

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

Twelve Months ended 30 September 2004

The Board of Directors has released the following audited results for the Group for the year ended September 30, 2004.

	QUARTER ENDED 30 09 2004 \$'000	YEAR ENDED 30 09 2004 \$'000	QUARTER ENDED 30 09 2003 \$'000	YEAR ENDED 30 09 2003 \$'000
REVENUE	5,675,284	24,811,710	7,514,072	21,742,482
EXPENSE	5,318,051	21,018,826	5,485,184	18,279,232
Operating Profit	357,233	3,792,884	2,028,888	3,463,250
Share of profit of associates	37,624	67,230	-	-
Profit before taxation	394,857	3,860,114	2,028,888	3,463,250
Taxation	(50,060)	(643,376)	(781,295)	(658,859)
Net Profit	344,797	3,216,738	1,247,593	2,804,391
Earnings per Stock Unit		\$1.30		\$1.14

Comparison of Key Ratios

Sept

Sept

	2004	2003
Return on Average Equity	22.1%	22.6%
Return on Average Total Assets	2.0%	2.2%
Growth in Revenue	14.1%	52.4%
Cost Income Ratio	67.6%	66.7%
Net Asset Value per Share	\$6.61	\$5.22

Net profit for the Group for the year ended September 30, 2004 was J\$3.2 billion compared to J\$2.8 billion for the previous year, an increase of \$412.3 million or 15%, despite the substantial one-off gains on the sale of equities in the prior year. Excluding the one-off gains in the previous year, the core profits for this year reflect an increase of \$1.2 billion or 57%. This positive net profit performance was mainly attributable to the continued growth in our core revenues, resulting in a net interest income of \$9.7 billion, an increase of J\$2.9 billion or 44% when compared to the \$6.8 billion for the previous year.

REVENUES

Revenues for the Group increased by J\$3.1 billion or 14% compared to the corresponding twelve months of the previous year. The increase in revenues is attributable to the following.

- Growth in income from loans of J\$1.98 billion or 66%.
- Growth in income from securities of J\$2.1 billion or 14%.
- Growth in net fee and commission income J\$464.6 million or 36%

Operating income of J\$13 billion exceeded the \$11 billion for the corresponding period of the previous year by J\$2 billion or 18%.

LOAN PORTFOLIO

One of the major revenue drivers for the Group is loans and advances which increased by J\$7.6 billion or 29% during the twelve months ended September 30, 2004. The quality of the loan portfolio has improved despite the significant increase in loans and advances.

The aggregate amount of non-performing loans amounted to J\$1.47 billion compared to J\$1.503 billion as at September 30, 2003. Non-performing loans now represent 4.1% of gross loans compared to 5.3% at September 30, 2003.

As at September 30, 2004 provision for credit losses of J\$2.28 billion was 154% of non-performing loans, compared to 149% as at September 30, 2003. Provisions for credit losses that exceed the amounts required by International Financial Reporting Standards (IFRS) are credited to a non-distributable reserve, Loan Loss Reserve. As at September 30, 2004 the balance in the Loan Loss Reserve was J\$111.6 million. The Bank's provisioning policy is in compliance with the Bank of Jamaica regulations.

BALANCE SHEET

The Group's total assets as at the end of the year was J\$175.9 billion, J\$30 billion or 21% in excess of the balance sheet as at September 30, 2003. This increase in assets is attributable to growth in the following earning assets:

- Loans and advances - J\$7.6 billion or 29%
- Reverse repurchase agreements - J\$15.5 billion or 266%

The asset growth was funded mainly by increases in customers' deposits of \$10.2 billion or 15% and repurchase agreements of \$7.9 billion or 27%.

CAPITAL

As at September 30, 2004 total stockholders equity was J\$ 16.3 billion, an increase of J\$3.4 billion or 27% when compared to September 2003. National Commercial Bank is one of the best capitalized banks in Jamaica as evidenced by the international benchmark of capital adequacy, the Risk-based Capital Ratio was 21.55% at September 30, 2004 (21.01% at Sept. 30, 2003).

During the year two transfers (\$1.3B in January 2004 and \$0.6B in September 2004) were made from undistributed profits to the retained earnings reserve. The transfers to the reserve, which in effect increased the capital base, were approved by the Bank of Jamaica.

