

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

30 September 2002

1 Identification and Principal Activities

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

On 19 March 2002, AIC (Barbados) Limited acquired 75% of the issued ordinary stock units from the Financial Sector Adjustment Company Limited (FINSAC). The ultimate parent company is Portland Holdings Inc., incorporated in Canada.

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

	Principal Activities	Percentage ownership by Bank 30 September 2002
Data-Cap Processing Limited	Data Processing	100
Edward Gayle and Company Limited	Primary Dealer and Stock Broker	100
Mutual Security Insurance Brokers Limited	Insurance Brokers	100
N.C.B. (Cayman) Limited	Commercial Banking	100
N.C.B. (Investments) Limited	Money Market Trading	100
N.C.B. Jamaica (Nominees) Limited	Securities' Nominee	100
N.C.B. Remittance Services Limited	Fund Remittance Services	100
Omni Insurance Services Limited	Life Insurance	100
West Indies Trust Company Limited	Investment and Pension Fund Management	100

Effective 7 August 2002, the Bank acquired the remaining 49.5% of the ordinary shares in Edward Gayle and Company Limited.

All subsidiaries are incorporated in Jamaica with the exception of N.C.B. (Cayman) Limited and N.C.B. Remittance Services Limited, which are incorporated in the Cayman Islands and the United Kingdom, respectively.

All amounts are stated in Jamaican dollars unless otherwise indicated.

2 Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with Jamaican Accounting Standards, and have been prepared under the historical cost convention as modified by the revaluation of investments in subsidiaries, investment property and certain fixed assets and investments.

(b) Use of estimates

The preparation of financial statements in conformity with Jamaican generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Consolidation

The consolidated financial statements include the assets, liabilities, results of operations and cash flows of the Bank and its subsidiaries, after eliminating intercompany transactions and balances.

Any differences between the value of the net assets of subsidiaries acquired and the cost of those investments are dealt with in capital reserve.

(d) Financial instruments

Financial instruments carried on the balance sheet include cash resources, investments, loans, other assets, deposits, cheques and other instruments in transit, acceptances, guarantees and letters of credit, obligations under repurchase agreements, obligations under credit card and cash advances securitization arrangements, and other liabilities.

The fair values of financial instruments are discussed in note 27.

(e) Interest and fees

Interest income and expense are recorded on the accrual basis except that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or longer, interest is taken into account on the cash basis.

Fee income is recognised as earned when received.

(f) Foreign currency translation

Foreign currency balances included in these financial statements are translated at rates of exchange prevailing at the balance sheet date. These rates represent the weighted average rates at which the Bank trades in foreign currencies. Transactions during the year are at rates prevailing on transaction dates. Gains or losses are credited or charged to the profit and loss account.

Assets and liabilities of the foreign subsidiaries are translated into Jamaican dollars at year end rates and items affecting the profit and loss account are translated at average rates. The resultant gains or losses arising on translation of the foreign subsidiaries are reflected in capital reserve.

(g) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and at Bank of Jamaica and fixed deposits and balances with other banks and financial institutions.

(h) Investment properties

These are intended for resale and are stated at expected net realisable value.

Gains or losses arising from the revaluation of investment properties are dealt with in capital reserve.

(i) Investments in subsidiaries

Investments by the Bank in subsidiaries are stated at valuation, based on the underlying book values of the subsidiaries' net assets.

Changes in the carrying amounts arising on revaluation of the investment in subsidiaries are reflected in the capital reserve.

(j) Investments

- (i) Investments in Government of Jamaica securities are stated at lower of cost or market value.
- (ii) Quoted securities are stated at market value. Changes in market value are dealt with in capital reserve.
- (iii) Unquoted securities are stated at cost less reductions to net realisable value where appropriate.
- (iv) Promissory notes and other investments are stated at cost less any provision for anticipated losses.

Gains and losses on disposal and any write-downs of investments below cost are dealt with through the profit and loss account.

(k) Securities purchased under agreements to resell / obligations under repurchase agreements

The purchase and sale of securities under resale and repurchase agreements are treated as collateralised lending and borrowing transactions. The related interest income and interest expense are recorded on the accrual basis.

(l) Loans

Loans are stated net of any unearned income and of an allowance for credit losses.

A loan is classified as impaired when, in management's opinion there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. If a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such. Any credit card loan that has a payment that is contractually 90 days in arrears is written-off.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on a cash received basis.

(m) Provision for loan losses

The Bank maintains an allowance for credit losses, which in management's opinion, is adequate to absorb all credit related losses in its portfolio. The allowance consists of specific provisions and general provisions for doubtful credits.

Specific provisions are established as a result of reviews of individual loans and are based on an assessment, which takes into consideration all factors, including collateral held and business and economic conditions. Collateral held by the Bank is valued on the basis of guidelines issued by the Bank of Jamaica. General provisions for doubtful debts of 1% are established against the loan portfolio in respect of performing loans.

Loans that are secured by a guarantee or irrevocable undertaking of the Government of Jamaica are classified as sovereign risk and are not considered to be impaired if they are contractually in arrears,

(n) Fixed assets

Fixed assets are carried either at:

- (i) Cost, or
- (ii) Valuation as determined by independent professional valuers, or
- (iii) Net realisable value where they are intended for resale.

Depreciation is calculated on the straight line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates are as follows:

Freehold buildings	2-5%
Leasehold improvements	Period of lease
Computer equipment	33 1/3%
Office equipment and furniture	20%
Other equipment	10%
Motor vehicles	20%-25%
Leased assets	Shorter of period of lease or useful life of asset

Gains or losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining net profit.

(o) Finance leases

- (i) As Lessee

The fair values of the assets at the inception of the leases have been capitalised as fixed assets and corresponding obligations to the lessor have been recorded. Interest expense is recognised over the term of the lease in a manner that produces a constant rate of charge on the lease obligation.

