

NATIONAL COMMERCIAL BANK JAMAICA LIMITED “the Bank” AND ITS SUBSIDIARIES “the Group”

The Board of Directors has released the following un-audited results for the Group for the quarter ended 31 December 2004.

	QUARTER ENDED 31 12 2004 \$'000	QUARTER ENDED 31 12 2003 \$'000
REVENUE	6,634,010	6,349,407
EXPENSE	5,284,732	5,379,283
Operating Profit	1,349,278	970,124
Share of profits of associates	47,736	-
Profit before taxation	1,397,014	970,124
Taxation	(326,083)	(223,916)
Net Profit	1,070,931	746,208
Earnings per Stock Unit	\$0.43	\$0.30

Net profit for the Group for the quarter ended 31 December 2004 was J\$1.07 billion compared to J\$746.2 million for the corresponding period in the previous year, an increase of \$324.7 million, or 43.5%. This positive net profit performance was mainly attributable to the growth in operating income (less interest expense) from \$3.18 billion to \$3.97 billion, an increase of \$788.8 million or 25% when compared to the same period in the previous year.

The wealth management segment contributed \$518.3 million or 48.4% to the overall net profit of the Group, mainly from the principal activities of primary dealings, stock brokerage and pension fund management. Benefits were obtained from the record increases in the Stock Exchange Index, appreciation in the value of debt securities and the overall growth in managed funds. As at 31 December 2004 the total assets under management within this segment, was approximately \$73.7 billion, a growth of \$16.1 billion or 28% compared to 31 December 2003.

PERFORMANCE AT A GLANCE

Comparison of Key Ratios

	Dec	Dec
	2004	2003
Return on Average Equity	24.7%	22.7%
Return on Average Total Assets	2.4%	2.0%
Growth in Revenue	4.5%	56.2%
Cost/Income Ratio	61.8%	68.4%
Net Asset Value per Share	\$7.44	\$5.44

REVENUES

Total revenues for the Group increased by \$284.6 million or 4.5% compared to the corresponding three months of the previous year. Interest income from securities declined by \$877.6 million or 19% due to the reduction in interest rates, but this decrease was offset by continued growth in loan income and non-interest income as follows:

- Income from loans increased by \$380 million or 34%.
- Non-interest income increased by \$782.2 million or 125%.

LOAN PORTFOLIO

One of the major revenue drivers for the Group is loans and advances which increased by J\$3.4 billion or 10.1% to \$37.5 billion as at 31 December 2004 compared to September 2004. Loans and advances as at the end of the current quarter represent a \$7.3 billion or 24.4% increase over December 2003.

The aggregate amount of non-performing loans amounted to J\$1.55 billion compared to J\$1.47 billion as at 30 September 2004. Non-performing loans now represent 3.9% of gross loans compared to 4.1% at September 2004. Provision for credit losses increased by \$130.2 million or 374% over the prior year quarter of December 2003. Subsequent to Hurricane Ivan in September 2004, there was a deterioration in credit card delinquency, however as a result of an increased collection drive there has been an improvement in the quality of credit card receivables and no further deterioration is expected.

As at 31 December 2004 provision for credit losses of J\$2.4 billion was 152% of non-performing loans. Provisions for credit losses that exceed the amounts required by International Financial Reporting Standards (IFRS) are credited to a non-distributable reserve - Loan Loss Reserve. As at 31 December 2004 the balance in the Loan Loss Reserve was J\$109.5 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 period under review was J\$184.2 billion, J\$8.4 billion or 5% in excess of the balance as at 30 September 2004. This increase in assets is attributable mainly to the growth in the loans and advances.

The Group's property, plant and equipment decreased by \$71.3 million or 1.6% compared to September 2004. The depreciation charge for the quarter ended December 2004 was \$251.6 million and no major fluctuation in this quarterly charge is expected for the remainder of the financial year.

Customer deposits grew by \$1.7 billion or 2% over the three month period under review.

CAPITAL

As at 31 December 2004 total stockholders equity was J\$18.3 billion, an increase of J\$2.05 billion or 12.6% when compared to September 2004. National Commercial Bank is one of the best capitalised banks in Jamaica as evidenced by the international benchmark of capital adequacy; the Risk-based Capital Ratio was 19.42% at 31 December 2004 compared to 21.55% as at 30 September 2004.

INVESTMENTS IN ASSOCIATES

The consolidated profits of the Bank include the third quarter (30 September 2004) results for the associated companies, which is consistent with our practice of maintaining a three month lag. The third quarter results of Dyoll Group Limited did not include the impact of Hurricane Ivan, as they were not able to fully assess all claims as at 30 September 2004. Dyoll Insurance Company Limited has insurance liabilities in both Jamaica and the Cayman Islands and is therefore likely to be impacted negatively.

