



**NATIONAL COMMERCIAL BANK JAMAICA LIMITED  
REPORTS NET PROFIT OF \$8,701 MILLION FOR THE  
YEAR ENDED 30 SEPTEMBER 2008.**

The Board of Directors is pleased to release the following audited results for National Commercial Bank Jamaica Limited (NCBJ) and its subsidiaries for the financial year ended 30 September 2008.

**PERFORMANCE HIGHLIGHTS**

**Year ended September 2008 compared with Year ended September 2007**

- Net Profit of \$8,701 million, grew by 32%.
- Earnings per Stock Unit of \$3.54 increased by \$0.86 or 32%.
- Operating Revenue of \$24,720 million, a 20% increase.
- Cost to Income Ratio of 50.1% vs. 57.3%.
- Risk-Based Capital Ratio of 13.02% vs. 14.50%.
- Net Loans of \$82.2 billion, grew by 45%.
- Investment Securities of \$154.6 billion, grew by 8%.
- Customer Deposits of \$126.1 billion, an increase of 6%.
- Return on Average Equity of 29.07% vs. 24.84%
- Return on Average Assets of 3.19% vs. 2.77%.

The results for the period reflect strong growth in our core businesses as well as:

- A gain of \$1,059 million on the sale of Visa Incorporated shares. These shares were issued to NCBJ during the Visa Incorporated initial public offering in March 2008.
  - \$530 million of the gains were realised in March 2008 and represents the proceeds from the mandatory sale of a portion of the shares allocated to NCBJ,
  - \$529 million of the gains were realised in September 2008 and represents the proceeds from the sale of the remaining shares allocated to NCBJ.
- A provision of \$1,230 million representing the maximum potential loss on certain transactions governed by master repurchase arrangements with members of the Lehman Brothers group (Lehman).

**Fourth Quarter 2007/2008 compared with Fourth Quarter 2006/2007**

- Net Profit of \$1,944 million, grew by 13%. This quarter's results include \$529 million of the gain on the sale of Visa Incorporated shares and the Lehman provision of \$1,230 million.

**Fourth Quarter 2007/2008 compared with Third Quarter 2007/2008**

- Net Profit fell by 14%. Excluding the one-off gain earned in the fourth quarter and the Lehman provision, Net Profit increased by 1%.



The main contributors to these results are:

<b>NET PROFIT</b>	Quarter ended September 2008	Twelve Months ended September 2008	Twelve Months ended September 2007
National Commercial Bank Jamaica Limited	J\$2,120 M	J\$6,724 M	J\$4,295 M
NCB Capital Markets Limited	(J\$581 M)	J\$776 M	J\$1,567 M
NCB Insurance Company Limited	J\$277 M	J\$712 M	J\$452 M

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

### **Banking**

The Banking segment's results reflect an increase of \$3.2 billion or 49% over the 2007 financial year and are driven mainly by impressive growth in the Corporate and Retail loan portfolios, fee and commissions income and securities income:

- net fee & commission income growing by 19% (volume-driven),
- interest income from securities growing by 13% due to the increase in the investment portfolio,
- interest income from loans increasing by 29% due to the growth in the loan portfolio.

Loans and advances totalled \$82.2 billion (net of provision for credit losses) as at 30 September 2008 compared to \$56.5 billion as at 30 September 2007. Our net loans to total assets ratio, one of our key strategic measures, has improved from 22.24% at September 2007 to 28.22% at September 2008. While we celebrate this impressive loan growth, we are taking and have taken steps to improve the robustness and responsiveness of our loan origination and delinquency management practices. As at 30 September 2008, non-performing loans totaled \$2.0 billion and represented 2.34% of the gross loans compared to 2.56% as at 30 September 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. Based on the latest commercial banking industry information as at June 2008 from the Bank of Jamaica, NCB had the #1 market share of Total Assets.

### **Wealth Management**

Our wealth and asset management arm contributed operating profits of \$855 million for the twelve months ended September 2008 after accounting for the maximum potential loss on realisation of securities held by Lehman. In the normal course of business, NCB Capital Markets Limited (NCBCM) entered into Master Repurchase arrangements with Lehman.



