



# NATIONAL COMMERCIAL BANK JAMAICA LIMITED

## CONSOLIDATED RESULTS FOR THE THREE MONTHS ENDED 31 DECEMBER 2007

The Board of Directors is pleased to release the following unaudited results for the Group for the quarter ended 31 December 2007.

### PERFORMANCE HIGHLIGHTS

	Quarter Ended December 2007	Quarter Ended December 2006
Net Profit	\$1,859 Million	\$1,502 Million
Earnings per Stock Unit	\$ 0.76	\$ 0.61
Cost to Income Ratio	54.09%	57.64%
Return on Average Equity	25.32%	23.61%
Return on Average Total Assets	2.90%	2.62%
Growth in Gross Revenues	12.66%	14.93%
Net Asset Value per Share	12.27	10.68

The Group recorded a net profit of \$1.9 billion for the quarter ended 31 December 2007, compared to \$1.5 billion for the corresponding period of the previous financial year; an increase of \$357.4 million or 24%. The improved result is driven mainly by the continued focus on our core business, which has resulted in higher earnings from our major income streams.

### SEGMENT RESULTS

A summary of the financial performance of the main revenue segments is highlighted below:

<i>Operating Profit</i>	Quarter Ended December 2007	Quarter Ended December 2006
	\$' Millions	\$' Millions
Retail Banking	849	394
Corporate Banking	342	307
Treasury & Correspondent Banking	816	672
Wealth Management	563	558
Insurance	94	175

### DIVIDENDS

On 24 January 2008, the Board declared an interim dividend in respect of 2008 of \$0.15 per ordinary stock unit. The dividend is payable on 22 February 2008 for stockholders on record as at 11 February 2008.



## **OPERATING REVENUE**

Gross revenue for the quarter was \$9.1 billion, representing an increase of \$1.0 billion or 13%, when compared to \$8.1 billion for the corresponding period in 2006. The Banking and Wealth Management businesses contributed 73% and 20% respectively to the overall Group revenue.

The major revenue highlights for the quarter were as follows:

- Total interest income increased by \$695.2 million or 11% due mainly to the continued growth in the loan and investment portfolios.
- Net fee and commission income increased by \$248.9 million or 28% which was mainly attributable to fees generated from card and other retail banking related products.
- Premium income from the insurance segment increased by \$38.5 million or 58% over the prior year due to increased sales of both retail and group life insurance products.

## **OPERATING EXPENSES**

Operating expenses (excluding interest and fee and commission expense) for the quarter totalled \$3.2 billion, \$286.5 million or 10% higher than the comparative prior year period. Staff costs increased by \$176.0 million or 11% mainly due to negotiated increases in salary and allowances for the current financial year. Provision for credit losses of \$129.7 million increased by \$84.4 million or 186% over the December 2006 quarter, which was primarily attributable to the 34% growth in the loan portfolio. In addition, there was a lower level of recoveries in the December 2007 quarter when compared with the December 2006 quarter.

## **ASSET BASE**

The total assets of the Group grew to \$259.3 billion as at 31 December 2007, representing an increase of \$24.6 billion or 10% when compared to the corresponding period of the prior year.

- Investment securities grew by \$16.7 billion or 13%,
- Net loans and advances increased by \$15.1 billion or 34%,
- Reverse repurchase agreements declined by \$9.8 billion or 54%.

## **LOAN PORTFOLIO**

Loans and advances totalled \$60.0 billion (net of provision for credit losses) as at 31 December 2007 compared to \$44.9 billion as at 31 December 2006; this growth is reflective of our focus on core business. The aggregate amount of non-performing loans was \$1.5 billion and represented 2.51% of the gross loans compared to 3.73% as at 31 December 2006.

As at 31 December 2007 the accumulated provision for credit losses determined under Bank of Jamaica regulatory requirements of \$2.4 billion represented an overall coverage of 153% of non-performing loans. Provisions for credit losses that exceed the amounts required by International Financial Reporting Standards (IFRS) are credited to a non-distributable Loan Loss Reserve. As at 31 December 2007 the balance in the Loan Loss Reserve was \$287.6 million. The Bank's provisioning policy is in compliance with Bank of Jamaica regulations.