DIVIDENDS

At the Board of Directors meeting held 27 January 2005, an interim dividend of 6 cents per share (total cost J\$148,005,769.68) was approved for the quarter ended 31 December 2004. The dividend is payable on 21 February 2005 for shareholders on record as at 14 February 2005.

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 Bank's accounting policy has been amended subsequent to the adoption of IFRS 3 as at 1 October 2004. This has resulted in the transfer of the negative goodwill arising on acquisition of associates to retained earnings. Positive goodwill is assessed annually for impairment and is no longer amortised.

COMMUNITY RELATIONS

During the first quarter of the 2004/5 financial year, NCB was pleased to report the results of the NCB Hurricane Ivan Disaster Relief Initiative which ended on October 31, 2004 with a total of \$112M in donations received from businesses, groups and individuals locally and overseas. This amount was matched by a \$100M contribution by NCB and the sum of \$212M pledged to the CVSS/United Way. The voluntary charitable organisation partnered with NCB in this initiative and is now disbursing funds to schools, farms, hospitals, churches, businesses, families and individuals that were affected by the hurricane.

Under the NCB Jamaican Education Initiative (JEI), examination fees totaling \$15.2M were paid to the Caribbean Examination Council (CXC) in November, ensuring that over 13,000 students across the island may pursue academic qualifications in Principles of Accounts and Principles of Business. NCB thanks its Keycard holders for their continued support which facilitates 1% of their purchases being donated to the JEI for the funding of education programmes such as the sponsorship of CXC examinations.

The NCB Foundation also announced the establishment of a \$7M CXC Math Programme in November. This programme is aimed at improving teaching skills and student proficiency in the subject of Mathematics. Six high schools have been selected for the pilot project, which is headed by Mr. Radley Reid, noted educator.

Our branches and employees continued to support their local communities in various activities and initiatives geared towards "*building a better Jamaica*".

National Commercial Bank Jamaica Limited

Consolidated Profit & Loss Account

Quarter ended 31 December 2004

	Quarter Ended 31 Dec 2004 \$'000	Quarter Ended 31 Dec 2003 \$'000
Operating Revenue		
Interest income from loans	1,513, 188	1,133,1 66
Interest income from securities	3,711, 055	4,588,6 81
Total interest income	5,224, 243	5,721,8 47
Interest expense	(2,663,2 23)	(3,167,4 17)
Net interest income	2,561, 020	2,554,4 30
Net fee and commission income	555, 574	398,8 36
Net trading income	812, 202	189,0 59
Other operating income	41, 991	39,6 65
	3,970, 787	3,181,9 90
Operating Expenses		
Staff costs	1,329, 261	1,187,4 87
Provision for credit losses	165, 007	34,7 77
Depreciation	251, 563	144,6 26
Other operating expenses	875, 678	844,9 76

	2,621, 509	2,211,8 66
Operating profit	1,349, 278	970,1 24
Share of profits of associates	47, 736	-
Profit before taxation	1,397, 014	970,1 24
Taxation	(326,0 83)	(223,9 16)
Net Profit	1,070, 931	746,2 08
EARNINGS PER STOCK UNIT	\$ 0.43	\$ 0.30

National Commercial Bank Jamaica Limited

Consolidated Balance Sheet

31 December 2004

	December 2004 \$'000	September 2004 \$'000
ASSETS		
Cash and balances at Bank of Jamaica	15,497,825	13,986,481
Due from other banks	12,526,488	13,659,635
Trading securities	783,465	293,885
Reverse repurchase agreements	21,322,071	21,372,536
Loans and advances, net of provision for credit losses	37,465,353	34,024,628
Investment securities	77,373,706	77,494,225
Investment in associates	1,947,964	1,163,192
Investment properties	9,800	21,300
Property, plant and equipment	4,360,960	4,432,289
Retirement benefit asset	7,602	7,602
Income tax recoverable	480	244,001
Other assets	7,964,349	6,081,825
Customers' liability on acceptances, guarantees, indemnities and letters of credits	4,967,950	3,090,418

Total Assets	<u>184,228,013</u>	<u>175,872,017</u>
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National Commercial Bank Jamaica Limited