### **Wealth Management (continued)**

Under these arrangements, Government of Jamaica bonds, with a value of US\$44.88 million at year end, were pledged as security for the liability of US\$27.92 million to Lehman. Given the insolvency proceedings that have been initiated with respect to members of the Lehman group, full recovery of the excess of the value of the pledged assets held over the liability is considered doubtful and accordingly, a full provision for this amount has been made in the financial statements. Despite the impact of this Lehman provision on results for the year, NCBCM achieved a net profit of \$776 million, maintains a solid capital base of \$7.2 billion and remains a strong, stable player in the industry.

### **Insurance**

Our insurance segment contributed operating profits of \$766 million for the year ended September 2008, representing an increase of 38% over the prior year. NCB Insurance Company (NCBIC) is the major contributor to this segment and achieved a net profit of \$712 million, a 57% increase when compared to the previous year. These results reflect the impact of the restructuring changes made at NCBIC during the financial year as we position ourselves to focus on the bancassurance business and pension and investment management services.

### **CAPITAL**

The Group's Stockholders' Equity of \$31.3 billion increased by \$2.5 billion or 9% when compared to 30 September 2007, mainly attributed to the growth in the Group's profitability. The Statutory Capital of the Group increased from \$14.0 billion at the end of September 2007 to \$19.0 billion as at 30 September 2008.

- The Risk-Based Capital Ratio for NCBJ was 13.02% which exceeds the minimum requirement of 10% stipulated by the Bank of Jamaica.
- The Capital Base to Total Assets Ratio for NCBCM was 11.17% which exceeds the minimum requirement of 6% stipulated by the Financial Services Commission.
- NCBIC reported a Solvency Ratio of 16.2% which exceeds the minimum requirement of 10% stipulated by the Financial Services Commission.

Despite recording the potential Lehman impairment loss of \$1,230 million, we are reporting growth in all our Key Performance Indicators. The capital adequacy ratios of all relevant companies exceed the regulatory limits, reflecting our strength, one of the pillars of our strategy.



## **DIVIDENDS**

On 3 November 2008, the Board declared an interim dividend of \$0.40 per ordinary stock unit. The dividend is payable on 1 December 2008 for stockholders on record as at 18 November 2008.

## **COMMUNITY RELATIONS**

Consistent with our mandate to “Build a Better Jamaica” by enriching the lives of many Jamaicans through our support of a number of activities within communities island-wide, we, mainly through our philanthropic arm, NCB Foundation, contributed \$115 million to Education, Health, Sports, Entrepreneurship and Community Development during the year ended 30 September 2008.

### **EDUCATION**

This year, we focused on infrastructure and resources in schools and scholarships and grants.

A number of schools were damaged by Hurricane Dean in 2007 and we responded by assisting in the restoration efforts of 14 schools. We also financed improvements to the physical conditions of a number of schools at various levels. In addition, we donated computer equipment to a number of schools.

Our scholarship program was revised and relaunched during the year and now includes the award of scholarships to 14 Parish Champions and an Island Champion and one hundred tertiary scholarships. Grants are also provided. These scholarships and grants were awarded based on academic performance and financial need.

### **SPORTS**

This continues to be one of the areas in which Jamaica excels and is one of our areas of focus. We have assisted Jamaican athletes with their preparation for the 2008 Olympics in Beijing and provided funding towards the cost of competing in the Olympics. The National Premier League received funding that enabled them to complete the season and meet their obligations.

### **ENTREPRENEURSHIP**

A number of skill-based community organizations and programs benefited from funding by the NCB Foundation. Notable among these is the training provided to persons living in the community around the Holy Cross Cathedral in Kingston. These persons will receive training in refined techniques in conservation and restoration, including mural restoration, pipe organ technique and maintenance, which will be facilitated by Spanish and German specialists.



**COMMUNITY RELATIONS (continued)**

At the end of yet another robust financial year as we reflect proudly on our commitment to consistently doing well and doing good. 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 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 for us all.

