



NATIONAL BANK OF DOMINICA



& ANNUAL REPORT STATEMENT OF ACCOUNTS

for the year ended 30th June, 2004

NATIONAL BANK OF DOMINICA

MISSION . VISION . VALUES

MISSION

To provide world class financial services in a competitive manner while continuously striving to meet the changing needs of all stakeholders.

VISION

National Bank of Dominica, a
one-stop full service financial super centre
providing in a professional and customer friendly manner,
all the banking and financial needs of customers.

CORE VALUES

1. NBD exists to serve the needs of customers.
2. Our employees are critical to our future successes.
3. We are committed to enhance shareholder value.
4. Honesty in all dealings is critical.
5. Providing total satisfaction is our greatest joy.

**FOCUS ON
GROWTH &
DIVERSIFICATION**

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**& ANNUAL REPORT
STATEMENT OF ACCOUNTS**

for the year ended 30th June, 2004

NOTICE OF FIRST ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the First Annual General Meeting of the National Bank of Dominica will be held at the Fort Young Hotel, Victoria Street, Roseau, Dominica, on Monday, December 13, 2004 at 9:00a.m. for the following purposes:

- 1 To receive the Reports of the Auditors and the Directors and to consider the Audited Financial Statements for the year ended June 30th, 2004
- 2 To declare a \$1.50 dividend per share
- 3 To elect Directors to serve on the Board
- 4 To fix the remuneration of the Directors
- 5 To appoint the Auditors for the year ending June 30th, 2005
- 6 Any Other Business

By Order of the Board



Ivona C Lander
Secretary

A shareholder is entitled to appoint a proxy to attend and on a poll to vote in his place at the meeting and such proxy need not be a shareholder of the Bank.

An instrument appointing a proxy must be in writing under the hand of the shareholder or his attorney and shall be deposited or received at the National Bank of Dominica, 64 Hillsborough Street, Roseau, Dominica not later than 4:00 pm on Friday, December 10th, 2004.

NOTICE OF FIRST ANNUAL GENERAL MEETING OF SHAREHOLDERS

HIGHLIGHTS & PERFORMANCE

NBD ACHIEVES HALF BILLION \$ IN ASSETS

Operations

% Increase (Decrease)	<u>2004</u>	<u>2003</u>
↑ 13.9%	4,419,076	3,879,055
↑ 0.2%	29,513,938	29,454,245
↓ (1.87%)	25,094,861	25,575,190
↑ 54.7%	8,416,961	5,440,815
↑ 107.4%	142,928,651	68,901,125
↓ (21.96%)	144,369,503	185,013,912
↑ 25.00%	5	4
↑ 24.69%	101	81
↑ 6.60%	80,467,742	75,511,900
↑ 18.46%	414,719,613	350,102,256
16.60% ASSETS	511,454,413	438,631,688

BOARD OF DIRECTORS



MILTON F. LAWRENCE
MBA, BSc
Businessman
Chairman of the Board
Joined the Bank as Chairman
in March 2000.



VANS T. LE BLANC
MA, BBA
Managing Director
Joined the Bank in
February 2002.



NORMAN ROLLE
Businessman
Joined the Bank as Director
in November 2002.



IVONA C. LANDER
Company Secretary
Joined the Bank in
August 1978



CARY HARRIS

MA, BA,
Joined the Bank as a Director
in March 2000.



ACKROYD BIRMINGHAM

Joined the Bank as a Director
in November 2000.



STEVEN MAYERS
M.B.A., B.A., BSc

Joined the Bank as a Director
in December 2003.



FRANKLIN A. BARON

Businessman
Deputy Chairman
Joined the Bank as a Director
in December 2003.



MARGARET GEORGE

BSc, ASC Agriculture
Businesswoman /Past School
Teacher
Joined the Bank as a Director in
November 2002.



ENSLEY L. PIERRE

Retired Police Commissioner
St. Lucia/Dominica
Joined the Bank as Director in
November 1992.

BOARD OF DIRECTORS



Back from left: Jacqueline Fadelle, Manager Operations; Michel Williams, Manager Finance & Accounting; Caryl Phillip-Williams, Manager Human Resources;
Front from left: Vans T. Le Blanc, Managing Director; Sophie Thomas-Durand, Manager Information Systems; Louis Robinson, Manager Credit

SENIOR MANAGEMENT

CHAIRMAN'S STATEMENT

On December 29, 2003 the National Commercial Bank of Dominica was transformed into the National Bank of Dominica as a result of the simultaneous repeal of the National Commercial Bank Of Dominica Act, the registration of the National Bank of Dominica (NBD) under the Companies Act and the divestiture by the Government of Dominica of its majority shares in the Bank. The majority of the Directors of the Bank are now elected by shareholders other than Government. The appointments of the Chairman and Managing Director are now the responsibility of the Board of Directors as opposed to the Minister of Finance. NBD, Dominica's premier indigenous bank, is now a truly private financial institution with Government as the largest single shareholder.

The privatisation of the Bank is a pivotal step in enhancing the role of the private sector in the economic development of the country. I would like to take this opportunity to congratulate the Government on this bold move and to encourage the private sector and the general public in Dominica and in the Diaspora to expand its ownership of, as well as its business relationships with the Bank. The Bank will remain true to its original mandate of being a catalyst for economic development in the country while simultaneously responding to stakeholder needs and increasing shareholder value.

The Financial Year ending June 30, 2004 has been another year of challenge for the Bank. While there have been reports of signs of a broad-based economic recovery, the impact of a stagnant economy continued to affect the Bank's operations. The loans and advances portfolio declined by 21.9%, mainly due to the loss of a large corporate client and to a significant reduction in Government's overdraft balances. The Bank is increasing its efforts to diversify the portfolio in order to reduce its overdependence on a few large clients.

Despite the many challenges, the Bank has been able to register a number of improvements in its performance. We are proud to announce that NBD has now joined the family of indigenous banks with assets of over one half-billion Eastern Caribbean Dollars. Highlights of the Bank's performance can be found at the beginning of this report and include an increase of 54.7% in

investment income and a 13.9% increase in profits. Accordingly, the Board of Directors is pleased to declare a dividend of \$1.50 per share.

In pursuit of its growth strategy, the Bank acquired the banking business of Banque Francaise Commerciale's branch on Independence Street. As a result of this acquisition, the Bank was able to increase its customer base as well as its asset value. The transaction also provides the Bank with an opportunity to leverage significant earnings from the acquired portfolio. Consequently, the Board of Directors is pleased to declare a one for ten bonus share issue. In order for this issue to take legal effect, shareholders are being asked to increase the authorised share capital of the Bank by resolution at a Special Shareholders Meeting which will immediately precede the Annual General Meeting.

The Bank must begin to position itself for future listing on the Eastern Caribbean Securities Exchange (ECSE). The Board has therefore decided to effect a twenty for one stock split and to dematerialise share certificates by transferring the administration of the share ownership of the Bank to the Eastern Caribbean Central Securities Registry Ltd. (ECCSR), both these decisions to take effect immediately after the first AGM on December 13, 2004.

The Bank has continued to diversify its revenue base. Income from investments has increased as efforts were made to maximize returns on excess liquidity in a period when the demand for good loans has fallen. The Securities Unit has increased its level of activity, having facilitated Dominica's first listing, Dominica Electricity Services Limited (trading symbol - DES). Other products are expected to be launched early in the upcoming financial year including the long awaited International Debit Card.

The Bank has continued to invest in human resource development at both staff and board level, with training and exposure being provided in a variety of relevant topics at both levels. The Board also instituted an Audit & Risk Committee to take care of what has become one of the most critical functions in corporate governance today.

Since the privatisation of the Bank, the number of Directors has increased by one to nine (including the ex-officio position of Managing Director).



CHAIRMAN'S STATEMENT

At its first General Meeting, NBD shareholders elected or appointed Messrs Franklin Baron, Phillip Norman Rolle, Cary Harris, Ackroyd Birmingham, Steven Mayers, Ensley Pierre, Milton Lawrence and Mrs. Margaret George to the Board of Directors. In keeping with the new bye-laws of the Bank, the Board elected Milton Lawrence to the position of Chairman and Mr. Franklin Baron to the position of Deputy Chairman. The Bank would like to express sincere thanks to former Director Ossie Symes for his long service and significant contribution to the Bank during his 8 years of tenure as a Director.

The Bank is now operating in a global environment where services are being offered by competitors all over. NBD has positioned itself as a modern financial institution offering a quality of service comparable with the best. The future success of the Bank will depend on its ability to become more cost efficient and to introduce new services that add value to its customers in a sector now being dominated by technology. We have to be able to compete with larger international institutions for the business of our nationals in the Diaspora.

On behalf of the Board of Directors, I take this opportunity to thank the public for their continued support of the Bank and the Government of Dominica for continuing to use NBD as its banker of choice. Additionally, I wish to thank my fellow Directors for their unwavering support throughout the year.

