National Commercial Bank Jamaica Limited

Notes to the Financial Statements

30 September 2003

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 is a 75% subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. The Bank's registered office is located at 32 Trafalgar Road, Kingston 10, Jamaica.

The Bank is listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange.

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 2003
Data-Cap Processing Limited	Data Processing	100
NCB Capital Markets Limited (formerly Edward Gayle and Company Limited)	Primary Dealer and Stock Broker	100
Mutual Security Insurance Brokers Limited	Insurance Brokers	100
NCB (Cayman) Limited	Commercial Banking	100
N.C.B. (Investments) Limited	Money Market Trading	100
N.C.B. Jamaica (Nominees) Limited	Securities' Nominee	100
NCB Insurance Company Limited	Life Insurance	100
West Indies Trust Company Limited	Investment and Pension Fund Management and Trustee	100

Senvia Money Services (UK) Limited (formerly N.C.B. Remittance Services Limited)	Services Money Remittance	100

All subsidiaries are incorporated in Jamaica with the exception of NCB (Cayman) Limited and Senvia Money Services (UK) 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 International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, investment securities held for trading, derivative contracts, investment property and certain fixed assets.

Jamaica adopted IFRS as its national accounting standards for accounting periods beginning on or after 1 July 2002. The financial statements for the year ended 30 September 2003 have therefore been prepared in accordance with IFRS and comparative information has been restated to conform with the provisions of IFRS.

In particular, the Group has opted for early adoption of IFRS 1, First-time Adoption of International Financial Reporting Standards and has applied the provisions of that standard in the preparation of these financial statements. The effects of adopting IFRS on the equity and net profit as previously reported are detailed in Note 43.

The preparation of financial statements in conformity with IFRS 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 statement and the reported amount amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(b) Consolidation

The consolidated financial statements comprise those of the Bank and its subsidiaries presented as a single economic entity. Intra-group transactions, balances and unrealised gains and losses are eliminated in preparing the consolidated financial statements.

(c) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate. These rates represent the weighted average rates at which the Bank trades in foreign currencies.

Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the profit and loss account.

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the profit and loss account (applicable for trading securities), or within stockholders' equity if non-monetary financial assets are classified as available-for-sale.

Assets and liabilities of foreign subsidiaries are translated at exchange rates at the balance sheet date, while profit and loss account and cash flow items are translated at average rates over the year. Differences resulting from the use of these different exchange rates are reflected in fair value and other reserves within stockholders' equity.

(d) Interest and fees

Interest income and expense are recognised in the profit and loss account for all interest-bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount or premium on treasury bills and other discounted instruments.

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on the cash basis. IFRS require that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

Fee and commission income is recognised on an accrual basis. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

(e) Investments

Investments are classified into the following categories: trading securities, originated loans, and available-for-sale securities. Management determines the appropriate classification of investments at the time of purchase.

Trading securities are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. They are initially recognised at cost, which includes transaction costs, and subsequently remeasured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in net trading income.

Originated debt securities include those where money is provided to the issuer, either directly or through an intermediary, other than those that are originated with the intent to be sold immediately or in the short-term, which are recorded as trading securities. They are initially recorded at cost, which is the cash given to originate the debt including any transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or market prices. They are initially recognised at cost, which includes transaction costs, and subsequently remeasured at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains and losses arising from changes in fair value of available-for-sale securities are recognised in stockholders' equity. When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in stockholders' equity are transferred to the profit and loss account.

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

All purchases and sales of investment securities are recognised at settlement date.

(f) Repurchase and reverse repurchase transactions

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(g) Derivatives

Derivative instruments are initially recognised in the balance sheet at cost (including transaction costs) and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives held for trading are included in net trading income. Derivative transactions which, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules in IAS 39 are treated as derivatives held for trading with fair value gains and losses reported in income.

(h) Loans and provisions for credit losses

Loans are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any transaction costs and subsequently measured at amortised cost using the effective interest rate method.

A provision for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

The provision for credit losses also covers situations, where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. Jamaican banking regulations require that interest on non-performing loans be taken into account on the cash basis. IFRS require the increase in the present value of impaired loans due to the passage of time to be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

Write-offs are made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries in part or in full of amounts previously written-off are credited to credit loss expense in the profit and loss account.

Statutory and other regulatory loan loss reserve requirements that exceed these amounts are dealt with in a non-distributable loan loss reserve as an appropriation of retained earnings.

(i) Investment property

Investment property is held for long-term rental yields and is not occupied by the Group. Investment property is treated as a long-term investment and is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recorded in the profit and loss account.

(j) Investments in subsidiaries

Investments by the Bank in subsidiaries are stated at cost.

(k) Property, plant and equipment

Land and buildings, except for investment property, are shown at deemed cost, less subsequent depreciation for buildings. Under IFRS1, a first-time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment as its deemed cost. The Group has elected to apply this provision. All other property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses.

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 and software	20-33 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

Land is not depreciated.

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the profit and loss account when the expenditure is incurred.

(l) Borrowings

Borrowings including those arising under securitization arrangements are recognised initially at cost, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective yield method.

(m) Employee benefits

(i) Pension asset

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 independent qualified actuaries.

The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plans every year. The pension obligation is measured at the present value of the estimated future cash outflows using discount estimated rates based on market yields on government securities which have terms to maturity approximating the terms of the related liability.

A portion of actuarial gains and losses is recognised in the profit and loss account if the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeded 10 percent of the greater of the present value of the gross defined benefit obligation and the fair value of plan assets at that date. Any excess actuarial gains or losses are recognised in the profit and loss account over the average remaining service lives of the participating employees.

Contributions to defined contribution plans are charged to the profit and loss account in the period to which they relate.

(ii) Other post-retirement obligations

Group companies provide post-retirement health care benefits to their retirees. The entitlement for these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. Valuations of these obligations are carried out annually by independent qualified actuaries.

(n) Leases

(i) As Lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to the profit and loss account over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(ii) As Lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term.

(o) Deferred income taxes

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax is provided on temporary differences arising from investments in subsidiaries, except where the timing of reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

Current and deferred taxes are recognised as income tax expense or benefit in the profit and loss account except, where they relate to items recorded in stockholders' equity, they are also charged or credited to stockholders' equity.

(p) Policyholders' liabilities

Policyholders' liabilities are determined annually by an independent actuary using the Policy Premium Method of valuation. It represents the liability for future benefits payable by the Group based on contracts for the life assurance business in force at the balance sheet date. These benefits represent the amount which, together with future premiums and investment returns will, in the opinion of the actuary, be sufficient to pay future benefits relating to contracts of insurance in force, as well as meet the expenses incurred in connection with such contracts. Allowance is made for interest, mortality and other assumptions considered to be appropriate to include in the liabilities of the Group under the terms of its policy contracts in force.

(q) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

(r) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and balances at Bank of Jamaica (excluding statutory reserves), due from other banks, investment securities and due to other banks.

(s) Acceptances, guarantees, indemnities and credits

The potential liability under acceptances, guarantees, indemnities and credits 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.

(t) Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Bank or its subsidiaries act in a fiduciary capacity such as nominee, trustee or agent.

(u) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, comparatives have been adjusted to take into account the requirements of IFRS (Note 43).

3. Segment Reporting

The Group is organised into three main business segments:

(a) Banking - This incorporates retail and corporate banking services.

(b) Wealth management - This incorporates investment management, pension fund management and trustee services.

(c) Insurance - This incorporates life insurance and insurance brokerage services.

Other operations of the Group include data processing and money remittance services.

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

The Group's operations are located mainly in Jamaica. The operations of subsidiaries located overseas account for less than 10 per cent of the Group's external operating revenue, assets and capital expenditures.

Year ended 30 September 2003	**Banking $'000**	**Wealth Management $'000**	**Insurance $'000**	**Other $'000**	**Eliminations $'000**	**Consolidated $'000**
External operating revenue	16,506,432	4,485,574	745,667	4,809	-	21,742,482
Operating revenue from other segments	59,549	1,634,614	188,115	37,748	(1,920,026)	-
Operating revenue	16,565,981	6,120,188	933,782	42,557	(1,920,026)	21,742,482
Segment result	2,615,548	747,688	205,397	(10,436)	(94,947)	3,463,250
Tax						(658,859)
Net profit						2,804,391

Segment assets	119,416,086	36,783,329	4,761,732	172,306	15,247,288	145,886,165
Segment liabilities	106,037,727	34,749,981	4,426,838	163,031	(12,363,244)	133,014,333
Capital expenditure	1,934,850	62,973	10,371	2,000	-	2,010,194
Depreciation	472,497	9,721	8,967	3,725	-	494,910
Amortisation	107,342	-	-	-	-	107,342

Year ended 30 September 2002	**Banking $'000**	**Wealth Management $'000**	**Insurance $'000**	**Other $'000**	**Eliminations $'000**	**Consolidated $'000**
External operating revenue	10,888,947	2,854,574	516,087	4,861	-	14,264,469
Operating revenue from other segments	239,609	957,705	69,684	24,207	(1,291,205)	-
Operating revenue	11,128,556	3,812,279	585,771	29,068	(1,291,205)	14,264,469
Segment result	1,048,257	557,699	96,746	8,975	-	1,711,677
Tax						(170,149)
Profit before minority interests						1,541,528
Minority interests						(63,121)
Net profit						1,478,407
Segment assets	92,205,438	27,596,384	3,560,878	50,523	(8,192,833)	115,220,390
Segment liabilities	80,851,446	26,433,512	3,274,661	28,156	(7,338,862)	103,248,913
Capital expenditure	1,209,944	41,440	4,708	-	-	1,256,092
Depreciation	272,130	9,574	9,200	93	-	290,997
Amortisation	98,789	-	-	-	-	98,789

4. Net Fee and Commission Income

	The Group		The Bank	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Fee and commission income:				
Retail banking fees	527,866	491,251	524,430	489,725
Credit related fees	1,005,187	694,873	1,005,187	694,873
Other fees	189,232	184,552	46,262	61,650
	1,722,285	1,370,676	1,575,879	1,246,248
Fee and commission expenses	(413,924)	(199,416)	(408,154)	(204,096)
	1,308,361	1,171,260	1,167,725	1,042,152

5. Net Trading Income

	The Group		The Bank	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Foreign exchange translation and trading	1,971,850	743,553	1,929,809	707,158
Fixed income	92,991	385,094	73,238	122,370
Equities	843,868	2,023	773,853	-
	2,908,709	1,130,670	2,776,900	829,528

Foreign exchange translation and trading income includes gains and losses arising from translation of assets and liabilities denominated in foreign currency as well as those arising from foreign currency trading activity.

