

# NATIONAL COMMERCIAL BANK JAMAICA LIMITED

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## Consolidated Profit and Loss Account

Quarter ended 2001 December 31

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	Note	2001 \$'000	2000 \$'000
<b>Net Interest Income and Other Income</b>			
Income from loans		357,732	372,433
Income from securities		<u>2,471,141</u>	<u>2,867,769</u>
		2,828,873	3,240,202
Interest expense		<u>(1,911,370)</u>	<u>(1,893,149)</u>
Net interest income		917,503	1,347,053
Exchange gains		247,100	89,107
Fees and commissions		328,727	280,432
Other operating income		<u>174,370</u>	<u>110,216</u>
		<u>1,667,700</u>	<u>1,826,808</u>
<b>Non-Interest Expenses</b>			
Staff costs		733,092	774,244
Other operating expenses		625,999	495,681
		1,359,091	1,269,925
Depreciation		66,071	136,108
Deposit insurance premium		<u>46,339</u>	<u>41,082</u>
		<u>1,471,501</u>	<u>1,447,115</u>
<b>Profit before Taxation</b>	3	196,199	379,693
Taxation	4	<u>(11,670)</u>	<u>(49,270)</u>
		184,529	330,423

Minority Interest in results of subsidiaries		<u>(16,532)</u>	<u>(7,187)</u>
<b>Net Profit Attributable to the Stockholders of</b>			
<b>National Commercial Bank Jamaica Limited</b>		167,997	323,236
		=====	=====
<b>EARNINGS PER ORDINARY STOCK UNIT</b>	5	<u>0.09</u>	<u>0.16</u>

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## Consolidated Balance Sheet

2001 December 31

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	Notes	December 2001 \$'000	September 2001 \$'000
<b>ASSETS</b>			
Cash Resources			
Cash on hand and at Bank of Jamaica	6	10,119,609	7,857,431
Fixed deposits and balances with other banks and financial institutions		5,065,033	5,641,220
Cheques and other instruments in the course of collection		<u>818,360</u>	<u>763,363</u>
		16,003,002	14,262,014
<b>Investments</b>			
Government of Jamaica securities and other investments		56,324,626	57,937,065
Securities purchased under agreements to resell		16,098,932	16,189,379
Investment properties		<u>16,100</u>	<u>16,100</u>
		72,439,658	74,142,544
<b>Loans and Advances Less Provision for Losses</b>	7	10,124,328	8,279,420
<b>Customers' Liability on Ex-Im and Central Bank Discount</b>		226,884	223,310
<b>Customers' Liability on Acceptances, Guarantees, Indemnities and Credits</b>		1,766,514	1,594,617

<b>Other Assets</b>	8	4,309,348	4,892,303
<b>Fixed Assets</b>	9	<u>1,695,514</u>	<u>1,511,277</u>
		<u>106,565,248</u>	<u>104,905,485</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

<b>Deposits and Other Liabilities</b>			
Deposit and current accounts of customers		57,721,456	58,351,974
Promissory notes and certificates of participation		10,368	10,692,790
Amounts due to other banks and financial institutions		2,003,936	1,196,953
Cheques and other instruments in the course of payment		839,506	812,905
Taxation		41,052	8,725
Other liabilities	10	<u>4,011,454</u>	<u>4,714,651</u>
		<u>74,985,531</u>	<u>75,777,998</u>
<b>Liability on Ex-Im and Central Bank Discount</b>		226,884	223,310
<b>Liability on Acceptances, Guarantees, Indemnities and Credits</b>		1,766,514	1,594,617
<b>Obligations Under Repurchase Agreements</b>		12,786,372	11,318,970
<b>Obligations Under Credit Card and Cash Advance</b>			
<b>Securitization Arrangements</b>	11	4,538,494	4,105,026
<b>Life Assurance Fund</b>		2,468,067	2,298,466
<b>Deferred Profit</b>		408,448	400,029
<b>Minority Interest In Subsidiaries</b>		138,402	121,870
<b>Stockholders' Equity</b>			
Share capital	12	1,973,410	1,973,410
Share premium		4,453,752	4,453,752
Share redemption reserve fund		450,000	450,000
Capital reserve	13	291,802	278,462
Banking reserve fund	14	533,974	533,974
Retained earnings reserve	15	911,897	911,897
Retained earnings		<u>631,701</u>	<u>463,704</u>
		<u>9,246,536</u>	<u>9,065,199</u>
		<u>106,565,248</u>	<u>104,905,485</u>