(ii)As Lessor

The gross investment in finance leases net of unearned income is recorded as a receivable balance. Income is recognised over the term of the lease in a manner that produces a constant rate of return on the net investment in the leases.

(p) Policyholders' liabilities

Policyholders' liabilities represent the amount which, together with associated future premiums and net investment income will be sufficient to pay estimated future benefits, policyholder dividends, taxes other than income taxes and expenses on policies in force. The amount of policyholders' liabilities is determined annually by an independent actuary using the policy premium method in accordance with generally accepted standards of valuation.

(q) Certificates of participation sold

These reflect the Group's liability under agreements where promissory note investments are sold and repurchased in the short term. Gains arising on these repurchase agreements are credited to the profit and loss account over the period of the agreements.

(r) Acceptances, guarantees, indemnities and credits

The potential liability under acceptances is reported as a liability in the balance sheet. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset.

(s) Funds under management and held in trust

Assets held in trust which are not beneficially owned by the Group but for which the Group has responsibility in accordance with trust agreements are excluded from the balance sheet.

(t) Retirement plans

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

The employers' contributions are expensed in the period to which they relate.

(u) Deferred taxation

Taxation payable due to timing differences between charges allowed for taxation purposes

and those shown in these financial statements is provided for only to the extent that there is a reasonable probability that the liabilities will arise in the foreseeable future.

(v) Comparative information

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

In particular, in respect of the Bank's life insurance subsidiary, the portion of premium income that represents an investment has been credited directly to policyholders' liabilities. Investment returns associated with the insurance policies have been reflected as interest expense. Such premiums were previously shown as other operating income and investment returns were shown as other operating expenses. This change is to conform with the requirements of the Insurance Act and Regulations 2001.

3 Staff Costs

	<u>The Group</u>		<u>The Bank</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Wages and salaries	2,077,441	2,005,031	1,923,650	1,876,919
Statutory contributions	218,648	188,511	203,063	177,279
Pension costs	77,849	59,627	72,677	56,574
Allowances and benefits	365,687	299,109	328,341	271,930
	<u>2,739,625</u>	<u>2,552,278</u>	<u>2,527,731</u>	<u>2,382,702</u>
	=====	=====	=====	=====

The number of persons employed as at 30 September:

	<u>The Group</u>		<u>The Bank</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Full-time	2,445	2,252	2,282	2,098
Part-time	315	12	289	10
Contract	46	293	33	269
	<u>2,806</u>	<u>2,557</u>	<u>2,604</u>	<u>2,377</u>
	=====	=====	=====	=====

4 Profit before Exceptional Items and Taxation

The following have been charged:

	<u>The Group</u>		<u>The Bank</u>	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Directors' emoluments -				
Fees	1,648	2,027	1,111	1,697
Management remuneration	36,247	30,301	36,247	30,301
Compensation for loss of office	37,563	-	37,563	-
Auditors' remuneration	15,455	14,734	9,050	8,500
Depreciation	290,997	404,470	270,768	383,141
	=====	=====	=====	=====

5 Exceptional Items

	<u>The Group</u>		<u>The Bank</u>	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Provision for decline in value of investments	(195,576)	(328,308)	(49,908)	(328,308)
Provision for restructuring costs (Note 17(d))	-	(665,027)	-	(665,027)
Adjustment of provision for restructuring costs (Note 17(d))	15,255	-	15,255	-
Transaction costs in respect of credit card and cash advance securitization arrangements	-	(296,296)	-	(296,296)
Loss on sale of fixed assets and investment properties	-	(642)	-	-
Recovery of bad debts	-	38,678	-	-
Negative fair value of interest rate swaps (Note 18)	(139,230)	-	(139,230)	-
Assumption of loan for Jamaica Orange Co. Ltd.	-	(70,865)	-	-
	(319,551)	(1,322,460)	(173,883)	(1,289,631)
	=====	=====	=====	=====

6 Taxation

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

<u>The Group</u>	<u>The Bank</u>
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	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Income tax at 33 1/3%	177,183	17,401	156,121	-
Tax on premium income at 1 1/2%	15,339	8,468	-	-
Investment income tax at 7 1/2%	-	14,864	-	-
Tax credit on issue of bonus shares	(5,500)	(4,125)	-	-
Over provision in prior year	(1,021)	-	-	-
	<u>186,001</u>	<u>36,608</u>	<u>156,121</u>	<u>-</u>
	=====	=====	=====	=====

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

- (a) The tax credit on the issue of bonus shares is computed at the rate of 25% of the nominal value of the shares issued during the year ended 30 September 2002 by certain subsidiaries. The maximum nominal value available for the credit is 50% of the after-tax profit for the year of each subsidiary.
- (b) The income tax charge for the year ended 30 September 2002 has been computed after deduction from profits of net unrealized foreign exchange gains of \$406,597,000 (2001 - \$291,869,000) and after remission of income tax relating to interest income of approximately \$620,328,000 (2001 - \$704,000,000) from the Government of Jamaica Local Registered Stocks that were issued to replace bonds issued by Financial Institutions Services Limited.
- (c) Subject to agreement with the Commissioner of Income Tax, losses available indefinitely for offset against future profits of certain subsidiaries amount to approximately \$223,535,000 (2001 - \$410,234,000).

7 Extraordinary Items

	2002	2001
	\$'000	\$'000
Loss on disposal of subsidiaries	-	(2,322)
Write-off of balances receivable from subsidiaries sold	-	(23,206)
	<u>-</u>	<u>(25,528)</u>
	=====	=====

8 Net Profit Attributable to the Stockholders of National Commercial Bank Jamaica Limited

	2002	2001
	\$'000	\$'000
Dealt with in the financial statements of:		
The Bank	1,529,655	77,951
Subsidiaries	<u>430,509</u>	<u>291,963</u>
	<u>1,960,164</u>	<u>369,914</u>
	=====	=====

9 Retained Earnings

	2002	2001
	\$'000	\$'000
Reflected in the financial statements of:		
The Bank	1,364,523	447,636
Subsidiaries	<u>396,579</u>	<u>16,068</u>
	<u>1,761,102</u>	<u>463,704</u>
	=====	=====

10 Earnings Per Stock Unit

Earnings per stock unit is based on 2,466,762,828 ordinary stock units, being the number of stock units in issue at the end of the year after the bonus issue during the year and the net profit attributable to stockholders both before and after extraordinary items. The comparative figures for the previous year have been restated to reflect the bonus issue during the year.