**ON BEHALF OF THE BOARD**

# National Commercial Bank Jamaica Limited

## Consolidated Profit & Loss Account

Twelve Months Ended 30 September 2008

	<i>CURRENT YEAR</i>			<i>PRIOR YEAR</i>	
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>
	Quarter Ended	Quarter Ended	Year to Date	Quarter Ended	Year to Date
	30 Sept 2008	30 June 2008	30 Sept 2008	30 Sept 2007	30 Sept 2007
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating Income</b>					
Interest income from loans	3,080,800	2,591,375	10,477,522	2,206,038	8,135,324
Interest income from securities	4,893,984	4,923,691	18,925,051	4,349,955	16,898,046
Total interest income	7,974,784	7,515,066	29,402,573	6,555,993	25,033,370
Interest expense	(3,754,926)	(3,308,405)	(13,576,269)	(3,250,119)	(12,236,593)
Net interest income	4,219,858	4,206,661	15,826,304	3,305,874	12,796,777
Fee and commission income	1,669,590	1,466,506	5,911,590	1,311,862	4,720,843
Fee and commission expense	(344,409)	(315,788)	(1,228,399)	(328,621)	(964,783)
Net fee and commission income	1,325,181	1,150,718	4,683,191	983,241	3,756,060
Gain on foreign currency and investment activities	958,771	597,265	3,566,692	788,602	3,201,336
Dividend income	6,210	28,569	72,883	5,491	88,032
Insurance premium income	102,133	85,758	398,754	64,295	523,200
Other operating income	(8,692)	86,021	172,234	30,519	186,174
	1,058,422	797,613	4,210,563	888,907	3,998,742
	<b>6,603,461</b>	<b>6,154,992</b>	<b>24,720,058</b>	<b>5,178,022</b>	<b>20,551,579</b>
<b>Operating Expenses</b>					
Staff costs	1,872,159	1,798,760	7,281,304	1,827,961	6,987,550
Provision for credit losses	161,255	93,131	468,287	126,226	277,603
Depreciation and amortisation	176,585	173,654	725,936	207,159	889,246
Impairment losses	1,229,610	-	1,229,610	49,960	80,340
Other operating expenses	1,092,868	1,184,013	4,371,013	777,407	3,893,562
	<b>4,532,477</b>	<b>3,249,558</b>	<b>14,076,150</b>	<b>2,988,713</b>	<b>12,128,301</b>
<b>Operating Profit</b>	<b>2,070,984</b>	<b>2,905,434</b>	<b>10,643,908</b>	<b>2,189,309</b>	<b>8,423,278</b>
Share of profit of associates	26,395	50,154	164,101	33,563	170,566
<b>Profit before Taxation</b>	<b>2,097,379</b>	<b>2,955,588</b>	<b>10,808,009</b>	<b>2,222,872</b>	<b>8,593,844</b>
Taxation	(153,662)	(704,106)	(2,106,836)	(503,357)	(1,992,418)
<b>NET PROFIT</b>	<b>1,943,717</b>	<b>2,251,482</b>	<b>8,701,173</b>	<b>1,719,515</b>	<b>6,601,426</b>
<b>EARNINGS PER STOCK UNIT</b>	<b>\$ 0.80</b>	<b>\$ 0.91</b>	<b>\$ 3.54</b>	<b>\$ 0.70</b>	<b>\$ 2.68</b>

# National Commercial Bank Jamaica Limited

## Consolidated Balance Sheet

30 September 2008

	<b>30 September 2008 \$'000</b>	<b>30 September 2007 \$'000</b>
<b>ASSETS</b>		
Cash and balances at Bank of Jamaica	15,442,828	15,307,128
Due from other banks	15,207,522	18,977,969
Investment securities at fair value through profit and loss	916,906	1,025,768
Reverse repurchase agreements	12,578,633	11,425,030
Loans and advances, net of provision for credit losses	82,169,396	56,525,564
Investment securities - available-for-sale	153,654,776	141,929,771
Investments in associates	2,181,407	2,034,922
Investment properties	13,000	13,000
Property, plant and equipment	3,830,313	3,774,574
Deferred tax asset	1,679,056	294,304
Intangible asset - computer software	282,264	290,786
Retirement benefit asset	13,077	11,627
Income tax recoverable	1,157,799	877,584
Other assets	1,325,792	1,260,942
Customers' liability - letters of credit and undertaking	700,628	435,196
<b>Total Assets</b>	<b>291,153,397</b>	<b>254,183,354</b>