6. Staff Costs

	The Group		The Bank	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Wages and salaries	2,847,140	2,123,436	2,559,193	1,961,295
Statutory contributions	278,423	218,037	262,552	203,063

Pension costs - defined contribution plans	95,025	75,374	91,166	72,677
Pension costs - defined benefit plans	342	(300)	-	-
Allowances and benefits	583,550	362,077	545,666	333,720
Staff profit share	221,059	-	221,059	-
Termination benefits	186,742	149,708	186,553	148,207
	4,212,281	2,928,332	3,866,189	2,718,962

The number of persons employed as at 30 September:

	The Group		The Bank	
	2003	**2002**	**2003**	**2002**
Full-time	2,324	2,445	2,196	2,282
Part-time	254	315	254	289
Contract	21	46	21	33
	2,599	2,806	2,471	2,604

7. Profit before Taxation

The following have been charged/(credited) in arriving at profit before taxation:

	The Group		The Bank	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Directors' emoluments -				
Fees	2,141	1,648	1,236	1,111
Management remuneration	33,665	36,247	33,665	36,247
Compensation for loss of office	-	37,563	-	37,563
Auditors' remuneration	17,603	15,455	11,100	9,050
Depreciation	494,410	299,997	471,742	270,768
(Gain)/loss on disposal of property, plant and equipment	(324)	(45,282)	(1,242)	(11,123)
Dividend income	24,776	22,270	14,204	12,137
Operating lease rentals	73,774	42,095	73,774	42,095

========	========	========	========

8. Taxation

	The Group		The Bank	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Current:				
Income tax at 33 1/3%	253,618	177,058	31,860	156,121
Premium tax at 1 1/2%	18,392	14,318	-	-
Investment income tax at 7 1/2%	6,535	-	-	-
Tax credit on bonus issue of shares	(2,825)	(5,375)	-	-
Deferred tax (Note 20)	383,139	(15,852)	389,259	(96,579)
	658,859	170,149	421,119	59,542
	========	========	========	========

The tax on profit differs from the theoretical amount that would arise using the basic statutory rate of 33 1/3% as follows:

	The Group		The Bank	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Profit before tax	3,463,250	1,711,677	2,550,654	1,037,654
	=========	=========	=========	=========
Tax calculated at a tax rate of 33 1/3%	1,154,417	570,559	850,218	345,885
Income not subject to tax or in respect of which tax has been remitted	(676,593)	(385,052)	(594,820)	(291,070)
Expenses not deductible for tax purposes	212,235	5,500	165,721	4,727
Effect of different tax regime applicable to life insurance subsidiary	(28,375)	(15,483)	-	-
Effect of tax credit on bonus issue of shares	(2,825)	(5,375)	-	-
Income tax expense	658,859	170,149	421,119	59,542
	=========	=========	=========	=========

(a) Tax on the life insurance business is charged on investment income, less expenses allowable in earning that income, at the rate of 7 1/2% and on premium income less reinsurance premiums at 1 1/2%.

(b) 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. The maximum nominal value available for the credit is 50% of the after-tax profit for the year of each company.

9. Net Profit

	2003 $'000	2002 $'000
Dealt with in the financial statements of:		
The Bank	2,129,535	978,112
Subsidiaries	674,856	500,295
	2,804,391	1,478,407

10. Retained Earnings

	2003	2002
Reflected in the financial statements of:	**$'000**	**$'000**
The Bank	2,567,768	2,311,363
Subsidiaries	1,284,670	644,784
	3,852,438	2,956,147

11. Earnings Per Stock Unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year.

	2003	2002
Net profit attributable to stockholders ($'000)	2,804,391	1,478,407
Weighted average number of ordinary stock units in issue('000)	2,466,763	2,466,763
Basic earnings per stock unit ($)	1.14	0.60

12. Cash and Balances at Bank of Jamaica

	The Group		The Bank	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Cash in hand and at bank	1,920,305	1,236,826	1,856,282	1,169,634
Balances with the Bank of Jamaica other than statutory reserves	22,792	644,172	22,792	644,172
Included in cash and cash equivalents	1,943,097	1,880,998	1,879,074	1,813,806
Statutory reserves with the Bank of Jamaica - interest-bearing	4,593,657	1,524,513	4,593,657	1,524,513
Statutory reserves with the Bank of Jamaica - non-interest-bearing	4,104,884	4,093,585	4,104,884	4,093,585
	10,641,638	7,499,096	10,577,615	7,431,904

Statutory reserves with the Bank of Jamaica represent the required ratio of 9% (2002 - 9%) of prescribed liabilities. They are not available for investment, lending or other use by the Group.

Effective 15 January 2003, the Bank is required by the Bank of Jamaica under section 28A of the Bank of Jamaica Act, to maintain a special deposit wholly in the form of cash, representing 5% of prescribed liabilities. This special deposit earns interest at 6% per annum.

13. Due from Other Banks

	The Group		The Bank	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Items in course of collection from other banks	1,615,564	521,863	1,615,564	523,830
Placements with other banks	7,501,684	5,890,708	7,826,142	5,867,868
Included in cash and cash equivalents	9,117,248	6,412,571	9,441,706	6,391,698

14. Trading Securities

	The Group	
	2003	2002

	$'000	$'000
Government of Jamaica debt securities	895,230	-
Quoted equity securities	1,011,040	-
	1,906,270	-
	=========	=========

15. Reverse Repurchase Agreements

The Group and the Bank enter into collateralised reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations.

At 30 September 2003, the Group and the Bank held $7,441,192,000 (2002 - $10,521,897,000) and $570,538,000 (2002 - $2,644,588,000), respectively of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

16. Loans and Advances

	The Group		The Bank	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Gross loans and advances	28,563,664	17,255,049	28,426,623	17,051,135
Provision for credit losses	(2,163,517)	(1,972,328)	(2,151,883)	(1,963,506)
	26,400,147	15,282,721	26,274,740	15,087,629
	===========	==========	==========	==========

The movement in the provision for credit losses determined under the requirements of IFRS is as follows:

	The Group		The Bank	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Balance at beginning of year	1,972,328	2,280,422	1,963,506	2,292,243
Provided during the year	1,906,596	409,393	1,903,784	388,750

Recoveries	(1,700,035)	581,892	(1,700,035)	(581,892)
Net charge/(credit) to profit	206,561	(172,499)	203,749	(193,142)
Write-offs	(15,372)	(135,595)	(15,372)	(135,595)
Balance at end of year	2,163,517	1,972,328	2,151,883	1,963,506

The aggregate amount of non-performing loans on which interest was not being accrued amounted to $1,503,254,000 as at 30 September 2003 (2002 - $1,525,898,000).

The provision for credit losses determined under Bank of Jamaica regulatory requirements is as follows:

	The Group		**The Bank**	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Specific provision	1,994,136	1,897,425	1,982,502	1,891,112
General provision	242,272	158,577	242,272	156,068
	2,236,408	2,056,002	2,224,774	2,047,180
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 30)	72,891	83,674	72,891	83,674

17. Investment Securities

	The Group		**The Bank**	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Originated debt securities - at amortised cost				
Government of Jamaica	58,344,867	54,816,146	49,670,679	46,325,475
Foreign government	20,000	-	-	-
Other	725,827	2,351,347	726,915	767,035
	59,090,694	57,167,493	50,397,594	47,092,510

Available-for-sale securities - at fair value				
Debt securities				
- Government of Jamaica	18,785,562	9,517,699	7,474,127	3,778,788
- Foreign government	175,556	-	175,556	-
- Corporate	14,370	16,888	14,370	16,888
- Other	152,578	64,996	-	-
Equity securities				
- Quoted	319,700	358,780	305,318	-
- Unquoted	-	167,400	-	167,399
	19,447,766	10,125,763	7,969,371	3,963,075
Total	78,538,460	67,293,256	58,366,965	51,055,585

The Bank of Jamaica holds as security, Government of Jamaica Local Registered Stocks valued at $2,017,151,000 (2002 - $1,528,518,000) for the Group and $1,977,151,000 (2002 - $1,488,518,000) for the Bank against possible shortfalls in the operating account.

