Dividends paid	-	-	-	-	-	-	(1,751,402)	(1,751,402)
Transfer of share premium	3,998,968	(3,998,968)	-	-	-	-	-	-
Transfer to Loan Loss Reserve	-	-	-	41,395	-	-	(41,395)	-
Transfer to Retained Earnings Reserve	-	-	-	-	1,400,000	-	(1,400,000)	-
Transfer to Banking Reserve Fund	-	-	-	-	354,000	-	(354,000)	-
Balance at 30 September 2006	6,465,731	-	630,363	252,985	1,963,000	4,519,761	1,951,377	15,783,217
Unrealised losses on available-for-sale investments, net of taxes	-	-	(293,526)	-	-	-	-	(293,526)
Realised fair value losses transferred to Profit and Loss Account	-	-	1,719	-	-	-	-	1,719
Net losses not recognised in Profit and Loss Account	-	-	(291,807)	-	-	-	-	(291,807)
Net profit	-	-	-	-	-	-	4,295,223	4,295,223
Dividends paid	-	-	-	-	-	-	(1,800,737)	(1,800,737)
Transfer from Loan Loss Reserve	-	-	-	(21,750)	-	-	21,750	-
Transfer to Banking Reserve Fund	-	-	-	-	644,000	-	(644,000)	-
Balance at 30 September 2007	6,465,731	-	338,556	231,235	2,607,000	4,519,761	3,823,613	17,985,896

STATEMENT OF CASH FLOWS

Year ended 30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 \$'000	2006 \$'000
Cash Flows from Operating Activities			
Net cash provided by operating activities	42	15,935,739	5,789,274
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment		(596,824)	(805,274)
Acquisition of intangible asset – computer software		(107,057)	(67,713)
Proceeds from disposal of property, plant and equipment		35,390	49,393
Investment in subsidiaries		-	(149,047)
Investment securities, net		(17,253,752)	(2,856,827)
Net cash used in investing activities		(17,922,243)	(3,829,468)
Cash Flows from Financing Activities			
Drawdowns under securitisation arrangements		3,327,211	12,255,011
Repayments under securitisation arrangements		-	(2,480,447)
Other borrowed funds		83,635	1,073,808
Dividends paid		(1,800,737)	(1,751,402)
Net cash provided by financing activities		1,610,109	9,096,970
Effect of exchange rate changes on cash and cash equivalents		1,781,926	963,645
Net increase in cash and cash equivalents		1,405,531	12,020,421
Cash and cash equivalents at beginning of year		22,712,252	10,691,831
Cash and Cash Equivalents at End of Year		24,117,783	22,712,252
Comprising:			
Cash and balances at Bank of Jamaica	18	4,558,514	2,412,379
Due from other banks	19	17,362,968	12,996,287
Investment securities – available-for-sale	23	7,000,246	14,360,475
Due to other banks	31	(4,803,945)	(7,056,889)
		24,117,783	22,712,252

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

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% 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 September 2007</u>	<u>30 September 2006</u>
		Data-Cap Processing Limited	Data Processing
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 Remittance Services (Jamaica) Limited	Money Remittance Services	100	100
NCB Remittance Services (UK) Limited	Money Remittance Services	100	100
N.C.B. (Investments) Limited	Money Market Trading	100	100
N.C.B. Jamaica (Nominees) Limited	Registrar 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.

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

The Group’s associates are as follows:

	<u>Principal Activities</u>	<u>Percentage Ownership by Group</u>	
		<u>30 September 2007</u>	<u>30 September 2006</u>
		Kingston Wharves Limited	Wharf Operations and Stevedoring
Dyoll Group Limited	Coffee cultivation and other activities	44.47	44.47

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investment securities, investment securities at fair value through profit and loss, derivative contracts and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are significant to the consolidated financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2007

Certain interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new interpretations and amendments, and has adopted the following standards and interpretations, which are relevant to its operations.

The following standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 1 January 2006:

IFRIC 4	Determining whether an Arrangement contains a Lease
IAS 19 (Amendment)	Employee Benefits
IAS 39 (Amendment)	The Fair Value Option
IAS 39 and IFRS 4 (Amendment)	Financial Guarantee Contracts
IFRS 1 (Amendment)	First-time Adoption of International Financial Reporting Standards

There was no impact on opening retained earnings at 1 October 2006 from the adoption of any of the above-mentioned standards.

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at the balance sheet date, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

- **IFRS 7 - Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures** (effective for annual periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

Standards, interpretations and amendments to published standards that are not yet effective (cont'd)

the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 October 2007;

- **IFRIC 10 - Interim Financial Reporting and Impairment** (effective for annual periods beginning on or after 1 November 2006) IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1 October 2007, but it is not expected to have any impact on the Group's accounts; and
- **IFRS 8 - Operating Segments** (effective for annual periods beginning on or after 1 January 2009) IFRS 8 sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It requires identification of operating segments on the basis of internal reports that are regularly reviewed by, and the amount reported for each operating segment item to be the measure reported to, the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. IFRS 8 will replace IAS 14 – Segment Reporting. The Group assessed the impact of IFRS 8 and concluded that there will be no material impact on the presentation of the accounts. The Group will apply IFRS 8 from 1 October 2009.

The Group has concluded that the following interpretations to existing standards, which are published but not yet effective, are not relevant to the Group's operations:

- **IFRIC 11 - IFRS 2 - Group and Treasury Share Transactions** (effective for annual periods beginning on or after 1 March 2007)
- **IFRIC 12 - Service Concession Arrangements** (effective for annual periods beginning on or after 1 January 2008)

(b) Consolidation

The consolidated financial statements comprise those of the Bank and its subsidiaries presented as a single economic entity. Intra-group transactions, balances and unrealised gains and losses are eliminated in preparing the consolidated financial statements.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern financial and

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2. Significant Accounting Policies (cont'd)

(b) Consolidation (cont'd)

(i) Subsidiaries (cont'd)

operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) 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 30 June for the purposes of consolidation. Adjustments are made for significant transactions or events that occur between that date and 30 September.

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.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Jamaican dollars, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate.

Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the profit and loss account.

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the profit and loss account (applicable for trading securities), or within stockholders' equity if non-monetary financial assets are classified as available-for-sale.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

(e) Revenue recognition

(i) Interest income and expense

Interest income and expense are recognised in the profit and loss account for all interest-bearing instruments on an accrual basis using the effective interest method based on

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

(e) Revenue recognition (cont'd)

(i) Interest income and expense (cont'd)

the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount on treasury bills and other discounted instruments.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering the contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on the cash basis. IFRS require that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

(ii) Fee and commission income

Fee and commission income is generally recognised on an accrual basis when the service has been provided. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective interest on the loan. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(f) Income taxes

Taxation expense in the profit and loss account comprises current and deferred income tax charges.

Current income tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted at balance sheet date.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

(f) Income taxes (cont'd)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited to equity, in which case, deferred tax is also dealt with in equity.

(g) Investments

Investments are classified into the following categories: investment securities at fair value through profit and loss and available-for-sale securities. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Investment securities at fair value through profit and loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. They are initially recognised at fair value and transaction costs are expensed in the profit and loss account. They are subsequently carried at fair value. All related realised and unrealised gains and losses are included in net trading income.

Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or market prices. They are initially recognised at cost (including transaction costs), and subsequently remeasured at fair value. Unrealised gains and losses arising from changes in fair value of available-for-sale securities are recognised in stockholders' equity. When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in stockholders' equity are transferred to the profit and loss account.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Financial assets are assessed at each balance sheet date for objective evidence of impairment. A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

(g) Investments (cont'd)

amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

In the case of securities classified as available-for-sale, a significant or prolonged decline in the fair value below cost is considered an indicator of impairment. Significant or prolonged are assessed based on market conditions and other indicators. If any such evidence exists for available-for-sale financial asset, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment losses previously recognised in the profit and loss, is removed from equity and recognised in the profit and loss account. Impairment losses recognised on the equity instruments are not reversed through the profit and loss account.

All purchases and sales of investment securities are recognised at settlement date.

(h) Repurchase and reverse repurchase transactions

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(i) Derivatives

Derivative instruments are initially recognised at fair value on the date a derivative contract is entered into, and subsequently are re-measured at their fair value at each balance sheet. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives (interest rate swaps) are included in interest expense. This includes derivative transactions which, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules in International Accounting Standard (IAS) 39, Financial Instruments: Recognition and Measurement.

(j) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and balances at Bank of Jamaica (excluding statutory reserves), due from other banks, investment securities and due to other banks.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

(k) Loans and advances and provisions for credit losses

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.

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 these amounts are dealt with in a non-distributable loan loss reserve as an appropriation of retained earnings.

(l) Investment property

Investment property is held for long-term rental yields and is not occupied by the Group. Investment property is treated as a long-term investment and is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recorded in the profit and loss account.

(m) Property, plant and equipment

Land and buildings, except for investment property, are shown at deemed cost, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

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2. Significant Accounting Policies (cont'd)

(m) Property, plant and equipment (cont'd)

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates are as follows:

Freehold buildings	2 - 5%
Leasehold improvements	Period of lease
Computer equipment	33 1/3%
Office equipment and furniture	20%
Other equipment	5 - 7%
Motor vehicles	20 - 25%
Leased assets	Shorter of period of lease or useful life of asset

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the profit and loss account.

(n) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition and the fair value of the Group's share of the net identifiable assets of the acquiree. Goodwill on acquisition of associates is included in investments in associates. Goodwill is assessed annually for impairment.

(ii) Computer Software

Costs that are directly associated with acquiring identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs are amortised using the straight-line method

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

(n) Intangible assets(cont'd)

over their useful lives, not exceeding a period of five years. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred.

(o) Leases

(i) As Lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to the profit and loss account over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(ii) As Lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

(p) Insurance and investment contracts – classification, recognition and measurement Classification

The Group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline the company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Recognition and Measurement

(i) Insurance contracts

These contracts insure human life events (for example death or permanent disability) over a long duration. The accounting treatment differs according to whether the contract bears investment options or not. Under contracts that do not bear investment options, premiums are recognised as income when they become payable by the contract holder and benefits are recorded as an expense, net of reinsurance, when they are incurred.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

(p) Insurance and investment contracts – classification, recognition and measurement (cont'd)

Recognition and Measurement (cont'd)

(i) Insurance contracts (cont'd)

Under contracts that bear an investment option, insurance premiums received are initially recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrender charges and any withdrawals; the resulting liability is called the Life Assurance Fund. Income consists of fees deducted for mortality, policy administration and surrenders. Interest credited to the account balances and benefit claims in excess of the account balances incurred in the period are recorded as expenses in the profit and loss account.

Insurance contract liabilities are determined by an independent actuary using the Policy Premium Method of valuation as discussed in Note 4. These liabilities are, on valuation, adjusted through the profit and loss account to reflect the valuation determined under the Policy Premium Method.

(ii) Investment contracts

Under these contracts, insurance premiums are recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrenders. These liabilities are called the contract holders' account balances. Income consists of fees deducted for mortality, policy administration and surrenders. Interest credited to the account balances and benefit claims in excess of the account balances incurred in the period are recorded as expenses in the profit and loss account.

Benefits and claims payable represent the gross cost of all claims notified but not settled on the balance sheet date. Any reinsurance recoverable is shown as a receivable from the reinsurer.

(q) Reinsurance contracts held

The company enters into contracts with reinsurers under which it is compensated for losses on contracts it issues and which meet the classification requirements for insurance contracts as in note 2(p). The benefits to which the company is entitled under its reinsurance contracts held are recognised as reinsurance assets.

(r) Receivables and payables related to insurance ontracts and investment contracts

These are recognised when due and include amounts due to and from agents, brokers and insurance contract holders.

(s) Borrowings

Borrowings including those arising under securitisation arrangements are recognised initially at cost, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective yield method.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

(t) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(u) Employee benefits

(i) Pension plans

The Bank and its subsidiaries operate a number of retirement plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the relevant companies, taking into account the recommendations of independent qualified actuaries. The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to the profit and loss account over the employees' expected average remaining working lives. Past-service costs are recognised immediately in administrative expenses, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period), in this case, the past-service costs are amortised on a straight-line basis over the vesting period.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

(u) Employee benefits (cont'd)

(i) Pension plans (cont'd)

For defined contribution plans, the Group pays contributions to privately administered pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are charged to the profit and loss account in the period to which they relate.

(ii) Other post-retirement obligations

Group companies provide post-retirement health care benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to income over the expected remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

(v) Acceptances, guarantees, indemnities, letters of credit and undertakings

Where the Group and the Bank are the primary obligors under acceptances, guarantees, indemnities and letters of credit and undertakings the amounts are reported as a liability on the balance sheet. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset. Where the Group and the Bank are not the primary obligors, the amounts are disclosed in Note 51.

(w) Share capital

(i) Share issue cost

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, for the proceeds.

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are paid.

(iii) Treasury shares

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.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (cont'd)

(x) Fiduciary Activities

The Group acts as trustee and in other fiduciary capacities that result in holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

(y) Comparative information

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

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment losses on loans and advances

The Group reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit and loss account, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Estimates of future benefit payments and premiums from long term insurance contracts

The determination of the liabilities under long-term insurance contracts represents the liability for future benefits payable by the company based on contracts for the life assurance business in force at the balance sheet date using the Policy Premium Method. These liabilities represent the amount which, together with future premiums and investment returns will, in the opinion of the actuary, be sufficient to pay future benefits relating to contracts of insurance in force, as well as meet the expenses incurred in connection with such contracts. The Policy Premium method of valuation is based on assumptions of mortality, persistency, investment income, renewal expenses and other assumptions considered appropriate to be included in the basis for the determination of the liabilities of the company under the terms of its policy contracts in force. A margin for risk or uncertainty (adverse deviations) in

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (cont'd)

these assumptions is added to the liability. The assumptions are examined each year in order to determine their validity in light of current best estimates or to reflect emerging trends in the Group's experience.

4. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors pursuant to the Insurance Act appoints the Actuary. His responsibility is to carry out an annual valuation of the Group's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. In performing the valuation using the Policy Premium Method, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Group and the insurance policies in force.

The shareholders pursuant to the Companies Act appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the appointed Actuary and his report on the policyholders' liabilities.

5. Segment Reporting

The Group is organised into the following business segments:

- (a) Retail banking – This incorporates the provision of banking services to individual and small business clients.
- (b) Corporate banking – This incorporates the provision of banking services to large corporate clients.
- (c) Treasury – This incorporates the Bank's liquidity and investment management function, management of correspondent bank relationships, as well as foreign currency trading services.
- (d) Wealth management – This incorporates stock brokerage, securities trading, investment management, pension fund management and trustee services.
- (e) Insurance – This incorporates life insurance and insurance brokerage services.

Other operations of the Group include data processing, money remittance services and 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 per cent of the Group's external operating revenue, assets and capital expenditures.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (cont'd)

Year ended 30 September 2007	Banking			Wealth Management			Other \$'000	Eliminations \$'000	Consolidated \$'000
	Retail \$'000	Corporate \$'000	Treasury \$'000	Management \$'000	Insurance \$'000				
External operating revenue	9,024,365	3,534,399	10,998,233	7,632,071	2,533,016	30,871	-	33,752,955	
Operating revenue from other segments	6,127,406	(29,248)	1,191,404	67,850	107,289	65,431	(7,530,132)	-	
Operating revenue	15,151,771	3,505,151	12,189,637	7,699,921	2,640,305	96,302	(7,530,132)	33,752,955	
Segment result	1,921,838	1,478,624	3,210,660	2,109,056	553,964	42,384	(7,301)	9,309,225	
Unallocated corporate expenses								(885,947)	
Operating profit								8,423,278	
Share of profits of associates								170,566	
Profit before tax								8,593,844	
Taxation expense								(1,992,418)	
Net profit								6,601,426	
Segment assets	114,152,923	30,706,151	119,789,192	57,372,425	16,374,979	440,726	(91,472,701)	247,363,695	
Associates								2,034,921	
Unallocated assets								4,784,738	
Total assets	103,193,906	24,742,581	117,160,384	49,042,264	14,606,135	170,506	(88,324,515)	220,591,261	
Segment liabilities								5,038,067	
Unallocated liabilities								225,629,328	
Total liabilities								80,340	
Impairment loss								-	
Capital expenditure	592,329	63,349	49,272	20,594	66,679	3,115	-	795,338	
Depreciation and amortisation	696,233	74,524	57,963	29,743	29,753	1,030	-	889,246	

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (cont'd)

Year ended 30 September 2006	Banking			Wealth Management			Other \$'000	Eliminations \$'000	Consolidated \$'000
	Retail \$'000	Corporate \$'000	Treasury \$'000	Management \$'000	Insurance \$'000				
External operating revenue	6,566,124	4,399,887	9,276,336	7,635,171	2,102,637	24,547	-	30,004,702	
Operating revenue from other segments	5,674,663	90,074	1,354,777	100,385	78,031	47,664	(7,345,594)	-	
Operating revenue	12,240,787	4,489,961	10,631,113	7,735,556	2,180,668	72,211	(7,345,594)	30,004,702	
Segment result	935,448	1,690,579	2,606,419	1,586,329	622,032	13,045	67,444	7,521,296	
Unallocated corporate expenses								(708,727)	
Operating profit								6,812,569	
Share of profits of associates								117,985	
Profit before tax								6,930,554	
Taxation expense								(1,443,929)	
Net profit								5,486,625	
Segment assets	92,400,472	25,121,692	101,425,342	60,773,507	13,683,889	470,400	(75,749,252)	218,126,050	
Associates								1,992,771	
Unallocated assets								3,019,983	
Total assets	83,923,758	20,500,918	99,010,789	53,463,272	12,091,749	234,366	(72,751,851)	223,138,804	
Segment liabilities								196,473,001	
Unallocated liabilities								2,075,816	
Total liabilities								198,548,817	
Impairment loss								244,257	
Capital expenditure	733,479	78,472	61,034	28,834	23,463	2,577	-	927,859	
Depreciation and amortisation	818,687	87,649	68,171	38,057	12,576	2,945	-	1,028,085	

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

6. Fee and Commission Income

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Retail banking fees	1,268,526	1,060,244	1,248,168	1,107,350
Credit related fees	2,775,436	2,331,057	2,774,956	2,276,679
Other fees	676,881	574,398	190,093	114,985
	<u>4,720,843</u>	<u>3,965,699</u>	<u>4,213,217</u>	<u>3,499,014</u>

7. Net Trading Income

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Foreign exchange translation and trading	1,551,660	1,051,505	1,215,533	856,880
Fixed income – trading securities	58,611	57,332	-	-
Fixed income – available-for-sale securities	1,393,590	1,311,904	682,190	463,267
Equities – trading securities	47,048	(34,898)	-	-
Equities – available-for-sale securities	150,427	(29,797)	105,683	33,768
	<u>3,201,336</u>	<u>2,356,046</u>	<u>2,003,406</u>	<u>1,353,915</u>

Foreign exchange translation and trading income includes gains and losses arising from translation of assets and liabilities denominated in foreign currencies as well as those arising from foreign currency trading activity.