**National Commercial Bank Jamaica Limited**  
**Consolidated Balance Sheet**  
**30 September 2008**

	30 September 2008 \$'000	30 September 2007 \$'000
<b>LIABILITIES</b>		
Due to other banks	10,038,502	4,777,587
Customer deposits	126,099,896	118,518,051
Derivative financial instruments	104,754	77,169
Promissory notes and certificates of participation	4,626	319,993
Repurchase agreements	69,619,957	51,305,167
Obligations under securitisation arrangements	26,259,740	26,409,833
Other borrowed funds	5,522,891	4,983,835
Income tax payable	489,559	1,260
Deferred income tax liabilities	112,006	261,309
Policyholders' liabilities	16,533,984	14,487,602
Provision for litigation	39,000	36,000
Retirement benefit obligations	354,321	290,549
Other liabilities	3,960,871	3,725,777
Liability - letters of credit and undertaking	700,628	435,196
<b>Total Liabilities</b>	<b>259,840,735</b>	<b>225,629,328</b>
<b>STOCKHOLDERS' EQUITY</b>		
Share capital	6,465,731	6,465,731
Shares held by NCB Employee Share Scheme	(3,388)	(3,867)
Fair value and other reserves	(1,556,733)	1,595,550
Loan loss reserve	697,061	231,235
Banking reserve fund	3,663,000	2,607,000
Retained earnings reserve	8,875,761	4,519,761
Retained earnings	13,171,230	13,138,616
<b>Total Stockholders' Equity</b>	<b>31,312,662</b>	<b>28,554,026</b>
<b>Total Equity and Liabilities</b>	<b>291,153,397</b>	<b>254,183,354</b>

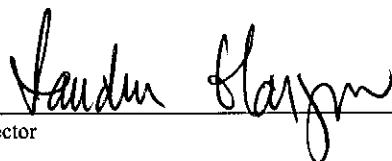
Approved for issue by the Board of Directors on 03 November 2008 and signed on its behalf by:



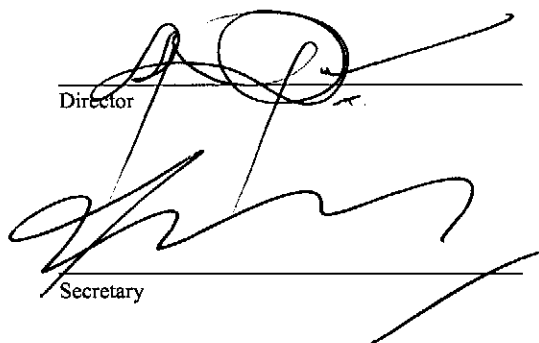
Director



Director



Director



Secretary



# National Commercial Bank Jamaica Limited

Consolidated Statement of Changes in Stockholders' Equity

Year ended 30 September 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital / Stated 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 30 September 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	-	-	64,626	-	-	-	-	64,626
Unrealised losses on available-for-sale investments, net of taxes	-	-	(351,208)	-	-	-	-	(351,208)
Realised fair value gains transferred to Consolidated Profit and Loss Account	-	-	(513,310)	-	-	-	-	(513,310)
Share of equity movement in associates	-	-	(41,169)	-	-	-	-	(41,169)
Net losses not recognised in Consolidated Profit and Loss Account	-	-	(841,061)	-	-	-	-	(841,061)
Net profit	-	-	-	-	-	-	6,601,426	6,601,426
Dividends paid	-	-	-	-	-	-	(1,796,326)	(1,796,326)
Transfer from Loan Loss Reserve	-	-	-	(21,750)	-	-	21,750	-
Transfer to Banking Reserve Fund	-	-	-	-	644,000	-	(644,000)	-
<b>Balance at 30 September 2007</b>	<b>6,465,731</b>	<b>(3,867)</b>	<b>1,595,550</b>	<b>231,235</b>	<b>2,607,000</b>	<b>4,519,761</b>	<b>13,138,616</b>	<b>28,554,026</b>
Currency translation differences	-	-	37,086	-	-	-	-	37,086
Unrealised losses on available-for-sale investments, net of taxes	-	-	(3,079,840)	-	-	-	-	(3,079,840)
Realised fair value gains transferred to Consolidated Profit and Loss Account	-	-	(355,791)	-	-	-	-	(355,791)
Impairment amount on available-for-sale from equity	-	-	235,912	-	-	-	-	235,912
Share of equity movement in associates	-	-	10,350	-	-	-	-	10,350
Net losses not recognised in Consolidated Profit and Loss Account	-	-	(3,152,283)	-	-	-	-	(3,152,283)
Net profit	-	-	-	-	-	-	8,701,173	8,701,173
Dividends paid	-	-	-	-	-	-	(2,806,790)	(2,806,790)
Sale of Treasury Shares	-	479	-	-	-	-	16,057	16,536
Transfer to Loan Loss Reserve	-	-	-	465,826	-	-	(465,826)	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	4,356,000	(4,356,000)	-
Transfer to Banking Reserve Fund	-	-	-	-	1,056,000	-	(1,056,000)	-
<b>Balance at 30 September 2008</b>	<b>6,465,731</b>	<b>(3,388)</b>	<b>(1,556,733)</b>	<b>697,061</b>	<b>3,663,000</b>	<b>8,875,761</b>	<b>13,171,230</b>	<b>31,312,662</b>

