



FINANCIAL STATEMENTS 2008



National Commercial Bank (SVG) Limited

Report of the Directors

For the Year Ended June 30, 2008

Report of the Directors for the year ended June 30, 2008, to be presented to the shareholders at the Annual General Meeting.

The Directors present to the shareholders their Annual Report, together with the audited financial statements dealing with the business of the Bank for the year ended June 30, 2008.

The annexed financial statements show that:-

The earnings for the year amounted to	<u>\$000's</u> 15,820
To which is added the retained earnings balance brought forward from the previous year of	<u>32,161</u>
Leaving a balance to be carried forward of	<u>47,981</u>

The retiring auditors Pannell Kerr Forster, Chartered Accountants, offer themselves for re-appointment, at a fee to be agreed with the Directors.

On Behalf of the Board:-



Director



Secretary

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
National Commercial Bank (SVG) Limited

Report on the Financial Statements

We have audited the accompanying financial statements of the National Commercial Bank (SVG) Limited, which comprise the balance sheet as of June 30, 2008, and the statements of changes in equity, earnings and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of June 30, 2008, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.



October 7, 2008

National Commercial Bank (SVG) Limited

Balance Sheet

For the Year Ended June 30, 2008

	Notes	2008 \$000's	2007 \$000's
ASSETS			
Cash and balance with Central Bank	6	76,991	81,902
Treasury bills and other held for trading securities	7	13,896	28,199
Loans and advances	8	548,899	437,803
Investment securities	9	86,368	94,034
Pledge assets	10	7,884	0
Customers' liability under acceptances	11	1,601	1,314
Other assets	12	14,434	10,385
Property, plant and equipment	13	5,172	4,070
		<u>755,245</u>	<u>657,707</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits	14	622,341	550,874
Acceptances, guarantees and letters of credit (per contra)	11	1,601	1,314
Other liabilities	15	15,857	16,019
Other funding instruments	10	7,884	0
Subordinated debts	16	23,749	23,402
		<u>671,432</u>	<u>591,609</u>
Shareholders' Equity			
Stated capital	17	14,000	14,000
Reserves	18	21,832	19,937
Retained earnings		47,981	32,161
		<u>83,813</u>	<u>66,098</u>
		<u>755,245</u>	<u>657,707</u>

The accompanying notes form an integral part of these financial statements.

APPROVED ON BEHALF OF THE BOARD:-



Director



Secretary

National Commercial Bank (SVG) Limited

Statement of Changes in Equity

For the Year Ended June 30, 2008

	Stated Capital \$000's	Reserves \$000's	Retained Earnings \$000's	Total \$000's
Balance as of June 30, 2006	14,000	19,078	17,941	51,019
Unrealised gain on available-for-sale investment securities	0	859	0	859
Net earnings for the year	0	0	14,220	14,220
Balance as of June 30, 2007	14,000	19,937	32,161	66,098
Unrealised gain on available-for-sale investment securities	0	1,895	0	1,895
Net earnings for the year	0	0	15,820	15,820
Balance as of June 30, 2008	14,000	21,832	47,981	83,813

The accompanying notes form an integral part of these financial statements.

National Commercial Bank (SVG) Limited

Statement of Earnings

For the Year Ended June 30, 2008

	Notes	2008 \$000's	2007 \$000's
Interest Income	19	47,042	40,264
Interest Expense	20	19,434	18,187
		27,608	22,077
Other Operating Income	21	19,173	18,375
		46,781	40,452
Losses on Loans and Advances, Net	8.4	193	(1,332)
Administrative Expenses – Staff Cost		10,670	9,709
Administrative Expenses – Other Cost		13,748	12,215
Commissions and Fees		315	287
Depreciation and Amortisation		1,169	1,138
		26,095	22,017
Operating Profit		20,686	18,435
Gain/(Loss) on Disposal of Property, Plant and Equipment		25	(12)
Earnings before Income Tax		20,711	18,423
Provision for Income Tax	22	4,891	4,203
Net Earnings for the Year		15,820	14,220
Earnings per Share	27	3.16	2.84

The accompanying notes form an integral part of these financial statements.

National Commercial Bank (SVG) Limited

Statement of Changes in Cash Flow

For the Year Ended June 30, 2008

	Note	2008 \$000's	2007 \$000's
Operating Activities			
Earnings before income tax		20,711	18,423
Adjustments for			
Depreciation and amortization		1,169	1,138
Dividend income		(665)	(574)
Decrease in allowance for losses on loans and advances		(1,536)	(1,123)
Realised gain on investment securities		(785)	0
Impairment of investment securities		0	852
(Gain)/loss on disposal of property, plant and equipment		(25)	12
Operating Earnings before Changes in Operating Assets		18,869	18,728
Increase in Operating Assets			
(Increase) decrease in other assets		(4,834)	2,655
Increase in loans and advances		(109,560)	(44,404)
Increase in Operating Liabilities			
Increase in deposits		71,467	30,215
(Decrease) increase in other liabilities		490	5,674
Cash Generated from (Used in) Operations		(23,568)	12,868
Income taxes paid		(4,758)	(708)
Net Cash (Used in) Generated from Operating Activities		(28,326)	12,160
Investing Activities			
Dividends received		665	574
Additions to property, plant and equipment		(2,271)	(1,963)
Proceeds from liquidation of securities		65,800	61,017
Securities acquired		(41,246)	(69,496)
Decrease in treasury bills		95	15,037
Proceeds from disposal of property, plant and equipment		25	0
Net Cash Generated from Investing Activities		23,068	5,169
Financing Activities			
Proceeds from subordinated debts		1,145	1,498
Repayment of subordinated debts		(798)	(713)
Net Cash Generated From Financing Activities		347	785
(Decrease)/Increase in Cash Resources		(4,911)	18,114
Cash Resources - Beginning of Year		81,902	63,788
Cash Resources - End of Year	6	76,991	81,902

The accompanying notes form an integral part of these financial statements.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

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National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

1. Incorporation

National Commercial Bank (SVG) Limited provides retail, corporate banking and investment services in St. Vincent and the Grenadines.