## FUNDING

The increase in the asset base was mainly funded as follows:

	INCREASE OVER PRIOR YEAR	
	\$B	%
Repurchase Agreements	8.0	17
Customer Deposits	7.7	7
Securitisations Arrangements	4.7	21

## CAPITAL

The Group's total stockholders' equity as at 31 December 2007 was \$30.2 billion, an increase of \$3.9 billion or 15% when compared to 31 December 2006, and this increase can be mainly attributed to the continued increase in the Group's profitability.

As at 31 December 2007, the Risk-Based Capital Ratio was 16.7% which exceeds the minimum requirement of 10% stipulated by the Bank of Jamaica.

	31 December 2007	30 September 2007	31 December 2006
Risk-Based Capital Adequacy Ratio	16.72%	14.50%	16.53%
Net Loans to Total Assets Ratio	23.14%	22.24%	18.92%
Net Worth to Total Assets Ratio	11.64%	11.23%	11.02%
Net Loans to Customer Deposits Ratio	51.56%	47.69%	42.63%

## COMMUNITY RELATIONS

National Commercial Bank Jamaica Limited continues to initiate and support activities which help to enhance social and economic conditions in communities across the island. NCB remains focused on building a better Jamaica and by helping to enrich the quality of life for many Jamaicans through these activities, the Bank takes seriously its corporate social responsibilities.

## EDUCATION

The area of education remains a key area of focus for the Bank. During the first quarter, the UTECH Debating & Public Speaking Society received financial support from NCB, which will allow the team to attend the 2008 World Universe Debating Championships. NCB's philanthropic arm, the N.C.B. Foundation, continued to fund a range of projects geared at empowering young Jamaicans through education. Funded under the Bank's Jamaica Education Initiative (JEI), tertiary level students from UWI, UTECH and the Edna Manley College of the Visual and the Performing Arts were recipients of scholarships. The Bank thanks all Keycard holders whose purchases continue to allow NCB to fund the JEI.



## **COMMUNITY RELATIONS (continued)**

### **EDUCATION (continued)**

The Foundation, in response to some of the difficulties faced by schools across the island following the devastation by Hurricane Dean, provided \$15 million towards underwriting repairs at 14 secondary schools, including Munro College, May Day High and Hampton High.

### **SPORTS**

As part of the NCB's consistent drive to promote, sustain and propel the development of sports island-wide, NCB provided financial support towards nutritional supplements for Olympic athletes and gears for swimmers to participate in international championship meets. Additionally, The Jamaica Table Tennis Association received funding which will allow the team to attend the 2008 World Table Tennis Championships. The Bank continues to support initiatives that further the development of our young athletes.

### **COMMUNITY DEVELOPMENT**

NCB remains intent on enhancing our communities and transforming them into more buoyant vicinities in which to live, work and conduct business. Late in the quarter, funds were earmarked for the 170th Anniversary Building a Better Jamaica Donation which spanned 16 projects island-wide. This initiative in addition to helping charities in need, helped to further cultivate volunteerism among the Bank's employees across the branch and subsidiary network.

In addition, the Bank fortified its ties with local service clubs by supporting their fundraising efforts to help in carrying out various community projects.

NCB thanks its employees for their significant contribution and customers for their loyalty and ardent support, as together we continue working to uplift our communities and build a better Jamaica.

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke that tapers to a point on the right.