National Commercial Bank Jamaica Limited

Consolidated Statement of Changes in Equity

Quarter ended 2001 December 31

(Accumulated Retained Earnings Reserve	Deficit)/ Retained Earnings Reserve	Total	Note	Share				
				Share Capital	Share Premium	Share Redemption Reserve Fund	Banking Capital Reserve	Banking Reserve Fund
\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 October 2000				5,701,000	561,237	-	959,972	521,974
1,361,897	195,428	9,301,508						
Net profit				-	-	-	-	-
-	323,236	323,236						
Under the Scheme of Arrangement:								
Ordinary shares issued				614,925	-	-	(614,925)	
-	-							
Converted to ordinary shares				(3,892,515)	3,892,515	-		
Redemption of redeemable convertible preference shares				(450,000)	-	-		
(450,000)								
Transfer						450,000	-	-
(450,000)								
Transfers						-	20,561	-
(20,561)	-							

Translation gains				-	8,428	-
8,428						
Gain on revaluation of fixed assets					12,207	
12,207						
Goodwill arising on consolidation					12,049	
12,049						
Surplus on revaluation of investments				-	(4,446)	-
-	-	(4,446)				
<b>Balance at 31 December 2000</b>				1,973,410	4,453,752	450,000
911,897	498,103	9,202,982			393,846	521,974

Balance as at 1 October 2001				1,973,410	4,453,752	450,000	278,462	533,974
911,897	463,704	9,065,199						
Net profit				-	-		-	
167,997	167,997							
Translation gains							11	-
-	-	11,170						
increase on revaluation of investments							2,170	-
-	-	2,170						
<b>Balance at 31 December 2001</b>				1,973,410	4,453,752	450,000	291,802	533,974
911,897	631,701	9,246,536						

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**Consolidated Statement of Cash Flows**

**Quarter ended 2001 December 31**

	2001 \$'000	2000 \$'000
<b>Cash Flows from Operating Activities</b>		
Net profit attributable to stockholders	167,997	323,236
Adjustments to net income to arrive at net cash used in operating activities:		
Provision for loans, net of release	28,540	(255,540)
Depreciation	66,071	136,108
Translation gain on foreign subsidiary	11,170	8,428
Minority Interest	16,532	7,187
Interest earned on FINSAC bonds	-	(1,995,923)
Amounts due to other banks and financial institutions	806,982	466,851
Cheques and other instruments in transit	(28,396)	(640,009)
Other, net	(93,426)	(233,890)
Net cash used in operating activities	<u>975,470</u>	<u>(2,183,552)</u>
<b>Cash Flows from Investing Activities</b>		
Investments	1,628,539	475,620
Loans and advances	(1,873,448)	598,038
Securities purchased under agreements to resell	90,447	3,573,152
Additions to fixed assets and investment properties	(250,308)	99,525
Net cash used in investing activities	<u>(404,770)</u>	<u>4,746,335</u>
<b>Cash Flows from Financing Activities</b>		
Deposits and current accounts of customers	(630,518)	79,325
Drawdowns/(repayments) under arrangements for sale of future receivables from credit card and cash advance transactions	433,469	-
Promissory notes and certificates of participation	(324,663)	(1,609,804)
Life assurance fund	169,601	57,294
Obligations under repurchase agreements	1,467,402	(1,555,981)
Minority interest in subsidiaries	-	(6,703)
Net cash provided by financing activities	<u>1,115,291</u>	<u>(3,035,869)</u>
Net increase/ (decrease) in cash and cash equivalents	1,685,991	(473,086)
Cash and cash equivalents at beginning of year	<u>13,498,651</u>	<u>13,618,994</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u>15,184,642</u>	<u>13,145,908</u>