11 Statutory Reserves and Deposits

Cash includes \$5,618,098,000 (2001 - \$5,670,988,000), which is the required ratio of 9% (2001 - 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 \$4,093,585,000 (2001 - \$4,255,708,000) is non-interest-bearing.

12 Government of Jamaica Securities and Other Investments

	<u>The Group</u>		<u>The Bank</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Government of Jamaica (GOJ) Local registered stock -				
J\$ Denominated -fixed rate (12% - 19.5%)	6,538,346	12,279,379	5,423,905	11,837,080
J\$ Denominated - variable rate	34,586,698	34,688,306	28,656,498	28,390,098
US\$ Denominated or linked fixed rate (9%-12%)	11,245,901	10,329,042	11,166,299	10,329,042
GOJ Treasury bills	774,923	786,666	746,732	555,342
GOJ Investment debenture (14.5% - 16.25%)	870,362	1,579,242	189,650	151,000
GOJ US\$ Tranche'B'debt (2.625%)	35,008	50,487	35,008	50,487
GOJ US\$ bonds (10.625% -12.75%)	5,686,606	2,350,080	1,044,511	810,362
GOJ Promissory notes	121,889	809,731	-	-
Bank of Jamaica Certificates of deposit	4,360,566	-	2,719,000	-
Land bonds	-	170,000	-	170,000
Education bonds	17,000	17,000	17,000	17,000
Development bonds	722,694	310,037	1,722,694	310,037
	<u>64,959,993</u>	<u>63,369,970</u>	<u>50,721,297</u>	<u>52,620,448</u>
Promissory notes -	1,203,981	1,513,109	-	-
Marketable investments	358,138	101,693	-	-
Unquoted investments	16,388	13,936	16,386	13,934
Foreign securities	307,427	145,058	257,955	79,604
Mortgages	410,316	370,294	-	-
Other	557	82,802	-	69,485
	<u>2,296,807</u>	<u>2,226,892</u>	<u>274,341</u>	<u>163,023</u>
	<u>67,256,800</u>	<u>65,596,862</u>	<u>50,995,638</u>	<u>52,783,471</u>
Less: Provision for decline in value	<u>(523,884)</u>	<u>(328,308)</u>	<u>(378,216)</u>	<u>(328,308)</u>
	<u>66,732,916</u>	<u>65,268,554</u>	<u>50,617,422</u>	<u>52,455,163</u>
	=====	=====	=====	=====

- (a) Included in the Jamaican dollar denominated GOJ LRS are instruments totalling \$21.4 billion in face value which bear interest at the weighted average treasury bill yield (WATBY) minus two (2) percent up to 31 March 2003, WATBY between 1 April 2003 and 31 March 2005 and WATBY plus one (1) percent thereafter until maturity. These instruments

bore interest at WATBY minus four (4) percent up to 31 March 2002.

- (b) Mortgages include the Jamaican dollar equivalent of US\$7,500,000, which represents a second mortgage to the purchaser of the Wyndham Kingston Hotel. The mortgage is supported by a Financing Note, which was issued on 29 May 1998 and is repayable on 29 May 2003 with the purchaser having the option to extend the repayment date to 29 May 2008. Interest is receivable annually in advance at 7.5% in year 1, 8.5% in year 2 increasing by 0.75% per annum to 14.25% in year 10, if applicable. During the first four years, interest was received by way of US\$75,000 in cash with the remainder by the issue of additional promissory notes, payable ten years after the date of issue of the mortgage. In the fifth year, interest will be receivable in the form of a promissory note for the total and shall be payable in four equal consecutive quarterly instalments payable three months after the fourth anniversary of the issue date and consecutively at the end of each subsequent three month period.
- (c) Included in investments are amounts totalling \$1,488,518,000 (2001 - \$1,600,000,000) that are being held by the Bank of Jamaica as security for overdraft facilities on the Bank's operating account. At year-end, the Bank's operating account was not overdrawn at the Bank of Jamaica.

13 Investment Properties

	2002	2001
	\$'000	\$'000
Balance at beginning of year	16,100	472,203
Additions	1,442	-
Disposals	-	(455,744)
Diminution in value	(100)	(359)
Balance at end of year	<u>17,442</u>	<u>16,100</u>
	=====	=====

The real estate investments of Omni Insurance Services Limited are stated at open market value, determined by Chartered Surveyors.

14 Provision for Loan Losses

Movements during the year were as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Non-performing loans - interest not being accrued	1,553,676	1,920,195	1,525,898	1,889,596
Balance at beginning of year	2,658,574	3,500,665	2,652,662	3,496,060
Provided during the year	114,915	524,787	112,005	523,480
Recoveries during the year	(581,892)	(1,250,908)	(581,892)	(1,250,908)
Amounts written off	(135,595)	(115,970)	(135,595)	(115,970)
Balance at end of year	2,056,002	2,658,574	2,047,180	2,652,662
This comprises:				
Specific provision	1,897,425	2,567,261	1,891,112	2,563,561
General provision	158,577	91,313	156,068	89,101

At 30 September 2002, 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.

15 Other Assets

These include interest receivable of \$2,849,413,000 (2001 - \$3,879,707,000) for the Group and \$1,794,629,000 (2001 - \$3,182,303,000) for the Bank. Included in these amounts as at 30 September 2001 was interest due between 1 April and 30 September 2001 on the Government of Jamaica Local Registered Stocks issued to replace FINSAC bonds and promissory notes.