The Bank is a limited liability company and is incorporate and domiciled in St. Vincent and the Grenadines. The Bank was incorporated on June 1, 1977 and was continued as company 13 of 1997 under the Company's Act of 1994. The address of its registered office is Bedford Street, Kingstown, St. Vincent.

The Bank's activities are governed by the Banking Act, 2006.

2. Date of Authorisation of Issue

These financial statements were authorised for issue by the Board of Directors on October 7, 2008.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of Presentation

The Bank's financial statements have been prepared in Eastern Caribbean dollars in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, are disclosed in Note 5.

Amendments to Published Standards and Interpretations Effective July 1, 2007

The application of the amendments and interpretations listed below did not result in substantial changes to the Bank's accounting policies:

- IFRIC 14, 'IAS 19 – The limit on a defined asset, minimum funding requirements and their interaction' (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.
- As of June 30, 2007, the Bank early adopted IFRS 7, Financial instruments: Disclosures, and Amendments to IAS 1 – Capital disclosures. Both standards were applied retrospectively. IFRS 7 supersedes IAS 30 and the disclosure requirements of IAS 32

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

3. Summary of Significant Accounting Policies (Cont'd)

a. Basis of Presentation (Cont'd)

Standards amendments and interpretations effective but not relevant for the Bank's operations:

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2008 but they are not relevant to the Group's operations:

- IFRIC 8, 'Scope of IFRS 2';
- IFRIC 10, 'Interim financial reporting and impairment'
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies'
- IFRIC 9, 'Reassessment of embedded derivatives'; and
- IFRIC 12, 'Service concession arrangements' (effective from January 1, 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services.

Standards amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank.

The Bank has chosen not to early adopt the following standard and interpretations that were issued but not yet effective for accounting periods beginning on July 1, 2007:

- IFRS 8, 'Operating Segments' (effective from January 1, 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirement of the US Standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.
- IAS 23 (Amendment), 'Borrowing costs' (effective from January 1, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing cost will be removed. The Bank will apply IAS 23 (Amendment) from January 1, 2009 but is currently not applicable to the Bank as there are no qualifying assets.
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'. (Effective for annual periods beginning on or after March 1, 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The Bank will apply IFRIC 11 from January 1, 2008, but it is not expected to have any impact on the Bank's accounts.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

3. Summary of Significant Accounting Policies (Cont'd)

a. Basis of Presentation (Cont'd)

Standard and interpretations to existing standards that are not yet effective and not relevant for the Bank's operations

- IAS 1, presentation of financial statements (as revised in 2007). Introduces new terminology throughout IFRS's and is required to be applied from January 1, 2009.

The following standard and interpretations to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after July 1, 2008 or later periods but are not relevant for the Bank's operations:

- IFRIC 13, 'Customer loyalty programmes' (effective for annual periods beginning on or after July 1, 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values.

b. Foreign Currency Translation

These financial statements are expressed in Eastern Caribbean dollars. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of earnings.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit and loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary items, such as equities held at fair value are recognised through profit or loss, and are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

3. Summary of Significant Accounting Policies (Cont'd)

c. Financial Assets

The Bank classified its financial assets in the following categories:

- (i) financial assets at fair value through profit or loss;
- (ii) loans and receivables;
- (iii) held-to-maturity investments; and
- (iv) available-for-sale financial assets.

Management determines the classification of its investments at initial recognition.

i) Financial Assets at Fair Value through Profit or Loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost, such as loans and advances to customers or banks, and debt securities in issue;
- Certain investments, such as equity investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis, are designated at fair value through profit and loss; and
- Financial instruments, such as debt securities held, containing one or more embedded derivatives that significantly modify the cash flows, are designated at fair value through profit and loss.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in 'net income from financial instruments designated at fair value.'

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

3. Summary of Significant Accounting Policies (Cont'd)

c. Financial Assets (Cont'd)

ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short-term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

iii) Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determined payments and fixed maturities that the Bank's management has positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

iv) Available-for-Sale Financial Assets

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade-date – the date on which the Bank commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transactions costs are expensed in the statement of earnings. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

3. Summary of Significant Accounting Policies (Cont'd)

c. Financial Assets (Cont'd)

iv) Available-for-Sale Financial Assets (Cont'd)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

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

d. Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realised the asset and settle the liability simultaneously.

e. Interest Income and Expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

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

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

3. Summary of Significant Accounting Policies (Cont'd)

e. Interest Income and Expense (Cont'd)

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

f. Fee and Commission Income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities of the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

g. Impairment of Financial Assets

Assets Carried at Amortised Cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales)
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position
- Deterioration in the value of collateral
- Downgrading below investment grade level

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

3. Summary of Significant Accounting Policies (Cont'd)

g. Impairment of Financial Assets (Cont'd)

Assets Carried at Amortised Cost (Cont'd)

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between three months and twelve months; in exceptional cases, longer periods are warranted.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exist for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are included in a collective assessment for impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

3. Summary of Significant Accounting Policies (Cont'd)

g. Impairment of Financial Assets (Cont'd)

Assets Carried at Amortised Cost (Cont'd)

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses to the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in impairment charge for credit losses.