Consolidated Balance Sheet

31 December 2004

	December 2004 \$'000	September 2004 \$'000
LIABILITIES		
Due to other banks	5,842,246	6,794,790
Customer deposits	81,579,434	79,862,280
Derivative financial instruments	25,551	44,983
Promissory notes and certificates of participation	9,456,256	9,768,128
Repurchase agreements	36,681,264	37,496,253
Obligations under credit card and cash advance securitisation arrangements	12,194,834	9,427,736
Other borrowed funds	1,115,868	1,069,318
Income tax payable	759,075	405,854
Deferred tax liabilities	785,420	852,926
Policyholders' liabilities	7,487,294	6,912,610
Provisions	146,873	117,000
Retirement benefit obligations	209,879	209,879
Other liabilities	4,629,690	3,525,837
Liability on acceptances, guarantees, indemnities and letters of credits	4,967,950	3,090,418
Total Liabilities	<u>165,881,634</u>	<u>159,578,012</u>
STOCKHOLDERS' EQUITY		
Share capital	2,466,763	2,466,763
Share premium	4,453,752	4,453,752
Fair value and other reserves	1,737,459	1,266,714

Loanloss reserve	109,540	111,650
Bankingreservefund	1,327,000	1,327,000
Retainedearningsreserve	3,119,761	3,119,761
Retainedearnings	5,132,104	3,548,365
Total Stockholders' Equity	18,346,379	16,294,005
Total Equity and Liabilities	184,228,013	175,872,017

Approved by the Board of Directors on 27 January 2005 and signed on its behalf by:

Director

Director

Director

Secretary

National Commercial Bank Jamaica Limited

Consolidated Statement of Changes in Stockholders' Equity

Quarter ended 31 December 2004

	Share Capital	Share Premium	Fair Value and Other Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 October 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	-	-	1,777	-	-	-	-	1,777
Unrealised losses on available-for-sale investments, net of taxes	-	-	(53,276)	-	-	-	-	(53,276)
Net losses not recognised in Consolidated Profit and Loss Account	-	-	(51,499)	-	-	-	-	(51,499)
Net Profit	-	-	-	-	-	-	746,208	746,208
Dividends paid	-	-	-	-	-	-	(148,006)	(148,006)
Transfer to Loan Loss Reserve	-	-	-	77,568	-	-	(77,568)	-
Balance as at 31 December 2003	2,466,763	4,453,752	(322,272)	150,459	1,078,000	1,218,761	4,373,072	13,418,535
Balance as at 1 October 2004	2,466,763	4,453,752	1,266,714	111,650	1,327,000	3,119,761	3,548,365	16,294,005
Currency translation differences	-	-	(8,930)	-	-	-	-	(8,930)
Unrealised gains on available-for-sale investments, net of taxes	-	-	460,126	-	-	-	-	460,126
Realised fair value losses transferred to Consolidated Profit & Loss Account	-	-	15,923	-	-	-	-	15,923
Net gains not recognised in Consolidated Profit and Loss Account	-	-	467,119	-	-	-	-	467,119
Net profit	-	-	-	-	-	-	1,070,931	1,070,931
Dividends paid	-	-	-	-	-	-	(222,009)	(222,009)
Negative goodwill transferred to retained earnings on adoption of IFRS3	-	-	-	-	-	-	752,207	752,207
Transfer from Loan Loss Reserve	-	-	-	(2,110)	-	-	2,110	-
Other	-	-	3,626	-	-	-	(19,500)	(15,874)
Balance as at 31 December 2004	2,466,763	4,453,752	1,737,459	109,540	1,327,000	3,119,761	5,132,104	18,346,379

National Commercial Bank Jamaica Limited

Consolidated Statement of Cash Flows

Quarter ended 31 December 2004

	December 2004 \$'000	December 2003 \$'000
Cash Flows from Operating Activities		
Net cash (used in)/provided by activities	(1,027,861)	1,162,696
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment, net	(169,889)	(258,747)
Investment Securities, net	(673,690)	3,239,909
Net cash (used in)/provided by investing activities	(843,579)	2,981,162
Cash Flows from Financing Activities		
Drawdowns under credit card and cash advance securitisation arrangements	2,757,384	-
Repayments under credit card and cash advance securitisation arrangements	-	(321,207)
Other borrowed funds	46,550	137,478
Dividends paid	(222,009)	(148,006)
Net cash provided by/(used in) financing activities	2,581,925	(331,735)
Net increase in cash and cash equivalents	710,485	3,812,123
Cash and cash equivalents at beginning of period	14,892,665	6,078,693
Cash and cash equivalents at end of period	15,603,150	9,890,816
Comprising:		
Cash and balances at Bank of Jamaica	5,455,438	5,776,610
Due from other banks	12,526,488	8,130,528
Investment securities	3,463,470	601,574
Due to other banks	(5,842,246)	(4,617,896)
	15,603,150	9,890,816