8. Dividend Income

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Trading securities	3,565	2,196	-	-
Available-for-sale securities	84,467	96,572	59,909	59,440
Associated companies	-	-	28,865	28,865
	<u>88,032</u>	<u>98,768</u>	<u>88,774</u>	<u>88,305</u>

9. Other Operating Expenses

Insurance claims of \$85,358,000 (2006 - \$9,619,000) were included as part of other operating expenses.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

10. Staff Costs

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	4,520,341	3,932,898	3,863,545	3,402,226
Statutory contributions	530,627	498,055	455,109	435,383
Pension costs – defined contribution plans	163,638	155,144	138,863	121,201
Pension costs – defined benefit plans (Note 30)	(691)	(566)	-	-
Other post employment benefits (Note 30)	51,962	34,550	51,962	34,550
Allowances and benefits	846,222	668,665	689,053	603,171
Staff profit share	711,716	562,980	524,680	388,128
Termination benefits	163,735	104,109	131,282	100,837
	<u>6,987,550</u>	<u>5,955,835</u>	<u>5,854,494</u>	<u>5,085,496</u>

11. Impairment Losses

The Group has recognised impairment losses as follows:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Supreme Ventures Limited	-	244,257	-	-
Dyoll Group Limited	49,960	-	71,633	-
Other equity investments	30,380	-	-	-
	<u>80,340</u>	<u>244,257</u>	<u>71,633</u>	<u>-</u>

Dyoll Group Limited

This represents the impairment loss on equity investment in Dyoll Group Limited, for which full provision has been made.

Dyoll Insurance Company, a subsidiary of Dyoll Group, provided extensive property and casualty insurance coverage in the Cayman Islands. Hurricane Ivan caused substantial damage to the Cayman Islands in September 2004 and Dyoll Insurance Company suffered extensive losses as a result of the claims made by policyholders. Trading in the company's shares on the Jamaica Stock Exchange (JSE) was suspended during the year for failure to meet the financial reporting requirements of the JSE.

Other Equity Investments

At 31 December 2006, an impairment assessment of a subsidiary's portfolio of quoted equity securities was performed and the amount of \$30,380,000 was recognised in the profit and loss account as an impairment loss.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

12. Profit before Taxation

The following have been charged/(credited) in arriving at profit before taxation:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Directors' emoluments -				
Fees	10,990	9,911	6,968	6,580
Management remuneration	68,377	47,726	68,377	47,726
Auditors' remuneration -				
Current year	29,250	26,655	15,821	15,062
Prior year	433	3,316	-	268
(Gain)/loss on disposal of property, plant and equipment	(5,862)	12,450	(5,862)	12,546
Operating lease rentals	<u>132,744</u>	<u>102,419</u>	<u>128,065</u>	<u>99,414</u>

13. Expenses by Nature

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Staff costs (Note 10)	6,987,550	5,955,835	5,854,494	5,085,496
Depreciation and amortisation	889,246	1,028,085	828,048	974,504
Impairment loss	80,340	244,257	71,633	-
Provision for credit losses	277,603	155,786	277,603	155,786
Licensing and processing fees	581,358	610,614	542,426	586,011
Irrecoverable GCT	299,991	293,777	254,639	256,561
Property, maintenance and utilities	1,216,315	1,048,341	1,151,542	1,007,106
Insurance	221,425	307,896	219,914	306,774
Communication, courier and transportation	492,717	519,614	460,024	486,743
Stationery and office expenses	244,336	243,720	207,358	210,486
Marketing, advertising and donations	360,801	389,340	249,486	292,397
Technical, consultancy and professional fees	294,124	261,191	162,468	172,735
Other	182,495	105,928	206,845	64,210
	<u>12,128,301</u>	<u>11,164,384</u>	<u>10,486,480</u>	<u>9,598,809</u>

14. Taxation

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current:				
Income tax at 33 $\frac{1}{3}$ %	2,073,168	1,437,249	1,417,820	960,472
Premium tax at 3%	65,376	103,260	-	-
Investment income tax at 15%	105,256	66,052	-	-
Deferred tax (Note 29)	(251,382)	(162,632)	(57,742)	(44,276)
	<u>1,992,418</u>	<u>1,443,929</u>	<u>1,360,078</u>	<u>916,196</u>

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

14. Taxation (cont'd)The tax on profit differs from the theoretical amount that would arise using the basic statutory rate of 33 $\frac{1}{3}$ % as follows:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Profit before tax	<u>8,593,844</u>	<u>6,930,554</u>	<u>5,655,301</u>	<u>4,453,047</u>
Tax calculated at a tax rate of 33 $\frac{1}{3}$ %	2,864,615	2,310,185	1,885,100	1,484,349
Income not subject to tax or in respect of which tax has been remitted	(830,500)	(873,138)	(570,333)	(592,382)
Expenses not deductible for tax purposes	39,528	41,810	38,011	5,601
Effect of different tax regime applicable to life insurance subsidiary	(19,867)	(10,956)	-	-
Effect of share of associates' profit included net of tax	(57,134)	(40,711)	-	-
Losses in associate, not deductible	278	5,126	-	-
Prior year under provision	3,835	13,007	7,300	17,460
Other	(8,337)	(1,394)	-	1,168
Taxation expense	<u>1,992,418</u>	<u>1,443,929</u>	<u>1,360,078</u>	<u>916,196</u>

15. Net Profit

	2007	2006
	\$'000	\$'000
Dealt with in the financial statements of:		
The Bank	4,295,223	3,536,851
Subsidiaries	2,222,884	1,869,076
Associates	83,319	80,698
	<u>6,601,426</u>	<u>5,486,625</u>

16. Retained Earnings

	2007	2006
	\$'000	\$'000
Reflected in the financial statements of:		
The Bank	3,823,613	1,951,377
Subsidiaries	8,833,353	6,606,058
Associates	481,650	398,331
	<u>13,138,616</u>	<u>8,955,766</u>

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

17. Earnings Per Stock Unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year. Diluted earnings per stock unit equals basic earnings per stock unit as there are no dilutive potential ordinary stock units.

	2007	2006
Net profit attributable to stockholders (\$'000)	6,601,426	5,486,625
Weighted average number of ordinary stock units in issue ('000)	2,460,720	2,460,720
Basic and diluted earnings per stock unit (\$)	<u>2.68</u>	<u>2.23</u>

18. Cash and Balances at Bank of Jamaica

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cash in hand and at bank	2,587,946	2,849,133	2,158,220	2,283,452
Balances with the Bank of Jamaica other than statutory reserves	<u>2,404,729</u>	<u>172,084</u>	<u>2,400,294</u>	<u>128,927</u>
Included in cash and cash equivalents	4,992,675	3,021,217	4,558,514	2,412,379
Statutory reserves with the Bank of Jamaica – interest-bearing	3,926,225	3,147,357	3,926,225	3,147,357
Statutory reserves with the Bank of Jamaica – non-interest-bearing	<u>6,388,031</u>	<u>5,871,418</u>	<u>6,388,031</u>	<u>5,871,418</u>
	15,306,931	12,039,992	14,872,770	11,431,154
Interest receivable	<u>197</u>	<u>6</u>	<u>197</u>	<u>6</u>
	<u>15,307,128</u>	<u>12,039,998</u>	<u>14,872,967</u>	<u>11,431,160</u>

Statutory reserves with the Bank of Jamaica represent the required ratio of 9% (2006 – 9%) of prescribed liabilities. They are not available for investment, lending or other use by the Group.

19. Due from Other Banks

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Items in course of collection from other banks	2,081,728	904,553	2,081,728	904,553
Placements with other banks	<u>16,869,364</u>	<u>12,921,701</u>	<u>15,260,296</u>	<u>12,073,569</u>
	18,951,092	13,826,254	17,342,024	12,978,122
Interest receivable	<u>26,877</u>	<u>25,449</u>	<u>20,944</u>	<u>18,165</u>
	<u>18,977,969</u>	<u>13,851,703</u>	<u>17,362,968</u>	<u>12,996,287</u>

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

20. Investment Securities at Fair Value through Profit and Loss

	The Group	
	2007	2006
	\$'000	\$'000
Quoted equity securities	622,001	750,007
Government of Jamaica debt securities	384,871	397,852
Corporate bond	<u>7,746</u>	<u>–</u>
	1,014,618	1,147,859
Interest receivable	<u>11,150</u>	<u>3,407</u>
	<u>1,025,768</u>	<u>1,151,266</u>

21. Reverse Repurchase Agreements

The Group and the Bank enter into collateralised 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 for the Group and the Bank of \$265,619,000 (2006 - \$1,799,690,000) and \$2,227,000 (2006 - \$5,160,000), respectively.

At 30 September 2007, the Group and the Bank held \$11,576,956,000 (2006 - \$22,155,450,000) and \$2,269,315,000 (2006 - \$4,146,209,000), respectively of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

22. Loans and Advances

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Gross loans and advances	57,738,314	43,738,021	57,399,693	43,477,269
Provision for credit losses	<u>(1,997,288)</u>	<u>(2,062,741)</u>	<u>(1,993,580)</u>	<u>(2,059,257)</u>
	55,741,026	41,675,280	55,406,113	41,418,012
Interest receivable	<u>784,538</u>	<u>544,560</u>	<u>777,060</u>	<u>544,560</u>
	<u>56,525,564</u>	<u>42,219,840</u>	<u>56,183,173</u>	<u>41,962,572</u>

The movement in the provision for credit losses determined under the requirements of IFRS is as follows:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	2,062,741	1,966,893	2,059,257	1,963,629
Provided during the year	<u>1,027,349</u>	<u>922,840</u>	<u>1,027,349</u>	<u>922,840</u>
Recoveries	<u>(749,746)</u>	<u>(767,054)</u>	<u>(749,746)</u>	<u>(767,054)</u>
Net charge to profit	277,603	155,786	277,603	155,786
Write-offs	<u>(343,056)</u>	<u>(59,938)</u>	<u>(343,280)</u>	<u>(60,158)</u>
Balance at end of year	<u>1,997,288</u>	<u>2,062,741</u>	<u>1,993,580</u>	<u>2,059,257</u>

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

22. Loans and Advances (cont'd)

The aggregate amount of non-performing loans on which interest was not being accrued amounted to \$1,475,964,000 as at 30 September 2007 (2006 - \$1,600,170,000).

The provision for credit losses determined under Bank of Jamaica regulatory requirements is as follows:

	The Group		The Bank	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Specific provision	1,672,500	1,899,130	1,668,792	1,895,646
General provision	556,023	416,596	556,023	416,596
	<u>2,228,523</u>	<u>2,315,726</u>	<u>2,224,815</u>	<u>2,312,242</u>
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 39)	<u>231,235</u>	<u>252,985</u>	<u>231,235</u>	<u>252,985</u>

23. Investment Securities – Available-For-Sale

	The Group		The Bank	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Available-for-sale securities – at fair value				
Debt securities –				
Government of Jamaica	122,147,048	112,677,306	69,226,021	64,410,012
Foreign government	155,123	32,880	155,123	-
Corporate	12,003,378	4,389,624	6,272,339	4,373,198
Other	2,737,074	677,090	2,723,930	577,389
Equity securities				
Quoted	1,249,640	1,323,125	907,572	988,248
Unquoted	39,321	18,255	18,255	18,255
	<u>138,331,584</u>	<u>119,118,280</u>	<u>79,303,240</u>	<u>70,367,102</u>
Interest receivable	3,598,187	3,495,891	2,062,644	2,205,455
Total	<u>141,929,771</u>	<u>122,614,171</u>	<u>81,365,884</u>	<u>72,572,557</u>

The Bank of Jamaica holds as security, Government of Jamaica Local Registered Stocks with a face value of \$1,500,000,000 (2006 - \$1,500,000,000) for the Group and \$1,500,000,000 (2006 - \$1,500,000,000) for the Bank against possible shortfalls in the operating account.

The Financial Services Commission holds as security, Government of Jamaica Local Registered Stocks with a face value of \$90,000,000 (2006 - \$90,000,000) for the life insurance subsidiary, in accordance with Section 8(1)(B) of the Insurance Regulations 2001.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

23. Investment Securities – Available-For-Sale (cont'd)

Included in investment securities are the following amounts which are regarded as cash equivalents for purposes of the statement of cash flows:

	The Group		The Bank	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Debt securities with an original maturity of less than 90 days	<u>8,320,631</u>	<u>16,020,470</u>	<u>7,000,246</u>	<u>14,360,475</u>

24. Investments in Associates

	The Group		The Bank	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At the beginning of the year	1,992,771	1,562,322	543,167	543,167
Share of profit	170,566	117,985	-	-
Dividends received	(37,287)	(37,287)	-	-
Other equity movements	(41,169)	349,751	-	-
Provision for impairment	(49,960)	-	(71,633)	-
At end of year	<u>2,034,921</u>	<u>1,992,771</u>	<u>471,534</u>	<u>543,167</u>

The assets, liabilities, revenue and net profit/(loss) of the associates as at and for the periods ended as indicated below are as follows:

	Assets \$'000	Liabilities \$'000	Revenue \$'000	Net Profit/(loss) \$'000
2007				
Kingston Wharves Limited (30 June 2007)	8,047,979	3,339,310	2,527,691	398,475
Dyoll Group Limited (30 September 2006)	177,208	64,854	2,548	(1,878)
	<u>8,225,187</u>	<u>3,404,164</u>	<u>2,530,239</u>	<u>396,597</u>
2006				
Kingston Wharves Limited (30 June 2006)	6,789,173	2,299,941	1,973,351	319,512
Dyoll Group Limited (30 June 2006)	178,805	44,796	10,249	(46,864)
	<u>6,967,978</u>	<u>2,344,737</u>	<u>1,983,600</u>	<u>272,648</u>

	The Group			
	Carrying Value 2007 \$'000	Fair Value 2007 \$'000	Carrying Value 2006 \$'000	Fair Value 2006 \$'000
Kingston Wharves Limited	2,034,921	3,714,744	1,941,976	2,843,155
Dyoll Group Limited	-	5,689	50,795	14,899
	<u>2,034,921</u>	<u>3,720,433</u>	<u>1,992,771</u>	<u>2,858,054</u>

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

24. Investments in Associates (cont'd)

	The Bank			
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	2007	2007	2006	2006
	\$'000	\$'000	\$'000	\$'000
Kingston Wharves Limited	471,534	2,875,633	471,534	2,200,924
Dyoll Group Limited	-	5,689	71,633	14,899
	<u>471,534</u>	<u>2,881,322</u>	<u>543,167</u>	<u>2,215,823</u>

25. Investment Properties

	The Group	
	2007	2006
	\$'000	\$'000
Balance at beginning of year	13,000	12,000
Fair value gains	-	1,000
Balance at end of year	<u>13,000</u>	<u>13,000</u>

The properties were valued by Directors' valuation as at 30 September 2007.

