

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

Quarter ended 2002 December 31

Consolidated Profit and Loss Account

	Note	December 2002 \$'000	Restated December 2001 \$'000
Net Interest Income and Other Income			
Income from loans		572,635	357,732
Income from securities		2,742,869	2,471,141
		<u>3,315,504</u>	<u>2,828,873</u>
Interest expense		(2,066,053)	(1,969,568)
Net interest income		1,249,451	859,305
Exchange gains		219,578	247,100
Fees and commissions		361,206	328,727
Other operating income		43,493	14,166
		<u>1,873,728</u>	<u>1,449,298</u>
Non-interest Expenses			
Staff costs		918,555	733,092
Other operating expenses		504,464	407,597
		<u>1,423,019</u>	<u>1,140,689</u>
Depreciation		75,013	66,071
Deposit insurance premium		77,321	46,339

Profit before Exceptional Item and Taxation	3	<u>1,575,353</u>	<u>1,253,099</u>
Exceptional item		298,375	196,199
Profit before Taxation	4	<u>153,419</u>	<u>-</u>
Taxation		451,794	196,199
	5	<u>(12,560)</u>	<u>(11,670)</u>
Minority Interest in results of subsidiaries		439,234	184,529
Net Profit Attributable to the Stockholders of National Commercial Bank Jamaica Limited		<u>-</u>	<u>(16,532)</u>
		439,234	167,997
		=====	=====
EARNINGS PER ORDINARY STOCK UNIT	6	\$0.18	\$0.07
		=====	=====

Consolidated Balance Sheet

	Note	December 2002 \$'000	September 2002 \$'000
ASSETS			
Cash Resources			
Cash on hand and at Bank of Jamaica	7	<u>10,004,413</u>	<u>7,499,096</u>
Fixed deposits and balances with other banks and financial institutions		5,488,296	5,890,708
Cheques and other instruments in the course of collection net of payment		<u>817,089</u>	<u>* -</u>
		16,309,798	13,389,804
Investments			
Government of Jamaica securities and other		<u> </u>	<u> </u>

investments		78,288,664	66,732,916
Investment properties		<u>25,887</u>	<u>17,442</u>
		78,314,551	66,750,358
Securities Purchased Under Agreements to Resell		2,712,751	10,405,901
Loans and Advances Less Provision for Losses	8	17,441,178	15,199,047
Customers' Liability on Ex-Im and Central Bank Discount		162,804	163,791
Customers' Liability on Acceptances, Guarantees, Indemnities and Credits		2,379,280	1,946,734
Other Assets	9	4,530,396	4,068,970
Fixed Assets	10	<u>3,649,597</u>	<u>2,466,039</u>
		<u>125,500,355</u>	<u>114,390,644</u>
		=====	=====

*Reclassified for comparative purposes

	Note	December 2002 \$'000	September 2002 \$'000
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits and Other Liabilities			
Deposit and current accounts of customers		<u>68,764,199</u>	<u>63,365,179</u>
Promissory notes and certificates of participation		10,642,893	11,089,137
Amounts due to other banks and financial institutions		3,216,898	2,320,274
Cheques and other instruments in the course of payment net of collection		* -	429,830
Taxation		189,601	149,339
Other liabilities	11	<u>4,996,116</u>	<u>3,617,299</u>
		<u>87,809,707</u>	<u>80,971,058</u>
Liability on Ex-Im and Central Bank Discount		162,804	163,791
Liability on Acceptances, Guarantees,			

Indemnities and Credits		2,379,280	1,946,734
Obligations Under Repurchase Agreements		14,651,089	11,897,440
Obligations Under Credit Card and Cash Advance Securitization Arrangements	12	4,823,215	5,055,483
Life Assurance Fund		3,457,118	3,217,521
Deferred Profit		367,910	360,859
Stockholders' Equity			
Share capital	13	<u>2,466,763</u>	<u>2,466,763</u>
Share premium		4,453,752	4,453,752
Capital reserve	14	1,198,349	421,270
Banking reserve fund	15	762,974	762,974
Retained earnings reserve	16	911,897	911,897
Retained earnings		<u>2,055,497</u>	<u>1,761,102</u>
		<u>11,849,232</u>	<u>10,777,758</u>
		<u>125,500,355</u>	<u>114,390,644</u>
		=====	=====

