

**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 and six months ended March 31 2004.

			Restated	Restated
	QUARTER	SIX MONTHS	QUARTER	SIX MONTHS
	ENDED	ENDED	ENDED	ENDED
	31 03 2004	31 03 2004	31 03 2003	31 03 2003
	\$'000	\$'000	\$'000	\$'000
REVENUE	6,595,144	12,944,551	5,048,835	9,113,623
EXPENSE	5,362,071	10,741,354	3,896,242	7,582,016
Operating Profit	1,233,073	2,203,197	1,152,593	1,531,607
Taxation	(83,736)	(307,652)	42,456	144,356
Net Profit	1,149,337	1,895,545	1,195,049	1,675,963
Earnings per Stock Unit		\$0.77		\$0.68

Net profit for the Group for the six months ended March 31, 2004 was J\$1.89 billion compared to J\$1.67 billion for the corresponding period in the previous year, an increase of \$219.6 million, or 13%. This positive performance was mainly attributable to the growth in our core revenues resulting in a J\$2.5 billion increase in net interest income when compared to the same period in the previous year. The growth is also significant, in light of the fact that the results of the six months ended March 31, 2003 included capital gain of J\$752.8 million from the sale of equity investments. This means the Group’s net profit excluding the capital gain was \$923.2 million in the prior period, compared to \$1.89 billion for the current year, a positive variance of \$972.3 million, or 106%.

PERFORMANCE AT A GLANCE

	March	March
	2004	2003
Return on Average Equity	27.2%	28.9%
Return on Average Total Asset	2.5%	2.8%
Growth in Revenue	42.0%	24.0%
Cost Income Ratio	63.1%	68.9%
Net Asset Value per Share	\$6.08	\$4.55

REVENUES

Total revenues for the Group increased by J\$3.8 billion or 42% compared to the corresponding six months of the previous year. The increase in revenues is attributable to the following.

- Growth in income from loans of J\$1.1 billion or 93%.
- Growth in income from securities of J\$3.6 billion or 68%.
- Growth in net fees and commissions of J\$322.1 million or 51%.

Operating income (net interest income and non interest income) of J\$6.6 billion exceeded the amount for the corresponding period of the previous year of J\$5.02 billion by J\$1.58 billion or 31%.

LOAN PORTFOLIO

One of the major revenue drivers for the Group is loans and advances which increased by J\$6.8 billion or 26% during the six months ended March 31 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\$1.46 billion compared to J\$1.503 billion as at September 30 2003. Non-performing loans now represent 4.2% of gross loans compared to 5.3% at September 2003 and 7% as at March 31 2003.

As at March 31 2004 provision for credit losses of J\$2.1 billion was 144% of non-performing loans, the same percentage as at September 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 March 31 2004 the balance in the Loan Loss Reserve was J\$165.4 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\$161.3 billion, J\$15.4 billion or 10.5% in excess of the balance as at September 30 2003. This increase in assets is attributable to growth in the following earning assets:

- Loans and advances - J\$6.8 billion
- Reverse repurchase agreements – J\$9.7 billion

The asset growth was funded mainly by increases in customers' deposits and repurchase agreements.

CAPITAL

As at March 31 2004 total stockholders equity was J\$14.99 billion, an increase of J\$2.1 billion or 16.5% when compared to the previous financial year. 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 which was 19.2% at March 31, 2004 (23.6% at March 31, 2003).

DIVIDENDS

At the Board of Directors meeting held 22 April 2004, an interim dividend of 9 cents per share (total cost J\$222,008,654.52) was approved for the quarter ended 31 March 2004. The dividend is payable on 21 May 2004 for shareholders on record as at 7 May 2004.

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, investment securities held for trading, derivative contracts, investment property and certain fixed assets.

There have been no changes in accounting policies since the most recent annual accounts as at 30 September 2003.

COMMUNITY RELATIONS

NCB continues to give to the community as we fulfill our stated objective of *building a better Jamaica*. We hold steadfast to this and are committed and focused to the extent that we have collaborated with the Jamaica Manufacturers' Association and have pledged to match 'dollar for dollar' an education campaign aimed at sensitizing Jamaicans on the consequences of not supporting local goods and services. In addition to this, we have committed to sponsoring the JMA/JEA Expo that will be held at the National Arena in early May by contributing \$16.25 Million.