DIVIDENDS

At the Board of Directors meeting held 9 December 2004, a final interim dividend of 21 cents per share (total cost J\$518,020,194) was approved for the year ended 30 September 2004. The dividend is payable on 7 January 2005 for shareholders on record as at 23 December 2004.

COMMUNITY RELATIONS

In 2003/4, NCB remained focused on its commitment to participate in building a better Jamaica. By combining a strong social purpose with our business objectives, the organization's corporate activities were evident in areas such as Education, Social Welfare, Arts & Culture, Health and Sports.

The 1st Anniversary of the NCB Jamaican Education Initiative (JEI) was celebrated in May 2004. This program continued to provide funding for education-related causes from the contribution of 1% of all NCB Keycard purchases. In the 2003/4 financial year, an initial funding of \$25M was made towards the Education Grant for the Omni Educator product, offered by the NCB Insurance Company Limited. In June 2004, NCB was proud to announce the award of Two Hundred (200) JEI scholarships tenable at the University of the West Indies, University of Technology Jamaica and the Edna Manley College of the Visual and Performing Arts. The JEI also facilitated the hosting of motivational talks and seminars for students sitting CXC examinations. The JEI co-ordinators were able to cover schools in the parishes of St. Mary, St. Ann, Portland, Kingston and St. Andrew offering important tips and giving study guide techniques. NCB employees also commenced a programme of reading in schools to promote early literacy and role model talks for high school students.

NCB collaborated with the Jamaica Manufacturers' Association in the launch of the "Buy Jamaican, Build Jamaica" campaign, which promotes support for local goods and services. This, in addition to being a major sponsor of the 2004 JMA/JEA Expo, represented a \$16.25M commitment by NCB. During the financial year, a \$2M donation was also made to the Private Sector Organisation of Jamaica in support of their Partnership for Progress Initiative aimed at fostering sustained economic growth for our country. The May Pen Cemetery Restoration Fund received a \$5M contribution from NCB and an account at the Duke & Barry Sts. branch was opened to receive donations from the public towards restoring this historical site.

NCB was also pleased to present His Excellency, Sir Howard Cooke, Governor General of Jamaica with a fully furnished office complex at 14 1/2 Half Way Tree Road, Kingston.

The local chapter of Hands Across Jamaica for Righteousness (HANDS), of which the Governor General is patron, will use the facility as its secretariat.

The island's security force will stand to benefit from the announcement by NCB of its financial commitment to build a convalescent home in Black River, St. Elizabeth valued at \$15M. Through an AMCHAM initiative, a \$50M project to build a model police station in the Grants Pen community of St. Andrew is also being funded by NCB.

In the area of Performing Arts, NCB was pleased to sponsor the ASHE ensemble's trip to Thailand for performances at the Jamaican Consulate. In recognition of the 150th anniversary of the Chinese population in Jamaica, donations were made towards the celebrations, which included the Yang Zhou Puppet Troupe which visited from China to stage concerts across the island.

In our continued effort to expose Jamaica's young talent to the best in the world, a cheque for \$1.5M was presented to the Sports Development Foundation for the sponsorship of the Boys & Girls 4x100 Relay Events at the International Track & Field Meet held at the National Stadium.

In April 2004, NCB was the title sponsor of Jamaica's first official Wellness Exposition held at Eden Gardens. The Bank also launched its own in-house wellness program for employees. An enhancement to St. Elizabeth's health services was made when the Black River Hospital received wheelchairs through the financial assistance of NCB.

During the period under review, tribute was made to the memory of former Prime Minister of Jamaica, the Right Honourable Hugh Lawson Shearer when an NCB scholarship valued at US\$25,000 was awarded to Hopeton Dias, a young man who rose above dire circumstances on the streets of Kingston and is now completing a Bachelor's Degree in the USA. NCB Chairman Michael Lee-Chin created the scholarship in his honour as the former Prime Minister made it possible for Mr. Lee Chin to receive a scholarship to complete his Bachelor's degree in 1971.