Assets Classified as Available for Sale

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

Renegotiated Loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due on basis of the renegotiated terms and conditions.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

3. Summary of Significant Accounting Policies (Cont'd)

h. Property, Plant and Equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of assets is calculated using a straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Furniture & equipment-.....	10% - 20%
Motor vehicles.....	25%
Leasehold improvements	20%

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

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the income statement.

i. Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

3. Summary of Significant Accounting Policies (Cont'd)

j. Leases

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to other operating expenses in the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

k. Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash and non-restricted balances with central banks.

l. Provisions

Provisions for restructuring costs and legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

m. Financial Guarantee Contracts

Financial guarantee contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by Management's judgement.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

3. Summary of Significant Accounting Policies (Cont'd)

m. Financial Guarantee Contracts (Cont'd)

Any increase in the liability relating to guarantees is taken to the income statement under other operating expenses.

n. Employees Benefit Obligations

Pension Obligations

The Bank operates a defined contribution pension scheme. The scheme is generally funded through payments to trustee-administered funds, determined by the provisions of the plan.

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

The Bank pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

o. Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, provisions for pensions and other post-retirement benefits and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

The tax effects of income tax losses available for carry-forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

3. Summary of Significant Accounting Policies (Cont'd)

p. Subordinated Debts

Subordinated debts are recognised initially at fair value net of transaction costs incurred. Subordinated debts are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the debts using the effective interest method.

q. Share Capital

Share Issues Costs

The proceeds from the issue of new shares or options or to the acquisition of a business are shown in equity net of transaction costs.

Dividends on Ordinary Shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders.

Dividends for the year that are declared after balance sheet date are dealt with in the subsequent events note.

4. Financial Risk Management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Management Committee under policies approved by the Board of Directors. The Bank's Management Committee identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

4. Financial Risk Management (Cont'd)

4.1. Credit Risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralised in the credit risk management team of the Bank and reported to the Board of Directors regularly.

4.1.1 Credit Risk Measurement

Loans and Advances

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components:

- (i) the 'probability of default' by the client or counterparty on its contractual obligations;
- (ii) current exposures to the counterparty and its likely future development, from which the Bank derive the 'exposure at default'; and
- (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

These credit risk measurements, which reflect expected loss (the 'expected loss model') and are required by the Eastern Caribbean Central Bank Regulations (Prudential Credit Guidelines), are embedded in the Bank's daily operational management. The operational measurements can be contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses.

- (i) The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of the counterparty. They have been developed internally and combine statistical analysis with credit officer judgement and are validated, where appropriate, by comparison with externally available data. Clients of the Bank are segmented into classes. The Bank's rating scale complies with guidelines issued by the Eastern Caribbean Central Bank.
- (ii) Exposure at default is based on the amounts the Bank expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.
- (iii) Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

4. Financial Risk Management (Cont'd)

4.1.2 Risk Limit Control and Mitigation Policies

The Bank manages, limits and controls concentrations of credit risk whenever they are identified, in particular to individual counterparties and groups, and industries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, and industry sector are approved quarterly by the Assets and Liabilities Committee (ALCO).

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(i) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- i. Mortgages over residential properties;
- ii. Charges over business assets such as premises, inventory and accounts receivable;
- iii. Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise credit loss, the Bank seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(ii) Credit Related Commitments

The primary purpose of these instrument is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they related and therefore carry less risk than a direct loan.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

4. Financial Risk Management (Cont'd)

4.1.2. Risk Limit Control and Mitigation Policies (Cont'd)

(ii) Credit Related Commitments (Cont'd)

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

4.1.3. Impairment and Provisioning Policies

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment and based on the results of its internal rating tools, as described in credit risk measurement.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

4. Financial Risk Management (Cont'd)

4.1.4. Maximum Exposure to Credit Risk before Collateral held or Other Credit Enhancements

	Maximum 2008	Exposure 2007
	\$	\$
Credit Risk Exposures Relating to On-Balance Sheet Assets are as follows:		
Treasury Bills and Other Held for Trading Securities	13,896	28,199
Loans and Advances to Customers		
Loans to individuals (Retail Customers)		
Term loans and advances	33,854	28,309
Mortgages	166,298	148,399
Student loans	28,319	22,391
Loans to Corporate Entities:		
Term loans and advances	95,586	80,462
Mortgages	17,205	16,949
MSEs	1,299	1,174
Loans and Public Sector:		
Government of St. Vincent and the Grenadines loans and advances	147,415	99,568
Statutory Corporations loans and advances	58,925	40,551
Financial Assets Designated at Fair Value:		
Investment Securities	86,368	94,034
Customers' Liabilities under Acceptances	1,601	1,374
Credit risk exposures relating to off-balance sheet items are as follows:		
Loan commitments and other credit related liabilities	10,351	33,558
At June 30, 2008	661,117	594,968

The above table represents a worse case scenario of credit risk exposure to the Bank at June 30, 2008 and 2007, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 84% (2007:78%) of the total maximum exposure is derived from loans and advances to Government and customers; 15% (2007: 21%) represents investments in securities. Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and securities based on the following:

- 90% (2007: 87%) of the loans and advances portfolio is categorised in the "pass" grade of the internal rating system
- Mortgage loans, which represents the biggest group in the portfolio, are backed by collateral
- 90% (2007: 92%) of the loans and advances portfolio are considered to be neither past due nor impaired

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

4. Financial Risk Management (Cont'd)

4.1.5. Maximum Exposure to Credit Risk before Collateral held or Other Credit Enhancements (Cont'd)

- Of the 6,812 loans and advances assessed on an individual basis, less than 1% is impaired
- The Bank has introduced a more stringent selection process upon granting loans and advances.

