

Financial Results for Q/E June 30, 2003

The Board of Directors of the Bank is pleased to release the following Un-audited Results of the Banking Group for the quarter and nine months respectively ended June 30 2003.

	QUARTER ENDED 30.06.03 J\$'M	9 MTHS ENDED 30.06.03 J\$'M	Restated QUARTER ENDED 30.06.02 J\$'M	Restated 9 MTHS ENDED 30.06.02 J\$'M
REVENUE	5,821	14,228	4,076	11,386
EXPENSES	(4,782)	(12,691)	(3,610)	(10,577)
Operating Profit	1,039	1,536	466	809
Exceptional Items	(62)	(102)	-	-
Profit before Tax	977	1,434	466	809
Taxation	(111)	122	31	(21)
Profit after Taxation	865	1,556	498	787
Minority interest in results of subsidiaries	-	-	(70)	(115)
NET PROFIT	865	1,556	427	671
EARNINGS PER STOCK UNIT	\$0.35	\$0.63	\$0.17	\$0.27

THIRD QUARTER HIGHLIGHTS

National Commercial Bank Jamaica Limited and its subsidiaries adopted International Financial Reporting Standards (IFRS), formerly International Accounting Standards (IAS) effective October 1 2002. The financial statements are IFRS compliant and the prior year information has been restated to reflect the financial position and results under IFRS. The effect of adopting IFRS is explained in the Statement of Changes in Equity and in the notes to the accounts.

Net Profit of the Group for the nine-month period ended June 30 2003 was J\$1.6 billion compared to J\$672 million for the same period in the previous year. This performance is mainly

attributable to gains on sale of equity investments, increased earnings from loans, income from securities, fees and commissions.

For the nine-month period dividend per share was 40 cents compared to 10 cents in the previous year.

PERFORMANCE AT A GLANCE

	Restated September 2002	Nine Months June 2003
Return on Equity	11.6%	12.4%
Return on Assets	1.2%	1.2%
Cost Income Ratio	80.7%	78.4%
Net Worth to Total Assets	10.5%	9.5%
Earnings per Share	\$0.54	\$0.63

In spite of the various economic challenges that we face, NCB continues to experience growth and reports good financial performance for the quarter. Several agencies (Old Harbour in St. Catherine, Junction in St. Elizabeth and Washington Boulevard in the Corporate Area) were upgraded to full branch status in the last quarter, following the upgrades of others in the previous quarters and in keeping with the planned infrastructure improvements to the island-wide branch network.

Various new loans, deposits remittance service expansion and other products were launched in the last quarter as we move aggressively to improve our services and delivery channels to consumers. ZipCash, our Remittance service out of Cayman was launched on May 10 2003, to complement the existing business of Zip Cash, Birmingham. Savings Bonanza which commenced on April 1 2003, represents the first of its kind for commercial banks in Jamaica. The Jamaican Education Initiative (JEI) was launched on May 20, 2003. This is a J\$150million education initiative which is a comprehensive program that represents the first of its kind in the country. A series of steps will be taken by NCB to advance the educational agenda in Jamaica. JEI will have NCB financing two C.X.C. subjects per student, a mentoring program, and assist students at the primary, secondary and tertiary education levels.

REVENUES

Total revenues for the Group increased by \$2.8 billion or 24.9% to \$14.2 billion compared to the corresponding period in the previous year:

- Growth in income from loans of 55.8% or J\$707.5 million
- Growth in income from securities of 16.9% or J\$1.3 billion
- Growth in fee and commissions of 24.6% or J\$256.4 million

Operating income (net interest income and non interest income) was J\$7.1 billion compared to J\$5.6 billion for the corresponding period in the previous year, an increase of 27.9%.

