



**NATIONAL COMMERCIAL BANK JAMAICA LIMITED
REPORTS NET PROFIT OF \$6,757 MILLION FOR THE
NINE MONTHS ENDED JUNE 2008**

The Board of Directors is pleased to release the following unaudited results for the Group for the nine months ended 30 June 2008.

PERFORMANCE HIGHLIGHTS

Nine Months ended June 2008 compared with Nine Months ended June 2007

- Net Profit of \$6,757 million, grew by 38%.
- Earnings per Stock Unit of \$2.74 increased by \$0.76.
- Operating Revenue of \$18,117 million, a 18% increase.
- Cost to Income Ratio of 51.0% vs. 58.3%.
- Risk-Based Capital Ratio of 14.13% vs. 15.29%.
- Net Loans of \$71.1 billion, grew by 35%.
- Investment Securities of \$150.9 billion, grew by 4%.
- Customer Deposits of \$119.2 billion, an increase of 9%.
- Return on Average Equity of 29.54% vs. 24.85%.
- Return on Average Assets of 3.37% vs. 2.79%.

The results for the period include a one-off gain of \$517 million. Excluding this gain, the growth in Net Profit over June 2007 was 28%, and the Cost to Income Ratio was 52.5%.

Third Quarter 2007/2008 compared with Third Quarter 2006/2007

- Net Profit of \$2,251 million, grew by 28%.
- Earnings per Stock Unit of \$0.91 (vs. \$0.72).
- Operating Revenue up 17%.

Third Quarter 2007/2008 compared with Second Quarter 2007/2008

- Net Profit fell by 15%. Excluding the one-off gain of \$517 million that was earned in the second quarter, the growth in Net Profit was 6%.
- Earnings per Stock Unit of \$0.91 (vs. \$1.07).
- Operating Revenue down 3%. Excluding the one-off gain, the growth in Operating Revenue was 5%.



The main contributors to these results are:

NET PROFIT	Quarter ended June 2008	Nine Months ended June 2008	Nine Months ended June 2007
National Commercial Bank Jamaica Limited	\$1,494 M	\$4,604 M	\$3,148 M
NCB Capital Markets Limited	\$336 M	\$1,357 M	\$1,234 M
NCB Insurance Company Limited	\$207 M	\$435 M	\$303 M

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

Banking

We continue to focus on our loan growth and these efforts have resulted in loan growth of \$18.4 billion over the June 2007 period and our net loans to total assets ratio has grown from 21.61% at June 2007 to 25.40% at June 2008. Based on the latest commercial banking industry information from the Bank of Jamaica, NCB recorded an increase in net loans of 28.5% when compared to the prior year, exceeding the total industry growth of 19.0%.

Loans and advances totalled \$71.1 billion (net of provision for credit losses) as at 30 June 2008 compared to \$52.7 billion as at 30 June 2007. The aggregate amount of non-performing loans was \$1.7 billion and represented 2.34% of the gross loans compared to 2.92% as at 30 June 2007. NCB Jamaica Limited remains the largest commercial bank when measured by assets and branch network, and we believe these advantages provide significant opportunities for strong growth. Excluding the Visa restructuring gain, operating revenues for the Bank increased by 20% over last year as a result of:

- net fee & commission income growing by 20% (volume-driven),
- interest income from securities growing by 14%,
- interest income from loans increasing by 25% due to the growth in the loan portfolio.

Wealth Management

Our wealth and asset management arm contributed operating profits of \$1,742 million for the nine months ended June 2008. This 5% improvement in operating profits over the prior year is mainly attributable to a 4% increase in net interest income and a 52% growth in net fee and commission income.



Wealth Management (Continued)

NCB Capital Markets Limited (NCBCM) was the leading brokerage house for the quarter, having been the broker with the highest traded value for the three months ending June 2008. NCBCM was the lead broker for the Jamaica Stock Exchange's milestone Preference Share Offering. The Carlton Savannah REIT, although undersubscribed, represents the first Real Estate Investment Trust listing on the Jamaica Stock Exchange and we are proud to have been associated with such an issue, and we view this REIT as an introduction of the market to this product. We continue to differentiate ourselves in this segment with innovative products to meet the diverse needs of our customers.