26. Intangible Asset – Computer Software

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Net book value at beginning of year	458,505	751,153	418,760	699,479
Additions	165,283	86,729	107,057	67,713
Disposals	(18,041)	-	-	-
Amortisation charge	(314,961)	(379,377)	(280,753)	(348,432)
Net book value at end of year	<u>290,786</u>	<u>458,505</u>	<u>245,064</u>	<u>418,760</u>

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cost	1,884,628	1,739,101	1,702,606	1,595,548
Accumulated amortisation	(1,593,842)	(1,280,596)	(1,457,542)	(1,176,788)
Net book value	<u>290,786</u>	<u>458,505</u>	<u>245,064</u>	<u>418,760</u>

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

27. Property, Plant and Equipment

	The Group					
	Freehold Land and Buildings	Leasehold Improvements	Furniture & Equipment	Assets Capitalised		Total
				Under Finance Leases	Work-in- Progress	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost -						
At 1 October 2005	2,334,343	416,545	3,125,872	941,390	147,253	6,965,403
Additions	38,297	10,114	320,309	-	472,410	841,130
Disposals	(30,618)	(310)	(9,833)	(47,532)	(27,098)	(115,391)
Transfers	54,164	11,065	186,296	3,139	(254,664)	-
Reclassifications and adjustments	(3,767)	3,310	(138,368)	135,893	-	(2,932)
At 30 September 2006	2,392,419	440,724	3,484,276	1,032,890	337,901	7,688,210
Additions	38,177	28,524	90,345	93,128	379,881	630,055
Disposals	-	(22,716)	(20,267)	(76,730)	(320)	(120,033)
Transfers	102,591	16,359	149,516	-	(268,466)	-
Reclassifications and adjustments	(34,861)	6,263	12,167	16,431	-	-
At 30 September 2007	<u>2,498,326</u>	<u>469,154</u>	<u>3,716,037</u>	<u>1,065,719</u>	<u>448,996</u>	<u>8,198,232</u>
Accumulated Depreciation -						
At 1 October 2005	240,989	326,415	1,933,337	835,391	-	3,336,132
Charge for the year	41,301	37,965	499,892	70,180	-	649,338
Disposals	(6,162)	(168)	(3,979)	(40,645)	-	(50,954)
Reclassifications & adjustments	344	(128)	(16,256)	15,410	-	(630)
At 30 September 2006	276,472	364,084	2,412,994	880,336	-	3,933,886
Charge for the year	43,338	42,253	406,961	81,733	-	574,285
Disposals	-	(22,696)	(6,913)	(58,422)	-	(88,031)
Reclassifications and adjustments	2,521	(5,094)	174	2,399	-	-
At 30 September 2007	<u>322,331</u>	<u>378,547</u>	<u>2,813,216</u>	<u>906,046</u>	<u>-</u>	<u>4,420,140</u>
Net Book Value -						
30 September 2007	<u>2,175,995</u>	<u>90,607</u>	<u>902,821</u>	<u>159,673</u>	<u>448,996</u>	<u>3,778,092</u>
30 September 2006	<u>2,115,947</u>	<u>76,640</u>	<u>1,071,282</u>	<u>152,554</u>	<u>337,901</u>	<u>3,754,324</u>

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

27. Property, Plant and Equipment (cont'd)

	The Bank					
			Assets			Total
			Capitalised		Work-in-Progress	
	Freehold Land and Buildings	Leasehold Improvements	Furniture & Equipment	Under Finance Leases		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Cost -						
At 1 October 2005	2,334,343	377,540	3,059,601	943,524	144,120	6,859,128
Additions	38,297	1,414	293,153	-	472,410	805,274
Disposals	(30,618)	(310)	(6,306)	(47,532)	(27,098)	(111,864)
Transfers	54,164	11,065	186,296	3,139	(254,664)	-
Reclassifications and adjustments	(3,767)	3,310	(138,413)	135,893	-	(2,977)
At 30 September 2006	2,392,419	393,019	3,394,331	1,035,024	334,768	7,549,561
Additions	38,177	1,903	87,776	89,086	379,882	596,824
Disposals	-	(22,716)	(13,120)	(76,730)	(320)	(112,886)
Transfers	102,591	16,359	149,516	-	(268,466)	-
Reclassifications and adjustments	(34,861)	6,263	8,125	20,473	-	-
At 30 September 2007	2,498,326	394,828	3,626,628	1,067,853	445,864	8,033,499
Accumulated Depreciation -						
At 1 October 2005	240,989	307,032	1,892,676	835,391	-	3,276,088
Charge for the year	41,301	29,461	485,759	70,180	-	626,701
Disposals	(6,162)	(168)	(2,951)	(40,645)	-	(49,926)
Reclassifications and adjustments	344	(128)	(16,256)	15,410	-	(630)
At 30 September 2006	276,472	336,197	2,359,228	880,336	-	3,852,233
Charge for the year	43,338	23,571	398,949	81,437	-	547,295
Disposals	-	(22,696)	(2,239)	(58,421)	-	(83,356)
Reclassifications and adjustments	2,521	(5,094)	(121)	2,694	-	-
At 30 September 2007	322,331	331,978	2,755,817	906,046	-	4,316,172
Net Book Value -						
30 September 2007	2,175,995	62,850	870,811	161,807	445,864	3,717,327
30 September 2006	2,115,947	56,822	1,035,103	154,688	334,768	3,697,328

Assets capitalised under finance leases comprise motor vehicles and computer equipment.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

28. Other Assets

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Accounts receivable	1,147,682	1,061,329	669,409	722,075
Prepayments	113,261	94,755	108,540	94,154
	<u>1,260,943</u>	<u>1,156,084</u>	<u>777,949</u>	<u>816,229</u>

29. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 15% for the insurance subsidiary and 33 1/3% for the Bank and all other subsidiaries.

The movement in the net deferred income tax balance is as follows:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Net liability at beginning of year	473,200	798,685	(133,047)	21,942
Deferred tax income (Note 14)	(251,382)	(162,632)	(57,742)	(44,276)
Deferred tax credit to stockholders' equity				
on available-for-sale investment securities	(250,484)	(162,853)	(99,186)	(110,713)
Net liability/(asset) at end of year	<u>(28,666)</u>	<u>473,200</u>	<u>(289,975)</u>	<u>(133,047)</u>

(Assets)/liabilities recognised on the balance sheet are as follows:

Deferred tax asset	(289,975)	(133,047)	(289,975)	(133,047)
Deferred tax liability	261,309	606,247	-	-
Net liability/(asset)	<u>(28,666)</u>	<u>473,200</u>	<u>(289,975)</u>	<u>(133,047)</u>

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

29. Deferred Income Taxes (cont'd)

Deferred income tax assets and liabilities are due to the following items:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets:				
Property, plant and equipment	59,077	5,112	52,093	-
Investment securities at fair value through profit and loss	28,433	39,086	-	-
Investment securities – available-for-sale	82,060	4	81,542	-
Loan loss provisions	108,263	54,537	108,263	54,537
Pensions and other post-retirement benefits	92,975	80,732	96,850	84,104
Interest payable	244,243	287,732	-	-
Interest rate swaps	26,347	22,903	26,347	22,903
Other temporary differences	37,383	34,904	33,869	32,574
	<u>678,781</u>	<u>525,010</u>	<u>398,964</u>	<u>194,118</u>
Deferred income tax liabilities:				
Property, plant and equipment	1,024	31,395	-	29,267
Investment securities – available-for-sale	32,804	195,760	-	17,644
Interest receivable	498,214	747,594	-	-
Unrealised foreign exchange gains	116,851	21,836	108,989	14,160
Other temporary differences	1,222	1,625	-	-
	<u>650,115</u>	<u>998,210</u>	<u>108,989</u>	<u>6 61,071</u>

The amounts shown in the balance sheet include the following:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets to be recovered after more than 12 months	(152,052)	(85,844)	(148,943)	(84,104)
Deferred tax liabilities to be settled after more than 12 months	<u>1,024</u>	<u>31,395</u>	<u>-</u>	<u>29,267</u>

Deferred income tax liabilities have not been provided for on the withholding and other taxes that would be payable on the undistributed earnings of certain subsidiaries to the extent that such earnings are permanently reinvested. Such undistributed earnings totalled \$8,833,353,000 at 30 September 2007 (2006 - \$6,606,058,000).

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

30. Retirement Benefits

(Assets)/liabilities recognised on the balance sheet are as follows:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Pension schemes	(11,627)	(10,118)	-	-
Other retirement benefits	<u>290,549</u>	<u>252,313</u>	<u>290,549</u>	<u>252,313</u>

The amounts recognised in the profit and loss account are as follows:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Pension schemes	(691)	(566)	-	-
Other retirement benefits	<u>51,962</u>	<u>34,550</u>	<u>51,962</u>	<u>34,550</u>

(a) Pension schemes

The Bank and its subsidiaries have established a number of pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. Defined benefit plans are valued by independent actuaries annually using the projected unit credit method. The latest actuarial valuations were carried out as at 30 June 2007.

The amounts recognised in the balance sheet are determined as follows:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Present value of funded obligations	7,158,130	5,723,848	7,144,609	5,711,488
Fair value of plan assets	(12,145,202)	(10,387,389)	(12,119,779)	(10,364,558)
	(4,987,072)	(4,663,541)	(4,975,170)	(4,653,070)
Unrecognised actuarial gains	558,562	591,566	558,287	591,213
Limitation on asset due to uncertainty of obtaining economic benefits	4,416,883	4,061,857	4,416,883	4,061,857
Asset in the balance sheet	<u>(11,627)</u>	<u>(10,118)</u>	<u>-</u>	<u>-</u>

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

30. Retirement Benefits (cont'd)

(a) Pension schemes (cont'd)

The movement in the defined benefit obligation over the year is as follows:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Beginning of year	5,723,848	4,973,811	5,711,488	4,964,412
Current service cost	1,489	1,249	-	-
Interest cost	663,219	596,371	661,678	594,861
Actuarial losses	1,166,623	563,817	1,166,476	563,258
Benefits paid	(397,049)	(411,400)	(395,033)	(411,043)
End of year	<u>7,158,130</u>	<u>5,723,848</u>	<u>7,144,609</u>	<u>5,711,488</u>

The movement in the fair value of plan assets over the year is as follows:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Beginning of year	10,387,389	10,930,174	10,364,558	10,911,313
Expected return on plan assets	1,019,216	1,072,739	1,016,704	1,070,579
Actuarial gains/(losses)	1,133,619	(1,206,029)	1,133,550	(1,206,291)
Contributions received	2,027	1,905	-	-
Benefits paid	(397,049)	(411,400)	(395,033)	(411,043)
End of year	<u>12,145,202</u>	<u>10,387,389</u>	<u>12,119,779</u>	<u>10,364,558</u>

The amounts recognised in the profit and loss account are as follows:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current service cost	280	84	-	-
Interest cost	663,219	596,371	661,678	594,861
Expected return on plan assets	(1,019,216)	(1,072,739)	(1,016,704)	(1,070,579)
Net actuarial gains recognised	-	(82,058)	-	(82,058)
Change in limitation on asset	355,026	557,776	355,026	557,776
Total, included in staff costs (Note 10)	<u>(691)</u>	<u>(566)</u>	<u>-</u>	<u>-</u>

The actual return on plan assets was \$2,152,837,000 (2006 – negative \$133,290,000) and \$2,150,255,000 (2006 – negative \$135,712,000) for the Group and the Bank, respectively.

The principal actuarial assumptions used were as follows:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Discount rate	12.0%	12.0%	12.0%	12.0%
Expected return on plan assets	10.0%	10.0%	10.0%	10.0%
Future salary increases	9.5%	9.5%	9.5%	9.5%
Future pension increases	<u>0 – 3.5%</u>	<u>0 – 3.5%</u>	<u>3.5%</u>	<u>3.5%</u>

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

30. Retirement Benefits (cont'd)

(a) Pension schemes (cont'd)

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Male	20.14	20.14	20.14	20.14
Female	<u>25.17</u>	<u>25.17</u>	<u>25.17</u>	<u>25.17</u>

(b) Other retirement benefits

In addition to pension benefits, the Bank and its subsidiaries offer medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for pension schemes, the main actuarial assumption is a long-term increase in health costs of 10% per year (2006 – 10.5%).

The amounts recognised in the balance sheet are determined as follows:

	The Group and The Bank	
	2007	2006
	\$'000	\$'000
Present value of unfunded obligations	424,233	283,231
Unrecognised actuarial losses	(133,684)	(30,918)
Liability in the balance sheet	<u>290,549</u>	<u>252,313</u>

Movement in the defined benefit obligation is as follows:

	The Group and The Bank	
	2007	2006
	\$'000	\$'000
Beginning of the year	283,231	193,182
Current service cost	16,605	11,242
Interest cost	35,157	24,608
Actuarial losses	102,967	69,314
Benefits paid	(13,727)	(15,115)
End of year	<u>424,233</u>	<u>283,231</u>

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

30. Retirement Benefits (cont'd)

(b) Other retirement benefits (cont'd)

The amounts recognised in the profit and loss account are as follows:

	The Group and The Bank	
	2007	2006
	\$'000	\$'000
Current service cost	16,605	11,242
Interest cost	35,157	24,608
Actuarial gains/(losses) recognised	200	(1,300)
Total, included in staff costs	<u>51,962</u>	<u>34,550</u>

The effects of a 1% movement in the assumed medical cost trend rate were as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	13,213	(9,938)
Effect on the defined benefit obligation	<u>60,507</u>	<u>(46,673)</u>

(c) Post-employment benefits (pension and other retirement)

Plan assets are comprised as follows:

	2007		2006	
Equity	4,220,796	34.83%	3,464,801	33.43%
Debt	5,590,655	46.12%	4,674,695	45.10%
Other	2,308,328	19.05%	2,225,061	21.47%
	<u>12,119,779</u>	<u>100.00%</u>	<u>10,364,557</u>	<u>100.00%</u>

Pension plan assets include:

- Ordinary stock units of the Bank with a fair value of \$1,597,604,000 (2006 - \$1,328,419,000).
- Repurchase obligations, promissory notes and lease obligations of the Group aggregating \$585,748,000 (2006 - \$233,293,000).
- Properties occupied by the Group with a fair value of \$419,000,000 (2006 - \$318,306,000).

The expected return on plan assets is determined by considering the expected return available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected contributions to post-employment benefit plans for the year ended 30 September 2007 are nil.

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31. Due to Other Banks

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Items in course of payment	1,704,145	1,746,378	1,704,145	1,746,378
Deposits from other banks	3,027,635	5,278,794	3,053,993	5,278,794
	<u>4,731,780</u>	<u>7,025,172</u>	<u>4,758,138</u>	<u>7,025,172</u>
Interest payable	45,807	31,717	45,807	31,717
	<u>4,777,587</u>	<u>7,056,889</u>	<u>4,803,945</u>	<u>7,056,889</u>

32. Obligations under Securitisation Arrangements

	The Group and The Bank	
	2007	2006
	\$'000	\$'000
Credit card and cash advance		
Principal outstanding - US\$225 million (2006 - US\$225 million)	15,799,500	14,843,250
Diversified payment rights		
Principal outstanding - US\$150 million (2006 - US\$100 million)	10,533,000	6,597,000
	<u>26,332,500</u>	<u>21,440,250</u>
Unamortised transaction fees	(231,477)	(223,344)
	<u>26,101,023</u>	<u>21,216,906</u>
Interest payable	308,810	182,058
Net liability	<u>26,409,833</u>	<u>21,398,964</u>

Credit Card and Cash Advance

In 2001, the Bank entered into an arrangement for the sale of Future Accounts Receivable amounting to US\$125,000,000 in respect of credit card and cash advance transactions in Jamaica between Visa International Service Association and Master Card International Incorporated and cardholders holding cards issued by banks outside of Jamaica (primarily in the U.S.A.). This took the form of variable funding certificates issued by Citibank N.A. through Citicorp administered commercial paper conduits. Payments under the arrangement were due quarterly commencing in October 2001 and ending October 2006. In September 2004, the arrangement was amended to extend the scheduled final payment date from October 2006 to October 2009 and to increase the facility limit to US\$200,000,000. On 14 September 2006, the arrangement was further amended to extend the scheduled final payment date from October 2009 to October 2013, additionally the facility limit was increased from US\$200 million to US\$225 million. A final drawdown of US\$92,500,000 was made in September 2006.

Interest is calculated daily on the weighted average rate applicable to commercial paper transactions administered by the respective conduits. The rate approximates one month US dollar LIBOR plus 135 basis points.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

32. Obligations under Securitisation Arrangements (cont'd)

	The Group and The Bank			
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	2007	2007	2006	2006
	\$'000	\$'000	\$'000	\$'000
Obligations under securitisation arrangements	<u>26,409,833</u>	<u>26,641,310</u>	<u>21,398,964</u>	<u>21,622,308</u>

Derivative Financial Instrument

Related to this arrangement, the Bank also entered into two interest rate swap agreements effective October 2001 with Citibank N.A. as follows:

Swap 1 - The Bank paid 4.33% per annum fixed and receives three month US dollar LIBOR on a notional amount of US\$45,000,000 every quarter commencing January 2002 and ended July 2006.

Swap 2 - The Bank paid 3.78% per annum fixed and receives three month US dollar LIBOR on a notional amount of US\$45,000,000 every quarter commencing January 2002 and ended July 2006.

In June 2006, the Bank entered into an additional swap with Citibank N.A.

Swap 3 - The Bank pays 5.65% per annum fixed and receives three month US dollar LIBOR on a notional amount of US\$75,000,000 every quarter commencing September 2006 and ending June 2011.

The fair value of the interest rate swap at 30 September 2007 is negative \$77,169,000 (US\$1,100,000); (2006 - negative \$68,965,000 (US\$1,045,000)).

Diversified Payment Rights

On 22 March 2006, the Bank raised US\$100,000,000 in structured financing backed by the securitisation of Diversified Payment Rights arising under its existing and future US dollar Payment Advice and Payment Order (MT100 Series) and US 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 be due quarterly commencing on 15 June 2008 and ending 15 March 2013.