Finally, I wish to express sincere appreciation to the Management and Staff of NBD for their perseverance throughout the difficult period of economic adjustment and to congratulate them on enabling the Bank to show positive results for the year ended June 30, 2004.

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(Chairman's Statement cont.)

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The International Debit Card

YES

Your Money is in the Card

Whether you are at home, in the region, the UK, US or Canada, we will provide you with your **cash**.

The National Bank of Dominica is your One-Stop Financial Supercentre.



National Bank of Dominica

Branches:
Hillsborough St, Roseau
Independence St, Roseau,
Portsmouth, Canefield,
Ross University Campus
Tel: 767-255-2300 Fax: 767-448-3982

(chairman's statement cont.)

MANAGING DIRECTOR'S REPORT

The National Bank of Dominica (NBD) continues to operate in a difficult economic environment. It is clear, however, that the economy is showing prospects for recovery and this is encouraging for NBD in its quest to achieve its strategic objectives. During the year, the Bank continued to focus on its Strategic Plan adopted in 2003, namely: Growth and Diversification, and has for the first time, reached the landmark achievement of ONE-HALF BILLION DOLLARS IN ASSETS.

GROWTH

NBD completed the purchase of the Assets and Liabilities of the local branch of Banque Francaise Commerciale, and assimilated the entire staff complement. The acquisition is a direct manifestation of the Bank's execution of its Strategic Plan for growth. The transaction added 1,600 new clients to the Bank's customer base, \$6.7M to its loan portfolio and cash deposits of \$38.6M. The new branch created by this acquisition has also made significant impact on the Bank's commitment to improving its customer service by establishing a new outlet for the sale of additional financial products to its larger customer base.

The focus on growth resulted in the following:

- An increase in the staff complement at Ross University Agency;
- Expansion of office space at the Canefield Branch;
- Restructuring of the top floor at the Roseau Head Office to create office space for the new International Debit Card; and
- Reconfiguration of the Roseau Head Office ground floor to make it more customer friendly.



DIVERSIFICATION

THE CARD CENTRE

An integral part of the Bank's strategic direction, the *Diversification Strategy*, has occupied a large portion of the Bank's planning and implementation process during the year.

One significant area of Diversification was the establishment of the Card Centre which will achieve three main objectives:-

Change the marketing habits of the card personnel and thereby the sales culture of the Bank

Increase the number of card holders and the revenue to be derived from the issuance of debit cards, credit cards and Point Of Sale service.

Bundle the issuance of the cards with other services and products of NBD, including co-branding NBD's debit card with reputable international institutions.

INVESTMENTS

The Bank also devoted significant time, personnel and resources to the development of its internal investment strategy. This was accomplished through the introduction to the Bank's Board and Senior Management of various professionals and practitioners in the money markets, capital markets and in Investment Planning and Management (IPM). The Board has approved new Investment and Liquidity Management Frameworks which will guide the Bank's direction in these areas.

As a result of the Bank's commitment to the investment planning and management initiative, one can observe in the Bank's Balance Sheet a definite shift in the balance of the Bank's revenue base, by the increase in amounts allocated for Investments this year compared to the previous year. The result of this is also reflected in the differences in the Bank's revenue from this category of earnings.

MANAGING DIRECTOR'S REPORT GROWTH AND DIVERSIFICATION

PRIVATIZATION

During the year, Parliament repealed the National Commercial Bank of Dominica Act (Chap. 74:02) to pave the way for the privatization of the Bank. The National Bank of Dominica is now registered under the Companies Act of Dominica. This has resulted in a change in the ownership structure of the Bank, whereby the Government of Dominica no longer has the exclusive authority to appoint a majority of Directors, the Chairman, and the CEO of the Bank.

THE YEAR AHEAD

The Bank is poised to implement a number of new initiatives which will affect the Bank's performance in the years ahead. NBD is confident that as the economy continues on the path of recovery, there will be significant areas of opportunity for the Bank and its Staff to achieve the objectives that the Board of Directors have set in the Bank's Strategic Plan.

The Bank is set on the path of Growth and Diversification. The decisions taken in the past year demonstrate the Bank's resolve in that direction. The Bank has succeeded so far in achieving growth in its customer base, asset base and branch network. It has diversified into Card Services, and has expanded its Investment Services with a view to broadening its product and earnings base.

All these, as well as the other new products and services already in the pipeline and to be rolled out will contribute to increased profitability and increased shareholder value.

I wish to congratulate a dedicated and conscientious staff on a successful year of operations and take special pride in recommending this Annual Report to Shareholders.

DIRECTORS' REPORT

COMMUNITY PROFILE

NBD continued to discharge its social responsibility as a good corporate citizen. We remained committed to the development of education, sports, culture and other areas of the social life of the nation. Our employees also continued to give of their time to serve on various voluntary organisations in the areas of sports, small business development, youth and culture.

COMMUNITY SUPPORT

Our financial support of community-based programmes and activities increased by 30% over the preceding year.

The Bank made a sizeable contribution to the 2003 Independence celebrations, as well as contributing to village Carnivals island wide.

The Bank sponsored a Carnival Queen during the 2004 Carnival celebrations.

In the area of sports the Bank sponsored various sports teams and tournaments including the Under 16 Cricket Championship.

On Community Service Day 2003, management and staff embarked on a clean-up project at the Goodwill Primary School. This included a complete clean up of the school surroundings including painting the external part of the school and the toilet facilities. Various contributions were also made to schools island wide particularly at the end of the school year.

During the 2003 Christmas celebrations the management and staff of the Bank hosted a Christmas party for the children of the Grand Fond and Riviere Cyrique Primary Schools. This is an NBD tradition stretching many years whereby a different school is hosted annually. Gifts were presented not only to the children but to the teachers and the school as well.

The Bank was also pleased to sponsor in part a Housing Symposium held at the Financial Centre during the month of August 2003, aimed at sensitizing and educating the public on the different facets of the industry.

Other recipients of assistance during the year include The Dominica Association of Disabled People, The Christian Children's Fund, The Dominica Government Band, The

Dominica Cricket Association, The Dominica Amateur Volley Ball Association, The Dominica Teachers Association, The Dominica Net Ball Association, The Dominica Council On Ageing, The La Plaine Village Council, The Dominica Olympic Committee, and The Dominica Flag Wavers Association, among others.

REPORT FROM DEPARTMENTS:

CREDIT

The biggest challenge during the year has been that of improving the quality of the portfolio. In recent times, there has been a greater sense of urgency towards that goal. To alleviate and assist the process an in-house attorney was employed. This initiative was undertaken to reduce the negative impact of the protracted legal process, to accelerate the collection efforts and to reduce the legal costs involved.

Total loans and advances for the period decline to EC\$ 144.3 million from EC\$185.0 million, a reduction of EC\$40.6 million or 21.9% over the previous year. Loans to total assets ratio declined from 42% in 2003 to 28.2% in 2004. This decrease resulted from a combination of the continued weak demand for sizeable loans, a more cautious approach to lending and finally the reduction in central government facility at the bank (a combined total of over EC\$ 51.0 million)

Loan/Deposit Ratio fell significantly from 52.8% last year to 34.8% this year. This figure continues to be substantially lower than the prudential benchmark and could be attributed to the direct result of increases in customer accounts and the unfavorable lending environment consistent with the prevailing economic conditions.

PROVISION FOR PROBABLE LOAN LOSSES

The NBD group maintains prudent provisions for probable loan losses. These provisions are determined by an annual exercise to assess the likely loss in the loan portfolio. The provision comprise of specific amounts for loans deemed uncollectible and general amounts for the portfolio as a whole. The procedure is conducted by the staff of the Credit Department

DIRECTORS' REPORT

and the Credit Committee of the Board in a manner consistent with the prudential guidelines set by the Eastern Caribbean Central Bank, and reviewed by the Bank's external auditors.

At the end of the 2004 financial year, the net provision for Probable Loan Loss increased significantly by EC\$15.2 million or 122.7% to EC\$27.6 million or 19.1% of the Total Loan portfolio.

This increase is due in the most part to the acquisition of BFC from which EC\$14.1 million in new provisions was acquired, while the remaining EC\$1.5 million is new provision of NBD's existing portfolio.

HUMAN RESOURCES

The Human Resource department of the bank set out to create a mind-shift where employees are viewed, and in turn view themselves as contributors to strategy both at the level of formulation and implementation. This also means the strengthening of employees' understanding of the direct impact of their performance on that of NBD.

During the year under review, the department undertook a people's strategy designed to fully engage all levels of the organization, the ultimate goal being to obtain optimum productivity from employees. A major component of this effort was to make the employee "the customer" of the Performance Development and Review Process, so that the potential of every employee can be identified and developed consistent with and supportive of both personal and institutional goals and objectives. Critical elements of this direction includes:

Development of the required attitudes to work more efficiently and effectively; Achievement of the level of knowledge, skills and related competencies to perform assigned functions, at the institutional, team and task levels

Continuous review of performance and achievements on activities and tasks in relation to the Bank's Strategic Goals and Objectives.