Insurance

Our insurance segment contributed operating profits of \$488 million for the nine months ended June 2008, representing an increase of 16% over the prior year. With the recent restructuring of NCBCI and the strategic alignment of that business with our Wealth Management unit, we have seen improvement in this segment's results. The profit for the quarter of \$207 million is bettered only by a profit of \$216 million that was reported in the June 2006 quarter. We look forward to continued improvement in the performance of this unit, as highlighted by the performance in this quarter.

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

The pursuit of our strategic objectives is underpinned by three pillars:

Innovation

- We introduced an online application system for our personal credit card and loan products, another first in Jamaica by NCB. This initiative supports our objectives of operational efficiency and exceeding our customers' expectations.

Expertise

- In addition to our continuous training programmes, we provided our staff with home access to our e-Campus learning facility which comprises a wide range of periodicals and learning material.

Strength, our

- Stockholders' equity increased by \$4.6 billion or 17% when compared to 30 June 2007 and total assets grew by \$36.0 billion or 15% when compared to the corresponding period of the prior year.



DIVIDENDS

On 24 July 2008, the Board declared an interim dividend of \$0.30 per ordinary stock unit. The dividend is payable on 27 August 2008 for stockholders on record as at 14 August 2008.

As at 30 June 2008, National Commercial Bank Jamaica Limited had thirty four thousand eight hundred and twenty eight shareholders.

COMMUNITY RELATIONS

For the quarter ended 30 June 2008, mainly through our philanthropic arm, NCB Foundation, we contributed \$33.35 million to a number of educational, sporting, health, community development and entrepreneurship projects throughout the island.

EDUCATION

During the third quarter we focused most of our resources on the development of infrastructure and technology in primary, secondary and tertiary institutions, as follows:

- St. Teckle Haimanot Basic School was assisted through a collaboration with the United Negro Improvement Association (UNIA) with the construction of kitchen and bathroom facilities, a nursing station and a resource centre for the school's reading programme.
- Titchfield High School received computers and furniture for its library.
- St. Vincent Strambi Catholic High School received a donation to build and equip an Information Technology Laboratory.
- The NCB Foundation has committed to contributing to the Community Intervention in Basic Schools Project (CIBS) which is designed to identify children who may be susceptible to learning and behavioural problems at the basic school level.

SPORTS

- We assisted the Jamaica Olympic Association in funding the cost of our athletes participating in the upcoming Olympic Games in Beijing.

ENTREPRENEURSHIP

We contributed or made commitments to the following:

- Jamaica Employers' Federation's Ready for Work & Business Handbook dissemination project.
- Trinityville Skills Training Centre
- The Holy Trinity Cathedral Restoration Project

The NCB Group also launched *The Nation Builders Awards*, which is a programme designed to promote and recognize entrepreneurship as well as involvement in community development.



COMMUNITY RELATIONS (continued)

COMMUNITY DEVELOPMENT

We continued to fortify our ties with local service clubs, churches, lobby groups and charities by supporting their fundraising efforts to help carry out various community projects and we sponsored the CRIME STOP's Cause Marketing Programme.

We express heartfelt thanks to our employees for the indelible impact they make on this nation every day, through their commitment to excellence through service and philanthropy and we are equally thankful to our customers for their loyalty and fervent support year after year, in their effort to uplift the communities in which they serve and build a better Jamaica.