# National Commercial Bank Jamaica Limited

## Consolidated Statement of Cash Flows

Twelve Months Ended 30 September 2008

	30 September 2008 \$'000	30 September 2007 \$'000
<b>Cash Flows from Operating Activities</b>		
<b>Net profit</b>	8,701,173	6,601,426
Changes in operating assets and liabilities	(352,100)	16,933,599
Other adjustments to reconcile net profit	304,213	1,176,151
Net cash provided by operating activities	<u>8,653,286</u>	<u>24,711,176</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(629,698)	(688,338)
Acquisition of intangible asset - computer software	(173,381)	(109,343)
Proceeds from disposal of property, plant and equipment	34,178	55,905
Investment securities, net	(13,065,961)	(28,104,768)
Dividends received from associates	27,965	37,287
Net cash used in investing activities	<u>(13,806,897)</u>	<u>(28,809,257)</u>
<b>Cash Flows from Financing Activities</b>		
Drawdowns under securitisation arrangements	-	3,327,211
Repayments under securitisation arrangements	(964,907)	-
Other borrowed funds	520,784	2,448,746
Dividends paid	(2,806,790)	(1,796,326)
Net cash (used in)/provided by financing activities	<u>(3,250,913)</u>	<u>3,979,631</u>
Effect of exchange rate changes on cash and cash equivalents	(118,861)	1,795,637
Net (decrease)/increase in cash and cash equivalents	<u>(8,523,385)</u>	<u>1,677,187</u>
Cash and cash equivalents at beginning of period	<u>27,513,688</u>	<u>25,836,501</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>18,990,303</u></b>	<b><u>27,513,688</u></b>
<b>Comprising:</b>		
Cash and balances at Bank of Jamaica	3,717,889	4,992,675
Due from other banks	15,207,522	18,977,969
Investment securities	10,103,394	8,320,631
Due to other banks	(10,038,502)	(4,777,587)
	<b><u>18,990,303</u></b>	<b><u>27,513,688</u></b>
		-

# National Commercial Bank Jamaica Limited

## Segment Report

Twelve Months Ended 30 September 2008

	Banking			Wealth			Eliminations \$'000	Consolidated \$'000
	Retail \$'000	Corporate \$'000	Treasury \$'000	Management \$'000	Insurance \$'000	Other \$'000		
External revenue	11,046,344	4,609,532	13,179,765	7,778,592	2,795,834	114,659	-	39,524,726
Revenue from other segments	7,013,474	-	1,450,661	64,139	183,939	21,113	(8,733,326)	-
<b>Total revenue</b>	<b>18,059,818</b>	<b>4,609,532</b>	<b>14,630,426</b>	<b>7,842,731</b>	<b>2,979,773</b>	<b>135,772</b>	<b>(8,733,326)</b>	<b>39,524,726</b>
Segment result	3,468,587	2,057,044	4,321,789	855,179	765,692	45,059	157,489	11,670,839
Unallocated corporate expenses								(1,026,931)
Operating profit								10,643,908
Share of profit in associates								164,101
Profit before tax								10,808,009
Taxation expense								(2,106,836)
Net profit								8,701,173
Segment assets	121,020,293	49,353,023	136,915,964	65,439,707	18,766,542	396,401	(106,772,395)	285,119,535
Associates								2,181,407
Unallocated assets								3,852,455
<b>Total assets</b>								<b>291,153,397</b>
Segment liabilities	112,185,742	43,926,940	130,957,720	58,769,476	16,664,357	84,855	(104,113,040)	258,476,050
Unallocated liabilities								1,364,684
<b>Total liabilities</b>								<b>259,840,734</b>
Impairment loss	-	-	-	1,229,610	-	-	-	1,229,610
Capital expenditure	540,450	9,666	5,205	61,201	170,265	16,292		803,079
Depreciation and amortisation	573,864	14,199	10,404	48,188	71,765	7,516	-	725,936