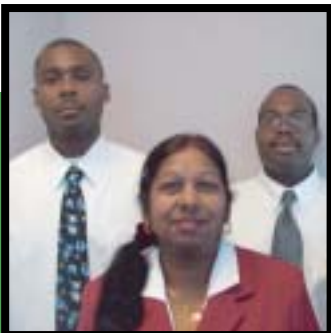
To develop the required positive attitudes to work in support of the bank's strategies and objectives.

This approach is considered to be a major contributor to NBD's achievement of its objectives and reinforces the fact that the NBD will continue to be as good as its people.

Training and financial assistance was provided to a number of employees who undertook various programs of study, including Executive Master in Business Administration, and Bachelor and Associate Degrees. Several employees were also enrolled in various certificate courses with banking institutes such as the Institute of Canadian Bankers and the American Bankers Association.

Operational training was also provided locally to supervisory and credit staff. Of significance was the Performance Development and Review (PDR) system, which is aimed at the following:

- Improving the performance of all employees;
- Stimulating critical thinking on career development;
- Delivering recognition for individual and team efforts and achievements.



RECOVERY UNIT
CREDIT DEPT.



AUDIT & HR
DEPT

LOAN ADMINISTRATION

Mrs J Fadelle

LOAN SECURITIES DOCUMENTATION

Mary Francis

Gilda Jones-Delsol

Juliana Andrew

JAMAICA

CREDIT APPRAISAL

Marva Johnson

Beverly Lugay

Debra Gordon

Fort Young Hotel, D/ca

CREDIT RISK MANAGEMENT

Louis Robinson

TRINIDAD

HUMAN RESOURCE MANAGEMENT

Caryl Phillip-Williams

GRADUATE SCHOOL OF BANKING - MADISON

MORTGAGE UNDERWRITING

Marva Johnson

Debra Gordon

ST KITTS & ST LUCIA

LEADERSHIP AT ALL LEVELS

Maureen Lander-White

Gilda Delsol

Latoya Peter

Farida Karam

Elma Aaron

Clyde John

GSB ONLINE

COUNTERFEIT DETECTION SEMINAR

Maureen Lander-White

McDowill Paul

ST LUCIA

BRANCH MANAGER CERTIFICATE

Jacqueline Fadelle

AMERICAN BANKERS ASSOCIATION - ONLINE

FRAUD PREVENTION & FORENSIC AUDITING

Russel Wilson

CROWN AGENTS - BARBADOS

SWIFT

Chad Augustine

Gloria Watson Jean-Pierre

ST KITTS

LOAN REVIEW (BAI)

McDowill Paul

BANK ADMINISTRATION INSTITUTE - CHICAGO



DOCUMENT MANAGEMENT UNIT

BACK OFFICE OPERATIONS

Sylvester Henderson

CROWN AGENTS - ANTIGUA

MARKETING FINANCIAL SERVICES

Marie- Therese Etienne

ABA - ONLINE

MONEY & BANKING

Simeon Joseph

ABA - ONLINE

SUPERVISOR CERTIFICATE

Simeon Joseph

ABA - ONLINE

ECONOMICS FOR BANKERS

Chad Augustine

ABA - ONLINE

ICB - MORTGAGE & CONSUMER CREDIT

Joel Denis

MANAGEMENT

ANALYZING FINANCIAL STATEMENTS

Joel Denis

Marva Johnson

Beverly Laville

Linda Toussaint

ABA - ONLINE

MARKETING

Francoise Musgrave

Alexander Stephenson

ABA - ONLINE

ANTI-MONEY LAUNDERING BASICS

Francoise Musgrave

Janine Phillip

Latoya Peter

Marie-Therese Etienne

Kelly Hamilton

Glenda Joseph

Martha Liverpool

Janice Pinard

Wayne Stephenson.

ACAMS ONLINE

In addition all staff benefited from training in Customer Service, Performance Development Review and Sales Culture and two staff members Messrs. Milton Sebastien and Alexander Stephenson were awarded scholarships to pursue the Executive Masters in Business Administration at UWI, Barbados employees; Stimulating critical thinking on career development; Delivering recognition for individual and team efforts and achievements.



INDEPENDANCE STREET BRANCH

The PDR process is team based and has real focus and meaning when it is linked to the Institutional Values, Mission, Vision, and established strategic goals. This set of policies, relationships, processes, and procedures identify and facilitate employee growth and development. The achievement of this purpose is in turn a fundamental prerequisite to the generation and maintenance of key competencies within the Bank. The department also coordinated organizational changes and ensured a smooth integration of the former BFC staff into the NBD family. Generally, staff demonstrated commitment and dedication to assigned tasks. There was also additional enjoyment as staff celebrated achievements and birthdays, participated in outings and other activities aimed at all-round involvement and bonding.

INFORMATION SYSTEMS (IS)

The National Bank of Dominica was the first in Dominica to introduce ATMs to its customers and since then has allocated considerable resources to provide the latest in banking technology (accepting VISA and MasterCard at the ATMs) and an extensive network of ATMs and Point of Sale (POS) terminals. Currently, there are six (6) ATMs in operation with advanced plans to increase the number to nine (9) and over one hundred and fifty (150) POS terminals at various merchants

island wide, with new merchant applications being made daily.

In addition to its ATM and POS network, the Bank offers Telephone Banking Services, Utility Bill Payment at the ATMs and will soon be introducing NBD International VISA Debit Card, Utility Bill Payments and Funds transfer via the Bank's Website. In order to enhance the bank's 24-hour ATM service, two employees attended a one week ATM Maintenance Training Course conducted by King Computers. This brings the number of ATM Support Personnel to three (3).

ANTI-MONEY LAUNDERING

The Bank continued to ensure that its operations comply fully with the requirements of the Anti-Money Laundering Act and all other relevant legislation domestic and international. The procedures by which the Bank verifies the identity of customers



PROCESSING DEPT.

was enhanced and due diligence checks are being performed as required.

The Bank remains vigilant to ensure that it is not used as a vehicle to facilitate money laundering or terrorist financing. Particular attention is paid to the movement of funds between Correspondent Banks and a Source of Funds Declaration is mandated in cases where confirmation is required.

Training continues to be a key component of the Bank's compliance program and every effort is made to keep staff current on developments both on the local and international levels. Formal online training is provided for staff at all branch locations and subscriptions to relevant publications are also made available.



CANEFIELD BRANCH



ROSS UNIVERSITY AGENCY

BRANCH OPERATIONS AND SUBSIDIARY COMPANIES

During the year the Bank acquired the banking operations of the Banque Francaise Commerciale AG, Dominica Branch (BFC) and effective May 4, 2004 the operations were conducted as the National Bank of Dominica- Independence Street Branch (ISB). All 13 staff members of BFC were retained with the acquisition and assimilated in various departments of the bank. The acquisition of BFC will provide for additional delivery channels locally, increased customer base and greater access to the regional French market.

Renovation works were carried out at the head offices on Hillsborough Street, to provide for the growth in departments within the Bank to improve the efficiency of operations.

At the Ross University Agency, the Bank increased office space in order to make it's operations more user friendly, given an increasing school population.

NATIONAL MORTGAGE FINANCE COMPANY

During the year eight loans amounting to 0.8M were disbursed compared to the previous year when eight loans amounting to \$1.5M were disbursed, a reduction of 81% or \$0.7M. Total Loans declined by 17.7% from \$15.2M to \$12.8M while Total Assets increased by 4.1% from \$21.7M to \$22.6M. Total income increased by 25% from \$1.6M to \$2.0M. Net Earnings recorded a significant increase of

196% from 294K to 873K. The decline in Total Loans is reflective of the generally poor loan market and reduction in mortgage rates.

The increase in Net Income results from a reduction in Loan Loss Provision this year and the collection of interest previously suspended.

Retained Earnings now stands at \$\$10.0M, an increase of 10%.

SECURITIES UNIT

In addition to providing mortgage finance for home owners the National Mortgage Finance Company (NMFC) provides a platform for the broker/dealer operations, which opened for business in February 2003. NMFC obtained it's license from the Eastern Caribbean Securities Regulatory Commission (ECSRC) in December 2002. During the year ended June 30 2004, NMFC participated in trades in equity securities, purchases of Government Securities on the Regional Government Securities Market (RGSM).