ON BEHALF OF THE BOARD

National Commercial Bank Jamaica Limited

Consolidated Profit & Loss Account

Nine Months Ended 30 June 2008

	<i>CURRENT YEAR</i>			<i>PRIOR YEAR</i>	
	Quarter Ended	Quarter Ended	Year to Date	Quarter Ended	Year to Date
	30 June 2008	31 March 2008	30 June 2008	30 June 2007	30 June 2007
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Income					
Interest income from loans	2,591,375	2,439,212	7,396,722	2,075,964	5,929,286
Interest income from securities	4,923,691	4,587,302	14,031,067	4,096,094	12,548,091
Total interest income	7,515,066	7,026,514	21,427,789	6,172,058	18,477,377
Interest expense	(3,308,405)	(3,261,872)	(9,821,343)	(2,979,632)	(8,986,474)
Net interest income	4,206,661	3,764,642	11,606,446	3,192,426	9,490,903
Fee and commission income	1,466,506	1,375,353	4,242,000	1,202,470	3,408,981
Fee and commission expense	(315,788)	(306,925)	(883,990)	(192,888)	(636,162)
Net fee and commission income	1,150,718	1,068,428	3,358,010	1,009,582	2,772,819
Net trading income	597,265	1,343,442	2,607,921	837,574	2,412,734
Dividend income	28,569	11,899	66,673	35,163	82,541
Insurance premium income	85,758	106,487	296,621	121,469	458,905
Other operating income	86,021	63,390	180,926	77,039	155,655
	797,613	1,525,218	3,152,141	1,071,245	3,109,835
	6,154,992	6,358,288	18,116,597	5,273,253	15,373,557
Operating Expenses					
Staff costs	1,798,760	1,786,397	5,409,145	1,704,301	5,159,589
Provision for credit losses	93,131	84,170	307,032	39,113	151,377
Depreciation and amortisation	173,654	184,867	549,351	226,605	682,087
Impairment losses	-	-	-	-	30,380
Other operating expenses	1,184,013	1,078,356	3,278,145	1,051,249	3,116,155
	3,249,558	3,133,790	9,543,673	3,021,268	9,139,588
Operating Profit	2,905,434	3,224,498	8,572,924	2,251,985	6,233,969
Share of profit of associates	50,154	59,029	137,706	24,903	137,003
Profit before Taxation	2,955,588	3,283,527	8,710,630	2,276,888	6,370,972
Taxation	(704,106)	(636,618)	(1,953,174)	(514,416)	(1,489,061)
NET PROFIT	2,251,482	2,646,909	6,757,456	1,762,472	4,881,911
EARNINGS PER STOCK UNIT	\$ 0.91	\$ 1.07	\$ 2.74	\$ 0.72	\$ 1.98

National Commercial Bank Jamaica Limited

Consolidated Balance Sheet

30 June 2008

	30 June 2008 \$'000	30 September 2007 \$'000	30 June 2007 \$'000
ASSETS			
Cash and balances at Bank of Jamaica	16,442,423	15,307,128	13,135,801
Due from other banks	18,650,953	18,977,969	11,583,672
Investment securities at fair value through profit and loss	1,142,005	1,025,768	1,198,421
Reverse repurchase agreements	12,545,079	11,425,030	13,345,366
Loans and advances, net of provision for credit losses	71,105,277	56,525,564	52,701,851
Investment securities - available-for-sale	149,770,692	141,929,771	143,451,728
Investments in associates	2,168,994	2,034,922	2,063,670
Investment properties	13,000	13,000	13,000
Property, plant and equipment	3,971,326	3,778,092	3,774,333
Deferred tax asset	948,754	289,975	-
Intangible asset - computer software	206,073	290,786	317,866
Retirement benefit asset	11,627	11,627	10,118
Income tax recoverable	741,388	877,584	735,458
Other assets	1,447,828	1,260,942	952,997
Customers' liability - letters of credit and undertaking	715,990	435,196	578,930
Total Assets	279,881,409	254,183,354	243,863,211

National Commercial Bank Jamaica Limited
Consolidated Balance Sheet
30 June 2008

	30 June 2008 \$'000	30 September 2007 \$'000	30 June 2007 \$'000
LIABILITIES			
Due to other banks	9,653,837	4,777,587	4,638,216
Customer deposits	119,208,601	118,518,051	109,182,965
Derivative financial instruments	108,004	77,169	28,909
Promissory notes and certificates of participation	4,233	319,993	1,878,358
Repurchase agreements	65,199,477	51,305,167	56,050,369
Obligations under securitisation arrangements	26,438,932	26,409,833	22,352,760
Other borrowed funds	6,283,121	4,983,835	3,632,063
Income tax payable	51,761	1,260	22,617
Deferred income tax liabilities	79,476	261,309	225,811
Policyholders' liabilities	15,999,339	14,487,602	14,123,328
Provision for litigation	40,300	36,000	33,000
Retirement benefit obligations	343,832	290,549	267,452
Other liabilities	3,307,462	3,725,777	3,042,366
Liability - letters of credit and undertaking	715,990	435,196	578,930
Total Liabilities	247,434,365	225,629,328	216,057,144
STOCKHOLDERS' EQUITY			
Share capital	6,465,731	6,465,731	6,465,731
Shares held by NCB Employee Share Scheme	(3,867)	(3,867)	(3,867)
Fair value and other reserves	799,747	1,595,550	2,345,641
Loan loss reserve	446,868	231,235	167,757
Banking reserve fund	2,607,000	2,607,000	1,963,000
Retained earnings reserve	6,375,761	4,519,761	4,519,761
Retained earnings	15,755,804	13,138,616	12,348,044
Total Stockholders' Equity	32,447,044	28,554,026	27,806,067
Total Equity and Liabilities	279,881,409	254,183,354	243,863,211