The Financial Services Commission holds as security, Government of Jamaica Local Registered Stocks valued at $90,000,000 (2002 - $90,000,000) for the life insurance subsidiary, in accordance with Section 8(1)(B) of the Insurance Regulations 2001.

Included in investment securities are the following amounts which are regarded as cash equivalents for purposes of the statement of cash flows:

	The Group		**The Bank**	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Debt securities with an original maturity of less than 90 days	1,275,556	1,677,166	1,275,556	1,548,771

18. Investment Properties

	The Group	
	2003	**2002**
	$'000	**$'000**

Balance at beginning of year	17,442	16,100
Additions	8,445	1,442
Fair value gains/(losses)	2,313	(100)
Balance at end of year	28,200	17,442
	=======	=======

The investment properties are valued annually at 30 September at fair value representing open market value by an independent professionally qualified valuer.

19. Property, Plant and Equipment

The Group

	Freehold Land and Buildings $'000	**Leasehold Improvements $'000**	**Furniture, Equipment & Software $'000**	**Assets Capitalised Under Finance Leases $'000**	**Work-in-progress $'000**	**Total $'000**
Cost -						
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
Additions	96,790	19,084	822,378	6,784	1,065,158	2,010,194
Disposals	-	(2,514)	(9,897)	(18,063)	-	(30,474)
Transfers	27,227	75,040	1,036,885	15,341	1,154,493	-
Reclassification	-	-	-	-	(63,574)	(63,574)
At 30 September 2003	1,479,520	340,685	2,977,288	887,620	554,945	6,240,058
Accumulated 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

Charge for the year	25,414	27,836	353,500	88,160	-	494,910
Disposals	-	(1,996)	(8,157)	(14,388)	-	(24,541)
At 30 September 2003	229,792	227,056	1,075,582	795,812	-	2,328,242
Net Book Value -						
30 September 2003	1,249,728	113,629	1,901,706	91,808	554,945	3,911,816
30 September 2002	1,151,125	47,859	397,683	161,518	707,854	2,466,039

The Bank

Assets Capitalised

	Freehold Land and Buildings $'000	Leasehold Improvements $'000	Furniture Equipment & Software $'000	Under Finance Leases $'000	Work-in-progress $'000	Total $'000
Cost -						
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
Additions	96,790	-	788,215	6,784	1,035,125	1,926,914
Disposals	-	-	-	(18,063)	-	(18,063)
Transfers	27,227	75,040	1,011,990	15,341	(1,129,598)	-
Reclassification	-	-	-	-	(63,574)	(63,574)
At 30 September 2003	1,453,637	318,191	2,845,416	889,755	536,055	6,043,054
Accumulated 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)	-	(1,231)	(8,460)	-	(10,620)
Transfers	14,180	(14,180)	-	-	-	-
At 30 September 2002	204,379	196,412	668,961	722,040	-	1,791,792
Charge for the year	25,414	25,416	332,752	88,160	-	471,742
Disposals	-	-	-	(14,388)	-	(14,388)
At 30 September 2003	229,793	221,828	1,001,713	795,812	-	2,249,146
Net Book Value -						

30 September 2003	1,223,844	96,363	1,843,703	93,943	536,055	3,793,908
	============	=========	==========	==========	==========	==========
30 September 2002	1,125,241	46,739	376,250	163,653	694,102	2,405,985
	============	=========	==========	==========	==========	==========

Included in the table above are amounts totalling $164,000,000 (2002 - $164,000,000) for the Group and the Bank representing the previous Jamaican GAAP revalued amount of land and buildings which has been used as the deemed cost of these assets under the provision of IFRS 1 (Note 2(k)).

Assets capitalised under finance leases comprise motor vehicles and computer equipment.

20. Deferred Income Taxes

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

	The Group		**The Bank**	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax assets	(120,426)	(19,270)	-	-
Deferred tax liabilities	437,966	237,411	422,349	163,491
Net liability	317,540	218,141	422,349	163,491
	========	========	========	========

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

	The Group		**The Bank**	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Net liability at beginning of year	218,141	277,565	163,491	308,167
Deferred tax (income)/expense (Note 8)	383,139	(15,852)	389,259	(96,579)
Deferred tax credited to stockholders' equity	(283,740)	(43,572)	(130,401)	(48,097)
Net liability at end of year	317,540	218,141	422,349	163,491
	=========	========	========	========

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

	The Group		The Bank	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Deferred income tax assets:				
Property, plant and equipment	50	25,108		24,675
Investment securities	295,389	33,729	160,815	30,356
Loan loss provisions	56,460	24,131	56,460	24,131
Pensions and other post-retirement benefits	59,419	51,519	59,419	51,519
Interest payable	425,646	149,823	-	-
Interest rate swap	42,970	46,410	42,970	46,410
Tax loss carry forwards	5,919	106,091	-	-
Accrual for staff profit share	73,686	-	73,686	-
Other temporary differences	38,027	12,979	34,617	-
	997,566	449,790	427,967	177,091
Deferred income tax liabilities:				
Property, plant and equipment	159,731	1,824	157,629	-
Investment securities	8,226	29,625	-	-
Obligations under securitization arrangements	47,092	68,931	47,092	68,931
Interest receivable	446,774	294,139	-	-
Unrealised foreign exchange gains	651,358	241,756	645,595	241,756
Other temporary differences	1,925	31,656	-	29,895
	1,315,106	667,931	850,316	340,582

Deferred income taxes are recognised for tax loss carry forwards only to the extent that realisation of the related tax benefit is probable. Group subsidiaries have tax losses, subject to agreement with the Commissioner of Taxpayer Audit and Assessment, aggregating $17,757,000 (2002 - $318,273,000) available for indefinite offset against future taxable income in respect of which a deferred tax asset has been recognised.

Deferred income tax liabilities have not been provided for on the withholding and other taxes that would be payable on the undistributed earnings of certain subsidiaries to the extent that such earnings are permanently reinvested. Such undistributed earnings totalled $1,284,670,000 at 30 September 2003 (2002 - $644,784,000).

21. Retirement Benefits

(Assets)/liabilities recognised on the balance sheet are as follows:

	The Group		The Bank	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Pension schemes	(6,009)	(5,284)	-	-
Other post retirement benefits	178,257	154,557	178,257	154,557
	=======	=======	=======	=======

Pension schemes

The Bank and its subsidiaries have established a number of pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. Defined benefit plans are valued by independent actuaries every three years using the projected unit credit method. The latest actuarial valuations were carried out as at 30 September 2003.

The amounts recognised in the balance sheet are determined as follows:

	The Group		The Bank	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Present value of funded obligations	3,541,715	3,318,909	3,532,961	3,311,653
Fair value of plan assets	(6,965,257)	(6,229,192)	(6,951,468)	(6,217,944)
	(3,423,542)	(2,910,283)	(3,418,507)	(2,906,291)
Unrecognised actuarial gains	561,117	181,661	562,091	182,953
Limitation on asset due to uncertainty of obtaining economic benefits	2,856,416	2,723,338	2,856,416	2,723,338
Asset in the balance sheet	(6,009)	(5,284)	-	-
	=========	=========	=========	=========

Pension plan assets include:

- Ordinary stock units of the Bank with a fair value of $664,978,000 (2002 - $137,665,000).

- Repurchase obligations, promissory notes and lease obligations of the Group aggregating $1,159,475,000 (2002 - $539,325,000).

- Properties occupied by the Group with a fair value of $214,725,000 (2002 - $206,725,000).

The amounts recognised in the profit and loss account are as follows:

	The Group		**The Bank**	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Current service cost	420	(129)	-	-
Interest cost	418,666	371,320	417,586	370,657
Expected return on plan assets	(551,829)	(491,722)	(550,664)	(490,888)
Net actuarial gains recognised	7	-	-	-
Change in limitation on asset	133,078	120,231	133,078	120,231
Total, included in staff costs (note 6)	342	(300)	-	-

The actual return on plan assets was $934,182,000 (2002 - $854,337,000) and $932,436,000 (2002 - $853,161,000) for the Group and the Bank, respectively.

Movements in the amounts recognised in the balance sheet:

	The Group		**The Bank**	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
(Asset)/liability at beginning of year	(5,284)	(3,669)	-	-
Total expense/(income), as above	342	(300)	-	-
Contributions paid	(1,067)	(1,315)	-	-
(Asset)/liability at end of year	(6,009)	(5,284)	-	-

The principal actuarial assumptions used were as follows:

	The Group		The Bank	
	2003	**2002**	**2003**	**2002**
Discount rate	15.0%	13.0%	15.0%	13.0%
Expected return of plan assets	10.5%	9.0-10.0%	10.5%	9.0%
Future salary increases	10.0%	8.0-10.0%	10.0%	8.0%
Future pension increases	0-6.5%	0-2.5%	6.5%	2.5%

Other post-retirement benefits

In addition to pension benefits, the Bank and its subsidiaries offer retiree medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for pension schemes, the main actuarial assumption is a long-term increase in health costs of 13% per year (2002 - 11.5%).