During this period the Unit successfully listed Domlec on the ECSC and facilitated trade

activity recorded in Treasury Bills and Notes valued at EC\$33.6 million, sell orders totaling \$27.6 million and buy orders valued at \$6.0 million. The Unit traded in all of the equity securities listed on the ECSE. These included East Caribbean Financial Holding (ECFH), Bank of Nevis Ltd. (BON), St. Lucia Electricity Services LUCELEC (SLES), Dominica Electricity Services Ltd. DOMLEC (DES), the St Kitts Nevis Trading & Development Company Ltd. (TDC) and St. Kitts Nevis National Bank (SKNB). The market

prices of these shares traded, ranged from \$2.10 to \$12.50 during the year

Financial Highlights

	2004	2003	2002	2001	2000
	\$'000	\$'000	\$'000	\$'000	\$'000
Assets	22,665	21,774	20,527	19,967	19,241
Deposits	12,500	12,509	12,500	12,500	12,500
Loans	12,857	15,234	16,667	16,372	14,611
Equity	10,013	9,140	7,904	7,307	6,505
Net Profit	873	294	707	802	598



PORTSMOUTH
BRANCH



IS DEPARTMENT

NATIONAL INVESTMENT CORPORATION

The company was established in 1997 as a joint venture with the Dominica Social Security to construct, develop, rent, manage, market and invest in real estate.

Under the direction of an independent Board of Directors NIC became a wholly owned subsidiary in 2002 and is in the process of formulating plans to undertake Joint Ventures with public and private sector companies.

FINANCIAL REVIEW GROUP RESULTS

NBD's over 1/2 billion dollar total assets milestone was achievable in large part to customer confidence in the Bank. Total Deposits grew by 18.46% or \$64M over prior year results. This growth translated into \$200M in short-term funds, including cash, the highest liquidity position the Bank has experienced in 26- year history, representing 39% of total assets.

This high liquidity experienced occurred within the context of the current recession in Dominica, where lending activity in general has declined by about 22%. Our own lending rates have therefore been on a steadily declining trend, dropping from 10.5% in 2000 to 7.5% in 2004. The poor lending climate and fiercely competitive market have therefore resulted in a drop in Loans & Overdrafts from \$185M in 2003 to 144M in 2004 or a 21.9% decline.

To sustain the performance results, NBD has had to diversify its portfolio in the year under review to focus on short to medium-term investments. In 2004 investments rose by \$74M or 107.44% over 2003 levels to \$142M. The bank increased its investment activity in order to strategically balance its Earnings Assets portfolios and effectively deploy some of its excess liquidity.

Pre- tax earnings of the group in 2004 climbed to \$4.4M, a 13.9% increase over 2003 levels.

The wholly owned subsidiary, National Mortgage Finance Company (NMFC) recorded asset growth of \$1.8M or 8.3% over 2003 levels to \$23.5M.

The Eastern Caribbean Central Bank's June 30, 2004 report on the banking sector in Dominica indicated that total commercial Bank's assets grew to \$1.023BN, an increase of \$104M or 11% over the corresponding period last year, of which NBD enjoyed \$511.5M or 50% of market share. This is an increase 5.6% in the bank's share of the market from 44.4% in 2003.

According to Central Bank's statistics, total domestic Loans and Overdrafts market declined by \$52M or 21.93% to 481M in 2004 compared to \$583M in 2003. NBD's portion of this market stood at 30% as at June 30, 2004 down from 34.64% in the 2003 period.

The total Deposits market posted a significant increase for the second year in a row. Deposits grew by 13.32% to \$860.8M of which NBD secured a 48.2% market share, up from 44.4% in 2003.

Despite the difficult economic situation the National Bank has been able to grow its market share, succeeded in achieving some of its strategic objectives, and return reasonable results during the year.

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SECURITIES / INVESTMENT UNIT

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Despite the difficult economic situation the National Bank has been able to grow its market share, succeeded in achieving some of its strategic objectives, and return reasonable results during the year.

Net interest income increased by \$0.7M or 7% over 2003 levels. The increase was partly a result of reducing interest rates on deposits, a strategic move fueled by the decline in lending rates and the poor lending environment. In addition, given the US Fed rate declined over the year, resulting in lower than normal returns on investments, the Bank had to cut rates on deposits in order to maintain the Net Interest Margin.

Interest Earning Assets increased by 13% or \$33.3M over 2003. This was due to the continued strong liquidity levels and the Bank's portfolio re-balancing towards investment securities. Return on Assets increased marginally by 20 basis points while return on shareholders equity increased to 5.49% compared to 5.14% in 2003. Net Earnings per share in 2004 was \$4.42 compared to \$3.88 in 2003.

NON-INTEREST INCOME

Total Non- Interest Income decreased marginally by \$0.1M or 3.32% for the year under review. This decline was as a result of the competitive environment in service charges and foreign exchange commissions. Foreign Exchange commissions arise from the facilitation of financial transactions on behalf of customers to include international funds transfers, documentary collections and letters of credit. Given the general decline in business volume in the economy, the Bank has had to compete increasingly to retain existing business and acquire new ones by matching and exceeding competitors offers.

NON – INTEREST EXPENSES

Total non-interest expenses increased by \$1.6M or 26.98% over 2003. This increase was due in large part to the addition of the Independence Street Branch as well as other additions to staff brought about by the increased customer base.

MACRO ECONOMIC ANALYSIS

On March 24, 2004, the IMF approved its first review of the three-year US\$11.3Mn Poverty Reduction and Growth Facility (PRGF), signed in December 2003. As a result, US\$0.5mn was released immediately to the government, taking the total disbursement so far to US\$3.9mn. Also, in April, as part of its fiscal consolidation efforts, the government announced a debt restructuring plan that would extend the maturity profile of the country's total debt stock. NBD currently holds \$23.8M in government paper, which will be subject to debt restructuring. No materially adverse effect on NBD's net position is expected.

Value-added-tax (VAT) is tentatively set to be implemented effective July 1, 2005 as part of the vigorous set of reforms undertaken by government. Although Banks will not be required to collect VAT on their services, they will also not be exempt from paying VAT on non-interest expenses. These new measures will have a significant increase on the non-interest cost of operating in the post VAT implementation period. NBD intends to meet this new challenge as we continue to provide internationally



CUSTOMER SERVICE REPRESENTATIVES

(Directors'
Report cont.)

competitive services to our customers.

DEPOSITS

Customer deposits rose significantly by \$64.6M or 18.46% to \$414M. There was a marked increase in savings deposits from \$94M to \$146M, a 35.62% increase. Time Deposits increased moderately by \$8M or 6.06%. Likewise Demand Deposits increased \$4M or 2.94%.

RISK MANAGEMENT CURRENCY RISK

Assets are primarily funded in Eastern Caribbean and United States Dollars to minimize the currency risks. Funds received in volatile currencies over the level needed to maintain settlements are converted to stable currencies on the international money markets.

INTEREST RATE RISKS

In order to hedge fluctuations in market interest rates, investments are held in low volatility instruments for short to medium terms. In addition, the Bank actively seeks to attract lower-cost funds in order to stabilize its cost of capital.

LIQUIDITY RISKS

Daily calls on cash are met by adequately forecasting the inflows of cash from daily activities. This is supplemented by assets readily convertible to cash on demand and in short-term highly liquid instruments.



(Directors'
Report cont.)

FINANCE & ACCOUNTING
DEPARTMENT

CORRESPONDENT BANKS
THE BANK MAINTAINS A NETWORK OF
CORRESPONDENT BANKING RELATIONSHIPS AS FOLLOWS

Antigua Commercial Bank	-St.John's, Antigua
St.Kitts-Nevis and Anguilla National Bank Limited	-Basseterre, St.Kitts
Eastern Caribbean Central Bank	-Basseterre, St.Kitts
Bank of Montserrat Limited	-Plymouth, Montserrat
Bank of St. Lucia Limited	-Castries, St.Lucia
National Commercial Bank (SVG) Limited	-Kingstown, St.Vincent
National Commercial Bank of Grenada Limited	-St.George's, Grenada
Barbados National Bank	-Bridgetown, Barbados
RBTT Jamaica Limited	-Kingston, Jamaica
First Citizens Bank Limited	-Port of Spain, Trinidad
Republic Bank Limited	-Port of Spain, Trinidad

CORRESPONDENT BANKS

Banque Francaise Commerciale Antilles Guyane	-Forte-de-France, Martinique
Banque Francaise Commerciale Antilles Guyane	-Pointe-a-Pitre, Guadeloupe
Toronto Dominion Bank	-Toronto, Canada
Bank of Nova Scotia	-Toronto, Canada
Citibank	-New York, USA
Bank of America	-Miami, Florida, USA
Bank of America	-New York, USA
Crown Agents Financial Services Ltd.	-London, UK
Lloyds Bank Plc	-London, UK
HSBC Ltd	-London, UK
ING Brussels	-Brussels, Belgium
Banque San Paolo	-Paris, France
Societe Ge' ne' rale	-New York, USA

CORRESPONDENT BANKS

MOREAU, WINSTON & CO.