*Reclassified for comparative purposes

Consolidated Statement of Changes in Equity

	Share Capital \$'000	Share Premium \$'000	Share Redemption Reserve Fund \$'000	Capital Reserve \$'000	Banking Reserve Fund \$'000	Retained Earnings Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 1 October								
2001	1,973,410	4,453,752	450,000	278,462	533,974	911,897	463,704	9,065,199
Net profit	-	-	-	-	-	-	167,997	167,997
Translation gains	-	-	-	11,170	-	-	-	11,170

Increase on revaluation of investments	-	-	-	2,170	-	-	-	2,170
Balance at 31 December 2001	1,973,410	4,453,752	450,000	291,802	533,974	911,897	631,701	9,246,536
Balance as at 1 October 2002	2,466,763	4,453,752	-	421,270	762,974	911,897	1,761,102	10,777,758
Net profit	-	-	-	-	-	-	439,234	439,234
Dividends paid	-	-	-	-	-	-	(123,338)	(123,338)
Gain on revaluation of fixed assets	-	-	-	750,673	-	-	-	750,673
Retained earnings capitalized	-	-	-	21,501	-	-	(21,501)	-
Translation gains	-	-	-	7,495	-	-	-	7,495
Decrease on revaluation of investments	-	-	-	(2,590)	-	-	-	(2,590)
Balance at 31 December 2002	2,466,763	4,453,752	-	1,198,349	762,974	911,897	2,055,497	11,849,223

Consolidated Statement of Cash Flows

	December 2002 \$'000	December 2001 \$'000
Cash Flows from Operating Activities		
Net profit attributable to stockholders	439,234	167,997
Adjustments to net income to arrive at net cash used in operating activities:		

Provision for loans, net of release	6,907	28,540
Depreciation	75,013	66,071
Translation gain on foreign subsidiary	7,495	11,170
Minority Interest	-	16,532
Other, net	(284,805)	(121,822)
Net cash provided by operating activities	<u>243,844</u>	<u>168,488</u>
Cash Flows from Investing Activities		
GOJ Securities and Other Investments	(11,564,193)	1,628,539
Loans and advances	(2,249,038)	(1,873,448)
Securities purchased under agreements to resell	7,693,150	90,447
Additions to fixed assets and investment properties	(507,898)	(250,308)
Net cash used in investing activities	<u>(6,627,979)</u>	<u>(404,770)</u>
Cash Flows from Financing Activities		
Deposits and current accounts of customers	5,399,020	(630,518)
Drawdowns/(repayments) under arrangements for sale of future receivables from credit card and cash advance transactions	(232,268)	433,469
Amounts due to other banks and financial institutions	896,624	806,982
Promissory notes and certificates of participation	(446,244)	(324,663)
Life assurance fund	239,597	169,601
Obligations under repurchase agreements	2,753,649	1,467,402
Dividends paid	(123,338)	-
Net cash provided by financing activities	<u>8,487,040</u>	<u>1,922,273</u>
Net increase in cash and cash equivalents	2,102,905	1,685,991
Cash and cash equivalents at beginning of the quarter	<u>13,389,804</u>	<u>13,498,651</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>15,492,709</u>	<u>15,184,642</u>