16 Fixed Assets

The Group

	Assets Capitalised					Total \$'000
	Freehold Land and Buildings \$'000	Leasehold Improvements \$'000	Furniture, Equipment & Vehicles \$'000	Under Finance Leases \$'000	Construction in progress \$'000	
Cost or Valuation -						
At 1 October 2001	1,117,958	266,551	835,979	791,083	91,347	3,102,918
Additions	198,731	1,957	298,214	58,332	698,858	1,256,092
Disposals	(5,477)	(5,253)	(11,275)	(13,093)	-	(35,098)
Transfers	44,291	(14,180)	5,004	47,236	(82,351)	-
At 30 September 2002	1,355,503	249,075	1,127,922	883,558	707,854	4,323,912
Depreciation -						
At 1 October 2001	167,029	208,450	589,152	627,010	-	1,591,641
Charge for the year	24,098	11,936	151,473	103,490	-	290,997
Disposals	(929)	(4,990)	(10,386)	(8,460)	-	(24,765)
Transfers	14,180	(14,180)	-	-	-	-
At 30 September 2002	204,378	201,216	730,239	722,040	-	1,857,873
Net Book Value -						
30 September 2002	1,151,125	47,859	397,683	161,518	707,854	2,466,039
30 September 2001	950,929	58,101	246,827	164,073	91,347	1,511,277

	The Bank					Total \$'000
	Assets Capitalised					
	Freehold Land and Buildings \$'000	Leasehold Improvements \$'000	Furniture, Equipment & Vehicles \$'000	Under Finance Leases \$'000	Construction in progress \$'000	
Cost or Valuation -						
At 1 October 2001	1,092,075	255,650	754,501	793,217	115,098	3,010,541
Additions	198,731	1,681	287,611	60,468	661,355	1,209,846
Disposals	(5,477)	-	(1,905)	(15,228)	-	(22,610)
Transfers	44,291	(14,180)	5,004	47,236	(82,351)	-

At 30 September 2002	1,329,620	243,151	1,045,211	885,693	694,102	4,197,777
Depreciation -						
At 1 October 2001	167,030	202,957	534,647	627,010	-	1,531,644
Charge for the year	24,098	7,635	135,545	103,490	-	270,768
Disposals	(929)	-	(1,229)	(8,443)	-	(10,601)
Transfers	14,180	(14,180)	(2)	(17)	-	(19)
At 30 September 2002	204,379	196,412	668,961	722,040	-	1,791,792
Net Book Value -						
30 September 2002	1,125,241	46,739	376,250	163,653	694,102	2,405,985
30 September 2001	925,045	52,693	219,854	166,207	115,098	1,478,897

(a) The freehold land and buildings of a subsidiary were revalued at open market value by The C.D. Alexander Company Realty Limited as at 30 June 1990. The surplus has been credited to capital reserve (Note 22).

(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.

17 Other Liabilities

These include:

(a) Amounts aggregating \$157,230,000 (2001 - \$723,269,000) 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 amounting to \$963,009,000 (2001 - \$1,108,482,000) for the Bank and \$1,483,251,000 (2001 - \$1,574,659,000) for the Group.

(c) An amount of \$245,989,000 (2001 - \$228,057,000) representing a US dollar denominated demand loan from Barclays Bank plc to a subsidiary of the Bank. The interest rate on the loan is one year US\$ LIBOR plus 125 basis points.

(d) Provision for restructuring costs.

	The Group and The Bank	
	2002	2001
	\$'000	\$'000
Balance at beginning of year	768,117	240,000
Provided during the year	-	665,027
Adjusted during the year (Note 5)	(15,255)	-
Utilised during the year	<u>(148,207)</u>	<u>(136,910)</u>
Balance at end of year	<u>604,655</u>	<u>768,117</u>
	=====	=====

The provision for restructuring costs as at 30 September 2002 is in respect of estimated redundancy costs for approximately 660 employees. The reduction in staff numbers, particularly in processing and administration, will arise as part of a Transformation Initiative that the Bank has commenced to enhance product development capabilities and service delivery. The Initiative will involve, inter alia, the acquisition and installation of a new information technology system. It is expected that the Initiative will be substantially completed by 2005.

(e) Obligations under finance leases. Future payments under these lease commitments are as follows:

	The Group		The Bank	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Total minimum lease payments	131,108	144,569	206,470	208,580
Less: Future interest payments	<u>(24,861)</u>	<u>(38,725)</u>	<u>(41,452)</u>	<u>(44,852)</u>
Net obligations under finance leases	<u>106,247</u>	<u>105,844</u>	<u>165,018</u>	<u>163,728</u>
	=====	=====	=====	=====
Payable in the year ending -				
2003	78,833		113,087	
2004	42,023		70,312	
2005	10,252		23,071	
	=====		=====	

(f) Negative fair values of the interest rate swap agreements (see note 18) entered into by the Bank with Citibank N.A. aggregating \$139,230,000 (2001 - Nil).

18 Obligations Under Credit Card and Cash Advance Securitization Arrangements

In 2001, 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.

The Bank also entered into two interest rate swap agreements effective October 2001 with Citibank N.A. whereby the Bank will pay 3.78% and 4.33% per annum fixed and receive three month US dollar LIBOR on a notional amount that reduces in proportion to the principal balance outstanding under the arrangements every quarter commencing January 2002 and ending July 2006. The fair value of these swaps at 30 September 2002 amounted to negative US\$2.8 million (see note 17(f)).

19 Policyholders' Liabilities

	2002	2001
	\$'000	\$'000
Investment liabilities	3,188,347	2,291,550
Life assurance fund	29,174	6,916
	<u>3,217,521</u>	<u>2,298,466</u>
	=====	=====

20 Deferred Profit

This represents US\$7.5 million (net of commissions deferred) of the sale proceeds of the Wyndham Kingston Hotel which was financed by a second mortgage from a subsidiary. The amount is being taken to the profit and loss account over the life of the loan based on annual assessments (Note 12(b)).