Our country suffered serious damage from the onslaught of Hurricane Ivan in September. NCB quickly responded to the nation's need for re-building and restoration with the announcement of the launch of the NCB Hurricane Ivan Matching Fund on Monday, September 13th, 2004. A \$100M pledge was given by Chairman Michael Lee-Chin, representing NCB's maximum contribution for every dollar that it received in the Fund by October 31st, 2004. Through this initiative, a total of \$212M is now being disbursed

by the CVSS/United Way of Jamaica for relief aid to schools, farms, hospitals, churches, businesses, families and individuals across the island.

Our employees continued to give of time and effort in the communities in which they operate and we are thankful for their exemplary efforts to serve our customers well in the past financial year.

SUBSEQUENT EVENTS

The Board of Directors of NCB accepted the resignation of the Group Managing Director, Mr. Aubyn Hill, which was effective November 30, 2004. Mr. Patrick Hylton assumed the position of Group Managing Director on December 1, 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, trading securities, derivative contracts, investment property and certain property plant and equipment.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments are classified into the following categories: trading securities, originated loans, and available-for-sale securities. Management determines the appropriate classification of investments at the time of purchase.

Trading securities are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in

which a pattern of short-term profit-taking exists. They are initially recognised at cost, which includes transaction costs, and subsequently remeasured at fair value. All related realised and unrealised gains and losses are included in net trading income.

Originated debt securities include those where money is provided to the issuer, either directly or through an intermediary, other than those that are originated with the intent to be sold immediately or in the short-term, which are recorded as trading securities. They are initially recorded at cost, which is the cash given to originate the debt including any transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or market prices. They are initially recognised at cost, which includes transaction costs, and subsequently remeasured at fair value. Unrealised gains and losses arising from changes in fair value of available-for-sale securities are recognised in stockholders' equity. When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in stockholders' equity are transferred to the profit and loss account.

Loans and provisions for credit losses

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

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

Investments in subsidiaries

Investments by the Bank in subsidiaries are stated at cost less accumulated impairment losses.

Consolidated Profit and Loss Account

Year ended 30 September 2004

	2004 \$'000	2003 \$'000
Operating Income		
Interest income from loans	4,979,253	3,000,806
Interest income from securities	<u>16,534,723</u>	<u>14,469,997</u>
Total interest income	21,513,976	17,470,803
Interest expense	<u>(11,809,339)</u>	<u>(10,712,921)</u>
Net interest income	9,704,637	6,757,882
Net fee and commission income	1,772,921	1,308,361
Net trading income	1,336,873	2,908,709
Other operating income	<u>187,940</u>	<u>54,609</u>
	<u>13,002,371</u>	<u>11,029,561</u>
Operating Expenses		
Staff costs	4,639,585	4,212,281
Provision for credit losses	422,341	206,561
Depreciation	976,022	494,910
Other operating expenses	<u>3,171,539</u>	<u>2,652,559</u>
	<u>9,209,487</u>	<u>7,566,311</u>
Operating Profit	3,792,884	3,463,250
Share of profit of associates	<u>67,230</u>	<u>-</u>
Profit before Taxation	3,860,114	3,463,250
Taxation	<u>(643,376)</u>	<u>(658,859)</u>
Net Profit	3,216,738	2,804,391
	=====	=====
EARNINGS PER STOCK UNIT	\$1.30	\$1.14
	=====	=====

Consolidated Balance Sheet

	2004	2003
	\$'000	\$'000
ASSETS		
Cash and balances at Bank of Jamaica	13,986,481	10,641,638
Due from other banks	13,659,635	9,117,248
Trading securities	293,885	1,906,270
Reverse repurchase agreements	21,372,536	5,832,957
Loans and advances, net of provision for credit losses	34,024,628	26,400,147
Investment securities	77,494,225	78,538,460
Investment in associates	1,163,192	-
Investment properties	21,300	28,200
Property, plant and equipment	4,432,289	3,911,816
Deferred tax assets	-	120,426
Retirement benefit asset	7,602	6,009
Income tax recoverable	244,001	87,505
Other assets	6,081,825	6,368,703
Customers' liability on acceptances, guarantees, indemnities and letters of credit	3,090,418	2,926,786
Total Assets	<u>175,872,017</u> =====	<u>145,886,165</u> =====
LIABILITIES		
Due to other banks	6,794,790	6,257,208
Customer deposits	79,862,280	69,688,968
Derivative financial instruments	44,983	128,909
Promissory notes and certificates of participation	9,768,128	10,119,549
Repurchase agreements	37,496,253	29,624,741
Obligations under credit card and cash advance		