On 20 July 2007, the Bank raised an additional US\$50,000,000 in financing backed by the securitisation of its Diversified Payment Rights.

The transaction was structured with an interest only period of one year and thereafter principal amortisation on a straight line basis, beginning 15 June 2008 to final maturity on 15 June 2015. Interest is due and payable on a quarterly basis calculated at three month US dollar Libor plus 20 basis points during the interest only period. The margin thereafter is three month US dollar Libor plus 157.5 basis points.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

33. Other Borrowed Funds

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Preference shares	1,098,770	300,000	-	-
International Finance Corporation (IFC)	991,341	989,550	991,341	989,550
Development Bank of Jamaica	956,807	976,899	956,807	976,899
European Investment Bank	165,544	88,166	165,544	88,166
Repurchase agreements	1,548,893	-	-	-
Finance lease obligations	206,979	193,626	206,979	193,626
	<u>4,968,334</u>	<u>2,548,241</u>	<u>2,320,671</u>	<u>2,248,241</u>
Unamortised transaction fees (IFC)	(25,408)	(31,648)	(25,408)	(31,648)
Interest payable	40,909	6,976	40,910	6,976
	<u>4,983,835</u>	<u>2,523,569</u>	<u>2,336,173</u>	<u>2,223,569</u>

- (a) On 25 July 2006, 100,000,000 11.75% cumulative redeemable preference shares of \$3 each in NCB Capital Markets Limited were offered to the public and fully subscribed. The shares are redeemable at par at the Company's option but in any event no later than January 2010. The shares were subsequently listed on the Jamaica Stock Exchange on 22 September 2006.

In June 2007, the company executed a renounceable rights issue of 100,000,000 preference shares at a price of \$3.10 per share. The preference shares were to existing shareholders on record at 18 June 2007, who had the right to accept the shares and/or renounce some or all of the shares provisionally allotted. The company retained the right to upsize the offer and did so on two occasions, offering an additional 200,000,000 preference shares to existing preference shareholders. When the offer closed on 17 August 2007, a total of 250,768,080 preference shares had been allotted. The 11.75% cumulative redeemable preference shares are redeemable at par at the company's option. Any arrears of dividends must be paid at the date of redemption.

- (b) On 27 June 2005, the International Finance Corporation, the private sector arm of the World Bank Group, signed an agreement with the Bank for a US\$30 million loan facility, repayable over 10 years in seventeen equal installments ending 15 June 2015. Interest on the facility approximates three month US dollar LIBOR plus 275 basis points. A drawdown of US\$15 million was made on 22 September 2006. This long-term financing facility will be utilised by the Bank for general corporate purposes.
- (c) The loans from Development Bank of Jamaica are granted in both Jamaican dollar and US dollar currencies and are utilised by the Bank to finance customers with viable projects in agricultural, agro-industrial, manufacturing, mining and tourism sectors of the economy. The loans to customers are for terms up to 12 years and at rates of 10 - 13%.
- (d) The loans from European Investment Bank are granted in Euro dollar currencies and are utilised by the bank for on lending. The loans are repayable over 8 - 10 years at a rate of 6.76%.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

33. Other Borrowed Funds (cont'd)

(e) The Repurchase agreements represent borrowings which are fully collateralised by securities owned by a subsidiary. The borrowings, which attract an interest rate of 5.75% per annum, have no specified maturity date.

(f) The finance lease obligations are as follows:

	The Group		The Bank	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Minimum lease payments under finance leases:				
Not later than 1 year	107,223	95,915	107,223	95,915
Later than 1 year and not later than 5 years	153,276	159,739	153,276	159,739
	<u>260,499</u>	<u>255,654</u>	<u>260,499</u>	<u>255,654</u>
Future finance charges	(53,520)	(62,028)	(53,520)	(62,028)
Present value of finance lease obligations	<u>206,979</u>	<u>193,626</u>	<u>206,979</u>	<u>193,626</u>

The present value of finance lease obligations are as follows:

	The Group		The Bank	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Not later than 1 year	76,046	61,693	76,046	61,693
Later than 1 year and not later than 5 years	130,933	131,933	130,933	131,933
	<u>206,979</u>	<u>193,626</u>	<u>206,979</u>	<u>193,626</u>

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

34. Policyholders' Liabilities

The Board of Directors of the Group's life insurance subsidiary appoints the Actuary pursuant to the Insurance Act. His responsibility is to carry out an annual valuation of the company's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. In performing the valuation, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the company and the insurance policies in force.

	The Group	
	2007 \$'000	2006 \$'000
(a) Composition of policyholders' liabilities:		
Life assurance fund	14,920,015	12,412,946
Insurance risk reserve	(439,335)	(430,177)
Benefits and claims payable	11,433	12,442
Unprocessed premiums	(4,511)	14,971
	<u>14,487,602</u>	<u>12,010,182</u>
(b) Change in policyholders' liabilities:		
Life assurance fund:		
At the beginning of the year	12,412,946	9,460,752
Gross premiums	3,350,347	3,282,933
Premium refunds	(24,965)	(7,534)
Mortality charges transferred to profit and loss account	(28,930)	(27,093)
Fees transferred to profit and loss account	(159,044)	(145,700)
Claims and benefits	(1,927,463)	(1,253,712)
Interest credited	1,297,124	1,103,300
At the end of the year	<u>14,920,015</u>	<u>12,412,946</u>

	The Group	
	2007 \$'000	2006 \$'000
Insurance risk reserve:		
At the beginning of the year	(430,177)	(392,310)
Effect of change in assumptions:		
Base renewal expense levels	(105,133)	150,310
Issue of new policies	129,346	(102,968)
Investment returns	20,527	71,690
Lapse and surrender rates	-	(174,090)
Normal changes	(53,898)	17,191
At the end of the year	<u>(439,335)</u>	<u>(430,177)</u>

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34. Policyholders' Liabilities (cont'd)

	The Group	
	2007	2006
	\$'000	\$'000
Benefits and claims payable:		
At the beginning of the year	12,442	34,431
Policyholders' claims and benefits	21,438	9,619
Benefits and claims paid	(22,447)	(31,608)
At the end of the year	<u>11,433</u>	<u>12,442</u>
Unprocessed premiums:		
At the beginning of the year	14,971	14,368
Premiums received	3,873,547	3,672,611
Premiums applied	(3,893,029)	(3,672,008)
At the end of the year	<u>(4,511)</u>	<u>14,971</u>

35. Provision for Litigation

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
At beginning of year	33,907	67,573	33,907	67,573
Provided during the year	4,093	15,727	4,093	15,727
Utilised/reversed during the year	(2,000)	(49,393)	(2,000)	(49,393)
At end of year	<u>36,000</u>	<u>33,907</u>	<u>36,000</u>	<u>33,907</u>

36. Other Liabilities

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Accrued liabilities	2,350,137	1,463,604	1,884,865	961,658
Others	1,375,640	1,171,098	645,617	709,285
	<u>3,725,777</u>	<u>2,634,702</u>	<u>2,530,482</u>	<u>1,670,943</u>

37. Share Capital

	2007	2006
	\$'000	\$'000
Authorised		
5,750,000 (2006: 5,750,000) ordinary shares at no par value		
Stated capital		
Issued and Fully Paid Up -		
2,466,762,828 ordinary stock units of no par value	6,465,731	6,465,731
6,042,916 (2006: 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>

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38. Fair Value and Other Reserves

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Fair value reserve – available-for-sale investments	194,593	1,059,112	(9,912)	281,895
Translation reserve	233,229	168,603	-	-
Capital reserve	308,118	308,118	348,468	348,468
Share of movement in reserves of associates	404,826	445,994	-	-
Other	454,784	454,784	-	-
	<u>1,595,550</u>	<u>2,436,611</u>	<u>338,556</u>	<u>630,363</u>
Capital reserve comprises:				
Realised:				
Capital gains from the scheme of arrangement	-	-	300,564	300,564
Surplus on revaluation of property, plant and equipment	92,991	92,991	-	-
Retained earnings capitalised	98,167	98,167	-	-
Unrealised:				
Surplus on revaluation of property, plant and equipment	116,960	116,960	47,904	47,904
	<u>308,118</u>	<u>308,118</u>	<u>348,468</u>	<u>348,468</u>

39. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 22).

40. Banking Reserve Fund

This fund is maintained in accordance with the Banking Act 1992 which requires that a minimum of 15% of the net profits, as defined by the Act, of the Bank be transferred to the reserve fund until the amount of the fund is equal to 50% of the paid-up capital of the Bank and thereafter 10% of the net profits until the amount of the fund is equal to the paid-up capital of the Bank.

41. Retained Earnings Reserve

Section 2 of the Banking Act 1992 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers.

The deposit liabilities of the Bank and other indebtedness for borrowed money together with all interest accrued should not exceed twenty-five times its capital base.

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42. Cash Flows from Operating Activities

	The Group		The Bank	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net profit	6,601,426	5,486,625	4,295,223	3,536,851
Adjustments to reconcile net profit to cash flow provided by operating activities:				
Depreciation of property, plant and equipment	574,285	648,708	547,295	626,072
Amortisation of intangible asset	314,961	379,377	280,753	348,432
Impairment losses	80,340	244,257	71,633	-
Share of after tax profits of associates	(170,566)	(117,985)	-	-
Provision for credit losses	277,603	155,786	277,603	155,786
Interest income	(25,033,370)	(23,014,791)	(17,030,435)	(15,059,956)
Interest expense	12,236,593	11,236,655	6,485,176	5,331,922
Income tax expense	1,992,418	1,443,929	1,360,078	916,196
Unrealised exchange loss on securitisation arrangements	1,499,252	715,581	1,499,252	715,581
Amortisation of upfront fees on securitisation arrangements	57,654	49,459	57,654	49,459
Change in retirement benefit asset/obligation	36,727	18,128	38,236	19,434
Unrealised exchange gain on foreign currency denominated investments	(1,551,660)	(1,051,505)	(1,215,533)	(856,880)
(Gain)/loss on disposal of property, plant and equipment and intangible asset	(5,862)	12,450	(5,862)	12,546
Fair value gains on investment properties	-	(1,000)	-	-
Fair value losses on interest rate swap	8,204	68,270	8,204	68,270
Changes in operating assets and liabilities:				
Statutory reserves at Bank of Jamaica	(1,295,481)	(314,874)	(1,295,481)	(314,874)
Reverse repurchase agreements	10,588,387	4,944,391	1,700,228	(1,498,349)
Loans and advances	(14,343,350)	(6,090,257)	(14,265,704)	(6,087,086)
Customer deposits	19,468,991	13,970,813	18,371,494	12,852,441
Repurchase agreements	1,018,741	942,398	4,844,323	(3,612,459)
Promissory notes and certificates of participation	(1,950,359)	(1,120,649)	-	-
Policyholders' liabilities	2,477,420	2,892,941	-	-
Other	966,907	248,739	899,274	876,347
	13,849,261	11,747,446	6,923,411	(1,920,267)
Interest received	25,633,633	22,823,839	16,940,709	14,790,780
Interest paid	(12,133,626)	(11,179,656)	(6,291,040)	(5,270,573)
Income tax paid	(2,640,435)	(2,346,329)	(1,637,341)	(1,810,666)
Net cash provided by operating activities	24,708,833	21,045,300	15,935,739	5,789,274

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43. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The volumes of related party transactions, outstanding balances at the year end and related expenses and income for the year are as follows:

	The Group							
	The parent and entities with significant influence over the entity		Fellow subsidiaries and associates		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Loans and advances								
Balance at 1 October	-	-	-	184,322	62,808	38,236	1,116,594	5,197,693
Issued during the year	-	-	211,614	-	84,546	415,262	392,222	1,352,798
Repayment during the year	-	-	(205,306)	(184,322)	(103,665)	(390,690)	(605,440)	(5,433,897)
Balance at 30 September	-	-	6,308	-	43,689	62,808	903,376	1,116,594
Interest income earned (loans and advances)	-	-	1,998	7,622	3,444	1,752	151,117	263,656
Investment securities								
Balance at 1 October	-	-	180,618	180,671	-	-	4,017,930	669,386
Net movement during the year	-	-	3,616	(53)	-	-	(4,017,930)	3,348,544
Balance at 30 September	-	-	184,234	180,618	-	-	-	4,017,930
Interest income earned (investment securities)	-	-	28,276	27,482	-	-	27,253	211,022
Reverse Repurchase Agreements								
Balance at 1 October	-	-	-	-	-	-	-	-
Net movement during the year	-	-	119,374	-	-	-	-	-
Balance at 30 September	-	-	119,374	-	-	-	-	-
Other assets								
Balance at 1 October	-	-	252	129,144	-	-	61,849	37,336
Balance at 30 September	-	-	12,674	252	-	-	23,898	61,849
Fees and commissions earned	-	-	12,016	70,511	186	249	84,878	183,250
Other operating income	-	-	2,205	-	244	-	1,407	3,644

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

43. Related Party Transactions and Balances (cont'd)

	The Group							
	The parent and entities with significant influence over the entity		Fellow subsidiaries and associates		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2007	2006	2007	2006	2007	2006	2007	2006
Customer deposits								
Balance at 1 October	173,367	1,063	583,684	311,379	86,898	149,298	511,216	467,770
Net movement during the year	(167,893)	172,304	(334,520)	272,305	36,380	(62,400)	151,335	43,446
Balance at 30 September	5,474	173,367	249,164	583,684	123,278	86,898	662,551	511,216
Interest expense (customer deposits)	6,772	2,569	9,685	8,782	2,744	1,399	6,734	9,978
Repurchase agreements								
Balance at 1 October	-	-	-	-	36,728	23,355	999,763	512,890
Encashments	-	-	-	-	(8,746)	13,373	(852,303)	486,873
Outstanding at 30 September	-	-	-	-	27,982	36,728	147,460	999,763
Interest expense (repurchase agreements)	-	-	-	-	212	3,106	1,008	113,553
Other liabilities								
Balance at 1 October	-	-	24,272	220,610	400	1,254	11,709	6,264
Balance at 30 September	-	-	5,669	24,272	727	400	280	11,709
Other operating expenses	-	-	120,540	156,923	2,414	1,189	-	-

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43. Related Party Transactions and Balances (cont'd)

	The Bank							
	The parent and entities with significant influence over the entity		Subsidiaries, fellow subsidiaries and associates		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2007	2006	2007	2006	2007	2006	2007	2006
Loans and advances								
Balance at 1 October	-	-	-	184,322	62,808	38,236	1,116,594	5,197,693
Issued during the year	-	-	211,614	-	84,546	415,262	392,222	1,352,798
Repayment during the year	-	-	(205,306)	(184,322)	(103,665)	(390,690)	(605,440)	(5,433,897)
Balance at 30 September	-	-	6,308	-	43,689	62,808	903,376	1,116,594
Interest income earned (loans and advances)	-	-	1,998	7,622	3,444	1,752	151,117	263,656
Investment securities								
Balance at 1 October	-	-	-	-	-	-	1,597,620	640,900
Net movement during the year	-	-	-	-	-	-	(1,597,620)	956,720
Balance at 30 September	-	-	-	-	-	-	-	1,597,620
Interest income earned (investment securities)	-	-	-	-	-	-	12,383	69,967
Reverse repurchase agreements								
Balance at 1 October	-	-	1,093,880	687,000	-	-	-	-
Net movement during the year	-	-	(586,311)	406,880	-	-	-	-
Outstanding at 30 September	-	-	507,569	1,093,880	-	-	-	-
Interest income earned (reverse repurchase agreements)	-	-	44,955	27,332	-	-	-	-
Other assets								
Balance at 1 October	-	-	229,620	588,469	-	-	25,849	9,161
Balance at 30 September	-	-	35,905	229,620	-	-	5,809	25,849
Fees and commissions earned	-	-	89,989	82,252	186	120	66,846	181,337
Other operating income	-	-	17,408	34,345	-	-	1,407	3,644

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43. Related Party Transactions and Balances (cont'd)

	The Bank				Companies controlled by directors and related by virtue of common directorship			
	The parent and entities with significant influence over the entity		Subsidiaries, fellow subsidiaries and associates		Directors and key management personnel (and their families)			
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Customer deposits								
Balance at 1 October	173,367	1,063	3,298,672	3,561,139	86,871	149,298	511,216	467,770
Net movement during the year	(167,893)	172,304	(1,085,716)	(262,467)	26,418	(62,427)	151,335	43,446
Balance at 30 September	5,474	173,367	2,212,956	3,298,672	113,289	86,871	662,551	511,216
Interest expense (customer deposits)	6,772	2,569	137,028	137,394	2,194	1,399	6,754	9,978
Repurchase agreements								
Balance at 1 October	-	-	70,000	288,400	-	-	-	-
Net movement during the year	-	-	140,764	(218,400)	-	-	-	-
Balance at 30 September	-	-	210,764	70,000	-	-	-	-
Interest expense (repurchase agreements)	-	-	24,845	21,359	-	-	-	-
Obligations under finance leases								
Balance at 1 October	-	-	-	317	-	-	-	-
Net movement during the year	-	-	-	(317)	-	-	-	-
Balance at 30 September	-	-	-	-	-	-	-	-
Other liabilities								
Balance at 1 October	-	-	42,570	84,914	302	984	1,591	145
Balance at 30 September	-	-	23,969	42,570	455	302	280	1,591
Other operating expenses	-	-	109,123	136,633	-	-	-	-

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43. Related Party Transactions and Balances (cont'd)

	The Group		The Bank	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Key management compensation:				
Salaries and other short-term benefits	290,525	270,423	231,214	217,713
Post-employment benefits	9,098	8,278	8,138	7,453
Other long-term benefits	-	9,067	-	7,922
	<u>299,623</u>	<u>287,768</u>	<u>239,352</u>	<u>233,088</u>

No provision has been recognised in respect of loans given to related parties (2006 – Nil).