The amounts recognised in the balance sheet are determined as follows:

	The Group and The Bank	
	2003	**2002**
	$'000	**$'000**
Present value of unfunded obligations	177,028	159,339
Unrecognised actuarial gains/(losses)	1,229	(4,782)
Liability in the balance sheet	178,257	154,557

The amounts recognised in the profit and loss account are as follows:

	The Group and The Bank	
	2003	**2002**
	$'000	**$'000**
Current service cost	8,419	7,298

Interest cost	21,410	18,052
Total, included in staff costs	29,829	25,350
	=======	=======

Movements in the amounts recognised in the balance sheet:

	The Group and The Bank	
	2003	**2002**
	$'000	**$'000**
Liability at beginning of year	154,557	133,922
Total expense, as above	29,829	25,350
Contributions paid	(6,129)	(4,715)
Liability at end of year	178,257	154,557
	========	========

22. Other Assets

	The Group		**The Bank**	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Accounts receivable and prepayments	1,031,276	752,854	426,685	443,720
Interest receivable	4,987,290	2,849,413	3,608,276	1,892,098
Withholding tax recoverable	350,137	106,018	470,170	430,534
	6,368,703	3,708,285	4,505,131	2,766,352
	=========	=========	=========	=========

23. Due to Other Banks

	The Group		**The Bank**	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Items in course of payment	1,150,994	951,693	1,150,994	823,566
Deposits from other banks	5,106,214	1,265,655	5,106,214	1,265,378
	6,257,208	2,217,348	6,257,208	2,088,944
	=========	=========	=========	=========

24. 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 an interest rate swap agreement effective October 2001 with Citibank N.A. whereby the Bank will pay 4.33% per annum fixed and receive three month US dollar LIBOR on a notional amount of US$45,000,000 every quarter commencing January 2002 and ending July 2006.

In October 2001, the Bank entered into a second interest rate swap agreement effective October 2001 with Citibank N.A. whereby the Bank will pay 3.78% per annum fixed and receive three month US dollar LIBOR on a notional amount of US$45,000,000 every quarter commencing January 2002 and ending July 2006.

The fair value of these interest rate swaps at 30 September 2003 is negative US$2,166,000 (2002 - Negative US$2,803,000).

25. Other Borrowed Funds

	The Group		The Bank	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Development Bank of Jamaica	949,431	1,054,619	949,431	1,054,619
Student loan funds	114,074	157,230	114,074	157,230
Barclays Bank plc loan	-	245,989	-	-
Finance lease obligations	65,744	106,247	101,887	165,018
	1,129,249	1,564,085	1,165,392	1,376,867

(a) The loans from Development Bank of Jamaica are granted in both Jamaican dollar and US dollar currencies and are utilised by the Bank to finance customers with viable projects in agricultural, agro-industrial, manufacturing, mining and tourism sectors of the economy. The loans to customers are for terms up to 12 years and at rates of 10 - 13%.

(b) Student loan funds represent funds provided by the Government of Jamaica and various funding agencies to the Bank for the purpose of making loans to students of tertiary educational institutions. These are repayable over 7 - 10 years and attract interest at a rate of 16 -18%.

(c) The loan from Barclays Bank plc was repaid during the year.

(d) The finance lease obligations are analysed as follows:

	The Group		**The Bank**	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Minimum lease payments under finance leases:				
Not later than 1 year	52,662	78,833	80,948	113,087
Later than 1 year and not later than 5 years	25,860	52,275	39,612	93,383
	78,522	131,108	120,560	206,470
Future finance charges	(12,778)	(24,861)	(18,673)	(41,452)
Present value of finance lease obligations	65,744	106,247	101,887	165,018
	========	=======	=======	=======

The present value of finance lease obligations may be analysed as follows:

	The Group		**The Bank**	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Not later than 1 year	43,214	66,270	66,270	83,696
Later than 1 year and not later than 5 years	22,530	39,977	35,617	81,322
	65,744	106,247	101,887	165,018
	=======	========	========	========

26. Other Liabilities	**The Group**		**The Bank**	
	2003	**2002**	**2003**	**2002**

	$'000	$'000	$'000	$'000
Interest payable	2,032,588	1,483,251	1,583,414	963,009
Provisions (Note 27)	140,000	61,060	140,000	61,060
Accrued liabilities	373,569	116,007	331,770	97,880
Other	877,337	598,132	316,001	350,825
	3,423,494	2,258,450	2,371,185	1,472,774

27. Provisions

	The Group		The Bank	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of year	61,060	130,669	61,060	130,669
Provided during the year	90,000	-	90,000	-
Utilised during the year	(11,060)	(69,609)	(11,060)	(69,609)
At end of year	140,000	61,060	140,000	61,060
Comprising:				
Provision for litigation	140,000	61,060	140,000	61,060

28. Share Capital

	2003	**2002**
	$'000	**$'000**
Authorised	5,750,000	5,750,000
Issued and Fully Paid Up -		
2,466,762,828 Ordinary stock units of $1 each	2,466,763	2,466,763

29. Fair Value and Other Reserves

	The Group		The Bank	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Fair value reserve - available-for-sale investments	(677,313)	40,388	(306,864)	89,664
Translation reserve	98,422	26,708	-	-
Capital reserve	308,118	273,148	348,468	348,468
	(270,773)	340,244	41,604	438,132
Capital reserve comprises:				
Realised:				
Capital gains from the scheme of arrangement	-	-	300,564	300,564

Surplus on revaluation of property, plant and equipment	92,991	92,991	-	-
Retained earnings capitalised	98,167	63,197	-	-
Unrealised:				
Surplus on revaluation of property, plant and equipment	116,960	116,960	47,904	47,904
	308,118	273,148	348,468	348,468

30. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 16).

31. 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 net profits until the amount of the fund is equal to the paid-up capital of the Bank.

32. 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.

33. Cash Flows from Operating Activities

	The Group		The Bank	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Net profit	2,804,391	1,478,407	2,129,535	978,112
Adjustments to reconcile net profit to cash flow provided by/(used in) operating activities:				

Depreciation of property, plant and equipment	494,910	290,997	471,742	270,768
Provision for credit losses	206,561	172,499	203,749	(193,142)
Interest income	(17,470,803)	(11,915,157)	(12,480,376)	(9,134,773)
Interest received	12,332,120	11,129,301	10,764,198	10,424,978
Interest expense	10,712,921	7,632,543	6,981,076	5,501,750
Interest paid	(10,163,584)	(7,257,774)	(6,360,671)	(6,021,992)
Income tax expense	275,720	186,001	31,860	156,121
Income tax paid	(277,991)	(45,391)	(259,308)	(16,178)
Unrealised exchange loss on credit card and cash advance securitization arrangements	881,965	325,045	881,965	325,045
Amortisation of upfront fees on credit card and cash advance securitization arrangements	107,342	98,789	107,342	98,789
Change in retirement benefit asset/obligation	22,975	19,020	23,700	20,635
Unrealised exchange gain on foreign currency denominated investments	(3,063,652)	(784,385)	(3,063,652)	(784,385)
Deferred tax expense/(credit)	383,139	(15,852)	389,259	(96,579)
Gain on sale of property, plant and equipment	(324)	(45,282)	(1,242)	(11,123)
Fair value (gains)/losses on investment properties	(2,313)	100	-	-
Fair value (gains)/losses on interest rate swap	(10,321)	139,230	(10,321)	139,230
Changes in operating assets and liabilities:				
Statutory reserves at Bank of Jamaica	(3,080,443)	52,890	(3,080,443)	52,890
Reverse repurchase agreements	4,572,944	1,792,666	1,958,054	1,598,799
Loans and advances	(11,323,987)	(6,470,383)	(11,390,860)	(6,378,079)
Customer deposits	6,323,789	5,013,205	7,277,393	5,151,867
Repurchase agreements	17,727,301	669,733	13,482,230	(3,954,303)
Promissory notes and certificates of participation	(969,588)	396,347	-	-
Policyholders' liabilities	1,070,137	919,055	-	-
Other	3,366,723	1,091,884	255,405	(443,641)
Net cash provided by/(used in) operating activities	14,919,932	943,158	8,310,635	(2,315,211)

34. Risk Management

By its nature, the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing, Such exposures involve not just loans and advances but also guarantees and other commitments such as letters of credit.

The Group also trades in financial instruments where it takes positions to take advantage of short-term market movements in equity and bond prices and in foreign exchange and interest rates. The Board places trading limits on the level of exposure that can be taken.

(a) Liquidity Risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and repurchase agreements, loan draw downs, and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Group's Treasury Division seeks to have available a minimum proportion of maturing funds to meet such calls. The Group's policy is to hold a high proportion of liquid assets to cover withdrawals at unexpected levels of demand.

The following tables 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.