**ON BEHALF OF THE BOARD**

# National Commercial Bank Jamaica Limited

## Consolidated Profit & Loss Account

Quarter Ended 31 December 2007

	Quarter Ended 31 Dec 2007 \$'000	Quarter Ended 30 Sept 2007 \$'000	Quarter Ended 31 Dec 2006 \$'000
<b>Operating Revenue</b>			
Interest income from loans	2,366,135	2,206,038	1,880,582
Interest income from securities	4,520,074	4,349,955	4,310,462
Total interest income	6,886,209	6,555,993	6,191,044
Interest expense	(3,251,066)	(3,250,119)	(3,078,706)
Net interest income	3,635,143	3,305,874	3,112,338
Fee and commission income	1,400,141	1,311,862	1,089,693
Fee and commission expense	(261,277)	(328,621)	(199,735)
Net fee and commission income	1,138,864	983,241	889,958
Net trading income	667,214	788,602	704,403
Dividend income	26,205	5,491	35,081
Insurance premium income	104,376	64,295	65,877
Other operating income	31,515	30,519	5,443
	829,310	888,907	810,804
	<b>5,603,317</b>	<b>5,178,022</b>	<b>4,813,100</b>
<b>Operating Expenses</b>			
Staff costs	1,823,988	1,827,961	1,647,998
Provision for credit losses	129,731	126,226	45,380
Depreciation and amortisation	190,830	207,159	223,761
Impairment losses	-	49,960	30,380
Other operating expenses	1,015,776	777,407	926,311
	3,160,325	2,988,713	2,873,830
<b>Operating Profit</b>	<b>2,442,992</b>	<b>2,189,309</b>	<b>1,939,270</b>
Share of profit of associates	28,523	33,563	42,315
<b>Profit before Taxation</b>	<b>2,471,515</b>	<b>2,222,872</b>	<b>1,981,585</b>
Taxation	(612,450)	(503,357)	(479,968)
<b>NET PROFIT</b>	<b>1,859,065</b>	<b>1,719,515</b>	<b>1,501,617</b>
<b>EARNINGS PER STOCK UNIT</b>	<b>\$ 0.76</b>	<b>\$ 0.70</b>	<b>\$ 0.61</b>

# National Commercial Bank Jamaica Limited

## Consolidated Balance Sheet

31 December 2007

	31 December 2007 \$'000	30 September 2007 \$'000	31 December 2006 \$'000
<b>ASSETS</b>			
Cash and balances at Bank of Jamaica	15,091,859	15,307,128	14,563,650
Due from other banks	17,400,329	18,977,969	15,473,974
Investment securities at fair value through profit and loss	1,258,750	1,025,768	1,081,238
Reverse repurchase agreements	8,218,259	11,425,030	18,056,662
Loans and advances, net of provision for credit losses	60,011,016	56,525,564	44,908,267
Investment securities - available-for-sale	148,170,494	141,929,771	131,619,642
Investments in associates	2,063,445	2,034,922	2,021,104
Investment properties	13,000	13,000	13,000
Property, plant and equipment	3,907,584	3,778,092	3,744,648
Deferred tax asset	209,389	289,975	-
Intangible asset - computer software	241,654	290,786	393,148
Retirement benefit asset	11,627	11,627	10,118
Income tax recoverable	755,890	877,584	983,282
Other assets	1,342,324	1,260,942	1,357,104
Customers' liability - letters of credit and undertaking	590,928	435,196	429,943
<b>Total Assets</b>	<b>259,286,548</b>	<b>254,183,354</b>	<b>234,655,780</b>




# National Commercial Bank Jamaica Limited


## Consolidated Balance Sheet

31 December 2007

	31 December 2007 \$'000	30 September 2007 \$'000	31 December 2006 \$'000
<b>LIABILITIES</b>			
Due to other banks	4,558,047	4,777,587	8,010,069
Customer deposits	116,397,467	118,518,051	108,735,992
Derivative financial instruments	112,190	77,169	60,181
Promissory notes and certificates of participation	91,986	319,993	2,476,321
Repurchase agreements	55,897,148	51,305,167	47,867,612
Obligations under securitisation arrangements	26,495,152	26,409,833	21,826,927
Other borrowed funds	5,319,156	4,983,835	2,650,027
Income tax payable	1,082	1,260	2,769
Deferred income tax liabilities	342,664	261,309	778,354
Policyholders' liabilities	14,919,323	14,487,602	12,700,288
Provision for litigation	39,000	33,000	34,000
Retirement benefit obligations	307,049	290,549	257,172
Other liabilities	4,026,002	3,728,777	2,544,481
Liability - letters of credit and undertaking	590,928	435,196	429,943
<b>Total Liabilities</b>	<b>229,097,194</b>	<b>225,629,328</b>	<b>208,374,136</b>
<b>STOCKHOLDERS' EQUITY</b>			
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	2,036,205	1,595,550	3,168,010
Loan loss reserve	287,642	231,235	222,607
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	12,420,882	13,138,616	9,946,402
<b>Total Stockholders' Equity</b>	<b>30,189,354</b>	<b>28,554,026</b>	<b>26,281,644</b>
<b>Total Equity and Liabilities</b>	<b>259,286,548</b>	<b>254,183,354</b>	<b>234,655,780</b>