LOAN PORTFOLIO

For the nine month period ending June 2003 loan volume increased by J\$7.6 billion or 48.3% while the non-performing portfolio decreased from J\$1.554 billion to J\$1.523 billion, a reduction of J\$31 million or 2%. Non-performing loans represent 6% of gross loans compared to 9.9% as of September 30, 2002

As at June 30 2003 total loan loss provision of J\$1.5 billion was 102% of non-performing loans. Provisions in excess of the guidelines of IAS 39 are credited to a loan loss reserve, which is reported in stockholders' equity. As at June 30 2003 the balance in the loan loss reserve was J\$162.6 million. This amount represents the difference between the specific provision based on IFRS and the specific provision based on the regulatory requirements. The Bank's provisioning policy is in compliance with the Bank of Jamaica regulations.

BALANCE SHEET

For the nine-month period ended June 2003 the Group's asset base increased by J\$18.7 billion or 16.0% to J\$135 billion. This increase is mainly attributable to growth in:

- loans and advances - J\$7.6 billion
- investment securities - J\$2.8 billion
- cash and balances at Bank of Jamaica - J\$3.3 billion and
- property, plant and equipment - J\$1.9 billion.

The growth in assets was funded mainly by increases in customers' deposits of J\$5.3 billion and obligation under repurchase agreements of J\$11.9 billion.

CAPITAL

At the end of 30 June 2003, stockholders equity stood at J\$12.8 billion, an increase of J\$620 million or 5% when compared to the year ended September 30, 2002.

During the past nine months, we upgraded our IT infrastructure, replaced our old card issuing and acquiring systems, introduced a new core banking system, a new ABM management system, corporate internet banking and a state-of-the-art Call Centre. Additionally, we centralized back office processes so as to better serve our customers, and we appreciate your patience and understanding as we go through this period of transition. We extend our sincere thanks to all our stakeholders for the business they have given us for the past period and for the opportunities they continue to grant us to serve them. We express our sincere gratitude to the team of committed and trained staff who have worked relentlessly in delighting our customers and achieving of our vision and core values.

Notes to the Interim Consolidated Financial Statements

(1) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) previously International Accounting Standards (IAS). They are prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, financial assets and liabilities held for trading, all derivative contracts, investment property and certain fixed assets.

(2) Interest and fees

Interest income and expense are recognised in the profit and loss account for all interest-bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount or premium on treasury bills and other discounted instruments. Interest income is suspended when loans become doubtful of collection, such as when overdue by 90 days or longer, or, when the borrower or securities' issuer defaults. Such income is excluded from interest income until received.

Fee and commission income is recognised on an accrual basis. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

(3) Investments

The Bank and its subsidiaries classify investments 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 re-measured at fair value based on quoted bid prices. 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 equity prices. They are initially recognised at cost (including transaction costs) and subsequently re-measured at fair value based on quoted bid prices or amounts derived cash flow models. 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.

(4) 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. An impaired loan is classified as non-performing when the contractual payments of principal or interest are in arrears for 90 days or more.

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. Upon impairment the accrual of interest income based on the original terms of the loan is discontinued. The increase in the present value of impaired loans due to the passage of time is reported as interest income.

The provision for credit losses also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflect the current economic climate in which the borrowers operate.

(5) Employee benefits

1. Pension obligations

The Bank and its subsidiaries operate a number of retirement plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the relevant companies, taking into account the recommendations of independent qualified actuaries.

For defined benefit plans, the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plans every three years. The pension obligation is measured at the present value of the estimated future cash outflows using discount rates based on the market yields on government securities which have terms to maturity approximating the terms of the related liability.

A portion of actuarial gains and losses is recognised in the profit and loss account if the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeded 10 percent of the greater of the present value of the gross defined benefit obligation and the fair value of plan assets at that date. Any excess actuarial gains or

losses are recognised in the profit and loss account over the average remaining service lives of the participating employees.

Contributions to defined contribution plans are charged to the profit and loss account in the period to which they relate.

2. Other post-retirement obligations

Some Group companies provide post-retirement health care benefits to their retirees. The entitlement for these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. Valuations of these obligations are carried out by independent qualified actuaries.

(6) Income taxes

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax is provided on temporary differences arising from investments in subsidiaries, except where the timing of reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

Current and deferred taxes are recognised as income tax expense or benefit in the profit and loss account except, where they relate to items recorded in stockholders' equity, they are also charged or credited to stockholders' equity.

(7) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

(8) Comparative information

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