21 Share Capital

	2002 \$'000	2001 \$'000
Authorised	5,750,000	5,750,000
	=====	=====
Issued and Fully Paid Up Capital - Ordinary stock units of \$1 each	2,466,763	1,973,410
	=====	=====

During the year, the Bank's issued share capital was increased by a bonus issue of 493,352,566 ordinary shares to rank pari passu in all respects with the existing ordinary shares. The sum of \$450,000,000 standing to the credit of the Capital Redemption Reserve Fund and the sum of \$43,352,566 standing to the credit of the Retained Earnings Account were capitalised and applied in paying up in full the bonus shares. Upon issue, the bonus shares were converted into ordinary stock units.

22 Capital Reserve

	<u>The Group</u>		<u>The Bank</u>	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'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 consolidation	-	-	312,622	312,622
Retained earnings capitalised	116,500	66,500	-	-
Unrealised:				
Surplus on revaluation of fixed assets and investments	116,960	68,439	47,904	47,904
Surplus on revaluation of subsidiaries	-	-	916,081	392,762
Gain on translation of foreign subsidiary	146,548	119,840	-	-
	421,270	278,462	1,276,607	753,288
	=====	=====	=====	=====

23 Cash Flows from Operating Activities

<u>The Group</u>	<u>The Bank</u>
------------------	-----------------

	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Net profit	1,960,164	369,914	1,529,655	77,951
Adjustments to net profit to arrive at net cash provided by/(used in) operating activities:				
Provision for loan losses, net of recoveries	(466,977)	(726,121)	(469,887)	(727,428)
Depreciation	290,997	404,470	270,768	383,141
Translation gain on foreign subsidiaries	26,708	18,174	-	-
Exchange loss on credit card and cash advance securitization arrangements	347,321	-	347,321	-
Interest earned on FINSAC bonds	-	(3,778,494)	-	(3,778,494)
Interest paid on FINSAC bonds repurchase obligation	-	-	-	1,750,174
Provision for decline in value of investments	195,576	328,308	49,908	328,308
Changes in operating assets and liabilities:				
Amounts due to other banks and financial institutions	1,123,321	(1,021,950)	1,121,279	(802,792)
Cheques and other instruments in transit	380,288	(596,326)	292,251	372,340
Other, net	(3,544)	(2,809,933)	(211,083)	(1,936,037)
Net cash provided by/(used in) operating activities	<u>3,853,854</u>	<u>(7,811,958)</u>	<u>2,930,212</u>	<u>(4,332,837)</u>
	=====	=====	=====	=====

24 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.

25 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.

26 Risk Exposure

The tables below analyse assets and liabilities of the Group and the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

(a) Liquidity risk

	<u>The Group</u>					
	<u>Within 1</u>	<u>1 to 3</u>	<u>3 to 12</u>	<u>1 to 5</u>	<u>Over 5</u>	<u>Total</u>
	<u>Month</u>	<u>Months</u>	<u>Months</u>	<u>Years</u>	<u>Years</u>	<u>2002</u>
	<u>2002</u>	<u>2002</u>	<u>2002</u>	<u>2002</u>	<u>2002</u>	<u>2002</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Assets						
Cash resources	13,708,205	123,879	49,756	29,827	-	13,911,667
Government of Jamaica securities and other investments	443,545	4,209,174	1,105,566	23,255,339	37,736,734	66,750,358
Securities purchased under agreements to resell	3,664,373	5,234,061	1,507,467	-	-	10,405,901
Loans and advances less provision for losses	1,907,363	995,699	3,504,143	5,049,261	3,742,581	15,199,047
Customer liabilities on acceptances, guarantees, Ex-Im Bank discount etc.	85,159	715,832	487,416	378,639	443,479	2,110,525
Other assets	1,063,412	1,372,516	428,206	240,138	964,698	4,068,970
Fixed assets	-	-	-	15,965	2,450,074	2,466,039
Total assets	<u>20,872,057</u>	<u>12,651,161</u>	<u>7,082,554</u>	<u>28,969,169</u>	<u>45,337,566</u>	<u>114,912,507</u>
<BLIABILITIES< b>						
Deposits and current accounts of customers	53,087,872	6,186,044	2,893,010	1,198,253	-	63,365,179

Promissory notes and certificates of participation	7,904,418	2,567,150	617,169	400	-	11,089,137
Amounts due to other banks and financial institutions	686,564	25,251	512,499	400,084	695,876	2,320,274
Cheques and other instruments in the course of payment	-	951,693	-	-	-	951,693
Liability on acceptances, guarantees, Ex-Im Bank discount etc.	85,159	715,832	487,416	378,639	443,479	2,110,525
Obligations under repurchase agreements	4,668,762	4,327,553	2,776,523	16,088	108,514	11,897,440
Obligations under credit card and cash advance securitization arrangements	-	283,415	874,816	3,897,252	-	5,055,483
Minority Interest in Subsidiaries	-	-	-	-	-	-
Other liabilities	692,739	4,225,429	724,853	1,175,774	526,223	7,345,018
Total liabilities	67,125,514	19,282,367	8,886,286	7,066,490	1,774,092	104,134,749
Net Liquidity Gap	(46,253,457)	(6,631,206)	(1,803,732)	21,902,679	43,563,474	10,777,758
Cumulative Liquidity Gap	(46,253,457)	(52,884,663)	(54,688,395)	(32,785,716)	10,777,758	

	The Group					
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	2001	2001	2001	2001	2001	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total assets	20,034,801	8,779,454	11,459,128	21,559,971	42,923,429	104,756,783
Total liabilities	63,820,868	16,031,685	7,575,668	7,177,558	1,085,805	95,691,584
Net Liquidity Gap	(43,786,067)	(7,252,231)	3,883,460	14,382,413	41,837,624	9,065,199
Cumulative Liquidity Gap	(43,786,067)	(51,038,298)	(47,154,838)	(32,772,425)	9,065,199	