44. Financial Risk Management

By its nature, the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just loans and advances but also guarantees and other commitments such as letters of credit.

The Group also trades in financial instruments where it takes positions to take advantage of short-term market movements in equity and bond prices and in foreign exchange and interest rates. The Board places trading limits on the level of exposure that can be taken.

(a) Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, saving and current accounts, maturing deposits and repurchase agreements, loan draw downs, and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Group's Treasury Division seeks to have available a minimum proportion of maturing funds to meet such calls. The Group's policy is to hold a high proportion of liquid assets to cover withdrawals at unexpected levels of demand.

The following tables analyse assets and liabilities of the Group and the Bank into relevant maturity groupings based on the remaining period, at balance sheet date, to the contractual maturity date.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for financial institutions ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

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44. Financial Risk Management (cont'd)**(a) Liquidity risk (cont'd)**

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

As at 30 September 2007:

	The Group					
	Within	1 to 3	3 to 12	1 to 5	Over 5	Total
	1 Month	Months	Months	Years	Years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets						
Cash and balances at Bank of Jamaica	15,307,128	-	-	-	-	15,307,128
Due from other banks	16,830,313	538,588	1,456,037	-	153,031	18,977,969
Investment securities at fair value through profit and loss	287	-	62,349	225,222	737,910	1,025,768
Reverse repurchase agreements	4,958,647	3,253,061	3,213,322	-	-	11,425,030
Loans and advances net of provision for credit losses	11,872,720	1,886,168	5,713,974	20,099,429	16,953,273	56,525,564
Investment securities – available-for-sale	6,033,672	3,282,893	11,498,163	53,552,421	67,562,622	141,929,771
Investments in associates	-	-	-	-	2,034,921	2,034,921
Other	945,149	876,701	1,099,102	1,361,970	2,674,281	6,957,203
Total assets	55,947,916	9,837,411	23,042,947	75,239,042	90,116,038	254,183,354
Liabilities						
Due to other banks	2,712,004	1,061,428	898,330	105,825	-	4,777,587
Customer deposits	106,205,809	7,454,541	4,256,288	234,549	366,864	118,518,051
Derivative financial instruments	-	77,169	-	-	-	77,169
Promissory notes and certificates of participation	101,481	103,819	109,405	5,288	-	319,993
Repurchase agreements	23,560,479	13,674,888	11,688,297	2,381,503	-	51,305,167
Obligations under securitisation arrangements	274,813	19,660	894,708	19,602,382	5,618,270	26,409,833
Other borrowed funds	81,650	302,264	444,850	3,576,216	578,855	4,983,835
Other	16,735,342	1,328,563	628,598	557,113	(11,923)	19,237,693
Total liabilities	149,671,578	24,022,332	18,920,476	26,462,876	6,552,066	225,629,328
Net Liquidity Gap	(93,723,662)	(14,184,921)	4,122,471	48,776,166	83,563,972	28,554,026
Cumulative Liquidity Gap	(93,723,662)	(107,908,583)	(103,786,112)	(55,009,946)	28,554,026	

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44. Financial Risk Management (cont'd)**(a) Liquidity risk (cont'd)****As at 30 September 2006:**

	The Group					
	Within	1 to 3	3 to 12	1 to 5	Over 5	Total
	1 Month	Months	Months	Years	Years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets						
Cash and balances at Bank of Jamaica	12,039,998	-	-	-	-	12,039,998
Due from other banks	11,192,647	283,717	2,375,339	-	-	13,851,703
Investment securities at fair value through profit and loss	45,126	126,110	116,927	154,816	708,287	1,151,266
Reverse repurchase agreements	8,184,444	3,389,117	11,389,657	-	-	22,963,218
Loans and advances net of provision for credit losses	10,416,884	1,179,616	3,979,692	15,816,009	10,827,639	42,219,840
Investment securities – available-for-sale	9,057,948	10,466,088	13,429,968	41,446,104	48,214,063	122,614,171
Investments in associates	-	-	-	-	1,992,771	1,992,771
Other	124,651	619,211	243,854	4,270,648	1,047,473	6,305,837
Total assets	51,061,698	16,063,859	31,535,437	61,687,577	62,790,233	223,138,804
Liabilities						
Due to other banks	2,820,705	877,933	3,263,092	95,159	-	7,056,889
Customer deposits	80,132,299	11,949,222	6,581,419	363,563	-	99,026,503
Derivative financial instruments	-	3,055	15,043	50,867	-	68,965
Promissory notes and certificates of participation	1,143,999	670,623	465,108	11,069	-	2,290,799
Repurchase agreements	26,758,107	13,655,075	9,896,093	2,462	32,970	50,344,707
Obligations under securitisation arrangements	-	131,831	-	12,822,144	8,444,989	21,398,964
Other borrowed funds	247	-	82,484	963,441	1,477,397	2,523,569
Other	11,305,370	1,087,861	1,277,494	732,252	1,435,444	15,838,421
Total liabilities	122,160,727	28,375,600	21,580,733	15,040,957	11,390,800	198,548,817
Net Liquidity Gap	(71,099,029)	(12,311,741)	9,954,704	46,646,620	51,399,433	24,589,987
Cumulative Liquidity Gap	(71,099,029)	(83,410,770)	(73,456,066)	(26,809,446)	24,589,987	

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44. Financial Risk Management (cont'd)**(a) Liquidity risk (cont'd)**

As at 30 September 2007:

	The Bank					Total
	Within	1 to 3	3 to 12	1 to 5	Over 5	
	1 Month	Months	Months	Years	Years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets						
Cash and balances at Bank of Jamaica	14,872,967	-	-	-	-	14,872,967
Due from other banks	17,177,446	185,522	-	-	-	17,362,968
Reverse repurchase agreements	1,847,473	-	-	-	-	1,847,473
Loans and advances net of provision for credit losses	11,881,454	1,885,705	5,689,133	19,999,787	16,727,094	56,183,173
Investments securities – available-for-sale	5,667,770	2,158,058	4,579,118	31,367,705	37,593,233	81,365,884
Investments in subsidiaries	-	-	-	-	1,606,017	1,606,017
Investments in associates	-	-	-	-	471,534	471,534
Other	330,319	349,994	1,017,276	1,342,295	2,693,053	5,732,937
Total assets	51,777,429	4,579,279	11,285,527	52,709,787	59,090,931	179,442,953
Liabilities						
Due to other banks	2,738,362	1,061,428	898,330	105,825	-	4,803,945
Customer deposits	105,579,811	6,493,981	5,034,399	48,254	-	117,156,445
Derivative financial instruments	-	77,169	-	-	-	77,169
Repurchase agreements	3,709,676	1,358,378	31,061	2,282,150	-	7,381,265
Obligations under securitisation arrangements	274,813	19,660	894,708	19,602,382	5,618,270	26,409,833
Other borrowed funds	30,754	163,489	332,209	1,230,865	578,856	2,336,173
Other	1,190,355	959,773	567,243	168,107	406,749	3,292,227
Total liabilities	113,523,771	10,133,878	7,757,950	23,437,583	6,603,875	161,457,057
Net Liquidity Gap	(61,746,342)	(5,554,599)	3,527,577	29,272,204	52,487,056	17,985,896
Cumulative Liquidity Gap	(61,746,342)	(67,300,941)	(63,773,364)	(34,501,160)	17,985,896	

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

44. Financial Risk Management (cont'd)**(a) Liquidity risk (cont'd)**

As at 30 September 2006:

	The Bank					Total
	Within	1 to 3	3 to 12	1 to 5	Over 5	
	1 Month	Months	Months	Years	Years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets						
Cash and balances at Bank of Jamaica	11,431,160	-	-	-	-	11,431,160
Due from other banks	11,233,141	34,247	1,728,899	-	-	12,996,287
Reverse repurchase agreements	3,500,584	50,050	-	-	-	3,550,634
Loans and advances net of provision for credit losses	10,414,986	1,178,363	3,835,679	15,750,435	10,783,109	41,962,572
Investments securities – available-for-sale	9,684,158	9,718,868	3,356,613	22,168,691	27,644,227	72,572,557
Investments in subsidiaries	-	-	-	-	1,606,017	1,606,017
Investments in associates	-	-	-	-	543,167	543,167
Other	486,977	703,411	670,405	919,846	2,630,218	5,410,857
Total assets	46,751,006	11,684,939	9,591,596	38,838,972	43,206,738	150,073,251
Liabilities						
Due to other banks	2,820,704	877,933	3,262,092	96,160	-	7,056,889
Customer deposits	81,907,760	11,123,805	5,707,976	50,732	-	98,790,273
Derivative financial instruments	-	3,055	15,043	50,867	-	68,965
Repurchase agreements	1,909,787	496,327	90,509	-	-	2,496,623
Obligations under securitisation arrangements	-	133,041	12,766,930	8,498,993	-	21,398,964
Other borrowed funds	247	-	82,485	963,441	1,177,396	2,223,569
Other	35,146	786,924	457,098	120,216	855,367	2,254,751
Total liabilities	86,673,644	13,421,085	22,382,133	9,780,409	2,032,763	134,290,034
Net Liquidity Gap	(39,922,638)	(1,736,146)	(12,790,537)	29,058,563	41,173,975	15,783,217
Cumulative Liquidity Gap	(39,922,638)	(41,658,784)	(54,449,321)	(25,390,758)	15,783,217	

(b) Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may decrease or create losses in the event that unexpected movements arise. The Asset and Liability Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following tables summarise the Group's and the Bank's exposure to interest rate risk. Included in the tables are the Group's and the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

44. Financial Risk Management (cont'd)

(b) Interest rate risk (cont'd)

As at 30 September 2007:

	The Group						Non-Interest Bearing	Total
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	\$'000		
Assets								
Cash and balances at Bank of Jamaica	6,754,387	-	-	-	-	8,552,741	15,307,128	
Due from other banks	9,067,274	538,404	1,425,502	-	153,030	7,793,759	18,977,969	
Investment securities at fair value through profit and loss	10,850	37,622	13,561	94,292	236,292	633,151	1,025,768	
Reverse repurchase agreements	4,050,516	2,248,450	4,860,445	-	-	265,619	11,425,030	
Loans and advances net of provision for credit losses	49,107,586	12,099	230,643	4,846,700	1,544,000	784,536	56,525,564	
Investment securities –available-for-sale	18,389,146	40,717,289	12,534,939	31,354,782	34,281,400	4,652,215	141,929,771	
Investment in associates	-	-	-	-	-	2,034,921	2,034,921	
Other	-	-	-	-	-	6,957,203	6,957,203	
Total assets	87,379,759	43,553,864	19,065,090	36,295,774	36,214,722	31,674,145	254,183,354	
Liabilities								
Due to other banks	2,862,070	1,026,537	843,173	-	-	45,807	4,777,587	
Customer deposits	48,681,386	17,043,645	23,550,343	233,943	366,864	28,641,870	118,518,051	
Derivative financial instruments	-	77,242	-	-	-	(73)	77,169	
Promissory notes and certificates of participation	148,685	85,258	66,349	3,548	-	16,153	319,993	
Repurchase agreements	23,777,238	13,471,137	11,660,792	2,335,298	-	60,702	51,305,167	
Obligations under securitisation arrangements	15,711,923	10,389,101	-	-	-	308,809	26,409,833	
Other borrowed funds	21,813	1,179,653	189,546	3,396,557	139,719	56,547	4,983,835	
Other	13,405,371	311,553	1,210,013	298,210	-	4,012,546	19,237,693	
Total liabilities	104,608,486	43,584,126	37,520,216	6,267,556	506,583	33,142,361	225,629,328	
On balance sheet interest sensitivity gap	(17,228,727)	(30,262)	(18,455,126)	30,028,218	35,708,139	(1,468,216)	28,554,026	
Cumulative interest sensitivity gap	(17,228,727)	(17,258,989)	(35,714,115)	(5,685,897)	30,022,242	28,554,026		

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

44. Financial Risk Management (cont'd)

(b) Interest rate risk (cont'd)

As at 30 September 2006:

	The Group						Non-Interest Bearing	Total
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	\$'000		
Assets								
Cash and balances at Bank of Jamaica	343,838	-	-	-	-	11,696,160	12,039,998	
Due from other banks	3,746,242	283,717	2,375,339	-	-	7,446,405	13,851,703	
Investment securities at fair value through profit and loss	-	243,037	-	154,816	-	753,413	1,151,266	
Reverse repurchase agreements	8,439,859	3,389,117	11,134,242	-	-	-	22,963,218	
Loans and advances net of provision for credit losses	34,737,337	14,398	367,714	5,648,074	1,452,317	-	42,219,840	
Investment securities –available-for-sale	9,971,201	30,697,961	16,047,950	32,157,648	32,732,998	1,006,503	122,614,171	
Investment in associates	-	-	-	-	-	1,992,771	1,992,771	
Other	63,625	-	-	-	-	6,242,212	6,305,837	
Total assets	57,302,102	34,628,230	29,925,245	37,960,538	34,185,225	29,137,464	223,138,804	
Liabilities								
Due to other banks	2,820,704	877,933	3,263,092	95,160	-	-	7,056,889	
Customer deposits	34,156,615	19,969,728	22,602,431	363,563	-	21,944,166	99,026,503	
Derivative financial instruments	68,965	-	-	-	-	-	68,965	
Promissory notes and certificates of participation	1,143,999	670,623	465,108	11,069	-	-	2,290,799	
Repurchase agreements	26,758,107	13,655,075	9,896,093	2,462	32,970	-	50,344,707	
Obligations under securitisation arrangements	14,901,151	6,497,813	-	-	-	-	21,398,964	
Other borrowed funds	926,068	-	27,423	516,548	1,053,530	-	2,523,569	
Other	12,474,671	408	1,923	191,078	-	3,170,341	15,838,421	
Total liabilities	93,250,280	41,661,580	36,256,070	1,179,880	1,086,500	25,114,507	198,548,817	
On balance sheet interest sensitivity gap	(35,948,178)	(7,033,350)	(6,330,825)	36,780,658	33,098,725	4,022,957	24,589,987	
Cumulative interest sensitivity gap	(35,948,178)	(42,981,528)	(49,312,353)	(12,531,695)	20,567,030	24,589,987		

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44. Financial Risk Management (cont'd)

(b) Interest rate risk (cont'd)

As at 30 September 2007:

	The Bank					Non-Interest Bearing	Total
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash and balances at Bank of Jamaica	6,320,225	-	-	-	-	8,552,742	14,872,967
Due from other banks	9,423,188	185,339	-	-	-	7,754,441	17,362,968
Reverse repurchase agreements	1,845,246	-	-	-	-	2,227	1,847,473
Loans and advances net of provision for credit losses	49,099,589	11,656	223,220	4,749,132	1,322,516	777,060	56,183,173
Investment securities – available-for-sale	10,689,907	24,306,578	4,880,687	20,165,961	18,334,280	2,988,471	81,365,884
Investments in subsidiaries	-	-	-	-	-	1,606,017	1,606,017
Investments in associates	-	-	-	-	-	471,534	471,534
Other	-	-	-	-	-	5,732,937	5,732,937
Total assets	77,378,155	24,503,573	5,103,907	24,915,093	19,656,796	27,885,429	179,442,953
Liabilities							
Due to other banks	2,888,428	1,026,537	843,173	-	-	45,807	4,803,945
Customer deposits	48,055,388	16,083,085	24,377,615	47,649	-	28,592,708	117,156,445
Derivative financial instruments	-	77,242	-	-	-	(73)	77,169
Repurchase agreements	3,691,563	1,351,956	-	2,282,150	-	55,596	7,381,265
Obligations under securitisation arrangements	15,711,923	10,389,101	-	-	-	308,809	26,409,833
Other borrowed funds	21,813	1,179,653	189,546	770,283	139,719	35,159	2,336,173
Other	-	-	-	-	-	3,292,227	3,292,227
Total liabilities	70,369,115	30,107,574	25,410,334	3,100,082	139,719	32,330,233	161,457,057
On balance sheet interest sensitivity gap	7,009,040	(5,604,001)	(20,306,427)	21,815,011	19,517,077	(4,444,804)	17,985,896
Cumulative interest sensitivity gap	7,009,040	1,405,039	(18,901,388)	2,913,623	22,430,700	17,985,896	

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44. Financial Risk Management (cont'd)

(b) Interest rate risk (cont'd)

As at 30 September 2006:

	The Bank					Non-Interest Bearing	Total
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash and balances at Bank of Jamaica	115,006	-	-	-	-	11,316,154	11,431,160
Due from other banks	3,786,737	34,247	1,728,899	-	-	7,446,404	12,996,287
Reverse repurchase agreements	3,500,584	50,050	-	-	-	-	3,550,634
Loans and advances net of provision for credit losses	34,734,898	13,685	223,700	5,582,500	1,407,789	-	41,962,572
Investment securities – available-for-sale	10,597,411	29,950,741	5,974,595	12,880,235	12,163,072	1,006,503	72,572,557
Investments in subsidiaries	-	-	-	-	-	1,606,017	1,606,017
Investments in associates	-	-	-	-	-	543,167	543,167
Other	-	-	-	-	-	5,410,857	5,410,857
Total assets	52,734,636	30,048,723	7,927,194	18,462,735	13,570,861	27,329,102	150,073,251
Liabilities							
Due to other banks	2,820,704	877,933	3,263,092	95,160	-	-	7,056,889
Customer deposits	35,919,320	19,134,311	21,728,988	50,733	-	21,956,921	98,790,273
Derivative financial instruments	68,965	-	-	-	-	-	68,965
Repurchase agreements	1,909,787	496,327	90,509	-	-	-	2,496,623
Obligations under securitisation arrangements	14,901,151	6,497,813	-	-	-	-	21,398,964
Other borrowed funds	1,011,706	-	27,423	516,548	667,892	-	2,223,569
Other	34,313	408	1,923	191,078	-	2,027,029	2,254,751
Total liabilities	56,665,946	27,006,792	25,111,935	853,519	667,892	23,983,950	134,290,034
On balance sheet interest sensitivity gap	(3,931,310)	3,041,931	(17,184,741)	17,609,216	12,902,969	3,345,152	15,783,217
Cumulative interest sensitivity gap	(3,931,310)	(889,379)	(18,074,120)	(464,904)	12,438,065	15,783,217	

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44. Financial Risk Management (cont'd)**(b) Interest rate risk (cont'd)**

The table below summarises the effective interest rates by major currencies for financial instruments of the Group and the Bank.