Profit and Loss Account

Note	December	December
------	----------	----------

		2002 \$'000	2001 \$'000
Net Interest Income and Other Income			
Income from loans		570,125	354,760
Income from securities		<u>1,781,382</u>	<u>1,791,956</u>
		2,351,507	2,146,716
Interest expense		<u>(1,263,890)</u>	<u>(1,477,580)</u>
Net interest income		1,087,617	669,136
Exchange gains		205,252	232,777
Fees and commissions		316,175	299,534
Other operating income		<u>10,519</u>	<u>8,317</u>
		<u>1,619,563</u>	<u>1,209,764</u>
Non-interest Expenses			
Depreciation		69,225	61,514
Deposit insurance premium		77,321	46,339
Staff costs		849,319	681,376
Other operating expenses		<u>460,479</u>	<u>380,791</u>
		<u>1,456,344</u>	<u>1,170,020</u>
Profit before Exceptional Item and Taxation	3	163,219	39,744
Exceptional item	4	<u>153,419</u>	-
Profit before Taxation		316,638	39,744
Taxation	5	-	-
NET PROFIT		<u>316,638</u>	<u>39,744</u>
		=====	=====

Balance Sheet

Note	December 2002 \$'000	September 2002 \$'000
------	----------------------------	-----------------------------

ASSETS**Cash Resources**

Cash on hand and at Bank of Jamaica	7	<u>9,944,537</u>	<u>7,431,904</u>
Fixed deposits and balances with other banks and financial institutions		5,440,118	5,867,868
Cheques and other instruments in the course of collection net of payment		<u>819,887</u>	<u>* -</u>
		<u>16,204,542</u>	<u>13,299,772</u>

Investments

Government of Jamaica securities and other investments		<u>54,348,187</u>	<u>50,617,422</u>
Investments in subsidiaries		<u>2,512,610</u>	<u>2,385,108</u>
		<u>56,860,797</u>	<u>53,002,530</u>

Securities Purchased Under Agreements to Resell		1,809,710	2,528,592
Loans and Advances Less Provision for Losses	8	17,308,587	15,077,114
Customers' Liability on Ex-Im Bank Discount		162,804	163,791
Customers' Liability on Acceptances, Guarantees, Indemnities and Credits		2,552,051	2,119,505
Other Assets	9	2,161,437	2,693,193
Fixed Assets	10	<u>3,569,243</u>	<u>2,405,985</u>
		<u>100,629,171</u>	<u>91,290,482</u>
		=====	=====

*Reclassified for comparative purposes

	Note	December 2002 \$'000	September 2002 \$'000
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits and Other Liabilities			
Deposits and current accounts of customers		68,717,289	63,394,551

Amounts due to other banks and financial institutions		3,216,898	2,319,997
Cheques and other instruments in the course of payment net of collection		-	*299,736
Taxation		146,553	139,942
Other liabilities	11	3,830,800	2,643,848
		<u>75,911,540</u>	<u>68,798,074</u>
Liability on Ex-Im Bank Discount		162,804	163,791
Liability on Acceptances, Guarantees, Indemnities and Credits		2,552,051	2,119,505
Obligations Under Repurchase Agreements		5,330,329	4,375,871
Obligations Under Credit Card and Cash Advance Securitization Arrangements	12	4,823,215	5,055,483
Stockholders' Equity			
Share capital	13	<u>2,466,763</u>	<u>2,466,763</u>
Share premium		3,998,968	3,998,968
Capital reserve	14	2,154,781	1,276,607
Banking reserve fund	15	759,000	759,000
Retained earnings reserve	16	911,897	911,897
Retained earnings		<u>1,557,823</u>	<u>1,364,523</u>
		<u>11,849,232</u>	<u>10,777,758</u>
		<u>100,629,171</u>	<u>91,290,482</u>
		=====	=====