— CHARTERED CERTIFIED ACCOUNTANTS —

P.O. Box 411 • 32 BATH ROAD • ROSEAU • COMMONWEALTH OF DOMINICA
TEL/FAX.: (809) 448-8800 / 2252

AUDITOR'S REPORT

To Shareholders
National Bank of Dominica
ROSEAU


We have audited the consolidated balance sheet of the **National Bank of Dominica** as at June 30, 2004 and the consolidated statements of earnings, statement of changes in equity, cash flows and notes to the financial statements for the year then ended. These financial statements are the responsibility of management of the **National Bank of Dominica**; our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these financial statements present fairly in all material respects, the financial position of the Bank as at June 30, 2004 and the results of its operations and its cash flows for the year then ended and have been properly prepared in accordance with the Company's **Act 21 of 1994** of the Laws of the Commonwealth of Dominica.

September 08, 2004

ROSEAU.



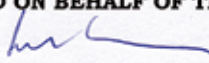


MOREAU, WINSTON & CO

Gordon Moreau (M.Sc., CA)

Austin Winston, (FCCA)

AUDITOR'S REPORT

NATIONAL BANK OF DOMINICA CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED JUNE 30, 2004.

NATIONAL BANK OF DOMINICA CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2004.			
-----	NOTES	2004	2003
		\$	\$
Assets			
Cash and short-term funds	3	200,324,282	165,771,444
Short-term investments	4 & 2g	87,148,987	26,595,282
Long-term investments	5 & 2g	55,779,664	42,305,843
Loans and advances	6	144,369,503	185,013,912
Other assets	7	11,499,511	9,928,344
Premises and equipment	10	8,329,295	8,057,554
Customers liability for acceptances, guarantees and confirmed credits	2(i)	4,003,171	959,309
			-
Total Assets		511,454,413	438,631,688
Liabilities			
Deposits	9	414,719,614	350,102,256
Interest payable		6,332,695	6,717,172
Proposed dividends		1,500,000	1,500,000
Other liabilities	11	4,431,191	3,841,051
Taxation	15&14	-	-
Acceptances, guarantees and letters of credit	2(i)	4,003,171	959,309
Total Liabilities		430,986,671	363,119,788
NET ASSETS		80,467,742	75,511,900
Shareholder's Equity	12	80,467,742	75,511,900
TOTAL EQUITY		80,467,742	75,511,900
The notes to the financial statements form an integral part thereof.			
SIGNED ON BEHALF OF THE BOARD			
			
-----	-----	-----	
Milton Lawrence Chairman	Ackroyd Birmingham Director	Vans.T. LeBlanc Man. Director	

NATIONAL BANK OF DOMINICA CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED JUNE 30, 2004.

	NOTES	2004	2003
	\$	\$	\$
I. INCOME			
Income from loans and advances		15,324,144	18,041,092
Income from time deposits and investments		8,416,961	5,440,815
Commissions and other earned revenue		5,772,833	5,972,338
		29,513,938	29,454,245
2. EXPENSES			
Interest on customer deposits		11,638,197	12,168,843
Salaries, Staff benefits and allowances		6,351,374	5,264,459
General expenses		3,845,002	2,992,722
Provision: diminution on cost of investments	5	-	385,620
Provision for loan losses	6(b)	1,635,524	3,196,141
Audit fee		62,050	51,580
Depreciation		1,210,342	1,166,729
Agency fees		127,404	237,657
Directors' fees and expenses		224,969	111,440
		25,094,861	25,575,190
EARNINGS BEFORE TAX		4,419,076	3,879,055
Provisions for Income Tax	15	-	-
NET EARNINGS FOR THE YEAR		4,419,076	3,879,055
EARNINGS PER SHARE	17	4.42	3.88

The notes to the financial statements form an integral part thereof.

NATIONAL BANK OF DOMINICA
CONSOLIDATED STATEMENT OF
CHANGES ON EQUITY
FOR THE YEAR ENDED JUNE 30, 2004.

	SHARE CAPITAL (Note 12) \$	STATUTORY RESERVE (Note 13) \$	RETAINED EARNINGS \$	TOTAL \$
Balance at June 30, 2002	10,000,000	10,000,000	53,235,040	73,235,040
Net Earnings for the year	-	-	3,879,055	3,879,055
Prior year- disposals/depr.	-	-	(102,195)	(102,195)
Dividends	-	-	(1,500,000)	(1,500,000)
Balance at June 30, 2003	10,000,000	10,000,000	55,511,900	75,511,900
Net earnings for the year	-	-	4,419,076	4,419,076
Acquisition earnings (Note 25)	-	-	2,036,766	2,036,766
Dividends	-	-	(1,500,000)	(1,500,000)
Balance at June 30, 2004	10,000,000	10,000,000	60,467,742	80,467,742

NATIONAL BANK OF DOMINICA CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED JUNE 30, 2004.

	NOTES	2004	2003
	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and commission receipts		23,406,570	25,348,249
Interest payments		(11,638,197)	(12,168,843)
Recoveries on loans previously written off	6(b)	290,902	19,935
Cash payments to employees and suppliers		(10,610,798)	(12,236,325)
Acquisition Goodwill/Prior year - disposals/depreciation & staff benefits		2,036,766	(102,195)
Operating profit before changes in operating assets		3,485,243	860,821
Decrease (increase) in operating assets :			
Loans and advances to customers	6	40,644,409	13,224,545
Credit Cards and other receivables	7	(1,571,167)	(98,606)
Short term investments	4	(60,553,705)	(958,094)
Increase (decrease) in liabilities:			
Deposits from customers	9	64,617,358	70,266,661
Interest payable		(384,477)	1,343,531
Member retirement benefits & protection	11	181,609	242,328
Other liabilities	11	408,531	(2,316,577)
Net cash from operating activities before income tax		46,827,801	82,564,609
Income taxes refunded net (paid) & provided	15&14	-	(57,517)
Net cash from operating activities		46,827,801	82,507,092
Cash flows from investing activities			
Interest received		6,077,189	3,833,335
Dividends received		820,318	229,505
Proceeds from sale of assets		77,940	23,221
Long-term investments	5	(13,473,821)	(23,145,387)
Purchase of property, plant and equipment	10	(4,276,589)	(910,154)
Net cash from investing activities		(10,774,963)	(19,969,480)
Cash flows from financing activities			
Dividends paid		(1,500,000)	(1,500,000)
Net cash from financing activities		(1,500,000)	(1,500,000)
Net increase(decrease) in cash and cash equivalents		34,552,838	61,037,612
Cash and cash equivalents at beginning of year		165,771,444	104,733,832
Cash and cash equivalents at end of year		200,324,282	165,771,444

The notes to the financial statements form an integral part thereof.

NATIONAL BANK OF DOMINICA NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30 2004.

I. INCORPORATION

The National Bank of Dominica is a body corporate established under the 1994 Companies Act after Act 18 of 1993 repealing with certain savings Chap.74:02 Laws of the Commonwealth of Dominica. Its head office is located at Roseau, with branches at Portsmouth and Canefield and another branch in Roseau, formerly the Banque Francaise Commerciale acquired under SRI 7 of 2004 from 1st May 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

These consolidated financial statements are prepared in accordance with generally accepted accounting principles prescribed by International Accounting Standards. These financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities.

b. Basis of Consolidation

These consolidated financial statements include the financial statements of the bank and its wholly owned subsidiary companies (National Mortgage Finance Company of Dominica Limited and National Investment Corporation). The statements are made up to June 30, 2004 after elimination of inter-company transactions and balances. The accounting policies used by the subsidiaries are as a whole consistent with that of the group.

c. Provision for loan losses

Specific provisions are made against loans and advances where in the opinion of management recovery is doubtful. In addition, a general provision is made based on exposures existing in the loan portfolio and other relevant factors. The aggregate provision made during the year (less recoveries of loans previously written off) are charged against earnings. Loans written off are charged against the provision. Provisions are calculated by the methods recommended by the Eastern Caribbean Central Bank. Other regulatory loan loss reserve above these requirements if any, are dealt with in the general banking risk reserve as an appropriation of retained earnings.

d. Accrual Accounting

Revenue and expenses are accounted for on the accrual basis of accounting. However, where significant doubt as to the collectibility of a loan arises, such loans are categorized as "non-performing" and interest is recognized only to the extent that payments are received. Non-performing loans are stated at principal outstanding, net of unearned interest.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e. Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into EC dollars at the mid-market rate of exchange prevailing at the balance sheet dates. Foreign exchange transactions during the year are converted at the rates prevailing on the transaction dates. Gains or losses arising from foreign currency transactions are included in the consolidated statement of earnings.

f. Depreciation

Depreciation is provided for on depreciable assets on the straight line method at rates estimated to write off the cost of the assets over their estimated useful lives. The rates currently in use are:

Building	3%
Furniture & Equipment	2.5%
Computers	33%
Motor Vehicles	20%
Leasehold improvements	20%

g. Investments

Short-term investments, those with an original maturity of less than twelve months, are stated at cost. Investments in dated and Money Market securities are stated at cost, net of adjustments for the amortization of premiums, discounts and commissions over periods to redemption. Other investments are stated at cost less provision for diminution in value. Certain other investments are stated at fair (market) values and also shown at cost. Investments may be held-for-trading, held-to-maturity or available-for-sale.