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

  
Director

  
Director

  
Director

  
Secretary

**National Commercial Bank Jamaica Limited**  
**Consolidated Statement of Changes in Stockholders' Equity**  
**Quarter Ended 31 December 2007**

	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
<b>Balance as at 1 October 2006</b>	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	-	-	9,482	-	-	-	-	9,482
Unrealised gains on available-for-sale investments, net of taxes	-	-	869,792	-	-	-	-	869,792
Realised fair value gains transferred to Consolidated Profit & Loss Account	-	-	(147,875)	-	-	-	-	(147,875)
Net gains recognised directly in equity	-	-	731,399	-	-	-	-	731,399
Net Profit	-	-	-	-	-	-	1,501,617	1,501,617
Dividends paid	-	-	-	-	-	-	(541,359)	(541,359)
Transfer from Loan Loss Reserve	-	-	-	(30,378)	-	-	30,378	-
<b>Balance as at 31 December 2006</b>	<b>6,465,731</b>	<b>(3,867)</b>	<b>3,168,010</b>	<b>222,607</b>	<b>1,963,000</b>	<b>4,519,761</b>	<b>9,946,402</b>	<b>26,281,644</b>
<b>Balance as at 1 October 2007</b>	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	-	-	2,400	-	-	-	-	2,400
Unrealised gains on available-for-sale investments, net of taxes	-	-	549,879	-	-	-	-	549,879
Realised fair value gains transferred to Consolidated Profit & Loss Account	-	-	(111,624)	-	-	-	-	(111,624)
Net gains recognised directly in equity	-	-	440,655	-	-	-	-	440,655
Net Profit	-	-	-	-	-	-	1,859,065	1,859,065
Dividends paid	-	-	-	-	-	-	(664,392)	(664,392)
Transfer to Retained Earnings Reserve	-	-	-	-	-	1,856,000	(1,856,000)	-
Transfer to Loan Loss Reserve	-	-	-	56,407	-	-	(56,407)	-
<b>Balance as at 31 December 2007</b>	<b>6,465,731</b>	<b>(3,867)</b>	<b>2,036,205</b>	<b>287,642</b>	<b>2,607,000</b>	<b>6,375,761</b>	<b>12,420,882</b>	<b>30,189,354</b>



# National Commercial Bank Jamaica Limited

## Consolidated Statement of Cash Flows

Quarter Ended 31 December 2007

	31 December 2007 \$'000	31 December 2006 \$'000
<b>Cash Flows from Operating Activities</b>		
<b>Net profit</b>	1,859,065	1,501,617
Changes in operating assets and liabilities	2,858,108	9,962,411
Other adjustments to reconcile net profit	593,332	576,939
Net cash provided by operating activities	<u>5,310,505</u>	<u>12,040,967</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(272,453)	(144,373)
Acquisition of intangible asset - computer software	(4,975)	(13,118)
Proceeds from disposal of property, plant and equipment	6,274	10,867
Investment securities, net	(4,848,326)	(11,311,721)
Dividends received from associates	-	13,983
Net cash used in investing activities	<u>(5,119,480)</u>	<u>(11,444,362)</u>
<b>Cash Flows from Financing Activities</b>		
Other borrowed funds	365,820	145,315
Dividends paid	(664,392)	(541,359)
Net cash used in financing activities	<u>(298,572)</u>	<u>(396,044)</u>
Effect of exchange rate changes on cash and cash equivalents	(70,705)	480,431
Net (decrease)/increase in cash and cash equivalents	(178,252)	680,992
Cash and cash equivalents at beginning of period	27,513,688	25,836,501
<b>Cash and cash equivalents at end of period</b>	<b><u>27,335,436</u></b>	<b><u>26,517,493</u></b>
<b>Comprising:</b>		
Cash and balances at Bank of Jamaica	4,489,414	5,303,788
Due from other banks	17,400,329	15,473,974
Investment securities	10,003,740	13,749,800
Due to other banks	(4,558,047)	(8,010,069)
	<b><u>27,335,436</u></b>	<b><u>26,517,493</u></b>