As at 30 September 2003:

	The Group					
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and balances at Bank of Jamaica	8,995,432	621,205	1,025,001	-	-	10,641,638
Due from other banks	8,289,854	459,188	368,206	-	-	9,117,248
Trading securities	-	-	-	387,204	1,519,066	1,906,270
Reverse repurchase agreements	3,028,696	1,612,894	1,191,367	-	-	5,832,957
Loans and advances net of provision for credit losses	3,282,078	4,289,175	5,017,116	8,619,562	5,192,216	26,400,147
Investment securities	1,168,437	5,511,832	11,715,170	28,218,121	31,924,900	78,538,460
Other	1,543,498	1,054,335	1,893,534	341,836	8,616,242	13,449,445
Total assets	26,307,995	13,548,629	21,210,394	37,566,723	47,252,424	145,886,165
Liabilities						
Due to other banks	3,729,988	1,547,728	891,640	87,852	-	6,257,208
Customer deposits	58,411,201	2,056,697	5,757,560	3,463,510	-	69,688,968
Derivative financial instruments	-	-	-	128,909	-	128,909
Repurchase agreements	13,431,481	6,692,582	8,736,251	734,646	29,781	29,624,741
Obligations under credit card and cash advance securitization arrangements	365,505	368,387	1,527,035	2,316,052	-	4,576,979
Other borrowed funds	-	-	-	1,129,249	-	1,129,249
Other	12,787,678	2,549,084	3,611,763	1,073,139	1,586,615	21,608,279
Total liabilities	88,725,853	13,214,478	20,524,249	8,933,357	1,616,396	133,014,333
Net Liquidity Gap	(62,417,858)	334,151	686,145	28,633,366	45,636,028	12,871,832
Cumulative Liquidity Gap	(62,417,858)	(62,083,707)	(61,397,562)	(32,764,196)	12,871,832	
As at 30 September 2002:						
Total assets	20,872,057	12,651,161	7,082,554	28,969,169	45,645,449	115,220,390
Total liabilities	67,125,514	18,396,531	8,886,286	7,066,490	1,774,092	103,248,913
Net Liquidity Gap	(46,253,457)	(5,745,370)	(1,803,732)	21,902,679	43,871,357	11,971,477
Cumulative Liquidity Gap	(46,253,457)	(51,998,827)	(53,802,559)	(31,899,880)	11,971,477	

	The Bank				
As at 30 September 2003:	Within 1	1 to 3	3 to 12	1 to 5	Over 5

	Month	Months	Months	Years	Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and balances at Bank of Jamaica	10,577,615	-	-	-	-	10,577,615
Due from other banks	8,175,485	898,015	368,206	-	-	9,441,706
Reverse repurchase agreements	172,729	397,809	-	-	-	570,538
Loans and advances net of provision for credit losses	3,277,611	4,276,244	5,000,736	8,562,204	5,157,945	26,274,740
Investment securities	610,097	4,841,408	8,006,708	19,693,505	25,215,247	58,366,965
Investment in subsidiaries	-	-	-	-	1,456,970	1,456,970
Other	941,549	838,282	869,964	275,753	8,387,782	11,313,330
Total assets	23,755,086	11,251,758	14,245,614	28,531,462	40,217,944	118,001,864
Liabilities						
Due to other banks	3,729,987	1,547,728	891,640	87,853	-	6,257,208
Customer deposits	58,357,230	1,522,785	7,330,562	3,461,366	-	70,671,943
Derivative financial instruments	-	-	-	128,909	-	128,909
Repurchase agreements	2,274,086	12,045,053	2,866,920	672,042	-	17,858,101
Obligations under credit card and cash advance securitization arrangements	365,505	368,387	1,527,035	2,316,052	-	4,576,979
Other borrowed funds	-	-	-	1,165,392	-	1,165,392
Other	1,065,918	1,127,465	988,948	1,183,144	1,533,102	5,898,577
Total liabilities	65,792,726	16,611,418	13,605,105	9,014,758	1,533,102	106,557,109
Net Liquidity Gap	(42,037,640)	(5,359,660)	640,509	19,516,704	38,684,842	11,444,755
Cumulative Liquidity Gap	(42,037,640)	(47,397,300)	(46,756,791)	(27,240,087)	11,444,755	

As at 30 September 2002:

	Month	Months	Months	Years	Years	Total
Total assets	17,534,253	6,831,460	4,975,213	22,275,932	39,791,153	91,408,011
Total liabilities	54,197,164	12,883,604	5,591,767	7,059,647	706,032	80,438,214
Net Liquidity Gap	(36,662,911)	(6,052,144)	(616,554)	15,216,285	39,085,121	10,969,797
Cumulative Liquidity Gap	(36,662,911)	(42,715,055)	(43,331,609)	(28,115,324)	10,969,797	

(b) Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Asset and Liability Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following tables 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.

As at 30 September 2003:

	The Group						
	Within 1 Month	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non-interest Bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash and balances at Bank of Jamaica	2,959,461	894,572	786,752	-	-	6,000,853	10,641,638
Due from other banks	3,254,407	459,188	368,206	-	-	5,035,447	9,117,248
Trading securities	-	-	-	387,205	508,025	1,011,040	1,906,270
Reverse repurchase agreements	3,028,698	1,770,612	1,033,647	-	-	-	5,832,957
Loans and advances net of provision for credit losses	25,044,753	6,340	129,517	1,108,755	110,782	-	26,400,147
Investment securities	1,343,405	36,037,601	14,252,385	20,435,496	6,124,818	344,755	78,538,460
Other	-	-	-	-	-	13,449,445	13,449,445
Total assets	35,630,724	39,168,313	16,570,507	21,931,456	6,743,625	25,841,540	145,886,165
Liabilities							
Due to other banks	3,729,988	1,547,728	891,640	87,852	-	-	6,257,208
Customer deposits	43,922,496	2,041,151	5,630,039	3,461,366	-	14,633,916	69,688,968
Derivative financial instruments	-	-	-	128,909	-	-	128,909
Promissory notes, and certificates of participation	6,317,550	1,901,549	1,668,680	-	231,770	-	10,119,549
Repurchase agreements	13,431,481	6,722,363	8,736,251	734,646	-	-	29,624,741
Obligations under credit card and cash advance securitization arrangements	363,189	368,387	1,527,036	2,318,367	-	-	4,576,979
Other borrowed funds	-	-	-	1,129,249	-	-	1,129,249

Other	4,232,287	80,581	24,926	101,888	-	7,049,048	11,488,730
Total liabilities	71,996,991	12,661,759	18,478,572	7,962,277	231,770	21,682,964	133,014,333
On balance sheet interest sensitivity gap	(36,366,267)	26,506,554	(1,908,065)	13,969,179	6,511,855	4,158,576	12,871,832
Cumulative interest sensitivity gap	(36,366,267)	(9,859,713)	(11,767,778)	2,201,401	8,713,256	12,871,832	
As at 30 September 2002:							
Total assets	27,942,901	15,061,551	38,633,875	14,611,083	4,204,601	14,766,379	115,220,390
Total liabilities	58,096,304	16,165,278	6,367,462	631,334	1,894,129	20,094,406	103,248,913
On balance sheet interest sensitivity gap	(30,153,403)	(1,103,727)	32,266,413	13,979,749	2,310,472	(5,328,027)	11,971,477
Cumulative interest sensitivity gap	(30,153,403)	(31,257,130)	1,009,283	14,989,032	17,299,504	11,971,477	

As at 30 September 2003:

	The Bank						
	Within 1 Month	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash and balances at Bank of Jamaica	4,616,450	-	-	-	-	5,961,165	10,577,615
Due from other banks	3,254,285	898,015	368,206	-	4,921,200	9,441,706	
Reverse repurchase agreements	172,729	397,809	-	-	-		570,538
Loans and advances net of provision for credit losses	25,000,005	6,340	121,714	1,129,709	16,972		26,274,740
Investment securities	610,097	31,560,381	10,880,023	13,158,582	1,609,857	548,025	58,366,965
Investment in subsidiaries	-	-	-	-	-	1,456,970	1,456,970
Other	941,549	1,156,370	2,144,879	129,221	883,821	6,057,490	11,313,330
Total assets	34,595,115	34,018,915	13,514,822	14,417,512	2,510,650	18,944,850	118,001,864
Liabilities							
Due to other banks	3,729,987	1,547,728	891,640	87,853	-		6,257,208
Customer deposits	43,723,314	1,522,785	7,330,562	3,461,366	-	14,633,916	70,671,943
Derivative financial instruments	-	-	-	128,909	-		128,909
Repurchase agreements	2,274,086	12,045,053	2,866,920	672,042	-	-	17,858,101
Obligations under credit card and cash advance securitization arrangements	363,189	368,387	1,527,036	2,318,367	-		4,576,979
Other borrowed funds	-	-	-	1,165,392	-		1,165,392

Other	982,154	629,510	1,733,703	915,302	1,062,078	575,830	5,898,577
Total liabilities	51,072,730	16,113,463	14,349,861	8,749,231	1,062,078	15,209,746	106,557,109
On balance sheet interest sensitivity gap	(16,477,615)	17,905,452	(835,039)	5,668,281	1,448,572	3,735,104	11,444,755
Cumulative interest sensitivity gap	(16,477,615)	1,427,837	592,798	6,261,079	7,709,651	11,444,755	
As at 30 September 2002:							
Total assets	23,494,013	7,911,989	30,522,591	12,183,428	1,727,187	15,568,803	91,408,011
Total liabilities	45,708,305	10,810,212	3,025,620	565,103	1,295,789	19,033,185	80,438,214
On balance sheet interest sensitivity gap	(22,214,292)	(2,898,223)	27,496,971	11,618,325	431,398	(3,464,382)	10,969,797
Cumulative interest sensitivity gap	(22,214,292)	(25,112,515)	2,384,456	14,002,781	14,434,179	10,969,797	

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

	The Group				**The Bank**			
	J$	**US$**	**CAN$**	**GBP**	**J$**	**US$**	**CAN$**	**GBP**
	%	%	%	%	%	%	%	%
Cash and balances at Bank of Jamaica	6.0	0.4	2.7	2.3	6.0	0.4	2.7	2.3
Due from other banks	17.2	3.8	1.8	2.8	-	3.8	-	2.8
Trading securities - debt securities	-	9.8	-	-	-	-	-	-
Reverse repurchase agreements	27.6	7.8	-	-	19.8	6.2	-	-
Loans and advances	27.8	8.0	-	-	27.9	8.0	-	-
Investment securities - debt securities	27.2	9.6	1.6	5.4	27.8	8.7	1.6	5.4
Liabilities								
Due to other banks	29.6	2.7	-	-	29.6	2.7	-	-
Customer deposits	7.4	4.0	1.8	1.4	7.4	4.0	1.8	1.4
Repurchase agreements	25.9	7.7	2.6	6.4	27.5	8.2	-	-
Obligations under credit card and cash advance securitization arrangements	-	3.9	-	-	-	3.9	-	-
Other borrowed funds	17.8	5.7	-	-	7.8	5.7	-	-

(c) Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Credit and Risk Management Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions.