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**Profit and Loss Account**

**Quarter ended 2001 December 31**

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	Note	2001 \$'000	2000 \$'000
<b>Net Interest Income and Other Income</b>			
Income from loans		354,760	367,454
Income from securities		<u>1,791,956</u>	<u>2,306,266</u>
		2,146,716	2,673,720
Interest expense		<u>1,477,580</u>	<u>1,508,576</u>
Net interest income		669,136	1,165,144
Exchange gains		232,777	89,107
Fees and commissions		299,534	253,829
Other operating income		<u>8,317</u>	<u>14,172</u>
		<u>1,209,764</u>	<u>1,522,252</u>
<b>Non-Interest Expenses</b>			
Depreciation		61,514	133,304
Deposit insurance premium		46,339	41,082
Staff costs		681,376	732,712
Other operating expenses		<u>380,791</u>	<u>323,878</u>
		<u>1,170,020</u>	<u>1,230,976</u>
<b>Profit before Taxation</b>	3	39,744	291,276
Taxation	4	<u>-</u>	<u>(40,384)</u>
<b>NET PROFIT</b>		<u>39,744</u>	<u>250,892</u>
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## Balance Sheet

2001 December 31

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	Note	December 2001 \$'000	September 2001 \$'000
<b>ASSETS</b>			
<b>Cash Resources</b>			
Cash on hand and at Bank of Jamaica	6	9,970,061	7,788,594
Fixed deposits and balances with other banks and financial institutions		4,996,954	5,550,899
Cheques and other instruments in the course of collection		<u>818,401</u>	<u>765,243</u>
		15,785,416	14,104,736
<b>Investments</b>			
Government of Jamaica securities and other investments		50,756,206	52,455,163
Securities purchased under agreements to resell		3,303,162	4,127,391
Investments in subsidiaries		<u>1,835,628</u>	<u>1,694,035</u>
		55,894,996	58,276,589
<b>Loans and Advances Less Provision for Losses</b>			
<b>Customers' Liability on Ex-Im Bank Discount</b>	7	10,000,859	8,155,989
Customers' Liability on Acceptances, Guarantees, Indemnities and Credits		226,884	223,310
		1,957,572	1,787,193
<b>Other Assets</b>			
	8	3,363,829	3,624,686
<b>Fixed Assets</b>			
	9	<u>1,667,046</u>	<u>1,478,897</u>
		88,896,602	87,651,400
		=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Deposits and Other Liabilities</b>			



Deposits and current accounts of customers		57,544,610	58,242,684
Amounts due to other banks and financial institutions		2,001,286	1,198,718
Cheques and other instruments in the course of payment		839,452	772,729
Other liabilities	10	<u>3,469,807</u>	<u>3,926,367</u>
		63,855,155	64,140,498
<b>Liability on Ex-Im Bank Discount</b>		226,884	223,310
<b>Liability on Acceptances, Guarantees, Indemnities and Credits</b>		1,957,572	1,787,193
<b>Obligations Under Repurchase Agreements</b>		9,071,961	8,330,174
<b>Obligations Under Credit Card and Cash Advance Securitization Arrangements</b>	11	4,538,494	4,105,026
<b>Stockholders' Equity</b>			
Share capital	12	1,973,410	1,973,410
Share premium		3,998,968	3,998,968
Share redemption reserve fund		450,000	450,000
Capital reserve	13	894,881	753,288
Banking reserve fund	14	530,000	530,000
Retained earnings reserve	15	911,897	911,897
Retained earnings		<u>487,380</u>	<u>447,636</u>
		<u>9,246,536</u>	<u>9,065,199</u>
		88,896,602	87,651,400
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**Statement of Changes in Equity**