4.2. Market Risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are regularly reported to the Assets and Liabilities Committee (ALCO).

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Bank's held-to-maturity and available-for-sale investments.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

4. Financial Risk Management (Cont'd)

4.2.1 Foreign Exchange Risk

The Bank takes on exposure to fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Bank's exposure to foreign currency exchange rate risk at June 30, 2008. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

Concentrations of Currency Risk

The Bank's operations are conducted in Eastern Caribbean currency and are exposed to currency risk associated with the effect of fluctuations in the rates of exchange in various currencies. As of balance sheet date, the Bank has the following significant currency positions:-

	EC \$000's	US \$000's	EURO \$000's	GBP \$000's	CDN \$000's	Other \$000's	Total \$000's
As at June 30, 2008							
Assets	635,110	97,713	6,894	1,440	3,493	2,823	747,473
Liabilities	600,355	64,084	5,555	1,243	12	0	671,249
Net Balance Sheet Position	34,755	33,629	1,339	197	3,481	2,823	76,224
As at June 30, 2007							
Assets	557,647	76,981	12,708	2,571	196	1,359	651,462
Liabilities	523,156	55,681	9,841	2,084	12	0	590,774
Net Balance Sheet Position	34,491	21,300	2,867	487	184	1,359	60,688

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

4. Financial Risk Management (Cont'd)

4.2.2. Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The table below summarises the Bank's exposure to interest rate risks.

	Up to One Year \$000's	One to Five Years \$000's	Over Five Years \$000's	Non-Interest Bearing \$000's	Total \$000's
As of June 30, 2008					
Assets	236,253	58,712	418,948	33,560	747,473
Liabilities	489,193	8,785	13,363	159,908	671,249
Interest Sensitivity Gap	(252,940)	49,927	405,585		202,572
As of June 30, 2007					
Total Assets	225,180	35,582	360,861	29,839	651,462
Total Liabilities	421,328	1,381	21,232	146,833	590,774
Interest Sensitivity Gap	(196,148)	34,201	339,629		177,682

4.3. Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

4.3.1 Liquidity Risk Management Process

The Bank's liquidity management process, as carried out within the Bank and monitored by Management, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

4. Financial Risk Management (Cont'd)

4.3.1. Liquidity Risk Management Process (Cont'd)

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Management also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

	Up to One Year \$000's	One to Five Years \$000's	Over Five Years \$000's	Total \$000's
As of June 30, 2008				
Assets	259,833	58,712	428,928	747,473
Liabilities	649,101	8,785	13,363	671,249
Net Liquidity Gap	(389,268)	49,927	415,565	76,224
As of June 30, 2007				
Total Assets	244,853	35,582	371,027	651,462
Total Liabilities	568,161	1,381	21,232	590,774
Net Liquidity Gap	(323,308)	34,201	349,795	60,688

4.3.2. Funding Approach

Sources of liquidity are regularly reviewed by management and the ALCO Committee to maintain a wide diversification by currency, geography, provider, product and term.

4.4. Capital Management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To comply with the capital requirements of the Banking Act 2006;
- To comply with the capital requirements set by the Eastern Caribbean Central Bank;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the Eastern Caribbean Central Bank, for supervisory purposes. The required information is filed with the ECCB on a quarterly basis.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

5. Critical Accounting Estimates and Judgements

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment Losses on Loans and Advances

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

(b) Impairment of Available for Sale Equity Investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(c) Held-to-Maturity Investments

The Bank follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire category as available for sale. The investments would therefore be measured at fair value not amortised cost.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

6. Cash and Balances with Central Bank

	2008 \$000's	2007 \$000's
Cash in hand	8,893	8,978
Other money-market placements	47,496	54,536
Cheques and other items in transit, net	1,252	1,170
	<u>57,641</u>	<u>64,684</u>
Statutory deposit with Eastern Caribbean Central Bank	19,350	17,218
	<u>76,991</u>	<u>81,902</u>

The Banking Act, 2006 provides that financial institutions shall maintain a reserve in cash holdings, treasury bills, and securities issued and guaranteed by participating governments of the Eastern Caribbean Central Bank against deposits and other liabilities. Certain of the reserves may be maintained at the Eastern Caribbean Central Bank.

7. Treasury Bills and Other Held for Trading Securities

	2008 \$000's	2007 \$000's
Treasury bills	2,966	3,061
Held for trading securities	10,930	25,138
	<u>13,896</u>	<u>28,199</u>

Treasury bills are debt securities issued by the Government of St. Vincent and the Grenadines Treasury Department for a term of three (3) months. At balance sheet date, the treasury bills yield an effective rate of 5.82% (2007:5.82%).

The effective yield during the year on held for trading securities was 5.6% (2007: 5.58%).