The following tables summarise the exposure of the Group and the Bank to foreign currency exchange rate risk. Included in the tables are the Group's and the Bank's assets and liabilities at carrying amounts categorised by currency.

As at 30 September 2003:

	The Group					
	Jamaican $	**US$**	**GBP**	**CAN$**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets						
Cash and balances at Bank of Jamaica	7,370,848	2,673,133	513,221	70,827	13,609	10,641,638
Due from other banks	1,303,189	4,703,480	2,650,891	85,673	374,015	9,117,248
Trading securities	1,011,040	895,230	-	-	-	1,906,270
Reverse repurchase agreements	5,025,318	807,639	-	-	-	5,832,957
Loans and advances net of provision for credit losses	9,628,818	16,771,329	-	-	-	26,400,147
Investment securities	52,969,396	25,292,365	14,370	175,556	86,773	78,538,460
Other	12,892,555	548,632	8,149	-	109	13,449,445
Total assets	90,201,164	51,691,808	3,186,631	332,056	474,506	145,886,165
Liabilities						
Due to other banks	2,924,693	3,270,839	43,408	16,323	1,945	6,257,208
Customer deposits	45,516,010	20,275,683	3,611,865	210,506	74,904	69,688,968
Derivative financial instruments	-	128,909	-	-	-	128,909
Repurchase agreements	14,848,641	14,771,483	2,092	2,525	-	29,624,741
Obligations under credit card and cash advance securitization arrangements	-	4,576,979	-	-	-	4,576,979
Other borrowed funds	14,175,584	-	-	-	-	14,175,584
Other	7,750,613	765,061	45,897	238	135	8,561,944
Total liabilities	85,215,541	43,788,954	3,703,262	229,592	76,984	133,014,333

Net position	4,985,623	7,902,854	(516,631)	102,464	397,522	12,871,832
As at 30 September 2002:						
Total assets	73,760,108	37,838,001	2,970,763	138,144	513,374	115,220,390
Total liabilities	72,048,725	28,428,547	2,570,240	188,632	12,769	103,248,913
Net position	1,711,383	9,409,454	400,523	(50,488)	500,605	11,971,477

As at 30 September 2003:

	The Bank					
	Jamaican $	**US$**	**GBP**	**CAN$**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets						
Cash and balances at Bank of Jamaica	7,567,271	2,420,762	507,584	68,389	13,609	10,577,615
Due from other banks	1,202,971	5,128,156	2,650,891	85,673	374,015	9,441,706
Reverse repurchase agreements	100,000	470,538	-	-	-	570,538
Loans and advances net of provision for credit losses	9,503,411	16,771,329	-	-	-	26,274,740
Investment securities	40,185,831	17,904,435	14,370	175,556	86,773	58,366,965
Investment in subsidiaries	1,325,063	131,565	342	-	-	1,456,970
Property, plant and equipment	3,793,908	-	-	-	-	3,793,908
Income tax recoverable	87,505	-	-	-	-	87,505
Other	7,430,975	-	832	1	109	7,431,917
Total assets	71,196,935	42,826,785	3,174,019	329,619	474,506	18,001,864
Liabilities						
Due to other banks	2,924,693	3,270,839	43,408	16,323	1,945	6,257,208
Customer deposits	46,292,928	20,481,740	3,611,865	210,506	74,904	70,671,943
Derivative financial instruments	-	128,909	-	-	-	128,909
Repurchase agreements	13,559,890	4,298,211	-	-	-	17,858,101
Obligations under credit card and cash advance securitization arrangements	-	4,576,979	-	-	-	4,576,979
Other borrowed funds	1,165,392	-	-	-	-	1,165,392
Deferred tax	422,349	-	-	-	-	422,349
Retirement benefit obligations	178,257	-	-	-	-	178,257

Other	5,071,004	220,826	5,779	227	135	5,297,971
Total liabilities	69,614,513	32,977,504	3,661,052	227,056	76,984	106,557,109
Net position	1,582,422	9,849,281	(487,033)	102,563	397,522	11,444,755
As at 30 September 2002:						
Total assets	57,698,065	29,953,426	138,146	2,932,901	685,473	(91,408,011)
Total liabilities	55,978,522	21,728,459	186,085	2,532,378	12,770	80,438,214
Net Position	1,719,543	8,224,967	(47,939)	400,523	672,703	10,969,797

Government of Jamaica US$ indexed bonds are included in the US$ category for currency risk disclosure.

(d) Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group estimates the market risk of positions held and the maximum losses expected based on a number of assumptions for various changes in market conditions. Market risk is monitored by the Credit and Risk Management Division which carries out extensive research and monitors the price movement of financial assets on the local and international markets.

(e) Credit risk

The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is inherent in traditional banking products - loans, commitments to lend, and contracts to support counterparties' obligations to third parties such as letters of credit. Positions in tradeable assets such as bonds and equities also carry credit risk.

The risk is managed primarily by review of the financial status of each counterparty. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The exposure to any one borrower including banks and brokers is restricted by limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The following tables summarise the credit exposure of the Group and the Bank to businesses and government by sector:

	The Group				**The Bank**			
	Loans and advances	**Guarantees and letters of credit**	**Total 2003**	**Total 2002**	**Loans and advances**	**Guarantees and letters of credit**	**Total 2003**	**Total 2002**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Agriculture, fishing and mining	194,200	29,484	223,684	337,486	194,200	29,484	223,684	337,486
Construction and real estate	1,418,164	398,871	1,817,035	1,636,837	1,387,145	398,871	1,786,016	1,778,171
Distribution	2,002,718	348,142	2,350,860	993,788	2,002,718	348,142	2,350,860	993,788
Financial institution	301,582	67,430	369,012	458,852	301,582	67,430	369,012	458,852
Government and public entities	5,707,199	24,529	5,731,728	3,366,818	5,707,199	24,529	5,731,728	3,366,818
Manufacturing	627,331	683,603	1,310,934	1,367,154	627,331	683,603	1,310,934	1,362,480
Personal	6,592,763	265,732	6,858,495	2,400,145	6,486,741	265,732	6,752,473	2,310,654
Professional and other services	950,988	331,762	1,282,750	2,119,055	950,988	331,762	1,282,750	2,119,055
Tourism and entertainment	4,063,437	69,122	4,132,559	2,638,348	4,063,437	69,122	4,132,559	2,635,987
Transportation storage and communication	6,678,767	103,517	6,782,284	3,465,693	6,678,767	103,517	6,782,284	3,465,693
Other	26,515	604,594	631,109	581,398	26,515	604,594	631,109	505,447
Total	28,563,664	2,926,786	31,490,450	19,365,574	28,426,623	2,926,786	31,353,409	19,334,431
Total provision	(2,163,517)	-	(2,163,517)	(1,972,328)	(2,151,883)	-	(2,151,883)	(1,963,506)

Net	26,400,147	2,926,786	29,326,933	17,393,246	26,274,740	2,926,786	29,201,526	17,370,925

35. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(a) Trading securities, derivatives and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount for these items;

(b) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;

(c) The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;

(d) The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the balance sheet date;

(e) The fair value of value rate financial insturments is assumed to approximate their carrying amounts; and

(f) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans fair value is assumed to be equal to their carrying value. as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.

The following tables present the fair value of financial instruments based on the following valuation methods and assumptions. They are presented because not all financial instruments are reflected in the financial statements at fair value.