As at 30 September 2007:

	The Group				The Bank			
	J\$	US\$	CAN\$	GBP	J\$	US\$	CAN\$	GBP
	%	%	%	%	%	%	%	%
Assets								
Cash and balances at Bank of Jamaica	1.0	4.4	3.4	4.5	1.0	4.4	3.4	4.5
Due from other banks	-	5.8	4.4	5.3	-	5.7	4.4	5.1
Investment securities at fair value								
through profit and loss – debt securities	13.8	8.9	-	-	-	-	-	-
Reverse repurchase agreements	11.5	6.0	-	-	11.6	6.0	-	-
Loans and advances	22.8	10.1	-	-	22.8	10.1	-	-
Investment securities –available-for-sale								
debt securities	13.0	10.4	-	7.9	12.9	10.3	-	7.9
Liabilities								
Due to other banks	9.7	6.6	-	-	9.7	6.7	-	-
Customer deposits	4.3	2.9	1.3	1.6	4.3	2.9	1.3	1.6
Repurchase agreements	11.5	6.2	-	4.1	12.1	6.0	-	-
Obligations under securitisation arrangements	-	6.6	-	-	-	6.6	-	-
Other borrowed funds	9.7	7.5	-	-	9.6	7.5	-	-

As at 30 September 2006:

	The Group				The Bank			
	J\$	US\$	CAN\$	GBP	J\$	US\$	CAN\$	GBP
	%	%	%	%	%	%	%	%
Assets								
Cash and balances at Bank of Jamaica	1.2	4.5	3.4	3.9	1.0	4.5	3.4	3.9
Due from other banks	-	4.9	5.4	4.7	-	4.9	5.4	4.7
Investment securities at fair value								
through profit and loss – debt securities	15.1	6.7	-	-	-	-	-	-
Reverse repurchase agreements	12.8	6.4	-	-	10.5	6.5	-	-
Loans and advances	26.1	10.0	-	-	26.1	10.0	-	-
Investment securities –available-for-sale								
debt securities	13.9	10.2	-	-	13.1	10.9	-	7.9
Liabilities								
Due to other banks	-	6.6	-	-	-	6.6	-	-
Customer deposits	5.8	2.9	1.3	1.4	4.8	2.9	1.3	1.4
Repurchase agreements	12.1	6.1	-	-	12.4	6.7	-	-
Obligations under securitisation arrangements	-	7.0	-	-	-	7.0	-	-
Other borrowed funds	11.8	4.9	-	-	11.6	4.8	-	-

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

44. Financial Risk Management (cont'd)**(c) Currency risk**

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Credit and Risk Management Division sets limits on the level of exposure by currency and in total for both overnight and intra-day positions.

The following tables summarise the exposure of the Group and the Bank to foreign currency exchange rate risk. Included in the tables are the Group's and the Bank's assets and liabilities at carrying amounts categorised by currency.

As at 30 September 2007:

	The Group					
	J\$	US\$	GBP	CAN\$	Other	Total
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Assets						
Cash and balances at						
Bank of Jamaica	10,364,194	4,102,334	731,553	89,004	20,043	15,307,128
Due from other banks	1,114,594	12,144,446	4,925,187	438,424	355,318	18,977,969
Investment securities at fair value through profit and loss	869,213	143,750	-	-	12,805	1,025,768
Reverse repurchase agreements	9,513,254	1,911,776	-	-	-	11,425,030
Loans and advances net of provision for credit losses	28,816,564	27,709,000	-	-	-	56,525,564
Investment securities – available-for-sale	81,930,750	58,384,900	1,024,247	-	589,874	141,929,771
Investments in associates	2,034,921	-	-	-	-	2,034,921
Other	6,167,291	433,028	173,075	4	183,805	6,957,203
Total assets	140,810,781	104,829,234	6,854,062	527,432	1,161,845	254,183,354
Liabilities						
Due to other banks	1,839,252	2,765,210	77,087	27,744	68,294	4,777,587
Customer deposits	73,512,934	37,846,260	6,272,602	509,919	376,336	118,518,051
Derivative financial instruments	-	77,169	-	-	-	77,169
Promissory notes and certificates of participation	316,758	3,235	-	-	-	319,993
Repurchase agreements	26,093,371	24,961,454	93,488	-	156,854	51,305,167
Obligations under securitisation arrangements	-	26,409,833	-	-	-	26,409,833
Other borrowed funds	2,037,553	2,946,282	-	-	-	4,983,835
Retirement benefit obligations	290,549	-	-	-	-	290,549
Other	18,608,971	268,862	11,986	91	57,234	18,947,144
Total liabilities	122,699,388	95,278,305	6,455,163	537,754	658,718	225,629,328
Net position	18,111,393	9,550,929	398,899	(10,322)	503,127	28,554,026

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

44. Financial Risk Management (cont'd)

(c) Currency risk (cont'd)

As at 30 September 2006:

	The Group					
	J\$	US\$	GBP	CAN\$	Other	Total
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Assets						
Cash and balances at						
Bank of Jamaica	8,034,769	3,248,294	610,021	87,839	59,075	12,039,998
Due from other banks	971,065	9,175,822	3,071,958	255,825	377,033	13,851,703
Investment securities at fair value through profit and loss	820,729	310,719	-	-	19,818	1,151,266
Reverse repurchase agreements	20,588,391	2,374,827	-	-	-	22,963,218
Loans and advances net of provision for credit losses	23,444,978	18,774,862	-	-	-	42,219,840
Investment securities – available-for-sale	77,993,546	43,561,203	911,727	-	147,695	122,614,171
Investments in associates	1,992,771	-	-	-	-	1,992,771
Other	5,844,024	182,327	182,180	130	97,176	6,305,837
Total assets	139,690,273	77,628,054	4,775,886	343,794	700,797	223,138,804
Liabilities						
Due to other banks	1,642,353	5,182,905	67,978	20,971	142,682	7,056,889
Customer deposits	63,840,947	28,834,103	5,147,905	451,471	752,077	99,026,503
Derivative financial instruments	-	68,965	-	-	-	68,965
Promissory notes and certificates of participation	2,254,157	36,642	-	-	-	2,290,799
Repurchase agreements	31,027,557	19,202,541	24,733	-	89,876	50,344,707
Obligations under securitisation arrangements	-	21,398,964	-	-	-	21,398,964
Other borrowed funds	1,138,680	1,345,894	-	-	38,995	2,523,569
Retirement benefit obligations	252,313	-	-	-	-	252,313
Other	15,305,054	105,320	175,734	-	-	15,586,108
Total liabilities	115,461,061	76,175,334	5,416,350	472,442	1,023,630	198,548,817
Net position	24,229,212	1,452,720	(640,464)	(128,648)	(322,833)	24,589,987

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

44. Financial Risk Management (cont'd)

(c) Currency risk (cont'd)

As at 30 September 2007:

	The Bank					
	J\$	US\$	GBP	CAN\$	Other	Total
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Assets						
Cash and balances at						
Bank of Jamaica	10,385,386	3,692,090	686,444	89,004	20,043	14,872,967
Due from other banks	1,115,770	10,535,005	4,925,187	438,424	348,582	17,362,968
Reverse repurchase agreements	490,962	1,356,511	-	-	-	1,847,473
Loans and advances net of provision for credit losses	28,833,466	27,349,707	-	-	-	56,183,173
Investment securities – available-for-sale	45,896,931	34,212,526	1,024,247	-	232,180	81,365,884
Investments in subsidiaries	1,325,063	131,565	149,389	-	-	1,606,017
Investments in associates	471,534	-	-	-	-	471,534
Other	5,547,143	1,986	3	2	183,803	5,732,937
Total assets	94,066,255	77,279,390	6,785,270	527,430	784,608	179,442,953
Liabilities						
Due to other banks	1,865,610	2,765,210	77,084	27,744	68,297	4,803,945
Customer deposits	73,925,322	36,072,266	6,272,602	509,919	376,336	117,156,445
Derivative financial instruments	-	77,169	-	-	-	77,169
Repurchase agreements	195,855	7,185,410	-	-	-	7,381,265
Obligations under securitisation arrangements	-	26,409,833	-	-	-	26,409,833
Other borrowed funds	960,600	1,375,573	-	-	-	2,336,173
Retirement benefit obligations	290,549	-	-	-	-	290,549
Other	2,837,191	106,662	504	91	57,230	3,001,678
Total liabilities	80,075,127	73,992,123	6,350,190	537,754	501,863	161,457,057
Net position	13,991,128	3,287,267	435,080	(10,324)	282,745	17,985,896

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

44. Financial Risk Management (cont'd)**(c) Currency risk (cont'd)**

As at 30 September 2006:

	The Bank					Total J\$'000
	J\$	US\$	GBP	CAN\$	Other	
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	
Assets						
Cash and balances at						
Bank of Jamaica	7,642,647	3,110,651	567,746	87,501	22,615	11,431,160
Due from other banks	1,191,393	8,176,290	3,006,546	245,025	377,033	12,996,287
Reverse repurchase agreements	2,172,679	1,377,955	-	-	-	3,550,634
Loans and advances net of						
provision for credit losses	23,444,978	18,517,594	-	-	-	41,962,572
Investment securities –						
available-for-sale	46,948,490	24,671,515	911,727	-	40,825	72,572,557
Investments in subsidiaries	1,325,063	131,565	149,389	-	-	1,606,017
Investments in associates	543,167	-	-	-	-	543,167
Other	3,070,519	2,091,670	151,362	130	97,176	5,410,857
Total assets	86,338,936	58,077,240	4,786,770	332,656	537,649	150,073,251
Liabilities						
Due to other banks	1,642,352	5,182,905	67,978	20,971	142,683	7,056,889
Customer deposits	64,290,477	28,706,487	5,073,176	437,687	282,446	98,790,273
Derivative financial instruments	-	68,965	-	-	-	68,965
Repurchase agreements	904,723	1,591,900	-	-	-	2,496,623
Obligations under						
securitisation arrangements	-	21,398,964	-	-	-	21,398,964
Other borrowed funds	838,681	1,345,893	-	-	38,995	2,223,569
Retirement benefit obligations	252,313	-	-	-	-	252,313
Other	1,961,625	25,659	222	-	14,932	2,002,438
Total liabilities	69,890,171	58,320,773	5,141,376	458,658	479,056	134,290,034
Net position	16,448,765	(243,533)	(354,606)	(126,002)	58,593	15,783,217

(d) Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group estimates the market risk of positions held and the maximum losses expected based on a number of assumptions for various changes in market conditions. Market risk is monitored by the Credit and Risk Management Division which carries out extensive research and monitors the price movement of financial assets on the local and international markets.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

44. Financial Risk Management (cont'd)**(e) Credit risk**

The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is inherent in traditional banking products – loans, commitments to lend, and contracts to support counterparties' obligations to third parties such as letters of credit. Positions in tradeable assets such as bonds and equities also carry credit risk.

The risk is managed primarily by review of the financial status of each counterparty. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The exposure to any one borrower including banks and brokers is restricted by limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

44. Financial Risk Management (cont'd)**(e) Credit risk (cont'd)**

The following tables summarise the credit exposure of the Group and the Bank to businesses and government by sector:

	The Group			The Bank		
	Loans and advances	Letters of credit and undertaking	Total	Loans and advances	Letters of credit and undertaking	Total
			2007			2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Agriculture, fishing and mining	406,186	363	406,549	406,186	363	406,549
Construction and real estate	3,203,021	157,611	3,360,632	3,203,021	157,611	3,360,632
Distribution	3,242,697	19,136	3,261,833	3,242,697	19,136	3,261,833
Financial institutions	16,976	1,640	18,616	16,976	1,640	18,616
Government and public entities	12,214,640	78	12,214,718	12,214,640	78	12,214,718
Manufacturing	1,409,183	97,776	1,506,959	1,409,183	97,776	1,506,959
Personal	22,044,306	9,057	22,053,363	21,875,907	9,057	21,884,964
Professional and other services	4,935,502	93,215	5,028,717	4,935,502	93,215	5,028,717
Tourism and entertainment	7,689,722	8,252	7,697,974	7,689,722	8,252	7,697,974
Transportation storage and communication	1,312,402	19,837	1,332,239	1,312,402	19,837	1,332,239
Other	1,263,680	28,231	1,291,911	1,093,457	28,231	1,121,688
Total	57,738,315	435,196	58,173,511	57,399,693	435,196	57,834,889
Total provision	(1,997,288)	-	(1,997,288)	(1,993,580)	-	(1,993,580)
Interest receivable	55,741,027	435,196	56,176,223	55,406,113	435,196	55,841,309
Net	784,537	-	784,537	777,060	-	777,060
	56,525,564	435,196	56,960,760	56,183,173	435,196	56,618,369
			42,517,428			42,260,160

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

45. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

- Investment securities at fair value through profit and loss, derivatives and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount for these items;
- Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;
- The fair value of liquid assets and other assets maturing within one year (Cash and Balances at Bank of Jamaica, Due from other banks) is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the balance sheet date;
- The fair value of variable rate financial instruments is assumed to approximate their carrying amounts; and
- The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.

The fair values of the investments in associates and obligations under securitisation arrangements are disclosed in Notes 24 and 32, respectively. The fair values for all other financial instruments approximate their carrying values.

46. Banking Act

At 30 September 2007 and 30 September 2006:

The Bank was in breach of Section 13(1)(d) of the Banking Act. This section deals with unsecured lending to connected persons. These lendings represent approximately 0.073% (2006 - 0.002%) of the Bank's loans and advances.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

47. Commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Authorised and contracted	290,961	297,721	290,961	297,721
Authorised but not yet contracted	358,712	924,323	358,712	924,323
	<u>649,673</u>	<u>1,222,044</u>	<u>649,673</u>	<u>1,222,044</u>

Operating Lease Commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	The Group		The Bank	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	36,485	47,724	35,665	46,945
Later than 1 year and not later than 5 years	11,372	10,644	11,372	10,644
Later than 5 years	-	3,220	-	3,220
	<u>47,857</u>	<u>61,588</u>	<u>47,037</u>	<u>60,809</u>

48. Pledged Assets

	The Group		The Bank	
	2007	2006	2007	2006
	Asset	Related Liability	Asset	Related Liability
	\$'000	\$'000	\$'000	\$'000
Balances at Bank of Jamaica	10,314,256	-	10,314,256	-
Due from other banks	215,010	66,339	215,010	66,339
Securities	56,677,324	51,215,059	11,582,899	7,381,265
Property, plant and equipment	<u>161,807</u>	<u>206,979</u>	<u>161,807</u>	<u>206,979</u>

Assets are pledged as collateral for repurchase agreements, loans from other institutions, possible shortfall in the Bank of Jamaica operating account, security deposits relating to stock exchange membership and in accordance with the Insurance Regulations. Assets are also pledged to third parties under various other agreements.

Statutory reserves are also held with the Bank of Jamaica. These deposits are not available to finance the Group's day-to-day operations.

49. 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

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

49. Fiduciary Activities (cont'd)

are not included in these financial statements. At 30 September 2007, the Group had financial assets under administration of approximately \$35.1 billion (2006 - \$30.2 billion).

50. Dividends

On 12 November 2007, the Board declared a final interim dividend in respect of 2007 of \$0.17 per ordinary stock unit was declared. The dividend is payable on 12 December 2007 for stockholders on record as at 27 November 2007. The financial statements for the year ended 30 September 2007 do not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the year ending 30 September 2008.

51. Litigation and Contingent Liabilities Litigation

The Bank and its subsidiaries are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both financial position and results of operations.