	The Bank					
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	2002	2002	2002	2002	2002	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets						

Total assets	16,805,430	5,635,635	5,284,689	17,082,077	42,843,569	87,651,400
Total liabilities	55,715,874	10,443,470	4,521,984	7,149,003	755,870	78,586,201
Net Liquidity Gap	(38,910,444)	(4,807,835)	762,705	9,933,074	42,087,699	9,065,199
Cumulative Liquidity Gap	(38,910,444)	(43,718,279)	(42,955,574)	(33,022,500)	9,065,199	

(b) Interest rate risk

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows. The tables below summarise the Group's and the Bank's exposure to interest rate risk. Included in the table are the Group's and the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Non-	The Group						Non- Interest Bearing	Total
	Within 1	1 to 3	3 to 12	1 to 5	Over			
	Month	Months	Months	Years	5 Years			
	2002	2002	2002	2002	2002			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Assets								
Cash resources	7,898,604	139,941	69,758	-	-	5,803,364	13,911,667	
Government of Jamaica securities and other investments	1,991,398	9,682,293	36,982,365	13,902,636	3,874,185	317,481	66,750,358	
Securities purchased under agreements to resell	3,664,374	5,234,059	1,507,468	-	-	-	10,405,901	
Loans and advances less provision for losses	14,388,525	5,258	74,284	708,447	22,533	-	15,199,047	
Customer liabilities on acceptances, guarantees, Ex-Im Bank discount, etc.	-	-	-	-	-	2,110,525	2,110,525	
Other assets	-	-	-	-	-	4,068,970	4,068,970	
Fixed assets	-	-	-	-	-	2,466,039	2,466,039	
Total assets	27,942,901	15,061,551	38,633,875	14,611,083	3,896,718	14,766,379	114,912,507	
Liabilities								

Deposits and current accounts of customers	39,780,321	6,186,044	2,893,010	-	1,198,253	13,307,551	63,365,179
Promissory notes and certificates of participation	7,904,418	2,567,150	617,169	400	-	-	11,089,137
Amounts due to other banks and financial institutions	686,564	464,587	73,162	400,085	695,876	-	2,320,274
Cheques and other instruments in the course of payment	-	-	-	-	-	951,693	951,693
Liability on acceptances, guarantees, Ex-Im Bank discount, etc.	-	-	-	-	-	2,110,525	2,110,525
Obligations under repurchase agreements	4,666,738	4,329,576	2,776,524	124,602	-	-	11,897,440
Obligations under credit card and cash advance securitization arrangements	5,055,483	-	-	-	-	-	5,055,483
Minority interest in subsidiaries	-	-	-	-	-	-	-
Other liabilities	2,780	3,503,757	7,597	106,247	-	3,724,637	7,345,018
Total liabilities	58,096,304	17,051,114	6,367,462	631,334	1,894,129	20,094,406	104,134,749
Interest sensitivity gap	(30,153,403)	(1,989,563)	32,266,413	13,979,749	2,002,589	(5,328,027)	10,777,758
Cumulative interest sensitivity gap	(30,153,403)	(32,142,966)	123,447	14,103,196	16,105,785	10,777,758	

Non-	The Group						
	Within 1	1 to 3	3 to 12	1 to 5	Over 5	Non-	Total
	Month	Months	Months	Years	Years	Interest	
	2001	2001	2001	2001	2001	Bearing	
\$'000	\$'000	\$'000	\$'000	\$'000	2001		
Total assets	25,438,584	37,234,991	25,814,691	1,766,302	230,780	14,271,435	104,756,783
Total liabilities	52,833,626	15,032,237	5,393,944	1,544,058	77,581	20,810,138	95,691,584
Interest sensitivity gap	(27,395,042)	22,202,754	20,420,747	222,244	153,199	(6,538,703)	9,065,199
Cumulative interest sensitivity gap	(27,395,042)	(5,192,288)	15,228,459	15,450,703	15,603,902	9,065,199	

	The Bank						
	Within 1	1 to 3	3 to 12	1 to 5	Over 5 Non-interest		Total
	Month	Months	Months	Years	Years	Bearing	
	2002	2002	2002	2002	2002	2002	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash resources	7,910,116	98,395	13,870	-	-	5,801,221	13,823,602
Government of Jamaica securities and other investments	42,592	6,684,782	30,215,703	11,540,857	2,133,488	2,385,108	53,002,530
Securities purchased under agreements to resell	1,163,968	1,123,554	241,070	-	-	-	2,528,592
Loans and advances less provision for losses	14,377,337	5,258	51,948	642,571	-	-	15,077,114
Customer liabilities on acceptances, guarantees, Ex-Im Bank discount, etc.	-	-	-	-	-	2,283,296	2,283,296
Other assets	-	-	-	-	-	2,693,193	2,693,193
Fixed assets	-	-	-	-	-	2,405,985	2,405,985
Total assets	23,494,013	7,911,989	30,522,591	12,183,428	2,133,488	15,568,803	91,814,312
Liabilities							
Deposits and current accounts of customers	39,966,535	6,115,888	2,806,324	-	1,198,253	13,307,551	63,394,551
Amounts due to other banks and financial institutions	686,287	464,587	73,162	400,085	695,876	-	2,319,997
Cheques and other instruments in the course of payment	-	-	-	-	-	823,566	823,566
Liability on acceptances, guarantees, Ex-Im Bank discount, etc.	-	-	-	-	-	2,283,296	2,283,296
Obligations under repurchase agreements	-	4,229,737	146,134	-	-	-	4,375,871
Obligations under credit card and cash advance securitization							

arrangements	5,055,483	-	-	-	-	-	5,055,483
Taxation	-	-	-	-	-	139,942	139,942
Other liabilities	-	-	-	165,018	-	2,478,830	2,643,848
Total liabilities	45,708,305	10,810,212	3,025,620	565,103	1,894,129	19,033,185	81,036,554
Interest sensitivity gap	(22,214,292)	(2,898,223)	27,496,971	11,618,325	239,359	(3,464,382)	10,777,758
Cumulative interest sensitivity gap	(22,214,292)	(25,112,515)	2,384,456	14,002,781	14,242,140	10,777,758	