**Quarter ended 2001 December 31**

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(Accumulated Retained Deficit)/			Share				
			Redemption			Banking	
Earnings Reserve	Retained Earnings	Total	Share Capital	Share Premium	Reserve Fund	Capital Reserve	Reserve Fund
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 October 2000			5,701,000	106,453		208,228	518,000
1,361,897	381,685	8,277,263					
Net profit			-	-		-	-
- 250,892	250,892						
Under the Scheme of Arrangement:							
Ordinary shares issued			614,925	-		(614,925)	
-	-						
Converted to ordinary shares			(3,892,515)	3,892,515			
Redemption of convertible preference (450,000) shares			(450,000)	-			
Transfer					450,000	-	450,000
-							
Arising on acquisition subsidiaries						1,026,218	
1,026,218							
Gains on revaluation of investments in subsidiaries						86,402	
86,402							
Gain on revaluation of fixed assets			-	-	-	12,207	-
-	-	12,207					
<b>Balance at 31 December 2000</b>			<b>1,973,410</b>	<b>3,998,968</b>	<b>450,000</b>	<b>718,130</b>	<b>518,000</b>
911,897	632,577	9,202,982					

Balance at 1 October 2001:	1,973,410	3,998,968	450,000	753,288	530,000
911,897    447,636    9,065,199					
Net profit	-	-	-	-	-
-    39,744    39,744					
Gain on revaluation of subsidiaries	-			141,593	-
-    -    141,593					
<b>Balance at 31 December 2001</b>	<b>1,973,410</b>	<b>3,998,968</b>	<b>450,000</b>	<b>894,881</b>	<b>530,000</b>
911,897    487,380    9,246,536					

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## Statement of Cash Flows

### Quarter ended 2001 December 31

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	Note	2001 \$'000	2000 \$'000
<b>Cash Flows from Operating Activities</b>			
Net profit		39,744	250,892
Adjustments to net income to arrive at net cash used in operating activities:			
Provision for loan losses. net of release		28,540	(255,540)
Depreciation		61,514	133,304
Gain on sale of fixed assets		(341)	(446)
Interest accrued on FINSAC Bonds Repo		-	485,295
Interest earned on FINSAC bonds		-	1,910,054
Amounts due to other banks and financial institutions		802,568	684,065

Cheques and other instruments in transit	13,565	371,342
Other, net	<u>(177,536)</u>	<u>667,651</u>
Net cash used in operating activities	<u>768,053</u>	<u>426,510</u>
<b>Cash Flows from Investing Activities</b>		
Investments	1,698,956	660,525
Loans and advances	(1,873,410)	710,785
Securities purchased under agreements to resell	824,229	769,934
Additions to fixed assets, net	<u>(249,321)</u>	<u>(61,992)</u>
Net cash used in investing activities	<u>400,454</u>	<u>2,079,251</u>
<b>Cash Flows from Financing Activities</b>		
Deposits and current accounts of customers	(698,074)	(1,750,679)
Drawdowns/(repayments) under arrangements for sale of future receivables from credit card and cash advance transactions	433,469	
Obligations under repurchase agreements	741,787	(1,238,223)
Other Liabilities	<u>(18,166)</u>	<u>(24,486)</u>
Net cash provided by financing activities	<u>459,015</u>	<u>(3,013,388)</u>
Net increase/(decrease) in cash and cash equivalents	1,627,522	(507,627)
Cash and cash equivalents at beginning of year	<u>13,339,493</u>	<u>13,413,932</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u>14,967,015</u>	<u>12,906,305</u>
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## Notes to the Financial Statements

2001 December 31

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### 1 Identification and Principal Activities

National Commercial Bank Jamaica Limited ("the Bank") is incorporated in Jamaica and licensed under the Banking Act, 1992,

The Bank's subsidiaries, which together with the Bank are referred to as "the Group", are as follows:

	<u>Principal Activities</u>	<u>Percentage ownership by Bank</u> <u>2001 December 31</u>
Data-Cap Processing Limited	Data Processing	100
Edward Gayle and Company Limited	Primary Dealer and Stock Broker	50.5
Mutual Security Insurance Brokers Ltd.	Insurance Brokers	100
N.C.B. (Investments) Limited	Money Market Trading	100
N.C.B. Jamaica (Nominees) Limited	Securities' Nominee	100
N.C.B. Cayman Limited	Commercial Banking	100
Omni Insurance Services Limited	Life Insurance	100
West Indies Trust Company Limited Management	Investment and Pension Fund	100

With the exception of N.C.B. Cayman Limited, which is incorporated in the Cayman Islands, all subsidiaries are incorporated in Jamaica.

All amounts are stated in Jamaican dollars unless otherwise indicated.

## 2 Accounting Policies

The same accounting policies and methods of computation are followed in these interim financial statements as compared to the most recent annual audited accounts as at 2001 September 30.

## 3 Profit before Taxation

The following have been charged:

	<u>The Group</u>		<u>The Bank</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Provision for Non-Performing Loans	28,540	(255,540)	28,540	(255,540)

Depreciation	66,071	136,108	61,514	133,304
	=====	=====	=====	=====

#### 4 Taxation

Taxation in these financial statements is based on the profit for the quarter adjusted for taxation purposes and comprises:

	<u>The Group</u>		<u>The Bank</u>	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Income tax at 33 1/3%	5,262	46,500	-	40,384
Tax on premium income at 1 1/2%	2,735	1,166	-	-
Investment income tax at 7 1/2%	3,673	1,604	-	-
	<u>11,670</u>	<u>49,270</u>	<u>-</u>	<u>40,384</u>
	=====	=====	=====	=====

The taxation charges were incurred by group companies that generated taxable profits.

The tax charge is disproportionate to the reported profit due primarily to the utilisation of tax losses brought forward and the remission of income tax relating to interest income of approximately \$125,000,000 from the Government of Jamaica Local Registered Stocks that were issued to replace the FIS bonds.

#### 5 Earnings Per Ordinary Stock Unit

Earnings per ordinary stock unit is based on 1,973,410,262 ordinary stock units, being the number of stock units in issue at the end of the quarter and the net profit attributable to stockholders.

#### 6 Statutory Reserves and Deposits

Cash includes \$5,760,828,000 (2000 - \$6,768,714,000), which is the required ratio of 10% of prescribed liabilities. The amount is held in a special deposit account at the Bank of Jamaica as cash reserve; accordingly, it is not available for investment, lending or other use by the

Group. Amounts placed on special deposit may not be dealt with by the Group and must be maintained as long as the Bank of Jamaica so requires. The Jamaican dollar cash, reserve of \$4,233,061,000 (2000 - \$5,031,922,000) is non-interest-bearing.

## 7 Provision for Loan Losses

Movements during the quarter were as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Non-performing loans - interest not being accrued	1,709,964	1,837,701	1,679,365	1,952,993
	=====	=====	=====	=====
Balance at beginning of year	2,658,574	3,500,665	2,652,662	3,496,060
Provided during the quarter, net of recoveries	28,540	(255,540)	28,540	(255,540)
Amounts written off	(116,303)	(18,178)	(116,303)	(18,178)
Balance at end of the quarter	<u>2,570,811</u>	<u>3,226,947</u>	<u>2,564,899</u>	<u>3,222,342</u>
	=====	=====	=====	=====
This comprises:				
Specific provision	2,460,289	3,148,098	2,456,589	3,146,780
General provision	110,522	78,849	108,310	75,562
	=====	=====	=====	=====

At 31 December 2001, specific provision has been made for all loans which are in arrears in respect of interest and principal repayments for three months or longer. No interest is accrued in respect of these loans. Specific provision has also been made for loans which, although performing, exhibit signs of credit weakness and non-performing loans in respect of which the Bank is a guarantor. General provision approximates one percent of the performing loan portfolio.