Significant matters are as follows:

- Suit has been filed by a customer of the Bank against the Attorney General of Jamaica, the Bank and Mr. Dunbar McFarlane. The customer is claiming damages arising out of an alleged breach of a contract between the customer and the National Insurance Fund of which Mr. Dunbar McFarlane, a former director of the Bank, was Chairman, for the sale of certain premises which were mortgaged to the Bank. The customer also claims special damages amounting to approximately \$110 million. No provision has been made in the financial statements as the Bank's attorneys are of the opinion that the plaintiff's claims against Mr. McFarlane and the Bank are unlikely to succeed.
- Suit has been filed by the Bank's Staff Association against the Bank and Trustees of the N.C.B. Pension Scheme for breach of trust in respect of matters concerning the amendment and merger of the former pension funds, as well as the management and investment of the funds of the pension scheme. No provision has been made in the financial statements as the Bank's attorneys are of the opinion that the suit against the Bank is unlikely to succeed.
- Suit has been filed by the Bank's Staff Association against the Bank seeking various declarations regarding the Bank's profit sharing scheme. The Association has not quantified the claim. No provision has been made in the financial statements as the Bank's attorneys are of the opinion that the suit against the Bank is unlikely to succeed.

30 September 2007 (expressed in Jamaican dollars unless otherwise indicated)

51. Litigation and Contingent Liabilities

Litigation (cont'd)

- (d) Suit has been filed by a customer against the Bank for breach of contract, breach of trust and negligence and damages. The claim for damages includes a sum equivalent to the profit of the business foregone as a result of an inability to access a loan approved by the Bank and the cost of interim financing. No provision has been made in these financial statements for this claim as the Bank's attorneys are of the view that the suit against the Bank is unlikely to succeed.
- (e) Suit has been filed by a customer against the Bank for damages suffered as a result of the Bank's alleged negligence in relation to the sale of property. The proper value of the property, which had been owned by the customer, is in issue, along with the amount properly to be applied to the customer's loan balance. Based on the advice of the Bank's attorneys, a provision has been made in the financial statements in respect of this claim.
- (f) Suit has been filed by a customer against the Bank for unlawful, wrongful and/or improper use of power in the appointment of a Receiver and Manager of the customer's business property and assets. Damages, interest and costs have been claimed against the Bank. The Bank's attorneys are unable to determine the outcome of the suit and no provision has been made in the financial statements.
- (g) Suit has been filed against the Bank by customers seeking declarations and damages as compensation for breach of contract/statutory duties in connection with facilities the customers have with the Bank. The claim for damages is approximately \$166 million. Based on the advice of the Bank's attorneys, no provision has been made in the financial statements.
- (h) A number of other suits claiming damages in excess of \$5 million each have been filed by customers of the Bank. The sums total approximately \$30 million. In some instances counter claims have been filed by the Bank. Provision has been made in the financial statements for certain of these claims. No provision has been made where the Bank's attorneys are of the view that the Bank has a good defense.

Acceptances, Guarantees, Indemnities and Letters of Credit

As at 30 September 2007, the Group and the Bank have made commitments for off-balance sheet financial instruments (acceptances, guarantees, indemnities and letters of credit) amounting to \$4,966,388,000 (2006 - \$3,433,210,000). There is an equal and offsetting claim against customers in the event of a call on these commitments.

During the 2007 Financial Year, the Jamaican economy recorded mixed results largely due to adverse external developments such as bad weather, rising international commodity prices and volatility in international financial markets which moderated both economic and financial market activity. Early indicators of continued strong growth in many sectors of the economy were soon mitigated by the significant effects of Hurricane Dean. Both the equity and fixed income markets remained fairly subdued due to lower investor sentiment related to the general elections and the credit crisis in the United States of America. It should also be noted that whilst interest rates remained unchanged for the greater part of the financial year, increased foreign exchange market pressures due to a significant decline in net private capital inflows and higher demand for foreign currency, resulted in lower net international reserves and higher interest rates on local debt issuance.

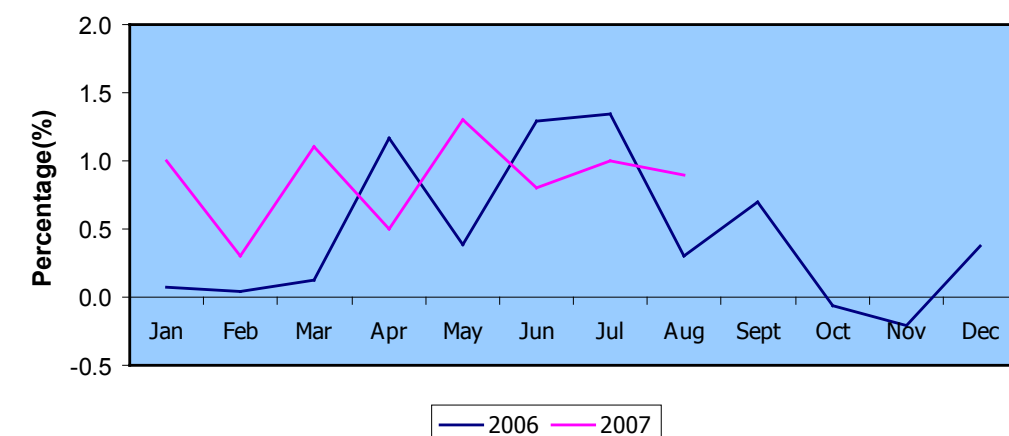
Growth

While a fairly quiet 2006 hurricane season and a year-end rebound in the construction sector helped the country to record growth of 2.5% in 2006, the economy saw its growth momentum moderate as the 2007 Financial Year drew to a close. Strong growth in the Construction, Agriculture and Distributive Trade sectors supported early growth promise as the economy grew by 2.7% between October and December 2006. However, a fall out in Tourism and Mining by the end of the June 2007 quarter served to restrain growth. Indications are that growth for the calendar year will slow as damage to the Agricultural sector caused by Hurricane Dean is estimated to have reduced estimated annual GDP growth by some one percentage point.

Inflation

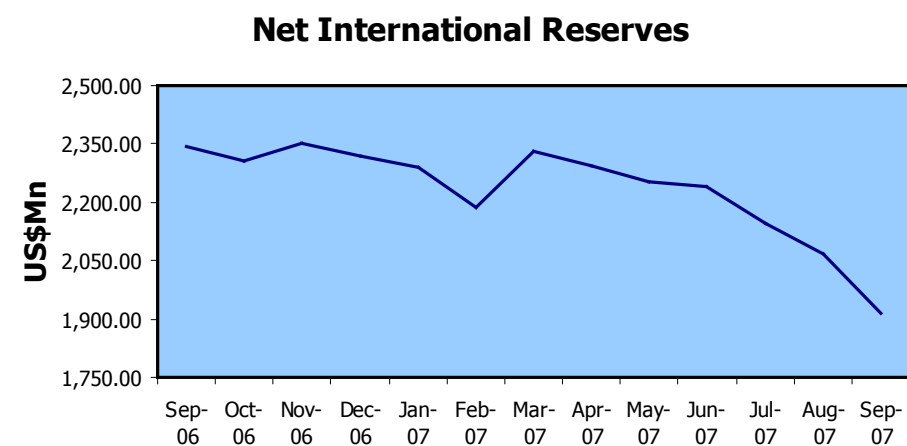
Higher international commodity prices such as grain and crude oil and pass-through from a relatively faster rate of depreciation of the Jamaican dollar, resulted in stronger inflationary impulses in the financial year. Notably, in August 2007, the Statistical Institute of Jamaica launched a revised Consumer Price Index (CPI) which was updated to reflect changes in consumption patterns that had taken place over the last two decades. Based on the revised CPI series, for the period January to August, inflation was 7.2%, trending above the 4.71% recorded for the similar period in 2006.

Monthly Inflation 2006 Relative to 2007



Foreign Exchange Market

Foreign exchange market activity was impacted by developments in both the local and international sphere during the 2007 Financial Year. Stable to rising interest rates in international economies, as well as lower inflows from tourism contributed to a reduction in net private capital inflows. Notably, reductions in local interest rates in the first quarter and stable US interest rates resulted in a significant narrowing of the interest rate differential between US denominated assets and JMD assets, which encouraged portfolio switching to foreign currency assets on the part of investors. Demand for foreign currency was also heightened in a context of higher prices for imported commodities and record outflows of repatriated profits by foreign owned companies. The combination of reduced net private capital inflows and increased demand for foreign currency resulted in frequent bouts of instability in the foreign exchange market. This forced the Bank of Jamaica to increase its sale of foreign currency to the market to augment supply. In this context, the Net International Reserve (NIR) declined by US\$425.82 million between September 30, 2006 and September 30, 2007, to close at US\$1,916.19 million.



The Bank of Jamaica (BOJ) also increased its issuance of financial instruments to the market in an attempt to absorb excess Jamaican dollar liquidity and maintain stability in the foreign exchange market. In this regard, the BOJ increasingly employed the sale of variable and fixed rate Certificates of Deposits, as well as, Government of Jamaica (GOJ) issued securities from its holdings. However, despite BOJ intervention activities, both sales of foreign currency and fixed income instruments, the local currency depreciated by 4.9% against its US counterpart for the period October to September 2007, relative to 2.3% for the same period in 2006.

Movements in Selected Interest Rates

After effecting two downward adjustments to its entire spectrum of open market instruments in September 2006, relatively stable foreign exchange market conditions then allowed the BOJ to effect an additional adjustment of 30 basis points in December 2006. This brought the 180 day Reverse Repo to 12.00% and the 30 day reverse repo to 11.65%. Market interest rates followed this trend downwards to a low of 11.65% on the 180-day Treasury bill in March 2007. However, frequent bouts of pressures in the foreign exchange market, forced the Central Bank to keep its interest rates unchanged for the period January to September 2007. Given the significant increase in foreign exchange market pressures and the decline in the NIR occasioned by its frequent intervention in

the foreign exchange market, the BOJ assumed a tighter monetary policy stance employing the use of several JMD instruments issued at higher interest rates. Notably, the BOJ issued a 1 year Fixed Rate (FR) Certificate of Deposit in September at a yield of 14.00%. Subsequently, market interest rates also increased with the weighted average yield on the 180 days Treasury Bill rising to a high for the year of 14.29%.

Fiscal

For the most part, the fiscal picture worsened over the financial year in review. The government's fiscal year ended March 2007, culminated with a budget deficit of \$37.5B or 5.3% of Gross Domestic Product (GDP), relative to the targeted 2.5% of GDP. Much of the slippage occurred in the final half of the fiscal year as expenditures related to higher wages and salaries, as well as, higher than programmed interest payments on domestic debt were booked. At the same time, certain revenue flows such as the JPSCo sale failed to materialize.

For the current fiscal year (2007-08), a deficit of \$35.1B or 4.5% of GDP was programmed. For the fiscal year to August 2007, the fiscal deficit was \$12.10B or \$2.17B below budget. This outturn was due primarily to better than projected revenues, with expenditure being slightly below programmed. However important developments since August, including the accompanying costs of Hurricane Dean and certain expenditures which were omitted from the initial budget, have significantly weakened the outlook for the fiscal performance in the current year. Indications are that, rather than the planned lower deficit relative to the previous year, the 2007/08 fiscal deficit might be closer to 6.0% of GDP.

Nonetheless, in September 2007, Standard & Poor's re-affirmed its 'B' long-term and 'B' short term sovereign credit ratings on Jamaica. The rating was affirmed against the background of positive developments in the local macroeconomy and the ongoing commitment to reasonable fiscal and monetary stances which balanced continuing difficulties in achieving fiscal targets and sustainably reducing the debt.

Outlook

The smooth passage of the General Election and transition to a new government has helped to ease some of the uncertainties harboured by market participants and the public in general. The latest consumer and business confidence survey showed the respective indices moving to record levels reflecting the upbeat mood of business owners and consumers about future profits and income. Importantly, growth in key areas such as the Construction & Installation, Utilities (Electricity & Water), Tourism and Financial Institutions sectors will be paramount to overall economic well being in the short to medium term.

The main challenges of managing the emerging pressures on interest rates and the exchange rate, as well as, maintaining fiscal discipline will be the key factors to watch for the new financial year. Additionally, rising commodity prices, particularly oil, and a slowdown in US economic growth and world economic growth are the main external factors which can impact the economy adversely in the near term. However, Jamaica's proven ability to face severe shocks and a commitment to fiscal discipline will continue to bolster confidence in the economy.

National Commercial Bank Jamaica Limited continues to acknowledge that its business does not exist in isolation. As such, we continue to extend ourselves beyond the boundaries of a financial institution, by actively helping to enhance the social and economic conditions in communities across the island. Taking our long-term vision of building a better Jamaica seriously, we worked assiduously through the N.C.B. Foundation to undertake initiatives to enrich and improve the quality of life for many Jamaicans.

EDUCATION

During the year the N.C.B. Foundation, ardently pursued funding of various projects and programmes geared at uplifting young Jamaicans. Contributing over \$15million to various initiatives throughout the year. In June 2007, the 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, for the new school year beginning September 2007, the Foundation awarded over thirty outstanding students with scholarships at the secondary and tertiary level. Funded under the Bank's Jamaican Education Initiative (JEI), these scholarships are valued at approximately \$1million. The Bank thanks all Keycard holders whose purchases continue to allow NCB to fund the JEI.

The Foundation sought to alleviate some of the difficulties faced by schools and resource centres throughout the year, resulting in several educational institutions benefiting from contributions towards computers and improvements to their infrastructure. Jamaica House Basic School, Titchfield High, Montego Bay High School, Rhodes Hall High are among some of the many beneficiaries. The Foundation also focused on assisting children with learning disabilities. In August 2007, over 150 children at seven basic schools across the island participated in a summer school programme organized by 3-D Projects and funded by the N.C.B. Foundation at a cost of \$1.5million. The Jamaica Association for the Deaf also benefited from funding to the tune of \$2.9million.

HEALTH

NCB paid close attention to the needs of the health sector throughout the year by contributing approximately \$12million to an array of health projects, touching hundreds of Jamaicans island-wide. The Bank's donation towards the Heart Foundation of Jamaica's initiative to construct an Education and Emergency Cardiac Training Centre for the treatment of cardiovascular disease was one such activity. NCB was joined by other corporate donors, in support of the establishment of a state of the art facility, which will benefit a number of Jamaicans threatened or diagnosed with heart disease. The Lupus Foundation of Jamaica, the Kingston Public Hospital and the Intermediate Care Unit at the University Hospital of the West Indies were other major beneficiaries during the year. Additionally, NCB employees once



again displayed their spirit of volunteerism by joining hundreds of cancer survivors, family, friends, service clubs and corporate Jamaica teams by walking, jogging and running laps in support of the Jamaica Cancer Society's Relay for Life fundraiser. In addition to the Bank's sponsorship of the event, the employees also undertook their own fundraising initiatives for this charity.

SPORTS

NCB sought to foster the talent that exists among our young athletes over the year. As part of our consistent drive to promote and sustain the development of sports throughout the country, NCB lent financial support to numerous sporting clubs, leagues, federations and associations in the areas of football, tennis, netball and basketball and in some instances adopting players or allowing young aspiring athletes to attend overseas training camps, that provided them with invaluable exposure. Some primary beneficiaries included the Jamaica Football Federation, Jamaica Netball Association, Jamaica Squash Association, IMG Academics, Boys Town Premier League Football Club and Harbour View Football Club. The NCB Knockout Cricket Competition, held in St. Elizabeth and the NCB Youth Cricket Camp held in St. Thomas were some of the rural sporting initiatives endorsed by the Bank.

NCB announced its sponsorship of the National Football Programme in November 2006 by contributing US\$100,000 to the Jamaica Football Federation (JFF). In addition the Bank committed funds towards the preparation for the Reggae Boyz to the 2010 World Cup Football Competition in South Africa.

ENTREPRENEURSHIP

Our sponsorship of the Jamaica Manufacturers' Association "Buy Jamaican, Build Jamaica" Essay Competition earlier this year, highlighted the Foundation's endorsement of developing a spirit of entrepreneurship amongst the youth. The Manchester Chamber of Commerce also received assistance from the Foundation to stage entrepreneurship training in that parish.

COMMUNITY DEVELOPMENT

The Bank remained focused on supporting strategic initiatives that helped 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 benefited from improved facilities following the N.C.B. Foundation's donation towards renovation efforts to their station, enhancing their working environment and bolstering the existing benefits for the police officers. Additionally, the Bank strengthened its ties with local service clubs by supporting their fundraising efforts to help in carrying out various community projects.

As a proactive corporate leader, NCB embraces its responsibility to invest in the communities in which its businesses operate. At the end of yet another robust financial year, we reflect proudly on our commitment to not only do well, but to do good. NCB thanks its employees for their enthusiasm and customers for their fervent support and loyalty, as together we strive to build a better Jamaica for us all.





170 years and counting...

CELEBRATING
NCB 170
 1837-2007
YEARS

170 years ago, the Colonial Bank of England opened its Harbour Street doors to the Jamaican people and changed the face of banking in Jamaica forever. After a series of changes in ownership - from Colonial Bank in 1837 to Barclay's Bank in 1925, to National Commercial Bank Jamaica Limited in 1977 - this institution that was built from the hard work, loyalty and commitment of past and present Employees and Directors, is stronger and more prosperous than ever.