NATIONAL BANK OF DOMINICA NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30 2004. CONT.

H. INCOME TAX

Income tax is accounted for under the tax payable method, whereby the actual tax payable is charged to earnings.

I. ACCEPTANCES, GUARANTEES AND LETTERS OF CREDIT

The Bank's potential liability for acceptances, guarantees and confirmed credits is reported as a liability in the balance sheet. The Bank has equal and offsetting claims against its customers, in the event of a call on these commitments, which are represented as an asset.

J. ACCOUNTING FOR LEASES-WHERE THE COMPANY IS THE LESSEE.

Leases entered into by the company are all classified as operating leases and hence payments made under the terms of the lease are all charged to the income and expenses account in accordance with the lease agreement.

K. PROVISIONS.

Included under other liabilities are provisions for which arose as a result of a constructive agreement for the employees to provide them with a defined benefit. It is generally contributed to by the employer and the employee. The funds are not held by or be under separate trustee administration

3. CASH AND SHORT - TERM FUNDS

	2004 \$	2003 \$
(a) Current accounts with correspondent banks		
(b) Cash and accounts with local banks	35,023,920	98,615,537
(c) East Caribbean Central Bank deposits	105,971,971	37,437,213
(d) Time deposits with foreign banks	1,588,960	4,340,000
(e) Other items, in course of collection	57,086,693	25,249,291
	652,738	129,403
	200,324,282	165,771,444

4. SHORT - TERM INVESTMENTS

	2004	2003
Treasury bills -		
	Nominal Value	
Government of Dominica	4,400,000	4,331,100
Government of St. Vincent T-Bill/ECSE	5,000,000	4,925,993
Government of Dominica T-Bill/ECCB	3,900,000	3,838,189
Other Investments:		
	Cost	
Gravitas Capital Advisers	21,600,000	-
Wachovia Securities, LLC	8,100,000	-
Crown Agents Investments	20,250,000	-
Merryl Lynch cash money account	13,500,000	13,500,000
Other	9,902,852	-
	87,148,987	26,595,282

NATIONAL BANK OF DOMINICA NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004. CONT.

5. LONG - TERM INVESTMENTS

	2004	2003
Government of Dominica	\$	\$
Cost		
7% Debentures 2012	1,200,000	1,200,000
7% Debentures 2012	2,500,000	2,500,000
7.75% Debenture 2009	20,000,000	20,000,000
7.5% Debenture 2008	100,000	100,000
Certificates of participation in Gov't of Dominica Bonds 1999/2005/2007	6,999,492	6,999,492
Shares at cost in:		
National Commercial Bank of Grenada Limited	931,500	931,500
Caribbean Credit Card Corporation Limited	550,000	550,000
Eastern Caribbean Home Mortgage Bank	169,400	169,400
Leeward Islands Air Transport, LIAT	631,900	631,900
Dominica Unit Trust Corp. Ltd	1,000,000	1,000,000
National Commercial Bank-St.Lucia	2,300,000	2,000,000
Eastern Caribbean Securities Exchange	50,000	50,000
Other investments at cost:		
Grenada Port Authority 9.75% Convertible loan	458,984	472,656
Republic Bank Bond 6% 2006	1,350,000	1,350,000
Gov't of St.Lucia (Citicorp) Bonds 2013 (1 year Repo)	-	4,326,515
ACB Port Expansion Bond	6,089,008	675,000
St.Kitts Air and Seaport Bond	560,000	560,000
Citibank Trinidad SVG Bonds	4,000,000	-
CMMB Barbados Bonds	4,050,000	-
CMMB Gov't of Trinidad Bonds	4,050,000	-
	56,990,284	43,516,463
Provision for impairment (DUTC \$999,990, LIAT \$210,630)	(1,210,620)	(1,210,620)
	55,779,664	42,305,843
5(a). Provision for impairment.		
Balance at begin of year	1,210,620	825,000
Amounts written off	-	385,620
Increase for the year	385,620	
Balance at end of the year	1,210,620	1,210,620

NATIONAL BANK OF DOMINICA
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004. CONT.

6(a). LOANS AND OVERDRAFTS

	2004	2003
	\$	\$
Loans	123,315,536	126,622,913
Overdrafts	43,581,130	67,771,328
Staff advances & loans	5,059,245	3,007,318
	171,955,911	197,401,559
Provision for loan losses (Note 6b)	(27,586,408)	(12,387,647)
	144,369,503	185,013,912

6(b). PROVISIONS FOR LOAN LOSSES.

Beginning balance	(12,387,647)	(12,116,331)
Beginning balance.....Acquisition (BFC)	(14,033,594)	-
Bad debts recovered	290,902	19,935
Write off	179,455	2,904,890
Charges against profits	(1,635,524)	(3,196,141)
	(27,586,408)	(12,387,647)

6(c). Sectoral analysis

Agriculture, Fisheries, Mining	6,785,367	7,585,570
Manufacturing	7,940,323	5,550,417
Utilities	10,394,604	22,571,697
Construction & Land Development	13,137,625	12,765,960
Distribution	25,986,511	26,642,003
Tourism & Entertainment	7,795,953	8,325,626
Transportation & Storage	2,309,912	2,035,153
Professional services	11,838,299	4,625,348
Public administration	1,732,434	36,262,727
Home Construction & Renovation	27,430,206	29,602,226
House & Land Purchase	8,373,431	7,955,598
Durable Consumer Goods	2,598,651	3,145,237
Financial Institutions	2,887,390	3,885,292
Other Personal	15,158,798	14,061,058
	144,369,503	185,013,912

NATIONAL BANK OF DOMINICA NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004.

7. OTHER ASSETS

	2004 \$	2003 \$
Interest receivable – Loans & Advances	2,491,736	4,092,244
Interest receivable, Treasury bills/debentures/Bonds	3,430,949	2,344,750
Investment - Staff Gratuity	1,510,000	-
Prepayments and miscellaneous	2,227,853	1,652,377
Income tax- recoverable	1,838,973	1,838,973
	11,499,511	9,928,344

8. STATUTORY RESERVES WITH CENTRAL BANK

The Eastern Caribbean Central Bank (ECCB) mandates that commercial banks under its jurisdiction maintain a minimum reserve of 6% of their deposit liabilities (excluding inter-bank deposits). With effect from March 31, 1994 the reserve shall consist of demand deposits with the ECCB and the Eastern Caribbean Dollar notes and coins held by the commercial bank.

9. DEPOSITS

Demand deposits	135,687,589	131,758,815
Savings accounts	146,676,681	94,333,085
Time deposits	132,355,344	124,010,356
	414,719,614	350,102,256

9(a). Sectoral analysis

Consumers	192,015,181	162,097,345
Other	100,486,562	84,829,777
Private Sector	31,103,971	26,257,669
Government & para statals	91,113,899	76,917,466
	414,719,614	350,102,256

NATIONAL BANK OF DOMINICA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

10. PREMISES AND EQUIPMENT SCHEDULE

	LAND	BUILDING	LEASEHOLD	COMPUTER	FURNITURE/EQUIPMENT	MOTOR VEHICLE	TOTAL
	\$	\$	\$	\$	\$	\$	\$
COST							
Balance - beginning of year	1,102,403	4,836,167	408,770	4,612,864	2,849,439	460,715	14,270,358
Additions/Acquisitions for the year		74,438	399,101	139,502	2,143,171	264,858	4,276,589
Disposals/transfers				(945,799)	(1,001,297)	(192,858)	(2,139,954)
	1,102,403	4,910,605	807,871	5,062,086	3,991,313	532,715	16,406,993
ACCUMULATED DEPRECIATION							
Balance - beginning of year	-	1,188,987	100,041	2,349,667	2,260,434	313,675	6,212,804
Balance on acquisition			344,212	0	283,840	26,500	654,552
Charge for the year		134,917	17,295	637,155	333,982	86,993	1,210,342
Disposals/ eliminations							
Balance - end of year	-	1,323,904	461,548	2,986,822	2,878,256	427,168	8,077,698
NET BOOK VALUE							
As at June 30, 2003.	1,102,403	3,647,180	308,729	2,263,197	589,005	147,040	8,057,554
As at June 30, 2004.	1,102,403	3,586,701	346,323	2,075,264	1,113,057	105,547	8,329,295

II. OTHER LIABILITIES

	2004	2003
	\$	\$
Manager's cheques	1,482,351	1,542,018
Bankers payments	180,416	87,311
Provision for staff gratuities	1,974,725	1,793,116
Unclaimed dividends	145,268	114,258
Other accounts payable and accrued liabilities	648,431	304,348
	4,431,191	3,841,051

12. SHARE CAPITAL

Share capital authorized is 1 million shares of \$10 each = \$10 million. Issued and fully paid.

13. RESERVE FUND

Section 40 of Chapter 74.02 of the Laws of Dominica provides that not less than 25 % of the annual net earnings of the Bank shall be set aside to a reserve fund whenever the fund is less than the issued paid-up capital of the Bank.