The movement in investment securities held for trading is summarised as follows:

	2008 \$000's	2007 \$000's
At July 1	25,138	9,731
Additions	18,628	43,780
Disposals (Sale and Redemption)	(32,836)	(28,373)
At June 30	<u>10,930</u>	<u>25,138</u>

The carrying amounts of the Banks treasury bills and other held for trading securities are denominated in the following securities:

	2008 \$000's	2007 \$000's
East Caribbean	8,255	18,104
Euro	2,675	7,034
	<u>10,930</u>	<u>25,138</u>

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

8. Loans and Advances to Customers

	2008 \$000's	2007 \$000's
Individual (Retail Customers)		
Term loans and advances	34,322	28,907
Mortgages	168,605	151,534
Student loans	28,712	22,863
	<u>231,639</u>	<u>203,304</u>
Corporate Entities		
Term loans and advances	96,912	82,162
Mortgages	17,443	17,307
Micro Enterprise	1,317	1,199
	<u>115,672</u>	<u>100,668</u>
Public Sector		
Government of St. Vincent and the Grenadines loans and advances	147,415	99,568
Statutory Corporations loans and advances	58,925	40,551
	<u>206,340</u>	<u>140,119</u>
Gross loans and advances	553,651	444,091
Less: allowance for impairment (Note 8.3)	(4,752)	(6,288)
Net	<u>548,899</u>	<u>437,803</u>
Current	127,890	93,039
Non-Current	<u>421,009</u>	<u>344,764</u>

During the year the effective interest yield on loans and advances was 9.7% (2007: 9.8%).

At year end, loans and advances, net of provision, on which interest accrual has been suspended, amounts to \$7,752,931 (2007: \$8,188,375).

8.1. Sectorial Analysis

	2008 \$000's	2007 \$000's
Agriculture and Fisheries	12,814	10,039
Construction, Manufacturing and Utilities	30,716	20,259
Distribution, Tourism, Leisure and Professional Services	88,812	65,043
Public Administration and Institutions	184,709	136,690
Personal	236,600	212,060
	<u>553,651</u>	<u>444,091</u>
Less: Allowance for losses on loans and advances (Note 8.3)	(4,752)	(6,288)
	<u>548,899</u>	<u>437,803</u>

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

8.2. Loans and Advances Impairment Analysis

Loans and advances are summarised as follows:

	2008		2007	
	Loans and Advances to Customers \$000's	Loans and Advances to Government \$000's	Loans and Advances to Customers \$000's	Loans and Advances to Government \$000's
Neither past due nor impaired	289,469	206,340	271,080	140,119
Past due but not impaired	46,125	0	23,258	0
Impaired	11,717	0	9,634	0
Gross	347,311	206,340	303,972	140,119
Less: allowance for impairment	(4,752)	(0)	(6,288)	(0)
Net	342,559	206,340	297,684	140,119

The total impairment provision for loans and advances is \$4,751,934 (2007: \$6,288,220) of which \$4,507,747 (2007: \$6,077,124) represents the individually impaired loans and the remaining amount of \$244,187 (2007: \$211,096) represents the portfolio provision.

(a) Loans and Advances Past Due but not Impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

June 30, 2008

	Individual (Retail Customers) \$000's	Corporate Entities \$000's	Public Sector \$000's	Total \$000's
Past due up to 30 days	24,097	13,325	0	37,422
Past due 30 – 60 days	3,761	2,157	0	5,918
Past due 60 – 90 days	1,696	1,089	0	2,785
Total	29,554	16,571	0	46,125
Fair Value of Collateral	50,790	31,809	0	82,599

June 30, 2007

	Individual (Retail Customers) \$000's	Corporate Entities \$000's	Public Sector \$000's	Total \$000's
Past due up to 30 days	6,560	8,995	0	15,555
Past due 30 – 60 days	1,094	880	0	1,974
Past due 60 – 90 days	1,679	4,050	0	5,729
Total	9,333	13,925	0	23,258
Fair Value of Collateral	14,319	17,116	0	31,435

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

8.2. Loans and Advances Impairment Analysis (Cont'd)

(b) Loans and Advances Individually Impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held amounted to \$11,716,895 (2007: \$9,633,788). The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

June 30, 2008

	Individuals (Retail Customers) \$	Corporate Entities \$	Total \$
Individually impaired loans	4,236	7,481	11,717
Fair value of collateral	8,707	7,502	16,209

June 30, 2007

	Individuals (Retail Customers) \$	Corporate Entities \$	Total \$
Individually impaired loans	2,844	6,790	9,634
Fair value of collateral	4,089	5,756	9,845

(c) Loans and Advances Renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired totaled \$6,587,226 at June 30, 2008 (2007: \$9,537,076).