During the period under review we presented His Excellency, Sir Howard Cooke, Governor General of Jamaica, with a fully furnished office complex located 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 a secretariat.

NCB has made a contribution of \$5 million to the May Pen Cemetery Restoration Fund and has opened an account at our Duke & Barry Streets Branch to receive contributions from the general public.

COMMUNITY RELATIONS

The Jamaican Education Initiative, through its administrator, hosted motivational talks and seminars for students sitting the CXC examinations in June 2004. The co-coordinators 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.

Our branches and staff continue to give of time and effort to the communities in which they operate and we are thankful for their exemplary efforts and clear commitment to serve our customers excellently.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
SIX MONTHS ENDED 31 MARCH 2004**

	Quarter Ended 31 March 2004 \$'000	Year to Date 31 March 2004 \$'000	Restated Quarter Ended 31 March 2003 \$'000	Restated Year to Date 31 March 2003 \$'000
Operating Income				
Interest income from loans	1,222,748	2,355,914	647,260	1,219,895
Interest income from securities	<u>4,406,451</u>	<u>8,995,132</u>	<u>2,641,465</u>	<u>5,344,865</u>
Total interest income	5,629,199	11,351,046	3,288,725	6,564,760
Interest expense	<u>(3,180,900)</u>	<u>(6,348,317)</u>	<u>(1,997,961)</u>	<u>(4,095,185)</u>
Net interest income	2,448,299	5,002,729	1,290,764	2,469,575
Net fee and commission income	555,941	954,777	308,355	632,681
Net trading income	416,519	605,578	1,332,532	1,747,654
Other operating income	<u>(6,515)</u>	<u>33,150</u>	<u>119,223</u>	<u>168,528</u>
	<u>3,414,244</u>	<u>6,596,234</u>	<u>3,050,874</u>	<u>5,018,438</u>
Operating Expenses				
Staff costs	1,076,340	2,263,827	1,064,201	2,009,445
Provision for credit losses	194,737	229,514	(12,294)	29,179
Depreciation	164,412	309,038	152,663	226,532
Other operating expenses	<u>745,682</u>	<u>1,590,658</u>	<u>693,711</u>	<u>1,221,675</u>
	<u>2,181,171</u>	<u>4,393,037</u>	<u>1,898,281</u>	<u>3,486,831</u>
Profit before Taxation	1,233,073	2,203,197	1,152,593	1,531,607
Taxation	<u>(83,736)</u>	<u>(307,652)</u>	<u>42,456</u>	<u>144,356</u>
Net Profit	<u>1,149,337</u>	<u>1,895,545</u>	<u>1,195,049</u>	<u>1,675,963</u>
EARNINGS PER STOCK UNIT		<u>\$0.77</u>		<u>\$0.68</u>

CONSOLIDATED BALANCE SHEET
31 MARCH 2004

	March	September
	2004	2003
	\$'000	\$'000
ASSETS		
Cash and balances at Bank of Jamaica	12,187,102	10,641,638
Due from other banks	10,563,281	9,117,248
Trading securities	129,237	1,906,270
Reverse repurchase agreements	15,575,755	5,832,957
Loans and advances, net of provision for credit losses	33,249,651	26,400,147
Investment securities	72,766,692	78,538,460
Investment in associated companies	1,149,386	-
Investment properties	28,200	28,200
Property, plant and equipment	4,117,609	3,911,816
Deferred tax assets	46,298	120,426
Retirement benefit asset	6,009	6,009
Income tax recoverable	128,729	87,505
Other assets	7,239,156	6,368,703
Customers' liability on acceptances, guarantees, and credits	indemnities 4,082,870	2,926,786
Total assets	<u>161,269,975</u>	<u>145,886,165</u>