NATIONAL BANK OF DOMINICA NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

14. TAX EXEMPT INCOME IN RETAINED EARNINGS

Included in retained earnings as at June 30, 2004 is undistributed tax exempt income amounting to \$ 45.6Million arrived at as follows:

	2004 \$	2003 \$
Undistributed tax exempt		
income - beginning of year	40,985,594	38,397,821
Add: Tax exempt income for the year (net)	6,188,631	4,087,773
	47,174,225	42,485,594
Deduct: Dividends issued out of tax exempt income	(1,500,000)	(1,500,000)
	45,674,225	40,985,594

15. PROVISION FOR INCOME TAX

The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate of 30% on the consolidated accounts as follows: -

Profit before tax	4,419,076	3,879,055
Effect of differences		
between depreciation and wear & tear	140,765	(13,514)
Effect of tax exempt income	(6,188,631)	(4,087,773)
Fixed assets disposals (gain)/loss	(77,940)	(23,221)
Expenses disallowed for tax/other	67,125	91,753
	(1,639,605)	(153,700)

The deferred tax asset relative to the carry forward of tax losses are recognized to the extent that it is probable that the future taxable profits will arise to have it set off against the profits.

16. EARNINGS PER SHARE

Calculation of earnings per share is based on earnings of \$4,419,076 (2003 \$3,879,055) over (one) 1 million shares in issue during the two years ended June 30, 2004.

17. BANKING REGULATIONS.

The disclosures required under SR 055 of 1993 are made in note 2(c) and the financial statements generally.

NATIONAL BANK OF DOMINICA NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

18. RELATED PARTY

In the normal course of business directors of the bank do banking transactions on commercial terms and conditions and at prevailing market rates. At June 30, 2004 directors owed \$1.4 million (June 30, 2003 \$0.74 million). Lease payments totalling \$158,256 was made to a company whose director holds a controlling interest therein. Staff members enjoy preferred rates, and at June 30, 2004 owed \$5.0 million (June 30, 2003, \$3.0 million). The Government of Dominica owns 48.6% of the shares of the Bank. Total exposure of the Bank to Government was \$10.8 million [\$48 million at June 30, 2003]. That figure included loans and/or guarantees for para - states and other corporate entities.

19. FINANCIAL INSTRUMENTS.

(a) Primary & Derivative financial instruments.

Management is not aware of any factors that should significantly affect the values as stated in the financial statements. Events to the balance sheet date have not occurred that should suggest that the balances reported are not fair estimates. Events include the government debt restructuring programme which will entail the surrendering of certain Citibank bonds in return for more than equivalent amounts in government's own bonds plus exgratia payments. Besides the investments disclosed in Note 5, most of the financial instruments are of a short term nature. Loans receivable (net of provision for bad debts) and customers' deposits are estimated to be fair values. Provision for uncollectibles is based on formula recommended by the Central Bank. Sole derivatives financial instruments relate to certificates of participation in Government of Dominica Bonds as recorded in note 5.

(b) Risk factors.

Risk factors to the Bank correlates with the adverse economic situation current in Dominica. Matters of risk are reviewed and managed by the Bank's own in-house team. The single most material risk factor relates to the Government of Dominica as is disclosed in Note 18 above. At June 30, 2004 Government had defaulted on some of its obligations.

(b) (i) Currency risk.

The currencies mostly traded in are the US dollar, pound sterling, Euros and EC dollar which is officially tied to the US dollar. With foreign currencies being also held with correspondence banks, the bank is able to hedge any currency exposure arising from any trading activities.

(b) (ii) Interest rate risk.

Based on contractual pricing or maturity dates, the bank is able to monitor any mismatching of interest rates which can arise from fluctuations in existing levels of interest rates. Variations in the interest rates receivable on assets and that payable on liabilities expose the bank to interest rate risks. Through repricing and variability of investing, the bank is able to maintain and monitor its interest rate risk at a favourable position.

NATIONAL BANK OF DOMINICA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004.

	Up to 1 Year	1 to 5 Years	Over 5 Years	Non-interest Bearing	Total
ASSETS					
Cash and money at call	200,324,282	0	0	0	200,324,282
Loans and Advances	49,628,747	23,069,742	61,375,629	10,295,385	144,369,503
Investments	64,150,852	36,945,507	30,799,492	11,032,800	142,928,651
Other Assets	7,432,686			16,399,291	23,831,937
Total Assets	321,536,567	60,015,249	92,175,121	37,806,011	511,454,413
LIABILITIES					
Due to banks	2,018,087	3,286,118	0	0	5,304,205
Customers' deposits	241,563,005	32,141,976	5,327,044	135,687,589	414,719,614
Other Liabilities	1,028,490			90,402,104	91,430,594
Total Liabilities	244,609,582	35,428,094	5,327,044	226,089,693	511,454,413
Interest Sensitivity Gap	76,926,984	24,587,155	86,848,077		

(iii) Liquidity risk.

Daily floats, quick liquidity of the banks liquid resources and monies at call from local banks and regulatory authorities enables the bank to meet daily calls on its resources. Maturing deposits and other liquidity requirements are plotted and correlated over time to meet maturing liquidity needs as they arise.

	Up to 1 Year	1 to 5 Years	Over 5 Years	Total
ASSETS				
Cash and money at call	200,324,282	0	0	200,324,282
Loans and Advances	49,628,747	33,365,127	61,375,629	144,369,503
Investments	64,150,852	36,945,507	41,832,292	142,928,651
Other Assets	7,432,686	0	16,399,291	23,831,977
Total Assets	321,536,567	70,310,634	119,607,212	511,454,413
LIABILITIES				
Due to banks	2,018,087	3,286,118	0	5,304,205
Customers' deposits	377,250,594	32,141,976	5,327,044	414,719,614
Other Liabilities	2,452,992	0	88,977,602	91,430,594
Total Liabilities	381,721,673	35,428,094	94,304,646	511,454,413
Net Liquidity Gap	(60,185,107)	34,882,540	25,302,566	

(iv) Credit risks.

Retail and corporate banking forms a substantial portion of the banks major line of operations mainly in Dominica.

The concentration of such assets are spread in the Caribbean and are mainly in the areas of retail and corporate banking, certain investment banking and others.

NATIONAL BANK OF DOMINICA NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

20. COMMITMENTS.

Facilities committed but not yet drawn at the balance sheet date total \$16.1 million.
(2003 \$20.5 million).

20(a). Sectoral analysis

	2004 \$	2003 \$
Agriculture, Fisheries, Mining	756,070	841,520
Manufacturing	884,763	616,746
Utilities	1,158,235	2,504,035
Construction & Land Development	1,463,880	1,416,216
Distribution	2,895,587	2,955,582
Tourism & Entertainment	868,676	923,619
Transportation & Storage	257,386	225,774
Professional services	1,319,101	513,122
Public administration	193,039	4,022,875
Home Construction & Renovation	3,056,453	3,283,980
House & Land Purchase	933,022	882,570
Durable Consumer Goods	289,559	348,923
Financial Institutions	321,732	431,022
Other Personal	1,689,092	1,539,365
	16,086,595	20,505,349

NATIONAL BANK OF DOMINICA NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004.

21. CAPITAL AND LEASE COMMITMENTS.

There was no capital commitments for properties except for an operating lease commitment that is due as follows:

	2004	2003
	\$	\$
Within one year	370,368	166,968
Within two to five years	1,253,928	834,840
	1,624,296	1,001,808

22. HUMAN CAPITAL MANAGEMENT.

The following data serves to indicate trends in the performance measurement of the bank:

Number of employees	101	81
Staff Costs/Total Revenue	21.52%	17.87%
Revenue per employee	292,217	363,632
Assets per employee	5,064,683	5,415,206

23. PREVIOUS YEAR

Certain previous year's figures were re-classified to conform to this year's presentation.

24. CONTINGENT LIABILITIES.

(a) As at the accounting terminal date, certain cases in action were pending against the Bank.

As has been reported and from legal advice obtained, indications are that there will be no significant loss if any, awarded against the bank.

(b) Certain funds totalling US\$4.7M held on behalf of a Receiver at a correspondent bank is subject to adjudication. The bank has a corresponding offsetting claim for the amount.

25. GOODWILL

Negative goodwill arose from the acquisition of the Independence Street Branch, formerly (BFC) in the sum of \$ 2,036,765.77 on the 30th of April 2004. The Board has decided to record the negative goodwill arising therefrom to the profit & loss account.