The Bank

Non-

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- Interest Bearing	Total
	2001	2001	2001	2001	2001	2001	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total assets	21,211,243	31,323,086	19,579,984	535,755	21	15,001,311	87,651,400
Total liabilities	44,189,447	9,533,766	3,187,736	1,310,411	54,775	20,310,066	78,586,201
Interest sensitivity gap	(22,978,204)	21,789,320	16,392,248	(774,656)	(54,754)	(5,308,755)	9,065,199
Cumulative interest sensitivity gap	(22,978,204)	(1,188,884)	15,203,364	14,428,708	14,373,954	9,065,199	

The tables below summarise the effective interest rate by major currencies for financial instruments of the Group and the Bank.

	The Group							
	2002				2001			
	J\$	US\$	CAN\$	GBP	J\$	US\$	CAN\$	GBP
	%	%	%	%	%	%	%	%
Assets								
Cash resources	1.4	1.3	1.9	1.8	1.4	2.5	-	2.0
Securities purchased under agreements to resell	15.8	9.1	-	6.8	17.3	9.6	-	-
Government of Jamaica securities and other investments	14.2	9.1	2.2	4.0	17.1	8.6	4.3	4.7

Loans and advances less provision for losses	21.8	9.7	12.1	-	23.9	9.8	12.0	-
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Liabilities

Deposits and current accounts of customers	7.8	3.7	1.7	2.4	7.8	4.2	3.0	2.0
Promissory notes and certificates of participation	14.9	8.1	-	-	15.3	8.8	-	-
Amounts due to other banks and financial institutions	-	2.8	-	-	-	3.9	-	-
Obligations under repurchase agreements	14.5	8.6	5.0	5.6	16.5	8.3	-	-

The Bank

2002				2001			
J\$	US\$	CAN\$	GBP	J\$	US\$	CAN\$	GBP
%	%	%	%	%	%	%	%

Assets

Cash resources	1.0	1.2	1.8	1.8	1.0	2.3	-	2.0
Securities purchased under agreements to resell	15.0	8.2	-	-	14.5	8.1	-	-
Government of Jamaica securities and other investments	13.6	9.5	2.2	4.0	16.9	8.0	4.3	4.7
Loans and advances less provision for losses	21.8	9.7	12.1	-	23.9	9.8	12.0	-

Liabilities

Deposits and current accounts of customers	7.2	3.7	1.7	2.4	7.7	4.2	3.0	2.0
Amounts due to other banks and financial institutions	-	2.8	-	-	-	3.8	-	-
Obligations under repurchase agreements	13.6	-	-	-	16.5	-	-	-

(c) Foreign exchange risk

The Group and the Bank incur foreign currency risk on transactions that are denominated in a currency other than the Jamaican dollar. The main currencies giving rise to this risk are the United States dollar, Canadian dollar, British Pound and the Euro.

The Group and the Bank ensure that the net exposure is kept to an acceptable level by matching foreign assets with liabilities as far as possible.

Total foreign currency assets/(liabilities) were as follows:

The Group

storage and communication	3,465,693	-	3,465,693	1,467,572	3,465,693	-	3,465,693	1,467,572
Personal	2,374,579	98,726	2,473,305	3,292,851	2,285,088	98,726	2,383,814	3,203,991
Professional and other services	1,933,167	185,888	2,119,055	1,484,456	1,933,167	185,888	2,119,055	1,484,456
Tourism and entertainment	2,586,380	51,968	2,638,348	1,364,093	2,584,019	51,968	2,635,987	1,364,093
Other	465,508	42,730	508,238	224,194	462,716	42,730	505,446	234,772
Total	17,255,049	2,110,525	19,365,574	12,755,921	17,124,294	2,283,296	19,407,590	12,819,154
Total provision	(2,056,002)	-	(2,056,002)	(2,658,574)	(2,047,180)	-	(2,047,180)	(2,652,662)
Net	15,199,047	2,110,525	17,309,572	10,097,347	15,077,114	2,283,296	17,360,410	10,166,492

27 Fair Values of Financial Instruments

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Many of the Group's financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and may not necessarily be indicative of the amounts realizable in an immediate settlement of the instruments. In addition, the calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

The following tables set out the fair values of on-balance sheet financial instruments of the Group and the Bank using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets and liabilities that are not considered financial instruments, such as land, buildings and equipment.

Fair values were estimated as follows:

The fair values of cash resources, other assets, cheques and other instruments in transit, acceptances, guarantees and letters of credit, securities sold under repurchase agreements and other liabilities are assumed to approximate their carrying values, due to their short-term nature.

The fair value of investments is assumed to be equal to the estimated market value of investments provided in the following tables. These values are based on quoted market

prices, when available; when not available other valuation techniques are used.

The estimated fair value of loans reflects changes in the general level of interest rates that have occurred since the loans were originated. The particular valuation methods used are as follows:

- (i) For floating rate loans, fair value is assumed to be equal to book value as the interest rates on these loans automatically reprice to market.
- (ii) For match funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other.
- (iii) For all other loans, fair value is ascertained by discounting the expected future cash flows of these loans at current market rates for loans with similar terms and risks.

The fair values of deposits which are payable on demand or notice are assumed to be equal to their carrying values. Fair values of fixed rate deposits with a remaining term to maturity exceeding six months or term deposits payable within six months are determined by discounting the contractual cash flows, using market interest rates currently offered for deposits with similar terms and risks.