**CONSOLIDATED BALANCE SHEET
31 MARCH 2004**

	March 2004 \$'000	September 2003 \$'000
LIABILITIES		
Due to other banks	6,043,011	6,257,208
Customer deposits	74,180,692	69,688,968
Derivative financial instruments	98,787	128,909
Promissory notes and certificates of participation	9,866,589	10,119,549
Repurchase agreements	35,608,125	29,624,741
Obligations under credit card and cash advance securitization arrangements	3,968,680	4,576,979
Other borrowed funds	1,256,999	1,129,249
Income tax payable	48,601	234,569
Deferred tax liabilities	691,831	437,966
Policyholders' liabilities	5,552,962	4,287,658
Other liabilities	4,701,694	3,423,494
Retirement benefit obligations	178,257	178,257
Liability on acceptances, guarantees, indemnities and credits	4,082,870	2,926,786
Total liabilities	<u>146,279,098</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	840,762	(270,773)
Loan loss reserve	165,383	72,891
Banking reserve fund	1,078,000	1,078,000
Retained earnings reserve	2,518,761	1,218,761
Retained earnings	3,467,456	3,852,438
Total stockholders' equity	<u>14,990,877</u>	<u>12,871,832</u>
Total equity and liabilities	<u><u>161,269,975</u></u>	<u><u>145,886,165</u></u>

Director

Director

Director

Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 31 MARCH 2004

Note	Share Capital	Share Premium	Share Redemption Reserve Fund	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	\$'000
Balance as at 1 October 2002, as restated	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 gains/(losses) on available-for-sale investments, net of taxes	-	-	-	(669,670)	-	-	-	-	(669,670)
Reclassified and reported in profit	-	-	-	(48,031)	-	-	-	-	(48,031)
Net gains/(losses) not recognised in Consolidated Profit and Loss Account	-	-	-	(645,987)	-	-	-	-	(645,987)
Net profit	-	-	-	-	-	-	-	2,804,391	2,804,391
Bonus issue of shares in subsidiary	-	-	-	34,970	-	-	-	(34,970)	-
Dividends paid	-	-	-	-	-	-	-	(1,258,049)	(1,258,049)
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	-	-	-	6,597	-	-	-	-	6,597
Unrealised gains/(losses) on available-for-sale investments, net of taxes	-	-	-	1,062,950	-	-	-	-	1,062,950
Reclassified and reported in profit	-	-	-	41,988	-	-	-	-	41,988
Net gains/(losses) not recognised in Consolidated Profit and Loss Account	-	-	-	1,111,535	-	-	-	-	1,111,535
Net profit	-	-	-	-	-	-	-	1,895,545	1,895,545
Dividends paid	-	-	-	-	-	-	-	(888,035)	(888,035)
Transfer to Loan Loss Reserve	-	-	-	-	92,492	-	-	(92,492)	-
Transfer to Banking Reserve Fund	-	-	-	-	-	-	-	-	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	-	1,300,000	(1,300,000)	-
Balance at 31 March 2004	2,466,763	4,453,752	-	840,762	165,383	1,078,000	2,518,761	3,467,456	14,990,877

**CONSOLIDATED STATEMENT OF CASH FLOWS
SIX MONTHS ENDED 31 MARCH 2004**

	March 2004	Restated March 2003
	\$'000	\$'000
Cash Flows from Operating Activities		
Net cash (used in)/provided by operating activities	(2,917,793)	5,114,750
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment, net	(494,421)	(1,127,032)
Investments	7,618,661	(4,725,363)
Net cash provided by/(used in) investing activities	7,124,240	(5,852,395)
Cash Flows from Financing Activities		
Repayments under credit card and cash advance securitization arrangements	(730,571)	(618,826)
Other borrowed funds	127,750	(283,337)
Dividends paid	(888,035)	(962,037)
Net cash used in financing activities	(1,490,856)	(1,864,200)
Net increase in cash and cash equivalents	2,715,591	(2,601,845)
Cash and cash equivalents at beginning of year	4,803,137	6,076,221
Cash and cash equivalents at end of period	7,518,728	3,474,376
Comprising:		
Cash and balances at Bank of Jamaica	2,998,458	1,949,982
Due from other banks	10,563,281	6,125,918
Due to other banks	(6,043,011)	(4,601,524)
	7,518,728	3,474,376

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 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 and money remittance services.

Transactions between the business segments are on normal commercial terms and conditions.

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.