Loans and Advances to Customers – Individuals and Commercial

	2008 \$000's	2007 \$000's
Term loans	4,646	6,414
Mortgages	1,941	3,123
Total	<u>6,587</u>	<u>9,537</u>

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

8.3. Allowance for Impairment

Reconciliation of allowance for losses on loans and advances by activity is as follows:

	2008	2007
	\$000's	\$000's
Balance – Beginning of Year	6,288	7,411
Charge against profit for the year	1,075	311
Loans advances written off	(2,611)	(1,434)
Balance – End of Year	<u>4,752</u>	<u>6,288</u>

8.4. Loan Loss Expense

	2008	2007
	\$000's	\$000's
Charge against profit for the year	1,075	311
Amounts written off directly to operations	398	441
Recoveries	(1,280)	(2,084)
	<u>193</u>	<u>(1,332)</u>

9. Investment Securities

	2008	2007
	\$000's	\$000's
Security available-for-sale		
Equity securities – at fair value	<u>9,980</u>	<u>10,166</u>
Securities held-to-maturity		
Government and State Owned enterprises securities	18,680	13,031
Regional Government and Stated Owned enterprises securities	28,586	24,400
Corporate securities	29,122	46,437
Total securities held-to-maturity	<u>76,388</u>	<u>83,868</u>
Total investment securities	<u>86,368</u>	<u>94,034</u>
Current	19,738	35,207
Non-Current	<u>66,630</u>	<u>58,827</u>

The effective yield during the year on investment securities was 6.58% (2007: 6.16%).

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

9. Investment Securities (Cont'd)

The movement in investment securities is summarised as follows:

	Available for Sale \$000's	Held to Maturity \$000's	Total \$000's
At July 1, 2007	10,166	83,868	94,034
Additions	0	22,618	22,618
Disposal (sale and redemption)	(2,796)	(30,168)	(32,964)
Gains from changes in fair value	2,610	211	2,821
Impairment losses	0	(141)	(141)
At June 30, 2008	<u>9,980</u>	<u>76,388</u>	<u>86,368</u>

	Available for Sale \$000's	Held to Maturity \$000's	Total \$000's
At July 1, 2006	9,399	91,556	100,955
Additions	509	25,207	25,716
Disposal (sale and redemption)	0	(33,496)	(33,496)
Gains from changes in fair value	805	601	1,406
Impairment losses	(547)	0	(547)
At June 30, 2007	<u>10,166</u>	<u>83,868</u>	<u>94,034</u>

The carrying amount of the Bank's Investment Securities are denominated in the following currencies:

	2008 \$000's	2007 \$000's
East Caribbean	29,414	48,310
United States	54,726	41,892
Barbados	2,228	3,832
	<u>86,368</u>	<u>94,034</u>

10. Pledge Assets and Other Funding Instruments

At balance sheet date, assets pledge as collateral under repurchase agreements with customers were:

	Pledge Assets		Other Funding Instruments	
	2008 \$000's	2007 \$000's	2008 \$000's	2007 \$000's
Trading financial assets	<u>7,884</u>	<u>0</u>	<u>7,884</u>	<u>0</u>

The value of pledge Assets and other funding instruments are denominated in US dollars.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

11. Customers' Liability under Acceptances

As of balance sheet date, the Bank's liabilities under acceptances, guarantees, and letters of credit amounted to \$1,600,559 (2007: \$1,313,559). The Bank has offsetting claims against its customers in the event of a call on those commitments.

11.1. Sectoral Analysis

	2008 \$000's	2007 \$000's
Private sector	1,601	1,314
Public sector	0	0
	1,601	1,314

12. Other Assets

	2008 \$000's	2007 \$000's
Due from Accountant General	215	215
Deferred tax asset (note 12.1)	0	1,960
Interest receivable	5,352	4,825
Income tax refundable	2,175	1,000
Prepayments	425	896
Other receivables	6,267	1,489
	14,434	10,385

12.1. Deferred Tax Asset

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 35% (2007: 37.5%).

Deferred tax asset is attributed to the following:

	2008 \$000's	2007 \$000's
Taxed provisions	0	79
Unutilised tax losses	0	2,040
Temporary differences on capital assets	0	(159)
	0	1,960

This balance includes the following:

	2008 \$000's	2007 \$000's
Deferred tax asset to be settled after or more than 12 months	0	1,960

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. At June 30, 2008, the Bank had tax losses of Nil (2007: \$5,438,982) to carry forward against future taxable income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

13. Property, Plant and Equipment

	Furniture & Equipment \$000's	Motor Vehicles \$000's	Leased Improvements \$000's	Total \$000's
At July 1, 2006				
Cost	8,082	510	899	9,491
Accumulated depreciation	5,239	196	799	6,234
Net Book Amount	<u>2,843</u>	<u>314</u>	<u>100</u>	<u>3,257</u>
Year Ended June 30, 2007				
Opening net book amount	2,843	314	100	3,257
Additions	1,925	0	38	1,963
Disposals	(12)	0	0	(12)
Depreciation charge	(978)	(95)	(65)	(1,138)
Closing Net Book Value	<u>3,778</u>	<u>219</u>	<u>73</u>	<u>4,070</u>
At July 1, 2007				
Cost	9,936	510	937	11,383
Accumulated depreciation	6,158	291	864	7,313
Net Book Amount	<u>3,778</u>	<u>219</u>	<u>73</u>	<u>4,070</u>
Year Ended June 30, 2008				
Opening net book amount	3,778	219	73	4,070
Additions	2,010	205	56	2,271
Depreciation charge	(1,017)	(117)	(35)	(1,169)
Closing Net Book Value	<u>4,771</u>	<u>307</u>	<u>94</u>	<u>5,172</u>
At June 30, 2008				
Cost	11,946	715	993	13,654
Accumulated depreciation	7,175	408	899	8,482
Net Book Amount	<u>4,771</u>	<u>307</u>	<u>94</u>	<u>5,172</u>

Additions to furniture and equipment includes \$499,382 (2007: \$727,126) relating to work in progress, on which no depreciation has been charged as these assets are not yet complete and in operation.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