	The Group			
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	2002	2002	2001	2001
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash resources	13,911,667	13,911,667	14,262,014	14,262,014
Government of Jamaica securities and other investments	66,750,358	67,932,186	65,268,554	65,870,984
Securities purchased under agreements to resell	10,405,901	10,405,901	8,613,235	8,613,235
Loans and advances less provision for losses	15,199,047	15,199,047	8,279,420	8,279,420
Customer liabilities on acceptances, guarantees Ex-Im Bank discount, etc.	2,110,525	2,110,525	1,817,927	1,817,927
Other assets	4,068,970	4,068,970	4,988,256	4,988,256
Financial Liabilities				
Deposits and current accounts of customers	63,365,179	63,365,179	58,351,974	58,351,974

Promissory notes and certificates of participation	11,089,137	11,089,137	10,692,790	10,692,790
Amounts due to other banks and financial institutions	2,320,274	2,320,274	1,196,953	1,196,953
Liability on acceptances, guarantees, Ex-Im Bank discount, etc.	2,110,525	2,110,525	1,817,927	1,817,927
Obligations under repurchase agreements	11,897,440	11,897,440	11,227,707	11,227,707
Obligations under credit card and cash advance securitization arrangements	5,055,483	5,055,483	4,105,026	4,105,026
Cheques and other instruments in the course of payment	951,693	951,693	812,905	812,905
Policyholders' liabilities	3,217,521	3,217,521	2,298,466	2,298,466
Other liabilities	3,617,299	3,617,299	4,723,280	4,723,280

	The Bank			
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	2002	2002	2001	2001
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash resources	13,823,602	13,823,602	14,104,736	14,104,736
Government of Jamaica securities and other investments	50,617,422	51,498,666	52,455,163	53,114,987
Securities purchased under agreements to resell	2,528,592	2,528,592	4,127,391	4,127,391
Loans and advances less provision for losses	15,077,114	15,077,114	8,155,989	8,155,989
Customer liabilities on acceptances, guarantees, Ex-Im Bank discount, etc.	2,283,296	2,283,296	2,010,503	2,010,503
Other assets	2,693,193	2,693,193	3,624,686	3,624,686
Financial Liabilities				
Deposits and current accounts of customers	63,394,551	63,394,551	58,242,684	58,242,684
Amounts due to other banks and financial institutions	2,319,997	2,319,997	1,198,718	1,198,718
Cheques and other instruments in the course of payment	823,566	823,566	772,729	772,729
Liability on acceptances, guarantees, Ex-Im Bank discount, etc.	2,283,296	2,283,296	2,010,503	2,010,503
Obligations under repurchase agreements	4,375,871	4,375,871	8,330,174	8,330,174
Obligations under credit card and cash advance securitization arrangements	5,055,483	5,055,483	4,105,026	4,105,026

Other liabilities 2,643,848 2,643,848 3,926,367 3,926,367

28 Banking Act

At 30 September 2002 and 30 September 2001:

The Bank was in breach of Section 13(1)(d) of the Banking Act. This section deals with unsecured lending to connected persons. These lendings represent approximately 0.2% (2001 - 0.3%) of the Bank's loans and advances.

29 Related Party Transactions and Balances

Included in these financial statements are transactions and balances with related parties as follows.

	<u>The Group</u>		<u>The Bank</u>	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Loans and advances	109,585	861,763	109,585	861,763
Deposit liabilities	223,947	1,576,899	354,328	1,576,899
Obligations under repurchase agreements	-	-	3,658,000	7,522,005
Obligations under finance leases	-	60,329	59,838	108,354
Interest and other income earned	30,358	35,328	276,806	97,356
Interest expense	6,985	105,714	1,007,567	1,774,492
	=====	=====	=====	=====

30 Capital Commitments

	<u>The Group and The Bank</u>	
	2002	2001
	\$'000	\$'000
Capital expenditure authorised but not contracted for	663,876	330,389
Capital expenditure authorised and contracted for	1,135,837	22,761
	=====	=====

31 Funds under Management and Held in Trust

At 30 September 2002, a subsidiary had funds under management and funds held in trust amounting to \$12.8 billion (2001 - \$11.1 billion).

32 Retirement Plans

The Bank operates two pension schemes covering permanent employees as follows:

	NCB Staff Pension Fund (1999) \$'000	NCB 1986 Fund \$'000
Employer's contributions for year	75,682	-
Employees' contributions for year	78,095	-
Total assets	396,762	6,267,522
Number of persons in fund	2,407	1,557
	=====	=====

(a) NCB 1986 Fund

This defined benefit pension plan comprises the following pension funds which have been merged:

- National Commercial Bank Jamaica Staff Non-Contributory Pension Fund (NCB 1975 Fund)
- National Commercial Bank Jamaica Staff Pension Fund 1986 (NCB 1986 Fund)
- Mutual Security Bank Superannuation Scheme (MSB Fund)
- Computer Service and Programming Limited Pension Fund (CSP Fund)

The trustees of the NCB 1975 Fund, the NCB 1986 Fund and the MSB Fund approved the merger of these funds into the NCB 1986 Fund as at 1 October 1999. The members of the CSP Fund approved the merger with the NCB 1986 Fund as at 1 March 2001.

Members of all merged funds will receive pension benefits from the NCB 1986 Fund in respect of service up to the date of merger. Members' accrued rights under each of the funds as at the date of merger, are fully preserved in the NCB 1986 Fund. This Fund is closed to new members.

The last actuarial valuation of the NCB 1986 Fund as at 30 September 2001 indicated that it was adequately funded.

(b) NCB Staff Pension Fund (1999)

This defined contribution pension plan was established on 1 October 1999 and covers all

permanent employees of the Bank. Employees must make a basic contribution of 5% of pensionable salary and may also make voluntary contributions of no more than 5% while, the Bank contributes 5%.

Certain other subsidiaries have their own retirement plans, all of which are adequately funded in respect of past service benefits.