FINANCIAL SUMMARY LAST FIFTEEN YEARS

FINANCIAL SUMMARY LAST FIFTEEN YEARS

LOANS STATISTICS (\$000)	1990	1991	1992	1993	1994	1995	1996	1997
LOANS, ADVANCES & OVERDRAFTS :								
NBD	74,130	85,361	86,354	108,486	122,124	139,105	140,481	159,846
OTHER BANKS	157,526	183,839	201,075	232,645	249,148	282,078	298,591	303,427
MARKET	231,656	269,200	287,429	341,131	371,272	421,183	439,072	463,273
NBD'S SHARE OF MARKET	32.00%	31.71%	30.04%	31.80%	32.89%	33.03%	31.99%	34.50%
LOANS GROWTH STATISTICS (\$000)								
NBD'S GROWTH	16,050	11,231	993	22,132	13,638	16,981	1,376	19,365
OTHER BANKS	47,154	26,313	17,236	31,570	16,503	32,930	16,513	4,836
MARKET GROWTH	63,204	37,544	18,229	53,702	30,141	49,911	17,889	24,201
NBD'S GROWTH RATE	27.63%	15.15%	1.16%	25.63%	12.57%	13.90%	0.99%	13.78%
MARKET GROWTH RATE	57.26%	23.83%	9.92%	26.71%	12.96%	20.03%	6.34%	8.11%
NBD'S SHARE OF MARKET GROWTH RATE	25.39%	29.91%	5.45%	41.21%	45.25%	34.02%	7.69%	80.02%
DEPOSITS								
SHARE OF THE MARKET	32.69%	28.38%	28.98%	31.11%	33.71%	31.61%	34.09%	39.25%
GROWTH RATE	5.59%	5.66%	14.06%	17.32%	15.92%	7.10%	7.45%	27.58%
STATISTICAL REVIEW(\$000)								
TOTAL ASSETS	122,963	134,919	150,129	172,747	200,409	220,425	238,220	290,051
TOTAL DEPOSITS	95,237	100,625	114,774	134,653	156,093	167,176	179,628	229,166
LOANS AND ADVANCES	74,130	94,274	97,232	117,226	133,418	151,030	151,583	169,843
INVESTMENT SECURITIES	13,059	9,670	17,408	20,208	19,767	19,936	23,851	15,112
CASH AND SHORT TERM FUNDS	26,124	18,323	24,371	21,655	38,858	37,538	49,788	95,565
OPERATING INCOME	12,524	14,146	15,726	16,324	19,325	20,715	23,068	24,875
INTEREST EXPENSES	3,283	4,195	5,288	5,921	6,328	6,831	7,859	9,526
OPERATING EXPENSES	3,512	3,503	4,189	4,684	5,853	6,359	6,945	8,236
TOTAL OPERATING EXPENSES	6,795	7,698	9,477	10,605	12,181	13,190	14,804	17,763
PROFIT (LOSS) BEFORE TAXATION	5,729	6,448	6,249	5,719	7,144	7,525	8,264	7,112
INCOME TAX	1,176	1,234	1,000	927	1,117	1,221	1,282	734
NET PROFIT (LOSS) FOR YEAR	4,493	5,214	5,249	4,792	6,027	6,303	6,982	6,378
DIVIDEND PAID	1,500	1,500	1,500	2,000	1,500	1,500	1,500	2,000
DIVIDEND PER SHARE	\$ 1.50	\$ 1.50	\$ 1.50	\$ 2.00	\$ 1.50	\$ 1.50	\$ 1.50	\$ 2.00
AUTHORISED SHARE CAPITAL	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
PAID UP SHARE CAPITAL	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
(1) GOVERNMENT OF DOMINICA	5,100	5,100	5,100	5,100	5,100	5,100	5,100	5,100
(2) PUBLIC	1,544	4,900	4,900	4,900	4,900	4,900	4,900	4,900
REVENUE & CAPITAL RESERVES	11,280	14,893	18,643	21,435	25,962	30,765	36,248	40,625
SHAREHOLDERS EQUITY	21,280	24,893	28,643	31,435	35,962	40,765	46,248	50,625
NUMBER OF SHAREHOLDERS	1,938	1,938	1,938	1,938	1,938	1,938	1,938	1,953
RETURN ON SHARE CAPITAL	57.29%	64.48%	62.49%	57.19%	71.44%	75.25%	82.64%	71.12%
AFTER TAX EARNINGS PER SHARE	0.45	0.52	0.52	0.48	0.60	0.63	0.70	0.64
PRE-TAX RETURN ON YEAR-END ASSETS	4.66	4.78	4.16	3.31	3.56	3.41	3.47	2.45
AFTER-TAX RETURN ON YEAR-END ASSETS	3.65	3.86	3.50	2.77	3.01	2.86	2.93	2.20
NUMBER OF EMPLOYEES	58	60	57	63	62	59	59	60

FINANCIAL SUMMARY LAST FIFTEEN YEARS CONT.

LOANS STATISTICS (\$000)	1998	1999	2000	2001	2002	2003	2004
LOANS, ADVANCES & OVERDRAFTS :							
NBD	156,906	156,986	169,844	193,911	198,200	184,933	144,370
OTHER BANKS	327,541	345,416	357,812	344,806	362,615	348,900	336,863
MARKET	484,447	502,402	527,656	538,717	560,815	533,833	481,233
NBD'S SHARE OF MARKET	32.39%	31.25%	32.19%	35.99%	35.34%	34.64%	30%
LOANS GROWTH STATISTICS (\$000)							
NBD'S GROWTH	-2,940	80	12,858	24,067	4,289	-13,267	-40,563
OTHER BANKS	24,114	17,875	12,396	-13,006	17,809	-13,715	-12,037
MARKET GROWTH	21,174	17,955	25,254	11,061	22,098	-26,982	-52,600
NBD'S GROWTH RATE	-1.84%	0.05%	8.19%	14.17%	2.21%	-6.69%	-21.93%
MARKET GROWTH RATE	6.98%	5.48%	7.31%	3.09%	6.41%	-7.44%	-15.08%
NBD'S SHARE OF MARKET GROWTH RATE	-13.88%	0.45%	50.91%	217.58%	19.41%	49.17%	77.12%
DEPOSITS							
SHARE OF THE MARKET	37.06%	38.85%	37.90%	38.00%	39.20%	44.40%	48.20%
GROWTH RATE	-2.05%	10.04%	-5.00%	4.36%	1.10%	5.20%	18.28%
STATISTICAL REVIEW(\$000)							
TOTAL ASSETS	290,463	318,623	315,726	328,069	366,685	438,632	511,533
TOTAL DEPOSITS	224,474	247,005	234,645	244,875	279,836	350,102	414,720
LOANS AND ADVANCES	163,903	160,438	172,940	198,767	198,238	185,014	144,370
INVESTMENT SECURITIES	15,487	38,652	48,451	50,469	44,166	68,901	142,929
CASH AND SHORT TERM FUNDS	96,802	106,846	72,798	63,958	104,734	165,771	200,324
OPERATING INCOME	27,507	28,347	29,245	30,471	28,871	29,454	29,513
INTEREST EXPENSES	10,262	10,760	10,769	11,806	11,070	12,169	11,638
OPERATING EXPENSES	10,275	8,605	11,511	9,748	10,522	10,210	11,821
TOTAL OPERATING EXPENSES	20,537	19,344	22,280	19,885	21,592	22,379	23,459
PROFIT (LOSS) BEFORE TAXATION	6,971	8,983	6,965	10,586	3,002	3,879	4,419
INCOME TAX	802	1,327	897	917	58	0	-
NET PROFIT (LOSS) FOR YEAR	6,069	7,656	6,068	9,669	2,944	3,879	4,419
DIVIDEND PAID	2,000	3,000	2,000	2,000	1,500	1,500	1,500
DIVIDEND PER SHARE	\$ 2.00	\$ 3.00	\$ 2.00	\$ 2.00	\$ 1.50	\$ 1.50	\$ 1.50
AUTHORISED SHARE CAPITAL	10,000	10,000	10,000	10,000	10,000	10,000	10,000
PAID UP SHARE CAPITAL	10,000	10,000	10,000	10,000	10,000	10,000	10,000
(1) GOVERNMENT OF DOMINICA	5,100	5,100	5,100	5,100	5,100	5,100	4,800
(2) PUBLIC	4,900	4,900	4,900	4,900	4,900	4,900	5,200
REVENUE & CAPITAL RESERVES	44,495	49,151	51,610	61,285	62,787	65,166	70,468
SHAREHOLDERS EQUITY	54,495	59,151	61,610	71,285	73,235	75,512	80,468
NUMBER OF SHAREHOLDERS	1,952	1,950	1,944	1,944	1,974	1,974	1,974
RETURN ON SHARE CAPITAL	69.71%	89.83%	69.65%	105.86%	30.02%	38.79%	44.19%
AFTER TAX EARNINGS PER SHARE	0.61	0.77	0.61	0.97	0.29	0.39	0.44
PRE-TAX RETURN ON YEAR-END ASSETS	2.40	2.82	2.21	3.23	0.82	0.88	0.86
AFTER-TAX RETURN ON YEAR-END ASSETS	2.09	2.40	1.92	2.95	0.80	0.88	0.86
NUMBER OF EMPLOYEES	70	72	75	72	79	81	101



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