## 8 Other Assets

These include interest receivable of \$3,433,343,000 (2000 - \$833,105,000) for the Group and

\$2,770,508,000 (2000 - \$384,948,000) for the Bank.

**9 Fixed Assets**

	<b>The Group</b>					<b>Total</b>
	<b>Assets</b>					
	<b>Freehold</b>	<b>Leasehold</b>	<b>Furniture,</b>	<b>Under</b>	<b>Construction</b>	
	<b>Land and</b>	<b>Improvements</b>	<b>Equipment</b>	<b>Finance</b>	<b>In progress</b>	
	<b>Buildings</b>		<b>Vehicles</b>	<b>Leases</b>		
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cost or Valuation -						
At 2001 October 1	1,117,958	266,551	835,979	791,083	91,350	3,102,921
Additions	125,647	-	46,873	-	80,205	252,725
Disposals	-	(14,180)	(180)	(3,136)	-	(17,496)
Transfers	25,883	-	(9,840)	9,840	(25,883)	-
Reclassification	(25,883)	-	980	2,136	23,770	1,003
At 2001 December 31	<u>1,243,605</u>	<u>252,371</u>	<u>873,812</u>	<u>799,923</u>	<u>169</u>	<u>3,339,153</u>
Depreciation -						
At 2001 October 1	167,029	208,450	589,152	627,010	-	1,591,641
Charge for the quarter	5,870	2,561	35,456	22,184	-	66,071
Disposals	-	(14,180)	(177)	-	-	(14,357)
Transfers	-	-	-	-	-	-
Reclassification	-	-	2,365	(2,081)	-	284
At 2001 December 31	<u>172,899</u>	<u>196,831</u>	<u>626,796</u>	<u>647,113</u>	<u>-</u>	<u>1,643,639</u>
Net Book Value -						
2001 December 31	1,070,706	55,540	247,016	152,810	169,442	1,695,514
2000 December 31	<u>968,374</u>	<u>55,948</u>	<u>349,275</u>	<u>208,845</u>	<u>30,544</u>	<u>1,612,986</u>



	<b>The Bank</b>					
	<b>Freehold Land and Buildings \$'000</b>	<b>Leasehold Improvements \$'000</b>	<b>Furniture, Equipment &amp; Vehicles \$'000</b>	<b>Assets Capitalised Under Finance Leases \$'000</b>	<b>Construction In progress \$'000</b>	<b>Total \$'000</b>
Cost or Valuation -						
At 2001 October 1	1,092,075	255,650	754,501	793,217	115,098	3,010,541
Additions	125,647	-	43,864	-	80,205	249,716
Disposals	-	(14,180)	(176)	(3,136)	-	(17,492)
Transfers	25,883	-	(9,840)	9,840	(25,883)	-
Reclassification	-	-	978	2	22	1,002
At 2001 December 31	<u>1,243,605</u>	<u>241,470</u>	<u>789,327</u>	<u>799,923</u>	<u>169,442</u>	<u>3,243,767</u>
Depreciation -						
At 2001 October 1	167,030	202,957	534,647	627,010		1,531,644
Charge for the quarter	5,870	2,160	31,302	22,182		61,514
Disposals	-	(14,180)	(176)	(2,062)		(16,418)
Transfers	-	(1)	(3)	(15)		(19)
At 2001 December 31	<u>172,900</u>	<u>190,936</u>	<u>565,770</u>	<u>647,115</u>	<u>-</u>	<u>1,576,721</u>
Net Book Value -						
2001 December 31	<u>1,070,705</u>	<u>50,534</u>	<u>223,557</u>	<u>152,808</u>	<u>169,442</u>	<u>1,667,046</u>
2000 December 31	<u>967,796</u>	<u>49,795</u>	<u>317,144</u>	<u>208,845</u>	<u>30,544</u>	<u>1,574,124</u>

(a) The freehold land and buildings of a subsidiary were revalued at open market value by The C.D. Alexander Realty Company Limited as at 30 June 1990. The surplus has been credited to capital reserve (Note 13).