# National Commercial Bank Jamaica Limited

## Segment Report

Quarter ended 31 December 2007

	Banking			Wealth			Eliminations \$'000	Consolidated \$'000
	Retail \$'000	Corporate \$'000	Treasury \$'000	Management \$'000	Insurance \$'000	Other \$'000		
External revenue	2,720,818	944,838	2,945,710	1,842,355	649,287	12,652	-	9,115,660
Revenue from other segments	1,612,562	-	370,849	6,789	16,826	9,508	(2,016,534)	-
<b>Total revenue</b>	<b>4,333,380</b>	<b>944,838</b>	<b>3,316,559</b>	<b>1,849,144</b>	<b>666,113</b>	<b>22,160</b>	<b>(2,016,534)</b>	<b>9,115,660</b>
Segment result	848,750	342,298	816,293	563,410	94,436	2,894	98	2,668,179
Unallocated corporate expenses								(225,187)
Operating profit								2,442,992
Share of profit in associates								28,523
Profit before tax								2,471,515
Taxation expense								(612,450)
Net profit								1,859,065
Segment assets	114,995,460	31,888,487	119,618,602	56,968,942	16,856,444	460,634	(86,836,391)	253,952,178
Associates								2,063,445
Unallocated assets								3,270,925
<b>Total assets</b>								<b>259,286,548</b>
Segment liabilities	105,936,774	25,572,081	115,605,875	48,159,231	15,077,883	193,613	(84,157,622)	226,387,835
Unallocated liabilities								2,709,359
<b>Total liabilities</b>								<b>229,097,194</b>
Depreciation and amortisation	167,981	3,936	2,796	4,235	11,699	184	-	190,830

# National Commercial Bank Jamaica Limited

## Segment Report

Quarter ended 31 December 2006

	Banking			Wealth	Insurance	Other	Eliminations	Consolidated
	Retail	Corporate	Treasury	Management				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	1,933,515	950,210	2,596,885	2,072,054	533,005	5,872	-	8,091,541
Revenue from other segments	1,479,632	14,115	193,069	10,082	38,894	46,675	(1,782,467)	-
Total revenue	3,413,147	964,325	2,789,954	2,082,136	571,899	52,547	(1,782,467)	8,091,541
Segment result	393,597	307,351	671,779	557,930	174,872	34,975	(20,687)	2,119,817
Unallocated corporate expenses								(180,547)
Operating profit								1,939,270
Share of profit in associates								42,315
Profit before tax								1,981,585
Taxation expense								(479,968)
Net profit								1,501,617
Segment assets	100,199,956	25,443,520	104,775,317	58,443,977	14,481,844	494,715	(73,330,268)	230,509,061
Associates								2,021,104
Unallocated assets								2,125,615
Total assets								234,655,780
Segment liabilities	91,121,476	21,527,839	100,434,514	50,322,336	12,771,918	224,470	(70,841,579)	205,560,974
Unallocated liabilities								2,813,162
Total liabilities								208,374,136
Depreciation and amortisation	202,979	4,229	2,886	9,757	3,647	263	-	223,761

# National Commercial Bank Jamaica Limited

## Notes to the Consolidated Financial Statements

31 December 2007

### 1. Identification and Principal Activities

National Commercial Bank Jamaica Limited (“the Bank”) is incorporated in Jamaica and licensed under the Banking Act, 1992. The Bank is a 65.7% subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Mr. Michael Lee-Chin. The Bank’s registered office is located at 32 Trafalgar Road, Kingston 10, Jamaica.