	The Group			
	Carrying Value 2003 $'000	**Fair Value 2003 $'000**	**Carrying Value 2002 $'000**	**Fair Value 2002 $'000**
Financial Assets				
Cash and balances at Bank of Jamaica	10,641,638	10,641,638	7,499,096	7,499,096
Due from other banks	9,117,248	9,117,248	6,412,571	6,412,571
Trading securities	1,906,270	1,906,270	-	-
Reverse repurchase agreements	5,832,957	5,832,957	10,405,901	10,405,901
Loans and advances, net of provision for credit losses	26,400,147	26,400,147	15,282,721	15,282,721
Investment securities	78,538,460	78,133,295	67,293,256	66,879,934
Financial Liabilities				
Due to other banks	6,257,208	6,257,208	2,217,348	2,217,348
Customer deposits	69,688,968	69,688,968	63,365,179	63,365,179
Derivative financial instruments	128,909	128,909	139,230	139,230
Promissory notes and certificates of participation	10,119,549	10,119,549	11,089,137	11,089,137
Repurchase agreements	29,624,741	29,624,741	11,897,440	11,897,440
Obligations under credit card and cash advance securitization arrangements	4,576,979	4,718,256	4,848,691	5,055,483
Other borrowed funds	1,129,249	1,129,249	1,564,085	1,564,085
Policyholders' liabilities	4,287,658	4,287,658	3,217,521	3,217,521

	The Bank			
	Carrying Value 2003 $'000	Fair Value 2003 $'000	Carrying Value 2002 $'000	Fair Value 2002 $'000
Financial Assets				
Cash and balances at Bank of Jamaica	10,577,615	10,577,615	7,431,904	7,431,904
Due from other banks	9,441,706	9,441,706	6,391,698	6,391,698
Reverse repurchase agreements	570,338	570,338	2,528,592	2,528,592
Loans and advances, net of provision for credit losses	26,274,740	26,274,740	15,087,629	15,087,629
Investment securities	58,366,965	57,660,750	51,055,585	50,579,167
Financial Liabilities				
Due to other banks	6,257,208	6,257,208	2,088,944	2,088,944
Customer deposits	70,671,943	70,671,943	63,394,550	63,394,550
Derivative financial instruments	128,909	128,909	139,230	139,230
Repurchase agreements	17,858,101	17,858,101	4,375,871	4,375,871
Obligations under credit card and cash advance securitization arrangements	4,576,979	4,718,256	4,848,691	5,055,483
Other borrowed funds	1,165,392	1,165,392	1,376,867	1,376,867

36. Banking Act

At 30 September 2003 and 30 September 2002:
The Bank was in breach of Section 13(l)(d) of the Banking Act. This section deals with unsecured lending to connected persons. These lendings represent approximately 0.5% (2002 - 0.2%) of the Bank's loans and advances.

37. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

The following transactions were carried out with related parties:

	The Group		The Bank	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Interest and other income earned	154,635	30,358	256,568	276,806
Interest paid and other expenses	10,968	6,985	1,642,346	1,007,567
	=========	========	=========	=========

Year-end balances with related parties are as follows:

	The Group		The Bank	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Loans and advances	2,057,218	109,585	2,057,218	109,585
Due from other banks	-	-	424,676	109,711
Reverse repurchase agreements	-	-	470,538	2,209,396
Other assets	9,158	-	57,057	35,368
Customer deposits	519,674	223,947	2,715,275	354,328
Repurchase agreements	25,566	-	9,662,883	3,658,000
Obligations under finance leases	-	-	36,143	59,838
Other liabilities	-	-	643,432	103,257
	==========	=========	=========	=========

38. Commitments

(a) Capital:

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	The Group		The Bank	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000

Property, plant and equipment	301,552	1,135,837	301,552	1,135,837
	=========	=========	=========	=========

(b) Operating lease:

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	The Group		**The Bank**	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Not later than 1 year	13,291	854	13,291	854
Later than 1 year and not later than 5 years	46,011	2,380	46,011	2,380
Later than 5 years	66	66	66	66
	59,368	3,300	59,368	3,300
	=======	=======	=======	=======

39. Pledged Assets

	The Group		**The Bank**	
		Related		**Related**
	Asset	**Liability**	**Asset**	**Liability**
	$'000	**$'000**	**$'000**	**$'000**
Balances at Bank of Jamaica	8,738,541	-	8,698,541	-
Securities	48,161,767	41,365,241	19,789,459	19,479,052
Property, plant and equipment	57,800	65,744	93,943	101,887
Other	1,849,476	1,537,256	1,849,476	1,537,256
	58,807,584	42,968,241	30,431,419	21,118,195
	==========	==========	==========	==========

Assets are pledged as collateral under repurchase agreements, loans from other institutions, and security deposits relating to stock exchange membership. Statutory reserves are also held with the Bank of Jamaica. These deposits are not available to finance the Group's day-to-day operations.

40. Fiduciary Activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At 30 September 2003, the Group had financial assets under administration of approximately $20.6 billion (2002 - $16.2 billion).

41. Litigation and Contingent Liabilities

The Bank and its subsidiaries are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both financial position and results of operations.

Significant matters are as follows:

(a) Suit has been filed by a customer of the Bank against the Attorney General of Jamaica, the Bank and Mr. Dunbar McFarlane. The customer is claiming damages arising out of an alleged breach of a contract between the customer and the National Insurance Fund of which Mr. Dunbar McFarlane, a former director of the Bank, was Chairman, for the sale of certain premises which were mortgaged to the Bank. The customer also claims special damages amounting to approximately $110 million. In the opinion of the Bank's attorneys, the plaintiff's claims against Mr. McFarlane and the Bank are unlikely to succeed. A provision has, however, been made in the financial statements in respect of likely legal costs.

(b) Suit has been filed by the Bank's Staff Association against the Bank and Trustees of the N.C.B. Pension Scheme for breach of trust in respect of matters concerning the amendment and merger of the formerpension funds, as well as the management and investment of the funds of the pension scheme. No provision has been made in the financial statements as the Bank's attorneys are of the opinion that the suit against the Bank is unlikely to succeed.

(c) Suit has been filed against the Bank by a customer for breach of contract and/or negligence for debiting the plaintiff's account. The claim is for $33.35 million with interest on the said sum at commercial bank rates from 16 May 1997 to date of payment. No provision has been made in these financial statements for this claim as the Bank's attorneys are of the view that the Bank will not be found liable.

(d) Suit has been filed by a customer against the Bank for special damages in the sum of $42 million and damages for breach of fiduciary duty, undue influence and/or negligence. The Bank's attorneys have filed a defence and no other steps have been taken by the plaintiff. No provision has been made in the financial statements.

(e) Suit has been filed by a customer against the bank for breach of contract, breach of trust and negligence. The claim for damages includes a sum equivalent to the profit of the business foregone as a result of an inability to access a loan approved by the Bank and the cost of interim financing. Based on the advice of the Bank's attorneys, a provision has been made in the financial statements in respect of this suit.

(f) Suit has been filed by a customer against the Bank for damages suffered as a result of the Bank's negligence in the sale of property for an undervalued amount. The claim is for $31 million plus interest. Based on the advice of the Bank's attorneys, a provision has been made in the financial statements in respect of this claim.

(g) A number of other suits claiming damages in excess of $5 million each have been filed by customers of the Bank. The sums totalled approximately $104 million. In some instances counter claims have been filed by the Bank. Provision has been made in the financial statements for certain of these claims. No provision has been made where the Bank's attorneys are of the view that the Bank has a good defence.

42. Dividends per Share

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the Board of Directors meeting on 18 December 2003, a fourth interim dividend in respect of 2003 of $0.21 per ordinary stock unit was declared. The financial statements for the year ended 30 September 2003 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 30 September 2004.

43. Financial Effects of Adopting International Financial Reporting Standards

The Group adopted International Financial Reporting Standards (IFRS) effective 1 October

2001. Prior to that date, the financial statements of the Group and the Bank were prepared in accordance with Jamaican Generally Accepted Accounting Principles (JGAAP). The financial statements for the year ended 30 September 2002 (the immediately preceding comparative period) have been restated to reflect the financial position and results under IFRS. The financial effects of conversion from JGAAP to IFRS are set out as follows:

(a) Effect on stockholders' equity as at 1 October 2001 (Date of transition to IFRS):

	The Group		
	Previous JGAAP	Effect of Transition to IFRS	IFRS
	$'000	$'000	$'000
ASSETS			
Cash and balances at Bank of Jamaica	7,857,431	-	7,857,431
Due from other banks (ii)	6,404,583	-	6,404,583
Reserve repurchase agreements	8,613,235	-	8,613,235
Loans, after provision for credit losses (i)	8,279,420	360,419	8,639,839
Investment properties (ii)	65,268,554	551,975	65,820,529
Reverse repurchase agreements	16,100	-	16,100
Property, plant and equipment	1,511,277	-	1,511,277
Deferred tax assets (iii)	-	97,484	97,484
Retirement benefit asset (iv)	-	3,669	3,669
Other assets	4,988,256	324	4,988,580
Customers' liability on acceptances, guarantees, indemnities an credits	1,817,927	-	1,817,927
	104,756,783	1,013,871	105,770,654
LIABILITIES AND STOCKHOLDERS' EQUITY			
Due to other banks	1,419,858	-	1,419,858
Customer deposits	58,351,974	-	58,351,974
Promissory notes and certificates of participation	10,692,790	-	10,692,790
Repurchase agreements	11,227,707	-	11,227,707
Obligations under credit card and cash advance securitization arrangements (v)	4,105,026	(283,305)	3,821,721
Other borrowed funds	1,647,170	-	1,647,170
Income tax payable	8,725	-	8,725

Deferred tax liabilities (iii)	-	375,049	375,049
Policyholders' liabilities	2,298,466	-	2,298,466
Retirement benefit obligations (iv)	-	133,922	133,922
Other liabilities (vi)	4,000,071	(1,034,081)	2,965,990
Liability on acceptances, guarantees, indemnities and credits	1,817,927	-	1,817,927
Minority interest in subsidiary	121,870	(2,494)	119,376
STOCKHOLDERS' EQUITY (i), (ii), (iii), (iv), (v), (vi)	9,065,199	1,824,780	10,889,979
	104,756,783	1,013,871	105,770,654
	============	=========	===========