*Reclassified for comparative purposes

Statement of Changes in Equity

Share Redemption	Banking	Retained
---------------------	---------	----------

	Share Capital \$'000	Share Premium \$'000	Reserve Fund \$'000	Capital Reserve \$'000	Reserve Fund \$'000	Earnings Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 October 2001	1,973,410	3,998,968	450,000	753,288	530,000	911,897	447,636	9,065,199
Net profit	-	-	-	-	-	-	39,744	39,744
Gains on revaluation of investments in subsidiaries	-	-	-	141,593	-	-	-	141,593
Balance at 31 December 2001	1,973,410	3,998,968	450,000	894,881	530,000	911,897	487,380	9,246,536
Balance at 1 October 2002:	2,466,763	3,998,968	-	1,276,607	759,000	911,897	1,364,523	10,777,758
Net profit	-	-	-	-	-	-	316,638	316,638
Dividends paid	-	-	-	-	-	-	(123,338)	(123,338)
Surplus on revaluation of fixed assets	-	-	-	750,673	-	-	-	750,673
Gain on revaluation of subsidiaries	-	-	-	127,501	-	-	-	127,501
Balance at 31 December 2002	2,466,763	3,998,968	-	2,154,781	759,000	911,897	1,557,823	11,849,232

Statement of Cash Flows

Note	December 2002	December 2001
------	------------------	------------------

	\$'000	\$'000
Cash Flows from Operating Activities		
Net profits	316,638	39,744
Adjustments to net income to arrive at net cash used in operating activities:		
Provision for loan losses, net of release	6,907	28,540
Depreciation	69,225	61,514
Gain on sale of fixed assets	-	(341)
Other, net	759,200	(182,138)
Net cash provided by/(used in) operating activities	<u>1,151,970</u>	<u>(52,681)</u>
Cash Flows from Investing Activities		
GOJ Securities and Other Investments	(3,858,267)	1,698,956
Loans and advances	(2,238,380)	(1,873,410)
Securities purchased under agreements to resell	718,882	824,229
Additions to fixed assets, net	<u>(507,813)</u>	<u>(249,321)</u>
Net cash (used in)/provided by investing activities	<u>(5,885,578)</u>	<u>400,454</u>
Cash Flows from Financing Activities		
Deposits and current accounts of customers (Repayments)/drawdown under arrangements for sale of future receivables from credit card and cash advance transactions	5,322,738	(698,074)
Amounts due to other banks and financial institutions	(232,268)	433,469
Obligations under repurchase agreements	896,901	802,568
Dividends paid	954,458	741,787
Net cash provided by financing activities	<u>(123,338)</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>6,818,491</u>	<u>1,279,750</u>
Cash and cash equivalents at beginning of the quarter	2,084,883	1,627,523
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>13,299,772</u>	<u>13,339,493</u>
	<u>15,384,655</u>	<u>14,967,016</u>
	=====	=====

Notes to the Financial Statements

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's subsidiaries, which together with the Bank are referred to as "the Group", are as follows:

	<u>Principal Activities</u>	<u>Percentage ownership by Bank</u>
		<u>31 December 2002</u>
Data-Cap Processing Limited	Data Processing	100
Edward Gayle and Company Limited	Primary Dealer	100
Mutual Security Insurance Brokers Limited	Insurance Brokers	100
N.C.B. (Investments) Limited	Money Market Trading	100
N.C.B. Jamaica (Nominees) Limited	Securities' Nominee	100
N.C.B. (Cayman) Limited	Commercial Banking	100
N.C.B. Remittance Services Limited	Fund Remittance Services	100
Omni Insurance Services Limited	Life Insurance	100
West Indies Trust Company Limited	Investment and Pension Fund Management	100

All subsidiaries are incorporated in Jamaica with the exception of N.C.B. (Cayman) Limited and N.C.B. Remittance Services Limited, which are incorporated in the Cayman Islands and the United Kingdom, respectively.

All amounts are stated in Jamaican dollars unless otherwise indicated.

2 Accounting Policies

These financial statements are in accordance with Jamaican generally accepted accounting principles and there have been no changes in accounting policies since the most recent annual audited accounts as at 30 September 2002.

Comparative information

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

In particular, in respect of the Bank's life insurance subsidiary, the portion of premium income that represents an investment has been credited directly to policyholders' liabilities. Investment returns associated with the insurance policies have been reflected as interest expense. Such premiums were previously shown as other operating income and investment returns were shown as other operating expenses. This change is to conform to the requirements of the Insurance Act and Regulations 2001.