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

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

	<u>Principal Activities</u>	<u>Percentage Ownership by Group</u>	
		<u>31 December</u> <u>2007</u>	<u>31 December</u> <u>2006</u>
Data-Cap Processing Limited	Data Processing	100	100
Mutual Security Insurance Brokers Limited	Insurance Brokerage Services	100	100
NCB Capital Markets Limited	Primary Dealer and Stock Brokerage Services	100	100
NCB (Cayman) Limited and its 100 % subsidiary NCB Remittance Services (Cayman) Limited	Commercial Banking Money Remittance Services	100	100
NCB Insurance Company Limited	Life Insurance, Investment and Pension Fund Management	100	100
NCB (Investments) Limited	Money Market Trading	100	100
NCB Jamaica (Nominees) Limited	Registrar Services	100	100
NCB Remittance Services (Jamaica) Limited	Money Remittance Services	100	-
NCB Remittance Services (UK) Limited	Money Remittance Services	100	100
West Indies Trust Company Limited	Trust and Estate management Services	100	100

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

The Group's associates are as follows:

	<u>Principal Activities</u>	<u>Percentage Ownership by Group</u>	
		<u>31 December</u> <u>2007</u>	<u>31 December</u> <u>2006</u>
Kingston Wharves Limited	Wharf Operations and Stevedoring	43.45	43.45
Dyoll Group Limited	Coffee cultivation and other activities	44.47	44.47

# National Commercial Bank Jamaica Limited

## Notes to the Consolidated Financial Statements

31 December 2007

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### 2. Basis of preparation

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

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

Where necessary, comparative figures for 31 December 2006 have been reclassified to conform with changes in presentation in the current period.

All amounts are stated in Jamaican dollars unless otherwise indicated.

### 3. Reverse Repurchase Agreements

Securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective yield method. The Group 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 \$200,258,000 (31 December 2006 - \$1,206,912,000).

At 31 December 2007, the Group held \$8,345,884,000 (31 December 2006 - \$17,060,470,000) 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

31 December 2007

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### 4. Loans and Advances (Cont'd)

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

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

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

	<b>31 December 2007 \$'000</b>	<b>31 December 2006 \$'000</b>
Specific provision	1,766,700	1,801,580
General provision	595,749	441,769
Provision required by Bank of Jamaica	<u>2,362,449</u>	<u>2,243,349</u>
Provision required by IFRS	<u>2,074,807</u>	<u>2,020,742</u>
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve	<u>287,642</u>	<u>222,607</u>

### 5. Investments in Associates

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

The Group uses the financial statements of the associates at 30 September 2007 for the purposes of consolidation. Adjustments are made for significant transactions or events that occur between that date and 31 December 2007. The Group's results do not include Dyoll Group Limited's information for the nine months ended 30 September 2007, as Dyoll Group Limited has been unable to finalise its unaudited financial statements for the quarter ending 31 December 2006 and the audited statements for its year-end 2006. Effective 22 March 2007, the Jamaica Stock Exchange suspended trading in the shares of Dyoll Group Ltd. as a result of its non-compliance with Stock Exchange Rules. The Group has made full provision for this investment.

# National Commercial Bank Jamaica Limited

## Notes to the Consolidated Financial Statements

31 December 2007

### 6. Share Capital

	<b>31 December 2007 \$'000</b>	<b>31 December 2006 \$'000</b>
Authorised: 5,750,000,000 ordinary stock units at no par value		
Issued and Fully Paid Up:-		
2,466,762,828 ordinary stock units at no par value	6,465,731	6,465,731
6,042,916 ordinary stock units held by NCB Employee Share Scheme	(3,867)	(3,867)
Issued and outstanding	<u>6,461,864</u>	<u>6,461,864</u>

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

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

### 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 management functions, 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 31 December 2007, the Group had financial assets under administration of approximately \$37.9 billion (31 December 2006 -\$32.7 billion).

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

At 31 December 2007, the Group has made commitments for off-balance sheet financial instruments (acceptances, guarantees, indemnities and letters of credit) amounting to \$4,963,706,000 (31 December 2006 -\$3,790,790,000). There is an equal and offsetting claim against customers in the event of a call on these commitments.