# National Commercial Bank Jamaica Limited

## Segment Report

Twelve Months Ended 30 September 2007

	Banking			Wealth			Eliminations \$'000	Consolidated \$'000
	Retail \$'000	Corporate \$'000	Treasury \$'000	Management \$'000	Insurance \$'000	Other \$'000		
External revenue	9,024,365	3,534,399	10,998,233	7,632,071	2,533,016	30,871		33,752,955
Revenue from other segments	6,127,406	(29,248)	1,191,404	67,850	107,289	65,431	(7,530,132)	-
<b>Total revenue</b>	<b>15,151,771</b>	<b>3,505,151</b>	<b>12,189,637</b>	<b>7,699,921</b>	<b>2,640,305</b>	<b>96,302</b>	<b>(7,530,132)</b>	<b>33,752,955</b>
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 profit in 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
<b>Total assets</b>								<b>254,183,354</b>
Segment liabilities	103,193,906	24,742,581	117,160,384	49,042,264	14,606,135	170,506	(88,324,515)	220,591,261
Unallocated liabilities								5,038,067
<b>Total liabilities</b>								<b>225,629,328</b>
Impairment loss	-	-	71,633	30,380	-	-	(21,673)	80,340
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

# National Commercial Bank Jamaica Limited

## Notes to the Financial Statements

30 September 2008

(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 61.85% subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Honourable Michael Lee-Chin, O.J. 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:

	Principal Activities	Percentage Ownership by Group	
		30 September 2008	30 September 2007
Data-Cap Processing Limited	Security Services	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	Commercial Banking	100	100
NCB Remittance Services (Cayman) Limited	Money Remittance Services	100	100
NCB Capital Markets (Cayman) Limited	Securities Dealer	100	100
NCB Insurance Company Limited	Life Insurance and Investment and Pension Fund Management Services	100	100
N.C.B. (Investments) Limited	Money Market Trading	100	100
N.C.B. Jamaica (Nominees) Limited	Registrar Services	100	100
NCB Remittance Services (Jamaica) Limited	Money Remittance Services	100	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:

	Principal Activities	Percentage ownership by Group	
		30 September 2008	30 September 2007
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 September 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.

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

All amounts are stated in Jamaican dollars unless otherwise indicated.

**3. Reverse Repurchase Agreements**

Securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective yield method. The Group enters into reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations. Included in reverse repurchase agreements is related accrued interest receivable of \$599,773,000 (30 September 2007 - \$265,619,000).

At 30 September 2008, the Group held \$12,554,100,000 (30 September 2007 - \$11,576,956,000) 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.

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>30 Sept 2008 \$'000</b>	<b>30 Sept 2007 \$'000</b>
Specific provision	2,182,574	1,672,500
General provision	810,160	556,023
Provision required by Bank of Jamaica	<u>2,992,734</u>	<u>2,228,523</u>
Provision required by IFRS	<u>2,295,673</u>	<u>1,997,288</u>
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve	<u>697,061</u>	<u>231,235</u>

**National Commercial Bank Jamaica Limited**  
**Notes to the Consolidated Financial Statements**  
**30 September 2008**

**5. Investments in Associates**

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

The Group uses the financial statements of Kingston Wharves Limited at 30 June 2008 for the purposes of consolidation. Adjustments are made for significant transactions or events that occur between that date and 30 September 2008. The Group's results for the twelve months ended 30 September 2008 do not include Dyoll Group Limited. 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.

**6. Share Capital**

	<u>30 Sept 2008 \$'000</u>	<u>30 Sept 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
5,293,916 ordinary stock units held by NCB Employee Share Scheme	<u>(3,388)</u>	<u>(3,867)</u>
Issued and outstanding	<u>6,462,343</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 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 September 2008, the Group had financial assets under administration of approximately \$39.5 billion (30 September 2007 -\$35.1 billion).

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

At 30 September 2008, the Group has made commitments for off-balance sheet financial instruments (acceptances, guarantees, indemnities and letters of credit) amounting to \$4,214,990,000 (30 September 2007 -\$4,966,388,000). There is an equal and offsetting claim against customers in the event of a call on these commitments.