Approved for issue by the Board of Directors on 24 July 2008 and signed on its behalf by:


 Director


 Director


 Director


 Secretary

National Commercial Bank Jamaica Limited

Consolidated Statement of Changes in Stockholders' Equity

Nine Months Ended 30 June 2008

	Share Capital	Shares Held by Share Scheme	Fair Value and Other Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 October 2006	6,465,731	(3,867)	2,436,611	252,985	1,963,000	4,519,761	8,955,766	24,589,987
Currency translation differences	-	-	39,287	-	-	-	-	39,287
Unrealised gains on available-for-sale investments, net of taxes	-	-	517,354	-	-	-	-	517,354
Realised fair value gains transferred to Consolidated Profit & Loss Account	-	-	(618,793)	-	-	-	-	(618,793)
Share of equity movement in associates	-	-	(28,818)	-	-	-	-	(28,818)
Net losses recognised directly in equity	-	-	(90,970)	-	-	-	-	(90,970)
Net Profit	-	-	-	-	-	-	4,881,911	4,881,911
Dividends paid	-	-	-	-	-	-	(1,574,861)	(1,574,861)
Transfer from Loan Loss Reserve	-	-	-	(85,228)	-	-	85,228	-
Balance as at 30 June 2007	6,465,731	(3,867)	2,345,641	167,757	1,963,000	4,519,761	12,348,044	27,806,067
Balance as at 1 October 2007	6,465,731	(3,867)	1,595,550	231,235	2,607,000	4,519,761	13,138,616	28,554,026
Currency translation differences	-	-	34,436	-	-	-	-	34,436
Unrealised losses on available-for-sale investments, net of taxes	-	-	(420,368)	-	-	-	-	(420,368)
Realised fair value gains transferred to Consolidated Profit & Loss Account	-	-	(420,221)	-	-	-	-	(420,221)
Share of equity movement in associates	-	-	10,350	-	-	-	-	10,350
Net losses recognised directly in equity	-	-	(795,803)	-	-	-	-	(795,803)
Net Profit	-	-	-	-	-	-	6,757,456	6,757,456
Dividends paid	-	-	-	-	-	-	(2,068,635)	(2,068,635)
Transfer to Retained Earnings Reserve	-	-	-	-	-	1,856,000	(1,856,000)	-
Transfer to Loan Loss Reserve	-	-	-	215,633	-	-	(215,633)	-
Balance as at 30 June 2008	6,465,731	(3,867)	799,747	446,868	2,607,000	6,375,761	15,755,804	32,447,044

National Commercial Bank Jamaica Limited

Consolidated Statement of Cash Flows

Nine Months Ended 30 June 2008

	30 June 2008 \$'000	30 June 2007 \$'000
Cash Flows from Operating Activities		
Net Profit	6,757,456	4,881,911
Changes in operating assets and liabilities	(1,042,546)	16,200,630
Other adjustments to reconcile net profit	(305,986)	1,571,757
Net cash provided by operating activities	<u>5,408,924</u>	<u>22,654,298</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(611,581)	(486,830)
Acquisition of intangible asset - computer software	(62,650)	(117,109)
Proceeds from disposal of property, plant and equipment	17,979	46,681
Investment securities, net	(12,464,965)	(26,912,902)
Dividends received from associates	13,983	37,287
Net cash used in investing activities	<u>(13,107,234)</u>	<u>(27,432,873)</u>
Cash Flows from Financing Activities		
Repayments under securitisation arrangements	(481,031)	-
Other borrowed funds	1,316,741	1,121,120
Dividends paid	(2,068,635)	(1,574,861)
Net cash used in financing activities	<u>(1,232,925)</u>	<u>(453,741)</u>
Effect of exchange rate changes on cash and cash equivalents	340,852	1,020,418
Net decrease in cash and cash equivalents	(8,590,383)	(4,211,898)
Cash and cash equivalents at beginning of period	27,513,688	25,836,501
Cash and cash equivalents at end of period	<u>18,923,305</u>	<u>21,624,603</u>
Comprising:		
Cash and balances at Bank of Jamaica	5,173,706	3,681,166
Due from other banks	18,650,953	11,583,672
Investment securities	4,752,483	10,997,981
Due to other banks	(9,653,837)	(4,638,216)
	<u>18,923,305</u>	<u>21,624,603</u>