3 Profit before Taxation

The following have been charged:

	<u>The Group</u>		<u>The Bank</u>	
	<u>December</u> <u>2002</u> <u>\$'000</u>	<u>December</u> <u>2001</u> <u>\$'000</u>	<u>December</u> <u>2002</u> <u>\$'000</u>	<u>December</u> <u>2001</u> <u>\$'000</u>
Provision for Non-Performing Loans	6,907	28,540	6,907	28,540
Depreciation	75,013	66,071	69,225	61,514
	=====	=====	=====	=====

Staff costs include overtime payment of \$63,622,800 (2001 - \$20,283,500) due mainly to the implementation of the core banking system and is not expected to recur.

4 Exceptional Item

	<u>The Group</u>		<u>The Bank</u>	
	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>

	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Gain on sale of investment	153,419	-	153,419	-
	=====	=====	=====	=====

5 Taxation

Taxation in these financial statements is based on the profit for the quarter adjusted for taxation purposes and comprises:

	<u>The Group</u>		<u>The Bank</u>	
	December 2002 \$'000	December 2001 \$'000	December 2002 \$'000	December 2001 \$'000
Income tax at 33 1/3%	5,862	5,262	-	-
Tax on premium income at 1 1/2%	3,331	2,735	-	-
Investment income tax at 7 1/2%	3,367	3,673	-	-
	12,560	11,670	-	-
	=====	=====	=====	=====

The taxation charges were incurred by group companies that generated taxable profits.

The tax charge is disproportionate to the reported profit due primarily to the utilisation of tax losses brought forward and the remission of income tax relating to interest income of approximately \$141,313,000 on certain Government of Jamaica Securities. Also, the gain on sale of investment of \$153,419,000 is tax free.

6 Earnings Per Ordinary Stock Unit

Earnings per ordinary stock unit is based on 2,466,762,828 ordinary stock units, being the number of stock units in issue at the end of the quarter after the bonus issue during the year and the net profit attributable to stockholders. The comparative figures for the previous year have been restated to reflect the bonus issue during the year.

7 Statutory Reserves and Deposits

Cash includes \$7,417,653,000 (2001 - \$5,760,828,000), which meets the required ratio of

9% of prescribed liabilities. The amount is held in a special deposit account at the Bank of Jamaica as cash reserve; accordingly, it is not available for investment, lending or other use by the Group and must be maintained as long as the Bank of Jamaica so requires. The Jamaican dollar cash reserve of \$5,746,292,000 (2001 - \$4,233,061,000) is non-interest-bearing.

8 Provision for Loan Losses

Movements during the quarter were as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>December</u> <u>2002</u> <u>\$'000</u>	<u>December</u> <u>2001</u> <u>\$'000</u>	<u>December</u> <u>2002</u> <u>\$'000</u>	<u>December</u> <u>2001</u> <u>\$'000</u>
Non-performing loans - interest not being accrued	1,536,299	1,709,964	1,508,521	1,679,365
Balance at beginning of the quarter	2,056,002	2,658,574	2,047,180	2,652,662
Provided during the period, net of recoveries	6,907	28,540	6,907	28,540
Amounts written off	(14,745)	(116,303)	(14,745)	(116,303)
Balance at end of the quarter	<u>2,048,164</u>	<u>2,570,811</u>	<u>2,039,342</u>	<u>2,564,899</u>
This comprises:				
Specific provision	1,889,587	2,460,289	1,883,274	2,456,589
General provision	158,577	110,522	156,068	108,310

At 31 December 2002, specific provision has been made for all loans which are in arrears in respect of interest and principal repayments for three months or longer. No interest is accrued in respect of these loans. Specific provision has also been made for loans which, although performing, exhibit signs of credit weakness and non-performing loans in respect of which the Bank is a guarantor. General provision approximates one percent of the performing loan portfolio,

9 Other Assets

These include interest receivable of \$1,694,128,000 (2001 - \$3,433,343,000) for the Group and \$1,146,720,000 (2001 - \$2,770,508,000) for 'the Bank.