Six Months Ended						
31 March 2004	Banking	Wealth	Insurance	Other	Eliminations	Consolidated
	\$'000	Management	\$'000	\$'000	\$'000	\$'000
External revenue	9,371,912	3,115,924	443,026	13,689		12,944,551
Revenue from other segments	14,671	1,047,485	205,948	17,879	(1,285,983)	-
Total revenue	9,386,583	4,163,409	648,974	31,568	(1,285,983)	12,944,551
Segment result	1,179,708	850,028	174,084	(623)	-	2,203,197
Tax						(307,652)
Net profit						1,895,545
Segment assets	125,635,167	46,286,032	6,389,361	210,704	(17,251,289)	161,269,975
Segment liabilities	110,073,356	43,601,421	5,710,458	217,355	(13,323,492)	146,279,098
Depreciation	294,084	10,698	3,732	524		309,038

Segment Reporting continued

Six Months Ended 31 March 2003	Banking \$'000	Wealth Management \$'000	Insurance \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
External revenue	7,203,915	1,598,592	301,733	9,383		9,113,623
Revenue from other segments	63,945	360,875	65,722	8,076	(498,618)	-
Total revenue	<u>7,267,860</u>	<u>1,959,467</u>	<u>367,455</u>	<u>17,459</u>	<u>(498,618)</u>	<u>9,113,623</u>
Segment result	1,266,609	177,691	96,342	(9,035)	-	1,531,607
Tax						<u>144,356</u>
Net profit						<u><u>1,675,963</u></u>
Segment assets	<u>101,862,734</u>	<u>29,862,071</u>	<u>3,687,315</u>	<u>34,709</u>	<u>(8,149,471)</u>	<u>127,297,358</u>
Segment liabilities	<u>90,792,817</u>	<u>28,492,362</u>	<u>3,771,002</u>	<u>22,957</u>	<u>(7,009,754)</u>	<u>116,069,384</u>
Depreciation	<u>215,589</u>	<u>5,389</u>	<u>5,548</u>	<u>6</u>		<u>226,532</u>

Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 7.5% for the insurance subsidiary and 33 1/3% for the Bank and all other subsidiaries. Assets and liabilities recognised on the balance sheet are as follows:

	The Group		The Bank	
	March 2004	Sept. 2003	March 2004	Sept. 2003
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets	(46,298)	(120,426)	-	-
Deferred tax liabilities	691,831	437,966	652,649	422,349
Net liability	645,533	317,540	652,649	422,349

The movement in the net deferred income tax balance is as follows:

	The Group		The Bank	
	March 2004	Sept. 2003	March 2004	Sept. 2003
	\$'000	\$'000	\$'000	\$'000
Net liability at beginning of year	317,540	218,141	422,349	163,491
Deferred tax (income)/expense (Note 6)	100,424	383,139	90,796	389,259
Deferred tax debited/(credited) to stockholders' equity	227,569	(283,740)	139,504	(130,401)
Net liability at end of period	645,533	317,540	652,649	422,349

Deferred Income Taxes (Continued)

Deferred income tax assets and liabilities are due to the following items:

	The Group		The Bank	
	March 2004	Sept. 2003	March 2004	Sept. 2003
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets:				
Property, plant and equipment	-	50	-	-
Investment securities	149,073	295,389	21,311	160,815
Loan loss provisions	38,889	56,460	38,889	56,460
Pensions and other post-retirement benefits	59,419	59,419	59,419	59,419
Interest payable	517,192	425,646	-	-
Interest rate swap	35,046	42,970	35,046	42,970
Tax loss carry forwards	4,285	5,919	-	-
Accrual for staff profit share	-	73,686	-	73,686
Other	36,549	38,027	35,786	34,617
	<u>840,453</u>	<u>997,566</u>	<u>190,451</u>	<u>427,967</u>
Deferred income tax liabilities:				
Property, plant and equipment	162,651	159,731	157,629	157,629
Investment securities	256	8,226	-	-
Obligations under securitization arrangements	39,876	47,092	39,876	47,092
Interest receivable	625,755	446,774	-	-
Unrealised foreign exchange gains	649,434	651,358	645,595	645,595
Other	8,014	1,925	-	-
	<u>1,485,986</u>	<u>1,315,106</u>	<u>843,100</u>	<u>850,316</u>