National Commercial Bank Jamaica Limited

Segment Report

Nine Months Ended 30 June 2008

	Banking			Wealth			Eliminations \$'000	Consolidated \$'000
	Retail \$'000	Corporate \$'000	Treasury \$'000	Management \$'000	Insurance \$'000	Other \$'000		
External revenue	8,096,273	3,035,495	9,725,188	5,872,191	2,017,073	75,710	-	28,821,930
Revenue from other segments	5,294,447	-	892,645	24,038	82,470	31,036	(6,324,636)	-
Total revenue	13,390,720	3,035,495	10,617,833	5,896,229	2,099,543	106,746	(6,324,636)	28,821,930
Segment result	2,698,029	1,260,151	3,060,001	1,741,889	488,232	47,523	52,554	9,348,379
Unallocated corporate expenses								(775,455)
Operating profit								8,572,924
Share of profit in associates								137,706
Profit before tax								8,710,630
Taxation expense								(1,953,174)
Net profit								6,757,456
Segment assets	115,948,769	39,876,332	129,724,921	64,449,021	18,723,528	548,579	(95,349,479)	273,921,671
Associates								2,168,994
Unallocated assets								3,790,744
Total assets								279,881,409
Segment liabilities	107,750,010	34,286,234	124,218,809	56,091,132	16,820,913	232,487	(92,656,858)	246,742,727
Unallocated liabilities								691,638
Total liabilities								247,434,365
Depreciation and amortisation	432,640	10,759	7,264	32,195	64,234	2,259	-	549,351

National Commercial Bank Jamaica Limited

Segment Report

Nine Months Ended 30 June 2007

	Banking			Wealth		Other	Eliminations	Consolidated
	Retail	Corporate	Treasury	Management	Insurance			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	6,025,234	3,099,236	8,084,385	5,857,052	1,902,741	27,545	-	24,996,193
Revenue from other segments	4,515,500	21,340	828,017	42,272	86,595	54,619	(5,548,343)	-
Total revenue	10,540,734	3,120,576	8,912,402	5,899,324	1,989,336	82,164	(5,548,343)	24,996,193
Segment result	1,300,451	1,059,414	2,374,326	1,661,762	419,866	31,721	(20,104)	6,827,436
Unallocated corporate expenses								(593,467)
Operating profit								6,233,969
Share of profit in associates								137,003
Profit before tax								6,370,972
Taxation expense								(1,489,061)
Net profit								4,881,911
Segment assets	101,407,639	30,421,512	115,597,126	57,574,704	15,996,262	512,174	(80,574,976)	240,934,441
Associates								2,063,670
Unallocated assets								865,100
Total assets								243,863,211
Segment liabilities	96,448,146	25,966,988	107,286,348	49,109,597	14,223,206	251,460	(78,102,162)	215,183,583
Unallocated liabilities								873,561
Total liabilities								216,057,144
Depreciation and amortisation	540,318	11,835	7,903	63,383	54,855	3,793	-	682,087

National Commercial Bank Jamaica Limited

Notes to the Consolidated Financial Statements

30 June 2008

1. Identification and Principal Activities

National Commercial Bank Jamaica Limited (“the Bank”) is incorporated in Jamaica and licensed under the Banking Act, 1992. The Bank is a 61.85% subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Mr. Michael Lee-Chin. The Bank’s registered office is located at 32 Trafalgar Road, Kingston 10, Jamaica.

The Bank is listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange.

The Bank’s subsidiaries, which together with the Bank are referred to as “the Group”, are as follows:

	<u>Principal Activities</u>	<u>Percentage Ownership by Group</u>	
		<u>30 June</u> <u>2008</u>	<u>30 June</u> <u>2007</u>
Data-Cap Processing Limited	Data Processing	100	100
Mutual Security Insurance Brokers Limited	Insurance Brokerage Services	100	100
NCB Capital Markets Limited	Primary Dealer and Stock Brokerage Services	100	100
NCB (Cayman) Limited and its 100 % subsidiaries	Commercial Banking	100	100
NCB Remittance Services (Cayman) Limited	Money Remittance Services		
NCB Capital Markets (Cayman) Limited	Securities Dealer		
NCB Insurance Company Limited	Life Insurance, Investment and Pension Fund Management	100	100
NCB (Investments) Limited	Money Market Trading	100	100
NCB Jamaica (Nominees) Limited	Registrar Services	100	100
NCB Remittance Services (Jamaica) Limited	Money Remittance Services	100	-
NCB Remittance Services (UK) Limited	Money Remittance Services	100	100
West Indies Trust Company Limited	Trust and Estate Management Services	100	100