10 Fixed Assets

	The Group					
	Assets					
	Capitalised					
	Freehold Land and Buildings \$'000	Leasehold Improvements \$'000	Furniture, Equipment & Vehicles \$'000	Under Finance Leases \$'000	Constuction in progress \$ '000	Total \$'000
Cost or Valuation -						
At 1 October 2002	1,355,503	249,075	1,127,922	883,558	707,854	4,323,912
Additions	18,374	-	218,285	848	272,418	509,925
Disposals	-	-	-	(2,426)	-	(2,426)
Revaluation	520,292	-	26,003	-	-	546,295
Transfers	-	-	3,492	-	(3,492)	-
Reclassification	-	-	15,073	-	(23,247)	(8,174)
At 31 December 2002	<u>1,894,169</u>	<u>249,075</u>	<u>1,390,775</u>	<u>881,980</u>	<u>953,533</u>	<u>5,369,532</u>
Depreciation -						
At 1 October 2002	204,378	201,216	730,239	722,040	-	1,857,873
Charge for the quarter	7,242	2,011	43,033	22,727	-	75,013
Disposals	-	-	-	(1,359)	-	(1,359)
Revaluation	(204,378)	-	-	-	-	204,378
Reclassification	-	-	(7,214)	-	-	(7,214)
At 31 December 2002	<u>7,242</u>	<u>203,227</u>	<u>766,058</u>	<u>743,408</u>	<u>-</u>	<u>1,719,935</u>
Net Book Value -						
31 December 2002	<u>1,886,927</u>	<u>45,848</u>	<u>624,717</u>	<u>138,572</u>	<u>953,533</u>	<u>3,649,597</u>
31 December 2001	<u>1,070,706</u>	<u>55,540</u>	<u>247,016</u>	<u>152,810</u>	<u>169,442</u>	<u>1,695,514</u>

The Bank

	Assets Capitalised					Total \$'000
	Freehold Land and Buildings \$'000	Leasehold Improvements \$'000	Furniture, Equipment & Vehicles \$'000	Under Finance Leases \$'000	Construction in progress \$'000	
Cost or Valuation -						
At 1 October 2002	1,329,620	243,151	1,045,211	885,693	694,102	4,197,777
Additions	18,374	-	199,645	848	264,667	483,534
Disposals	-	-	-	(2,426)	-	(2,426)
Revaluation	520,292	-	26,003	-	-	546,295
Transfers	-	-	3,492	-	(3,492)	-
Reclassification	-	-	-	-	(658)	(658)
At 31 December 2002	1,868,286	243,151	1,274,351	884,115	954,619	5,224,522
Depreciation -						
At 1 October 2002	204,379	196,412	668,961	722,040	-	1,791,792
Charge for the quarter	7,242	1,872	37,384	22,727	-	69,225
Disposals	-	-	-	(1,359)	-	(1,359)
Revaluation	(204,379)	-	-	-	-	(204,379)
At 31 December 2002	7,242	198,284	706,345	743,408	-	1,655,279
Net Book Value -						
31 December 2002	1,861,044	44,867	568,006	140,707	954,619	3,569,243
31 December 2001	1,070,705	50,534	223,557	152,808	169,442	1,667,046

The Group's freehold land and buildings and paintings were revalued during the quarter by independent valuers. Valuations were made on the basis of open market value. The revaluation surplus was credited to capital reserves in stockholders' equity (Note 14).

11 Other Liabilities

These include:

- (a) Amounts aggregating \$164,901,000 (2001 - \$706,696,000) representing funds provided by GOJ and various funding agencies to the Bank for the purpose of making loans to students of tertiary educational institutions.