(b) The freehold land of a subsidiary was revalued at open market value by Allison, Pitter and Company on 22 September 1998. The diminution in value was charged to the profit and loss account.

## 10 Other Liabilities

These include:

(a) Amounts aggregating \$706,696,000 (2000 - \$728,771,000) representing funds provided by GOJ and various funding agencies to the Bank for the purpose of making loans to students of tertiary educational institutions.

(b) Interest payable on customer deposits and liabilities of the Bank amounting to \$386,239,000 (2000 - \$469,237,000).

(c) Interest accrued on promissory notes and certificates of participation and liabilities of a subsidiary of the Bank totalling \$208,906,000 (2000 - \$ 248,176.000).

(d) An amount of \$236,179,000 (2000 - \$221,878,000) representing a US dollar denominated demand loan from Barclays Bank plc to a subsidiary of the Bank. The interest rate on the loan at 31 December 2001 was based on one year US\$ LIBOR plus 112.5 basis points,

### 11 Obligations Under Credit Card and Cash Advance Securitization Arrangements

During the year, the Bank entered into an arrangement for the sale of Future Accounts Receivable amounting to

US\$125,000,000 in respect of credit card and cash advance transactions in Jamaica between Visa International

Service Association and Master Card International Incorporated and cardholders holding cards issued by banks

outside of Jamaica (primarily in the U.S.A.). This took the form of variable funding certificates issued by Citibank

N.A. through Citicorp administered commercial paper conduits. The interest is payable quarterly commencing in

October 2001 and ending October 2006, Interest is calculated daily based on the weighted average rate applicable

to commercial paper transactions administered by the respective conduits. The rate approximates one month US

dollar LIBOR plus 250 basis points. Drawdowns under the arrangement totalled US\$100 million as at the end of

the quarter.

The Bank also entered into an interest rate swap agreement effective October 2001 with Citibank N.A. whereby the

Bank will pay 4.33% per annum fixed and received three month US dollar LIBOR on a notional amount of US\$45,000,000 every quarter commencing January 2002 and ending July 2006.

## 12 Share Capital

	2001 \$'000	2000 \$'000
Authorised	5,750,000	5,750,000
	=====	=====
Issued and Fully Paid Up Capital - Ordinary stock units of \$1 each	<u>1,973,410</u>	<u>1,973,410</u>
	1,973,410	1,973,410
	=====	=====

## 13. Capital Reserve

	<u>The Group</u>		<u>The Bank</u>	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Realised:				
Capital distribution	151	151		
Surplus on revaluation of fixed assets and investment properties	92,991	92,991	-	-
Surplus on revaluation of subsidiaries (Goodwill)/reserve arising on consolidat	-	-	312,622	411,293
Retained earnings capitalised	(69,459)	120,508	-	-
66,500	66,500	-		
Unrealised:				
Surplus on revaluation of fixed assets and investments	70,609	70,102	47,904	47,904
Surplus on revaluation of subsidiaries	-	-	534,355	258,933
Gain on translation of foreign subsidiar	<u>131,010</u>	<u>110,094</u>	<u>-</u>	<u>-</u>
	291,802	393,846	894,881	718,130
	=====	=====	=====	=====

## 14 Banking Reserve Fund

This fund is maintained in accordance with the Banking Act 1992 which requires that a minimum of 15% of the net profits, as defined by the Act, of the Bank be transferred to the reserve fund until the amount of the fund is equal to 50% of the paid-up capital of the Bank and thereafter 10% of the said net profits until the amount of the fund is equal to the paid-up capital of the Bank.

### **15 Retained Earnings Reserve**

Section 2 of the Banking Act 1992 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers.

The deposit liabilities of the Bank and other indebtedness for borrowed money together with all interest accrued should not exceed twenty-five times its capital base.

### **16 Banking Act**

At 31 December 2001 and 31 December 2000:  
The Bank was in breach of Section 13(1)(d) of the Banking Act. This section deals with unsecured lending to connected persons.