All subsidiaries are incorporated in Jamaica with the exception of NCB (Cayman) Limited, NCB Remittance Services (Cayman) Limited and NCB Capital Markets (Cayman) Limited, which are incorporated in the Cayman Islands and NCB Remittance Services (UK) Limited, which is incorporated in the United Kingdom.

The Group's associates are as follows:

	<u>Principal Activities</u>	<u>Percentage Ownership by Group</u>	
		<u>30 June</u> <u>2008</u>	<u>30 June</u> <u>2007</u>
Kingston Wharves Limited	Wharf Operations and Stevedoring	43.45	43.45
Dyoll Group Limited	Coffee cultivation and other activities	44.47	44.47

National Commercial Bank Jamaica Limited

Notes to the Consolidated Financial Statements

30 June 2008

2. Basis of preparation

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

There have been no changes in accounting policies since the most recent audited accounts as at 30 September 2007.

Where necessary, comparative figures for 30 June 2007 have been reclassified to conform with changes in presentation in the current period.

All amounts are stated in Jamaican dollars unless otherwise indicated.

3. Reverse Repurchase Agreements

Securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective yield method. The Group enters into reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Included in reverse repurchase agreements is related accrued interest receivable of \$423,612,000 (30 June 2007 - \$299,539,000).

At 30 June 2008, the Group held \$12,833,593,000 (30 June 2007 - \$13,550,643,000) of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

4. Loans and Advances

Loans and advances are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any origination fees and transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

A provision for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

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

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

National Commercial Bank Jamaica Limited

Notes to the Consolidated Financial Statements

30 June 2008

4. Loans and Advances (Cont'd)

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

Statutory and other regulatory loan loss reserve requirements that exceed IFRS provisions are dealt with in a non-distributable loan loss reserve as an appropriation of retained earnings.

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

	30 June 2008 \$'000	30 June 2007 \$'000
Specific provision	1,927,091	1,613,808
General provision	701,802	518,732
Provision required by Bank of Jamaica	2,628,893	2,132,540
Provision required by IFRS	2,182,025	1,964,783
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve	446,868	167,757

5. Investments in Associates

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

The Group uses the financial statements of the associates at 31 March 2008 for the purposes of consolidation. Adjustments are made for significant transactions or events that occur between that date and 30 June 2008. The Group's results for the nine months ended 30 June 2008 do not include Dyoll Group Limited's information for the period ended 31 March 2008. Effective 22 March 2007, the Jamaica Stock Exchange suspended trading in the shares of Dyoll Group Ltd. as a result of its non-compliance with Stock Exchange Rules. The Group has made full provision for this investment.

National Commercial Bank Jamaica Limited

Notes to the Consolidated Financial Statements

30 June 2008

6. Share Capital

	<u>30 June 2008 \$'000</u>	<u>30 June 2007 \$'000</u>
Authorised:		
5,750,000,000 ordinary stock units at no par value		
Issued and Fully Paid Up:-		
2,466,762,828 ordinary stock units at no par value	6,465,731	6,465,731
6,042,916 ordinary stock units held by NCB Employee Share Scheme	<u>(3,867)</u>	<u>(3,867)</u>
Issued and outstanding	<u>6,461,864</u>	<u>6,461,864</u>

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

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

7. Segment Reporting

The Group is organised into the following business segments:

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

The Group's operations are located mainly in Jamaica. The operations of subsidiaries located overseas account for less than 10 percent of the Group's external operating revenue, assets and capital expenditures.

8. Fiduciary Activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At 30 June 2008, the Group had financial assets under administration of approximately \$41.7 billion (30 June 2007 - \$35.1 billion).

9. Acceptances, Guarantees, Indemnities and Letters of Credit

At 30 June 2008, the Group has made commitments for off-balance sheet financial instruments (acceptances, guarantees, indemnities and letters of credit) amounting to \$4,378,274,000 (30 June 2007 - \$5,104,290,000). There is an equal and offsetting claim against customers in the event of a call on these commitments.