(a) Effect on stockholders' equity as at 1 October 2001

	The Bank		
	Previous JGAAP	**Effect of Transition to IFRS**	**Transition IFRS**
ASSETS	**$'000**	**$'000**	**$'000**
Cash and balances at Bank of Jamaica	7,788,594	-	7,788,594
Due from other banks	6,316,142	-	6,316,142
Reverse repurchase agreements	4,127,391	-	4,127,391
Loans, after provision for credit losses (i)	8,155,989	360,419	8,516,408
Investment securities (ii)	54,149,198	96,806	54,246,004
Investment properties	-	-	-
Property, plant and equipment	1,478,897	-	1,478,897
Other assets	3,624,686	-	3,624,686
Customers' liability on acceptances, guarantees, indemnities and credits	2,010,503	-	2,010,503
	87,651,400	457,225	88,108,625
	============	=========	==========
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Due to other banks	1,381,447		1,381,447
Customer deposits	58,242,684	-	58,242,684
Repurchase agreements	8,330,174		8,330,174
Obligations under credit card and cash advance securitization arrangements (v)	4,105,026	(283,305)	3,821,721

Other borrowed funds	1,476,997	-	1,476,997
Deferred tax liabilities (iii)	-	308,167	308,167
Retirement benefit obligations (iv)	-	133,922	133,922
Other liabilities (vi)	3,039,370	1,034,585	2,004,785
Liability on acceptances, guarantees, indemnities and credits	2,010,503	-	2,010,503
STOCKHOLDERS' EQUITY (i), (ii), (iii), (iv), (v), (vi)	9,065,199	1,333,026	10,398,225
	87,651,400	457,225	88,108,625
	===========	==========	===========

(b) Effect on stockholders' equity as at 30 September 2002:

		The Group	
	Previous JGAAP	**Effect of Transition to IFIRS**	**IFRS**
	$'000	**$'000**	**$'000**
ASSETS			
Cash and balances at Bank of Jamaica	7,499,096	-	7,499,096
Due from other banks	6,412,571		6,412,571
Reverse repurchase agreements	10,405,901	-	10,405,901
Loans, after provision for credit losses (i)	15,199,047	83,674	15,282,721
Investment securities (ii)	66,732,916	560,340	67,293,256
Investment properties	17,442	-	17,442
Property, plant and equipment	2,466,039	-	2,466,039
Deferred tax assets	-	19,270	19,270
Retirement benefit asset	-	5,284	5,284
Other assets	3,708,111	174	3,708,285
Customers' liability on acceptances, guarantees, indemnities and credits	2,110,525	-	2,110,525
	114,551,648	668,742	115,220,390
	===========	==========	===========
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Due to other banks	2,217,348	-	2,217,348
Customer deposits	63,365,179	-	63,365,179
Promissory notes and certificates of participation	11,089,137	-	11,089,137

Derivative financial instruments	139,230	-	139,230
Repurchase agreements	11,897,440	-	11,897,440
Obligations under credit card and cash advance securitization arrangements (v)	5,055,483	(206,792)	4,848,691
Other borrowed funds	1,564,085		1,564,085
Income tax payable	149,339	-	149,339
Deferred tax liabilities (iii)	-	237,411	237,411
Policyholders' liabilities	3,217,521	-	3,217,521
Retirement benefit obligations (iv)	-	154,557	154,557
Other liabilities (vi)	2,968,603	(710,153)	2,258,450
Liability on acceptances, guarantees, indemnities and credits	2,110,525	-	2,110,525
STOCKHOLDERS' EQUITY (i), (ii), (iii), (iv), (v), (vi)	10,777,758	1,193,719	11,971,477
	114,551,648	668,742	115,220,390
	===========	==========	===========

(b) Effect on stockholders equity as at 30 September 2002

The Bank

	The Bank		
	Previous JGAAP	**Effect of Transition to IFRS**	**IFRS**
ASSETS	**$'000**	**$'000**	**$'000**
Cash and bank balances at Bank of Jamaica	7,431,904	-	7,431,904
Due from other banks	6,391,698	-	6,391,698
Reverse repurchase agreements	2,528,592	-	2,528,592
Loans, after provision for credit losses (i)	15,003,955	83,674	15,087,629
Investment securities (ii)	53,002,530	(489,975)	52,512,555
Property, plant and equipment	2,405,985	-	2,405,985
Other assets	2,766,352	-	2,766,352
Customers' liability on acceptances, guarantees, indemnities and credits	2,283,296	-	2,283,296
	91,814,312	(406,301)	91,408,011
	===========	===========	===========
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Due to other banks	2,088,944		2,088,944
Customer deposits	63,394,551		63,394,551

Derivative financial instruments	139,230		139,230
Repurchase agreements	4,375,871		4,375,871
Obligations under credit card and cash advance securitization arrangements (v)	5,055,483	(206,792)	4,848,691
Other borrowed funds	1,376,867		1,376,867
Income tax payable	139,943	-	139,943
Deferred tax liabilities (iii)	-	163,491	163,491
Retirement benefit obligations (iv)	-	154,557	154,557
Other liabilities (vi)	2,182,370	(709,597)	1,472,773
Liability on acceptances, guarantees, indemnities and credits	2,283,296	-	2,283,296
STOCKHOLDERS' EQUITY(i), (ii), (iii), (iv), (v), (vi)	10,777,757	192,040	10,969,797
	91,814,312	(406,301)	91,408,011
	===========	===========	==========

(c) Reconciliation of net profit for the year ended 30 September 2002:

	The Group		
	Previous JGAAP	**Effect of Transition to IFRS**	**IFRS**
	$'000	**$'000**	**$'000**
Operating Revenue			
Interest income (i)	11,910,615	4,542	11,915,157
Interest expense (ii)	(7,556,124)	(76,419)	(7,632,543)
Net interest income (v)	4,354,491	(71,877)	4,282,614
Net fee and commission income	1,171,260	-	1,171,260
Net trading income (ii)	1,132,135	(1,465)	1,130,670
Other operating income	47,382	-	47,382
	6,705,268	(73,342)	6,631,926
Operating Expenses	2,724,370	203,962	2,928,332
Staff costs (iv), (vi)	(449,244)	276,745	(172,499)
Provision for credit losses (i)	2,220,856	(56,440)	2,164,416
Other operating expenses (ii)	4,495,982	424,267	4,920,249

Profit before Tax and Minority Interest	2,209,286	(497,609)	1,711,677
Taxation (iii)	(186,001)	15,852	(170,149)
Net Profit before Minority Interest	2,023,285	(481,757)	1,541,528
Minority interests in results of subsidiary	(63,121)	-	(63,121)
Net Profit	1,960,164	(481,757)	1,478,407

The Bank

	Previous JGAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
Operating Revenue			
Interest Income (ii)	9,133,255	1,518	9,134,773
Interest expense (v)	(5,403,761)	(97,989)	(5,501,750)
Net interest income	3,729,494	(96,471)	3,633,023
Net fee and commission income	1,042,152	-	1,042,152
Net trading income (ii)	808,718	20,810	829,528
Other operating income	67,357	-	67,357
	5,647,721	(75,661)	5,572,060
Operating Expenses			
Staff costs (iv), (vi)	2,512,476	206,486	2,718,962
Provision for credit losses (i)	(469,887)	276,745	(193,142)
Other operating expenses (ii)	1,919,356	89,230	2,008,586
	3,961,945	572,461	4,534,406
Profit before Tax	1,685,776	(648,122)	1,037,654
Taxation (iii)	(156,121)	96,579	(59,542)
Net Profit	1,529,655	(551,543)	978,112

Brief descriptions of each item of difference:

(i) The methodology for determining the provision for credit losses under IFRS differs from Bank of Jamaica regulatory requirements. The IFRS methodology involves discounting of projected future cash flows of principal and interest at the original effective interest value of the loans. The Bank of Jamaica regulatory requirements differ from IFRS in that they prescribe specific valuation rules for collateral and do not involve discounting of cash flows. The excess of the regulatory provision for credit losses over the IFRS provision is dealt with in a non-distributable loan loss reserve in stockholders' equity.

(ii) Investment securities are classified as originated debt and available-for-sale securities under IFRS. Premiums and discounts on acquisition of investment securities were amortised on a straight-line basis over the lives of the securities under previous Jamaican GAAP. Under IFRS, premiums/discounts are amortised using the effective yield method. Under previous Jamaican GAAP, the Bank and the Group measured all investment securities at the lower of cost and market value. Under IFRS, available-for-sale securities are measured at fair value while originated debt is measured at amortised cost.

(iii) No provision for deferred tax was recognised under previous Jamaican GAAP. Under IFRS, full provision is made for deferred tax on all temporary differences using the liability method.

(iv) Assets and liabilities arising under defined benefit pension plans and other post-retirement benefit obligations were not recognised under previous Jamaican GAAP. They are recognised under IFRS based on valuations carried out by independent actuaries using the projected unit credit method.

(v) Upfront fees incurred in respect of the credit card and cash advance securitisation arrangements were expensed as incurred under previous Jamaican GAAP. Under IFRS, these fees are offset against the related liability and amortised over the life of the arrangement on an effective yield basis.

(vi) Various provisions including a provision for restructuring costs of $768,117,000 at 30 September 2001 and $604,655,000 at 30 September 2002 recognised under previous Jamaican GAAP were reversed under IFRS, as they did not meet the IFRS recognition criteria for liabilities. No provision was made under previous Jamaican GAAP for vacation leave outstanding at the balance sheet date. Under IFRS, full provision is made.