

NATIONAL COMMERCIAL BANK JAMAICA LIMITED [BANK]

AND ITS SUBSIDIARIES [NEW BANKING GROUP]

The Bank regrets the delay in releasing the unaudited results for the quarter ended 2001 June 30 (the quarterly results) which are contained herein. The audited results of New Banking Group for the year ended 2001 September 30 (the audited accounts) are also contained herein.

This delay in releasing the quarterly results has been occasioned by lengthy discussions with Ministry of Finance and Planning (MoFP) over the terms of monetization of the Bank's entire holding of Finsac Bonds (Finsac Bond Portfolio). The result of these discussions is explained in this release, and the importance of the agreement which has been reached, will be appreciated. Now that the Bank has obtained Government of Jamaica Local Registered Stock instruments (Replacement LRS Portfolio) which pay interest in cash, in exchange for its Finsac Bond Portfolio which paid interest in further bonds, it will be able to expand its lending activities.

Having undergone intervention, rehabilitation, restructuring and monetization in the last four years, the Bank has now commenced a major transformation initiative.

A second interim dividend will be paid in January 2002.

The Directors of the Bank:

- 1) **Have authorised the release of the audited accounts for the year to 2001 September 30.** They are compared below with those for the year to 2000 September 30, restated as if New Banking Group had been in existence for that period.

The bank has been in discussions with MoFP since March 2001 and has now accepted a proposal, effective 2001 April 01, in relation to the Finsac Bond Portfolio. It comprised J\$41.7 Billion in face value of Jamaican Dollar denominated bonds and US\$91.3 Million in face value of

United States Dollar denominated bonds, both inclusive of interest accrued to 2001 March 31. The agreement involves the replacement of the Finsac Bond Portfolio with Government of Jamaica Local Registered Stocks with a varied mix of interest rates, maturities and currencies, which may be summarised as follows:

	REPLACEMENT LRS PORTFOLIO		FINSAC BOND PORTFOLIO	
	J\$'M	%	J\$'M	%
US\$ Denominated or linked Fixed - 9%, 9.75% & 10.5%	9,179	20%	4,179	9%
J\$ Denominated: Variable Rate -				
WATBY* minus 4% year 1, minus 2% year 2, WATBY year 3 & 4, & WATBY plus 1% thereafter	21,399	47%	-	-
WATBY	3,573	8%	-	-
WATBY plus 1%	-	-	41,693	91%
Fixed - 10%, 12%, & 15%	11,721	26%	-	-
Total Face Value	45,872	100%	<u>45,872</u> =====	<u>100%</u> =====

*WATBY = Six Month Weighted Average Treasury Bill Yield

There are differences in quality between the Finsac Bond and Replacement LRS Portfolios, including:

LRS instruments are fully tradeable, whereas Finsac Bonds are not

Interest on LRS instruments is payable in cash whereas interest on Finsac Bonds has, to date, been paid by way of further Finsac Bonds.

MoFP has undertaken to redeem J\$10 Billion of the J\$11.7 Billion Jamaican Dollar denominated securities referred to above, fixed at rates of 10%, 12% and 15% per annum at 2002 September 30 in that order of priority. J\$2 Billion of the 10% fixed rate instruments will be redeemed by 2001 December 28. To the extent that said redemption does not occur on the specified dates, the securities will earn interest at WATBY.

Assuming redemption as aforesaid, the weighted average maturity of the Replacement LRS Portfolio is 7.6 years, compared to 8.6 years for the Finsac Bond Portfolio.

Interest due to 2001 September 30 totalling approximately J\$1.4 Billion (before withholding tax) will be paid in cash by 2001 November 30.

In accordance with the Bank's accounting policies, the Replacement LRS Portfolio has been accounted for on the basis of the lower of cost or market value. This gives rise to an exceptional expense item of J\$328 Million reflected in the audited accounts. Assuming redemption as aforesaid, the provision of J\$328 Million will be reversed in the accounts of the Bank for the year to 2002 September 30.

2) **Announce that management has commenced a Transformation Initiative to meet and enhance product development capabilities and service delivery.** This will involve, amongst other things, the acquisition and installation of a new Information Technology (IT) system, the improvement of all existing service delivery channels and the establishment of new ones, to optimise efficiency and service to customers.

It is expected that this Initiative will be substantially completed by the end of 2005.