14. Deposits

	2008 \$000's	2007 \$000's
Payable on demand	142,633	130,335
Payable after notice	328,583	281,519
Payable on a fixed date	151,125	139,020
	<u>622,341</u>	<u>550,874</u>

14.1. Sectorial Analysis

	2008 \$000's	2007 \$000's
Private sector	378,428	314,433
Public sector	219,656	202,436
Financial institutions	24,257	34,005
	<u>622,341</u>	<u>550,874</u>

The carrying amounts of the Bank's deposits are denominated in the following currencies:

	2008 \$000's	2007 \$000's
East Caribbean	571,495	492,367
United States	44,036	46,570
Euro	5,555	9,842
British Pounds	1,243	2,084
Canadian	12	11
	<u>622,341</u>	<u>550,874</u>

The effective rate of interest on customers' deposits was 2.96% (2007: 2.84%).

15. Other Liabilities

	2008 \$000's	2007 \$000's
Deferred tax liability (Note 15.1)	183	0
Income tax payable	0	835
Interest payable	1,810	5,919
Other	13,864	9,265
	<u>15,857</u>	<u>16,019</u>

15.1. Deferred Tax Liability

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 35% (2007: 37.5%).

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

15.1. Deferred Tax Liability (Cont'd)

Deferred tax liability is attributed to the following:

	2008 \$000's	2007 \$000's
Taxed provisions	(89)	0
Temporary differences on capital assets	272	0
	183	0

This balance includes the following:

	2008 \$000's	2007 \$000's
Deferred tax liability to be settled after or more than 12 months	183	0

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

16. Subordinated Debts

	2008 \$000's	2007 \$000's
Caribbean Development Bank		
SFR Portion Loan #48 SFR – OR St. V		
Non-interest loan repayable in quarterly instalments of US\$18,750 maturing June 30, 2013.	1,012	1,215
Caribbean Development Bank -		
SFR Portion Loan #9/SFR – OR St. V		
Loan repayable in quarterly instalments of US\$78,750, plus interest at 2.5% per annum payable on March 31, June 30, September 30 and December 31 each year to maturity date, September 30, 2024.	3,208	2,803
OCR Portion Loan #9/SFR – OR St. V		
Loan repayable in quarterly instalments of US\$19,231, plus interest at 6.25% per annum payable on March 31, June 30, September 30 and December 31 each year to maturity date, September 30, 2017.	2,173	1,792
SFR Portion Loan #12/SFR – OR St. V		
Loan repayable in 40 equal quarterly instalments of commencing December 31, 2009, plus interest at 6.25% per annum payable on March 31, June 30, September 30 and December 31 each year to maturity date, December 31, 2019.	5,771	5,771
Balance c/f	12,164	11,581

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

16. Subordinated Debts (Cont'd)

National Insurance Scheme

Loan repayable in quarterly instalments of EC\$85,116 at 6 % per annum payable on March 31, June 30, September 30 and December 31 each year to maturity date, December 31, 2014.

Loan repayable in quarterly instalments of EC\$215,483 at 6% per annum payable on March 31, June 30, September 30 and December 31, each year to maturity date, June 30, 2024.

Current
Non-Current

2008 \$000's	2007 \$000's
12,164	11,581
1,585	1,821
10,000	10,000
<u>23,749</u>	<u>23,402</u>
1,601	789
<u>22,148</u>	<u>22,613</u>

The maturity of the non-current subordinated debts is as follows: -

5 – 10 years
10 – 20 years

2008 \$000's	2007 \$000's
8,785	2,572
13,363	20,041
<u>22,148</u>	<u>22,613</u>

The carrying amounts of the Bank's subordinated debts are denominated in the following currencies:

Eastern Caribbean
United States

2008 \$000's	2007 \$000's
11,585	11,821
12,164	11,581
<u>23,749</u>	<u>23,402</u>

The Caribbean Development Bank (CDB) loans were made to the Government of St Vincent and the Grenadines for on lending to the Bank. The loan agreements provide that all payments of principal and interest shall be made by the Bank to the CDB and such payments shall be deemed payments by the Bank to the Government.

The effective rate of interest on the subordinated debts during the year was 5.12% (2007: 5.47%).

17. Stated Capital

Authorised share capital - 25,000,000 ordinary shares without nominal or par value.

Issued share capital - 5,000,000 ordinary shares without nominal or par value.

2008 \$000's	2007 \$000's
Unlimited	Unlimited
<u>14,000</u>	<u>14,000</u>

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

18. Reserves

	2008	2007
	\$000's	\$000's
General banking reserve	14,000	14,000
Revaluation reserve –investment securities (Note 18.1)	7,832	5,937
	21,832	19,937

The general reserve fund represents transfers to meet capital requirements under local legislation, is not available for distribution by way of dividend. In the case where the reserve fund is less than the paid-up capital, the Bank shall appropriate at least 20% of its annual earnings to the general reserve fund.