securitization arrangements	9,427,736	4,576,979
Other borrowed funds	1,069,318	1,129,249
Income tax payable	405,854	234,569
Deferred tax liabilities	852,926	437,966
Policyholders' liabilities	6,912,610	4,287,658
Provisions	117,000	140,000
Retirement benefit obligations	209,879	178,257
Other liabilities	3,525,837	3,283,494
Liability on acceptances, guarantees, indemnities and letters of credit	3,090,418	2,926,786
Total liabilities	<u>159,578,012</u>	<u>133,014,333</u>
STOCKHOLDERS' EQUITY		
Share capital	2,466,763	2,466,763
Share premium	4,453,752	4,453,752
Fair value and other reserves	1,266,714	(270,773)
Loan loss reserve	111,650	72,891
Banking reserve fund	1,327,000	1,078,000
Retained earnings reserve	3,119,761	1,218,761
Retained earnings	<u>3,548,365</u>	<u>3,852,438</u>
Total stockholders' equity	<u>16,294,005</u>	<u>12,871,832</u>
Total equity and liabilities	<u>175,872,017</u>	<u>145,886,165</u>
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Approved for issue by the Board of Directors on 9 December 2004 and signed on its behalf by:

Consolidated Statement of Changes in Stockholders' Equity

Share Capital	Share Premium	Fair Value and Other Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
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	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 October 2002	2,466,763	4,453,752	340,244	83,674	759,000	911,897	2,956,147	11,971,477
Currency translation differences	-	-	71,714	-	-	-	-	71,714
Unrealised losses on available-for-sale investments, net of taxes	-	-	(669,670)	-	-	-	-	(669,670)
Realised fair value gains transferred to Consolidated Profit and Loss Account	-	-	(48,031)	-	-	-	-	(48,031)
Net losses not recognised in Consolidated Profit and Loss	-	-	(645,987)	-	-	-	-	(645,987)
Net profit	-	-	-	-	-	-	2,804,391	2,804,391
Dividends paid	-	-	-	-	-	-	(1,258,049)	(1,258,049)
Bonus issue of shares in subsidiary	-	-	34,970	-	-	-	(34,970)	-
Transfer from Loan Loss Reserve	-	-	-	(10,783)	-	-	10,783	-
Transfer to Banking Reserve Fund	-	-	-	-	319,000	-	(319,000)	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	306,864	(306,864)	-
Balance at 30 September 2003	2,466,763	4,453,752	(270,773)	72,891	1,078,000	1,218,761	3,852,438	12,871,832
Currency translation differences	-	-	22,625	-	-	-	-	22,625
Unrealised gains on available-for-sale investments, net of taxes	-	-	1,781,448	-	-	-	-	1,781,448
Realised fair value gains transferred to Consolidated Profit and Loss Account	-	-	(266,586)	-	-	-	-	266,586
Net gains not recognised in Consolidated Profit and Loss	-	-	1,537,487	-	-	-	-	1,537,487
Net profit	-	-	-	-	-	-	3,216,738	3,216,738
Dividends paid	-	-	-	-	-	-	(1,332,052)	(1,332,052)
Transfer to Loan Loss Reserve	-	-	-	38,759	-	-	(38,759)	-
Transfer to Banking Reserve Fund	-	-	-	-	249,000	-	(249,000)	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	1,901,000	(1,901,000)	-
Balance at 30 September 2004	2,466,763	4,453,752	1,266,714	111,650	1,327,000	3,119,761	3,548,365	16,294,005