- (b) Interest payable on customer deposits and liabilities of the Bank amounting to \$398,340,000 (2001 - \$'386,239,000)
- (c) Interest accrued on promissory notes and certificates of participation and liabilities of a subsidiary of the Bank totalling \$386,280,000 (2001 - \$ 208,906,000).
- (d) An amount of \$250,690,000 (2001 - \$236,179,000) representing a US dollar denominated demand loan from Barclays Bank plc to a subsidiary of the Bank. The interest rate on the loan at 31 December 2001 was based on one year US\$ LIBOR plus 125 basis points.

12 Obligations Under Credit Card and Cash Advance Securitization Arrangements

During the year, the Bank entered into an arrangement for the sale of Future Accounts Receivable amounting to US\$122,177,000 in respect of credit card and cash advance transactions in Jamaica between Visa International Service Association and Master Card International Incorporated and cardholders holding cards issued by banks outside of Jamaica (primarily in the U.S.A.). This took the form of variable funding certificates issued by Citibank N.A. through Citicorp administered commercial paper conduits. The interest is payable quarterly commencing in October 2001 and ending October 2006. Interest is calculated daily based on the weighted average rate applicable to commercial paper transactions administered by the respective conduits. The rate approximates one month US dollar LIBOR plus 250 basis points.

The Bank also entered into two interest rate swap agreements effective October 2001 with Citibank N.A. whereby the Bank will pay 3.78% and 4.33% per annum fixed and receive three month US dollar LIBOR on a notional amount that reduces in proportion to the principal balance outstanding under the arrangements every quarter commencing January 2002 and ending July 2006.

13 Share Capital

	December 2002	December 2001
	\$	\$
Authorised	5,750,000,000	5,750,000,000

Issued and Fully Paid Up Capital -	=====	=====
Ordinary stock units of \$1 each	2,466,762,828	1,973,410,262
	=====	=====

During 2002, the Bank's issued share capital was increased by a bonus issue of 493,352,566 ordinary shares ranking pari passu in all respects with the existing ordinary shares. The sum of \$450,000,000 standing to the credit of the Capital Redemption Reserve Fund and the sum of \$43,352,566 standing to the credit of the Retained Earnings Account were capitalized and applied in paying up irffull the bonus shares. Upon issue, the bonus shares were converted into ordinary stock units.

14 Capital Reserve

	<u>The Group</u>		<u>The Bank</u>	
	<u>December</u> <u>2002</u> <u>\$'000</u>	<u>December</u> <u>2001</u> <u>\$'000</u>	<u>December</u> <u>2002</u> <u>\$'000</u>	<u>December</u> <u>2001</u> <u>\$'000</u>
Realised:				
Capital distribution	151	151	-	-
Surplus on revaluation of fixed assets and investment properties	92,991	92,991	-	-
Surplus on revaluation of subsidiaries	-	-	312,622	312,622
Goodwill arising on consolidation	(51,880)	(69,459)	-	-
Retained earnings capitalized	138,000	66,500	-	-
Unrealised:				
Surplus on revaluation of fixed assets and investments	865,320	70,609	798,577	47,904
Surplus on revaluation of subsidiaries	-	-	1,043,582	534,355
Gain on translation of foreign subsidiaries	153,767	131,010	-	-
	<u>1,198,349</u>	<u>291,802</u>	<u>2,154,781</u>	<u>894,881</u>
	=====	=====	=====	=====

15 Banking Reserve Fund

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

16 Retained Earnings Reserve

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

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

17 Banking Act

At 31 December 2002 and 31 December 2001:

The Bank was in breach of Section 13(1)(d) of the Banking Act. This section deals with unsecured lending to connected persons. These lendings represent approximately 1.118% (2001 - 0.792%) of the Bank's loans and advances.

18 Retirement Plans

The Bank operates two pension schemes covering permanent employees as follows:

- (a) NCB 1986 Fund
- (b) NCB Staff Pension Fund (1999)

Certain other subsidiaries have their own retirement plans, all of which are adequately funded in respect of past service benefits.

Total contributions by the Group to the pension funds for the quarter ended 31 December 2002 amounted to \$23,502,000 (2001 - \$18,984,000)