18.1. Revaluation Reserve – Investment Securities

	2008	2007
	\$000's	\$000's
Balance – beginning of year	5,937	5,078
Net gains from change in fair value of investment securities	2,680	859
Realized gains on disposal of securities	(785)	0
Balance – end of year	7,832	5,937

19. Interest Income

	2008	2007
	\$000's	\$000's
Income from loans and advances	46,319	39,336
Income from deposits with other banks	723	928
	47,042	40,264

20. Interest Expense

	2008	2007
	\$000's	\$000's
Interest on deposits	16,971	16,060
Interest on liabilities other than deposits	2,463	2,127
	19,434	18,187

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

21. Other Operating Income

	2008	2007
	\$000's	\$000's
Commissions	4,306	4,108
Foreign exchange	7,014	5,804
Investment Income (note 21.1)	7,853	8,463
	19,173	18,375

21.1. Investment Income

Investment income for the year comprised of:

	2008	2007
	\$000's	\$000's
Interest income	6,403	8,741
Dividend Income	665	574
Impairment of securities	0	(852)
Realized gains on disposal of securities	785	0
	7,853	8,463

22. Income Tax

The Bank's income tax charge comprises:

	2008	2007
	\$000's	\$000's
Income tax	2,748	1,993
Deferred tax	2,143	2,210
	4,891	4,203

The deferred income tax credit comprises:

	2008	2007
	\$000's	\$000's
Taxed provisions	1,960	1,974
Temporary difference in property, plant and equipment	132	(94)
Effect of changes in tax rate	51	330
	2,143	2,210

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

22. Income Tax (Cont'd)

The effective income tax rate of the Bank differs from the statutory tax rate for the following reasons:

	2008		2007	
	\$000's	%	\$000's	%
Earnings before income tax	20,711	100.00	18,423	100.00
Income tax at statutory rate	7,508	36.25	6,909	37.50
Income not subject to taxation	(5,307)	(25.62)	(5,684)	(30.85)
Expenses not deductible for tax purposes	2,639	12.74	2,648	14.37
Effect of changes in tax rate	51	0.25	330	1.79
	4,891	23.62	4,203	22.81

23. Tax Losses

At balance sheet date, unutilized tax losses amounting to Nil (2007: \$5,438,982) are available for set off against future taxable income. The tax losses have as yet neither been confirmed nor disputed by the revenue authorities.

24. Number of Employees

As of balance sheet date the number of employees, excluding agency staff, amounted to 199 (2007: 192).

25. Credit Commitments

As of balance sheet date, the Bank had commitments to provide loans, which were not drawn down, amounting to \$10,350,693 (2007: \$33,558,342).

26. Contingent Liabilities

- a. The Bank has been subject to suits from customers for various reasons. Management is of the view that the success of those suits against the Bank is remote; consequently no provision for loss therefrom is made in the financial statements. If, however, judgement goes against the Bank, the effects of the suit will be charged to current operations.
- b. As of balance sheet date, the Bank has been assessed for income tax for the income years 2003 through 2006, amounting to \$1,457,309.96 including interest. The Bank has paid \$1,000,000 on account of the assessment. The Bank, however, reserves the right to appeal the assessment. Management and the Bank's legal advisors are of the view that the Bank has no obligation to taxes under the assessment. Accordingly, the payment of \$1,000,000 is reflected in other receivables. If the final determination should go against the Bank, the amounts determined would be accounted for as a charge in current operations.

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

27. Basic Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2008 \$000's	2007 \$000's
Net income attributable to shareholders	15,820	14,220
Weighted average number of ordinary shares in issue	5,000	5,000
Basic earnings per share	3.16	2.84

28. Lease Commitments

The Bank is committed, under operating leases for various premises, to monthly rentals amounting to \$270,093.

29. Pension Plan

The Bank has a defined contribution pension plan, which covers substantially all its employees and is administered by a Board of Trustees. Benefits under the plan are based on vested contributions. The pension plan provides that the Bank and employees contributes 5% and 3% respectively of employees' pensionable salaries. The plan provides for a past service benefit for all employees at the date of inception of the plan. As of balance sheet date, the Bank's obligation for past service cost, which is yet to be fully vested and or amortised, amounts to Nil. The past service cost is charged to operations as those benefits becomes vested in the employees. Pension expense for the year amounted to \$348,468 (2007: \$590,886).

30. Related Parties Transactions

In the normal course of business, the Bank made advances to and received deposits from the Government of St. Vincent and the Grenadines, which holds all the Bank's outstanding shares, and its agencies and corporations. The following summarises the balances and transactions with related parties:

	2008 \$000's	2008 \$000's
Loans and Advances		
Government	147,415	99,568
Statutory Corporations and Other Agencies	58,925	40,551
	<u>206,340</u>	<u>140,119</u>
Deposit Liabilities		
Government	69,170	112,661
Statutory Corporations and Other Agencies	149,389	89,775
	<u>218,559</u>	<u>202,436</u>
Interest Income		
Government	12,213	9,366
Statutory Corporations and Other Agencies	4,671	3,686
	<u>16,884</u>	<u>13,052</u>

National Commercial Bank (SVG) Limited

Notes to the Financial Statements

For the Year Ended June 30, 2008

30. Related Parties Transactions (Cont'd)

	2008 \$000's	2007 \$000's
Interest Expense		
Government	2,887	3,177
Statutory Corporations and Other Agencies	4,502	4,602
	<u>7,389</u>	<u>7,779</u>

Key Management Compensation

	2008 \$000's	2007 \$000's
Salaries and allowances	1,408	1,080
National Insurance contributions	17	11
Pension scheme contributions	29	29
Group insurance	15	12
	<u>1,469</u>	<u>1,132</u>

Directors' Remuneration

In 2008, the total remuneration for the members of the Board of Directors was \$250,124 (2007: \$258,172).

31. Comparative Figures

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparative figures have been adjusted or extended to reflect the requirements of new IFRS, as well as amendments to and interpretations of existing IFRS.



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