Consolidated Statement of Cash Flows

	2004 \$'000	2003 \$'000
Cash Flows from Operating Activities		
Net cash (used in)/provided by operating activities	<u>30,525</u>	<u>14,919,932</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(1,472,556)	(1,939,836)
Proceeds from disposal of property, plant and equipment	103,786	6,257
Acquisition of investments in associates	(1,148,446)	-
Dividends received from associates	21,345	-
Investment securities, net	7,349,421	12,609,420
Investment properties, net	8,000	(8,445)
Net cash provided by/(used in) investing activities	<u>4,861,550</u>	<u>(14,551,444)</u>
Cash Flows from Financing Activities		
Drawdowns under credit card and cash advance securitization arrangements	6,137,077	-
Repayments under credit card and cash advance securitization arrangements	(1,498,613)	(1,261,019)
Other borrowed funds	(147,330)	(441,620)
Dividends paid	(1,332,052)	(1,258,049)
Net cash provided by/(used in) financing activities	<u>3,159,082</u>	<u>(2,960,688)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>762,815</u>	<u>917,506</u>
Net increase/(decrease) in cash and cash equivalents	8,813,972	(1,674,694)
Cash and cash equivalents at beginning of year	<u>6,078,693</u>	<u>7,753,387</u>
Cash and Cash Equivalents at End of Year	<u>14,892,665</u>	<u>6,078,693</u>
	=====	=====
Comprising:		
Cash and balances at Bank of Jamaica	4,313,828	1,943,097
Due from other banks	13,659,635	9,117,248
Investment securities	3,713,992	1,275,556
Due to other banks	<u>(6,794,790)</u>	<u>(6,257,208)</u>
	<u>14,892,665</u>	<u>6,078,693</u>
	=====	=====

Notes to the Financial Statements

Segment Reporting

The Group is organised into three main business segments:

- (a) Banking - This incorporates retail and corporate banking services.
- (b) Wealth management - This incorporates stock brokerage, securities trading, investment management, pension fund management and trustee services.
- (c) Insurance - This incorporates life insurance and insurance brokerage services.

Other operations of the Group include data processing, money remittance services and registrar and transfer agent services.

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

Year ended						
30 September 2004	Banking	Wealth Management	Insurance	Other	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External operating revenue	17,215,673	6,588,628	996,082	11,327	-	24,811,710
Operating revenue from other segments	110,480	1,409,847	391,844	51,390	(1,963,561)	-
Operating revenue	<u>17,326,153</u>	<u>7,998,475</u>	<u>1,387,926</u>	<u>62,717</u>	<u>(1,963,561)</u>	<u>24,811,710</u>
Segment result	1,802,419	1,539,157	410,116	(3,149)	44,341	3,792,884
Share of profit of associates						67,230
Profit before tax						3,860,114

Taxation expense						(643,376)
Net profit						<u>3,216,738</u>
						=====
Segment assets	121,856,528	49,755,191	7,664,014	221,684	(5,032,593)	174,464,824
Associates						1,163,192
Unallocated assets						<u>244,001</u>
Total assets						<u>175,872,017</u>
						=====
Segment liabilities	110,554,317	45,503,571	7,004,298	237,195	(5,076,934)	158,222,447
Unallocated liabilities						<u>1,355,565</u>
Total liabilities						<u>159,578,012</u>
						=====
Capital expenditure	1,485,072	54,774	24,440	1,273		1,565,559
Depreciation	929,597	22,786	10,718	2,359		965,460
Amortisation	81,384	-	-	-		81,384
						=====

Year ended	Wealth					
30 September 2003	Banking	Management	Insurance	Other	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External operating revenue	16,506,432	4,485,574	745,667	4,809	-	21,742,482
Operating revenue from other segments	59,549	1,634,614	188,115	37,748	(1,920,026)	-
Operating revenue	<u>16,565,981</u>	<u>6,120,188</u>	<u>933,782</u>	<u>42,557</u>	<u>(1,920,026)</u>	<u>21,742,482</u>
Segment result	2,615,548	747,688	205,397	(10,436)	(94,947)	3,463,250
Taxation expense						<u>(658,859)</u>
Net profit						<u>2,804,391</u>
						=====
Segment assets	116,444,537	36,662,981	4,761,732	172,228	(12,363,244)	145,678,234
Associates						-
Unallocated assets						<u>207,931</u>
Total assets						<u>145,886,165</u>
						=====
Segment liabilities	105,615,281	34,533,179	4,393,551	163,031	(12,363,244)	132,341,798

Unallocated liabilities					672,535
Total liabilities					133,014,333
					=====
Capital expenditure	1,934,850	62,973	10,371	2,000	2,010,194
Depreciation	472,497	9,721	8,967	3,725	494,910
Amortisation	107,342	-	-	-	107,342
					=====