A significant investment of US\$40 Million, of which approximately 60% will be IT and training related expense, will see - as with other technology enhanced financial services organizations - an overall reduction in staff numbers, particularly in

processing and administration. However new jobs will also be created and increasing numbers of staff retained for customer focused roles. The redundancy programme is estimated to impact 840 employees, particularly arising in the latter years of the initiative, ie., between 2003 and 2005. This has resulted in an exceptional expense item of J\$668 Million in the audited accounts.

- 3) **Announce that a second interim dividend of \$0.05 per stock unit will be paid out of profit in respect of the year to 2001 September 30 on 2002 January 30** to stockholders on record as at 2001 December 28. This recognises the statement to stockholders on 2000 October 03 that not less than 15% of the post tax profits of New Banking Group for the year to 2001 September 30 would be paid in dividend dependent on financial performance and the maintenance of appropriate regulatory capital.

The Directors will not be recommending a final dividend.

- 4) **Have authorised the release of the quarterly results for the three months to 2001 June 30.** These and the cumulative results for the nine months to 2001 June 30 are compared with those for the quarter and nine months ended 2000 June 30 respectively, restated as if New Banking Group had been in existence for that period.

As mentioned above, the Replacement LRS Portfolio has been accounted for on the basis of the lower of cost or market value which at 2001 June 30, gave rise to an exceptional expense item of J\$400 Million.

	QUARTER ENDED 2001 June 30 J' \$M	9 MTHS ENDED 2001 June 30 J' \$M	QUARTER ENDED 2000 June 30 J' \$M	9 MTHS ENDED 2000 June 30 J' \$M
REVENUE	3297	10901	3774	10826
EXPENSES	2795	9627	3367	10175
Profit before Exceptional and Extraordinary	502	1274	407	651
Exceptional item	-400	-400	-34	-34

Profit before Taxation and Extraordinary item	102	874	373	617	
Taxation	61	-39	-80	-99	
	163	835	293	518	
Minority interest in results of subsidiaries	-17	-30	-18	-34	
Profit after Taxation and before Extraordinary item	146	805	275	484	
Extraordinary item		-	3	-	-
NET PROFIT	146	808	275	484	
EARNINGS PER STOCK UNIT					
Before extraordinary items		0.41		0.24	
After extraordinary items		0.41		0.24	
		=====		=====	
NET ASSET VALUE PER STOCK UNIT		4.83		4.17	
		=====		=====	

It is noted that on 2001 November 23, the Bank of Jamaica (BoJ) published details of unaudited assets and liabilities of commercial banks, including NCB, as at 2001 June 30

As indicated by BoJ, these balances were taken from unaudited prudential returns submitted to it, and, in the case of NCB, were not attested as true and fair by the management of the Bank. No attested results for the quarter to 2001 June 30 have been released by the Bank to BoJ prior to this communication.

The release of the quarterly results and the declaration of a second interim dividend could not be authorised or made until agreement had been reached in relation to the

Finsac Bond Portfolio.

5) Announce that The Hon. Noel A. A. Hylton, O.J., Hon. LLD who has been a member of the Board for the last four years will become Chairman of the Bank with effect from 2001 December 01. The Hon. Oliver F. Clarke, O.J. will step down as Chairman from that date. He will remain a Director of the Bank.

Two copies of the audited accounts for the year ended 2001 September 30 will be sent in due course and the additional information required by you is as follows:-

SHAREHOLDINGS OF DIRECTORS AND CONNECTED PERSONS
AS AT 2001 JUNE 30 AND SEPTEMBER 30

Hon. Oliver F. Clarke, O.J.	85,803	
	*7,411	93,214
Mr. A. Desmond Blades		Nil
Dr. Nigel A. L. Clarke		1,152
Prof. Terrence E. Forrester		47,520
Mr. Robert L, Gregory		Nil
Mr. Michael P. HoSue		Nil
Hon. Noel A. A. Hylton, O.J., C.D.	36,148	
	*60,000	96,148
Mr. Patrick A. A. Hylton		Nil
Mr. Christopher J. Lowe		301,769
Mr. Dunbar T. McFarlane	1,222,683	
	*386,560	1,609,243
Mrs. Kathleen A. J. Moss		*4,800

Prof The Hon. Rex. Nettleford, O.M.

4,800

35,696

* Indicates shares held by nominee or connected persons.

Increase in this Director's shareholding was due to an oversight on the part of our Registrar. Shares purchased in the name of the connected person were not previously reported.