We thank you for welcoming us into your businesses and homes and sharing in our legacy as we served you over the years. We are privileged to be your financial partner; helping you to shape a prosperous future as we seek to build a better Jamaica together.



Sales & Service Leaders
(top-bottom)

- Tanya Powell**, *Regional Manager, NCB Capital Markets*
- Judith Whittaker**, *Regional Manager, NCB Capital Markets*
- Courtney Williams**, *Manager, Harbour View*
- Marvia Blair**, *Manager, Hagley Park*
- Elizabeth Thompson**, *Manager, Private Banking*
- David Barnes**, *Manager, Morant Bay*
- Karen Young**, *Manager, Washington Boulevard*
- Winston Lawson**, *Manager, Mandeville*
- Lavern Francis**, *Manager, UWI*
- Ilyn Thompson**, *Manager, Cross Roads*





Sales & Service Leaders

(l-r in front)

Leroy Harding

Manager, May Pen

Marjorie Johnson

Manager, Port Maria

Laurie Spencer

Manager, Old Harbour

Kingsley Yapp

Regional Manager, Retail Banking

Jacqueline Mighten

Manager, Linstead

Audrey McIntosh

Manager, Annotto Bay

Conroy Ward

Manager, Chapelton

(l-r in back)

Kay Earl

Manager, Ocho Rios

Jacqueline Lucas

Manager, Santa Cruz

Mark Fletcher

Manager, Portmore

Kevin Ingram

Regional Manager, NCB Insurance

Antonio Spence,

Regional Manager, NCB Insurance

Donald Wilson

Manager, St. Ann's Bay

Peter Jennings

Manager, St. Jago Shopping Centre (Spanish Town)



Sales & Service Leaders

Stuart Barnes
Manager, Savanna-la-mar

Marcia O'Reggio
Operations Manager, St. James Street

Prince Myers
Asst. Manager, St. James Street

Norman Reid
Regional Manager, Retail Banking

Mark Leakey
Manager, Brown's Town

Lorna Deers
Manager, Falmouth



Sales & Service Leaders

(top-bottom)

Rudyard Simons, *Regional Manager, NCB Insurance*

Glen Shields, *Manager, Oxford Place*

Christopher Denny, *Regional Manager, Retail Banking*

Avis Andrews, *Manager, Red Hills Mall*

Noel Barker, *Manager, Matilda's Corner*

Stuart Reid, *Manager, New Kingston*

Marva Peynado, *Manager, Half Way Tree*

Carolyn Schwab, *Manager, Duke Street*

Jennifer Valentine, *Manager, Manor Park*

Donnovan Reid, *Regional Manager, NCB Insurance*

Garfield Palmer, *Manager, Newport West*

NCB Credos

At NCB we believe in:

Service Quality: understanding the individual needs of our customers and doing everything possible to delight them with friendly, efficient, accurate and reliable service is our highest mission.

Teamwork: working together, getting involved, sharing ideas, continuous improvement, and being committed to serving our customers are keys to team and individual success.

Integrity: conducting all our business interactions with the utmost fairness and transparency.

Respect: encouraging and acknowledging feedback from our customers in the pursuit of sales and service excellence.

Our Six Steps of Service

All employees will be **"GENTLE"** in each customer interaction:

Greet customers promptly and with a warm smile.

Eye contact and positive body language are to be maintained.

Names of customers are to be used in all customer interactions.

Take care of the customer's needs promptly and ask if further assistance is required.

Listen for sales opportunities and offer appropriate product solutions.

End with 'Thank You' and invite them back.

Faces of NCB

Ashorine Morgan
*Lobby Manager,
Manor Centre*

Tricia Moulton
*Loans Officer
Duke Street*

Tamara Tugwell
*Customer Service Rep.
Red Hills*

Damion Bogle
*Business Banker
Hagley Park*

Natalie Hines-Wedderburn
*Personal Banker
New Kingston*

Nordia Patterson
*Teller
Matilda's Corner*



10 Largest Shareholders as at 2007 September 30

Name of Shareholder	Units	Percentage Ownership
AIC (Barbados) Limited	1,636,941,536	66.36
AIC Limited	51,888,192	
Advantage General Insurance Co. Ltd.	49,430,043	
West Indies Trust Company Limited A/c WT. 109	45,874,302	
LOJ PIF Equity Fund	38,138,872	
M F & G Trust and Finance Limited A/c#528	22,625,355	
Ideal Portfolio Services Company Limited	20,524,200	
T&T Unit Trust Corporation - Fus.	18,250,000	
National Insurance Fund	16,911,712	
RBTT Nominees Service Limited A/c BFC945	16,500,000	

Interest/Ownership by Directors and Leadership Team as at 2007 September 30

Directors		Leadership Team	
Wayne Chen	1,624,384	Rickert George Allen	113,696
Dr. Nigel Clarke	1,665	Rene Allen-Casey	Nil
Dennis G. Cohen	89,480	Septimus Blake	10,050
Sandra Glasgow	33,400	Courtney Campbell	139,665
Hon. Noel A. A. Hylton, O.J., C.D.	Nil	Ffrench Campbell	57,660
Patrick Andrew Hylton, C.D.	425,072	Ingrid S. M. Chambers	1,500
Michael Lee-Chin	1,746,027,153	Yvonne Clarke	67,871
Donovan Lewis	22,322,829	Dennis G. Cohen	89,480
Thalia Lyn	27,620	Dave Garcia	Nil
Prof. Alvin Wint	10,000	Patrick Andrew Hylton, C.D.	425,072
The Rt. Hon. Justice Edward J. Zacca, O.J., P.C.	50,780	Jennifer Dewdney Kelly	33,694
		Sheree Martin	10,023
		Kerry O'Sullivan	133,732
		Marjorie Seeberan	67,803
		Nelson Christian Stokes	6,150
		Alison Nadine Taffe	23,502
		Christopher Williams	36,000
		Allison Wynter	100,789

NCB Capital Markets Limited

32 Trafalgar Road
Kingston 10
Jamaica W.I.

Directors

Mr. Patrick Hylton (Chairman)
Mr. Christopher Williams (Managing Director)
Dr. Nigel Clarke
Mr. Michael Ammar (Jr.)
Mr. John L.M. Bell
Mr. Mark Myers
Mr. Dennis Cohen
Dr. Cecil Batchelor
Miss Shamena Khan
Mrs. Yvonne Clarke
Mr. Septimus (Bob) Blake

NCB Insurance Company Limited

32 Trafalgar Road
Kingston 10
Jamaica W.I.

Directors

Mr. Wayne Chen (Chairman)
Miss Ingrid Chambers (Managing Director)
Mr. Patrick Hylton
Mr. Milverton Reynolds
Prof. Alvin G. Wint
Mr. William Mahfood
Dr. Colin Mckenzie
Mr. Dave Garcia
Mr. Dennis Cohen
Mrs. Yvonne Clarke
Miss Hilary B. Reid
Mr. Courtney Campbell

NCB (Cayman) Limited

Cricket Square, Elgin Avenue
P.O. Box 31120
Grand Cayman B.W.I.

Directors

Mr. Wayne Chen (Chairman)
Mr. Phillip Harrison (Managing Director)
Mr. Donovan Lewis
Mr. Patrick Hylton
Mr. Dennis Cohen
Prof. Alvin Wint
Mr. N. Christian Stokes
Mr. Christopher Williams

NCB Remittance Services (Cayman) Limited

Cricket Square, Elgin Avenue
P.O. Box 31120
Grand Cayman B.W.I.

Directors

Mr. Wayne Chen (Chairman)
Mr. Phillip Harrison (Managing Director)
Mr. Donovan Lewis
Mr. Patrick Hylton
Mr. N. Christian Stokes
Mr. Dennis Cohen
Prof. Alvin Wint

NCB Remittance Services (Jamaica) Limited

32 Trafalgar Road
Kingston 10
Jamaica W.I.

Directors

Prof. Alvin Wint (Chairman)
Dr. Dillian Alleyne
Mr. Ronald Graham
Mrs. Yvonne Clarke
Mr. Septimus (Bob) Blake
Mrs. Darcy Parkins
Mr. Christian (Chris) Stokes

NCB Remittance Services (UK) Limited

209 Ferndale Road
Brixton
London SW9

Directors

Mr. Courtney Campbell (Chairman)
Mr. Athelston 'Tony' Sealey
Mrs. Yvonne Clarke
Mr. N. Christian Stokes
Mr. Leonard Mahipalamudali
Dr. Franklyn Johnston

N.C.B. Jamaica (Nominees) Limited

32 Trafalgar Road
Kingston 10
Jamaica W.I.

Directors

Mrs. Yvonne Clarke (Chairman)
Miss Ingrid Chambers
Miss Josephine Bennett
Mr. Malcolm Sadler

Mutual Security Insurance Brokers Limited

32 Trafalgar Road
Kingston 10
Jamaica W.I.

Directors

Ms. Diana E. McCaulay (Resignation Eff. 01/04/08)
Mr. Dennis Cohen (Chairman)
Mr. David Williams
Miss Ingrid Chambers
Miss Josephine Bennett

West Indies Trust Company Limited

32 Trafalgar Road
Kingston 10
Jamaica W.I.

Directors

Mr. Wayne Chen (Chairman)
Miss Ingrid Chambers (Managing Director)
Mr. Patrick Hylton
Mr. Dennis Cohen

Data-Cap Processing Limited

The company is presently dormant.

N.C.B. (Investments) Limited

The company is presently dormant.

N.C.B. Foundation

32 Trafalgar Road
Kingston 10
Jamaica W.I.

Directors

Mrs. Thalia Lyn (Chairman)
Mrs. Sheree Martin (Chief Executive Officer)
Dr. Joy Callender
Mrs. Irene Walter
Mrs. Lisa Lakhani Chen
Dr. Diana Thorburn
Mrs. Diana Oddi
Mrs. Yvonne Clarke
Dr. Paulette Henry
Mr. Andrew Pairman

Annotto Bay

Main Street
Annotto Bay
St. Mary
996-2213,
996-2219
Manager - Audrey McIntosh
Operations Manager
- Anthony Butler

Barnett Street

93 Barnett Street
Montego Bay
St. James
952-6539

Baywest Agency & Credit Centre

Harbour Street
Montego Bay
St. James
952-0077,
952-3640-3

Black River

13 High Street
Black River
St. Elizabeth
965-2207,
965-9027
Manager
- Andrea Arscott-Allen
Operations Manager
- Lindon Ramsay

Browns Town

17 Main Street
Brown's Town
St. Ann
975-2242,
975-2275
Manager - Earl Leakey
Operations Manager
- Cecile Myers

Buff Bay

7 Thompson Avenue
Buff Bay
Portland
996-1396-7

Chapelton

Main Street
Chapelton
Clarendon
987-2225,
987-2395
Manager - Conroy Ward
Operations Manager
- Lorna Robertson

Christiana

Main Street
Christiana
Manchester
964-2235,
964-2426
Manager
- Maxine McKenzie
Operations Manager
- Caroline Calbert

Cross Roads

90-94 Slipe Road
Kingston 5
St. Andrew
926-7420-1,
926-7428-9
Manager - Ilyn Thompson
Operations Manager
- Marjorie Bish

Duke Street

37 Duke Street
Kingston
Kingston
922-6710-9
922-6732-6
Manager - Carolyn Schwab
Asst. Mngrs.
- Donna Clarke
- Andrew McCalla
Operations Manager
- Donna Solomon

Falmouth

Water Square
Falmouth
Trelawny
954-3232,
954-3233
Manager - Lorna Deers
Operations Manager
- Mauvette Ward

Grange Hill

Grange Hill
Westmoreland
955-1400-1

Hagley Park

211 Hagley Park Road
Kingston 11
St. Andrew
923-5391-5,
923-0560-2
Manager - Marvia Blair
Operations Manager
- Aldith Wong

Half Moon

Half Moon Shopping
Village
St. James
953-9281
Manager - Phyllis Smith
Operations Manager
- Patricia Reid

Half Way Tree

94 Half Way Tree Road
Kingston 10
St. Andrew
920-8313,
920-8315
Manager - Marva Peynado
Asst. Manager
- Lorna Brown
Operations Manager
- Sharon Gibson

Harbour View

Harbour View Shopping
Centre
Kingston 17
Kingston & St. Andrew
928-6361,
928-7513
Manager
- Courtney Williams
Operations Manager
- Karen Mullings

Junction

Junction P.O.
St. Elizabeth
965-8611, 965-8612
Manager - Carlos Gordon
Operations Manager
- Karlene Harrison

Knutsford Boulevard

30-36 Knutsford Boulevard
Kingston 5
St. Andrew
926-1918,
929-8950-5

Linstead

29 King Street
Linstead
St. Catherine
985-2257,
985-9295
Manager
- Jacqueline Mighten
Operations Manager
- Yvonne Stone

Lionel Town

Bustamante Drive
Lionel Town
Clarendon
986-3242,
986-3905

Lucea

Lucea
Hanover
956-2204,
956-2348
Manager - Jerome Newton
Operations Manager
- Evette Moxie-Daley

Mandeville

9 Manchester Road
Mandeville
Manchester
962-2083,
962-2886
Manager - Winston Lawson
Operations Manager
- Pamela Harrison

Mandeville Plaza

Mandeville
Manchester
962-2618,
962-3323

Manor Centre

195C Constant Spring Rd
Kingston 8
St. Andrew
755-1804

Manor Park

Manor Park Plaza
184 Constant Spring Road
Kingston 8
St. Andrew
925-9039,
924-1388
Manager
- Jennifer Valentine
Operations Manager
- Lourine Martin

Matilda's Corner

15 Northside Drive,
Northside Plaza,
Kingston 6
St. Andrew
702-2421-3,
977-2534-5
Manager - Noel Barker
Operations Manager
- Jacqueline Murray

May Pen

41 Main Street
May Pen
Clarendon
986-2343,
986-2411
Manager - Leroy Harding
Operations Manager
- Myrtella Skeine

Morant Bay

39 Queen Street
Morant Bay
St. Thomas
982-2225,
982-2272
Manager - David Barnes
Operations Manager
- Natalie Kong

Negril

Sunshine Village Complex
West End Road
Negril
Westmoreland
957-4117,
957-4119
Manager - Wayne Hunter
Operations Manager
- Heather Gregory

Newport West

54 2nd Street
Kingston 11
Kingston
923-9004-5,
923-9011-2
Manager - Garfield Palmer
Operations Manager
- Joan Guthrie

Ocho Rios

40 Main Street
Ocho Rios
St. Ann
974-2522,
974-2580
Manager - Kay Earl
Operations Manager
- Jennifer Eastwood

Old Harbour

Old Harbour
St. Catherine
983-2279,
983-2671
Manager - Laurie Spencer
Operations Manager
- Paulette Lewis

Oxford Place

NCB Towers
2 Oxford Road
Kingston 5
St. Andrew
926-6623-4,
926-6628
Manager - Glen Shields
Operations Manager
- Patricia Hall

Port Maria

8 Main Street
Port Maria
St. Mary
994-2219,
994-2551
Manager - Marjorie Johnson
Operations Manager
- Elza Green

Portmore

13 - 14 West Trade Way,
St. Catherine
Portmore Mall
St. Catherine
988-7433-7,
988-5505
Manager - Mark Fletcher
Operations Manager
- Kevin McDonald

Private Banking

"The Atrium"
32 Trafalgar Road
Kingston 5
St. Andrew
929-7717,
929-8735
Manager
- Elizabeth Thompson
Asst. Managet
- Gilbert Bellamy
Operations Manager
- Lorna Jaddoo

Red Hills Mall

105 Red Hills Road
Kingston 19
St. Andrew
925-3313,
925-3314
Manager - Avis Andrews
Operations Manager
- Sharon Tate

Santa Cruz

7 Coke Drive
St. Elizabeth
St. Elizabeth
966-2204,
966-2664
Manager
- Jacqueline Lucas
Operations Manager
- Peta-Gay Rodney

Savanna-La-Mar

68 Great George Street
Savanna-la-mar
Westmoreland
955-2672,
955-2338-9
Manager - Stuart Barnes
Operations Manager
- Joan Graveney-Grizzle

Spalding

Spalding
Manchester
964-2268

St. Anns Bay

19-21 Main Street
St. Anns Bay
St. Ann
972-2490-1, 972-0722
Manager - Donald Wilson
Operations Manager
- Paulette Mignott

St. Jago Shopping Centre

Burke Road
Spanish Town
St. Catherine
984-5604,
984-0672-6
Manager - Peter Jennings
Operations Manager
- Marcia Clarke-Palmer

St. James Street

41 St. James Street
Montego Bay
St. James
952-6540-9,
952-6112
Manager - Robert Brooks
Asst. Manager
- Prince Myers
Operations Manager
- Marcia O'Reggio

University (UWI)

Mona Campus
Kingston 7
Kingston & St. Andrew
927-1057,
927-1898
Manager - Lavern Francis
Operations Manager
- Pauline White

Washington Boulevard

SuperCentre
45 Elma Crescent
Kgn 20
St. Andrew
934-1817,
9341081-21
Manager - Karen Young
Operations Manager
- Sandra Chambers-Green

Windward Road

89-91 Windward Road
Kingston 2
Kingston & St. Andrew
928-1167,
928-2922

Yallahs

Main Street
St. Thomas
706-1154,
706-3701

