National Commercial Bank Jamaica Limited

Notes to the Financial Statements

30 September 2004

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 2004
Data-Cap Processing Limited	Data Processing	100
NCB Capital Markets Limited	Primary Dealer and Stock Broker	100
Mutual Security Insurance Brokers Limited	Insurance Brokers	100
NCB (Cayman) Limited and its 100% subsidiary:	Commercial Banking	100
NCB Senvia Limited	Money Remittance	
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 Services	100
Senvia Money Services (UK) Limited	Money Remittance	100

All subsidiaries are incorporated in Jamaica with the exception of NCB (Cayman) Limited and NCB Senvia Limited, which are incorporated in the Cayman Islands and Senvia Money Services (UK) Limited, which is incorporated in the United Kingdom.

The Group's associates are as follows:

	Principal Activities	Percentage ownership by Bank
		30 September 2004
Kingston Wharves Limited	Wharf Operations and Stevedoring	43.45
Dyoll Group Limited	Property and Casualty Insurance	44.47

Effective 23 January 2004 and 17 February 2004, the Group acquired the above shareholdings in Dyoll Group Limited and Kingston Wharves Limited, 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, trading securities, derivative contracts, investment property and certain property plant and equipment.

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 statements and the reported 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.

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 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 generally recognised on an accrual basis when the service has been provided. 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. 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. 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.

The fair values of quoted investments are based on current bid prices. For unquoted investments, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Financial assets are assessed at each balance sheet date for objective evidence of impairment. 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 are included in net trading income. This includes 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 International Accounting Standard (IAS) 39.

(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 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 that interest income on non-performing loans be accrued, to the extent collectible, and that the increase in the present value of impaired loans due to the passage of time 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 provision for credit losses 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 less accumulated impairment losses.

(k) Investments in associates

Associates are entities over which the Group has significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting. Under this method, the Group's share of the post-acquisition profits or losses of associates is recognised in the consolidated profit and loss account and its share of post-acquisition movements in reserves is recognised in reserves. The Group's investment in associates includes goodwill on acquisition (net of accumulated amortisation).

In the Bank's unconsolidated balance sheet, investments in associates are shown at cost.

(l) Property, plant and equipment

Land and buildings, except for investment property, are shown at deemed cost, less subsequent depreciation for buildings. Under IFRS 1, 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 elected to apply this provision. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Land is not depreciated. Depreciation on other assets 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

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposal of property plant and equipment 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.

(m) Goodwill

Goodwill represents the difference between the cost of an acquisition and the fair value of the Group's share of the net identifiable assets of the acquiree. Goodwill on acquisition of associates is included in investments in associates. Positive goodwill is amortised on the straight line basis over its expected economic life of 5 years. Negative goodwill is amortised on the straight line basis over 23 years, being the remaining weighted average useful life of the identifiable depreciable assets of the associate.

(n) 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.

(o) Employee benefits

(i) Pension plans

The Bank and its subsidiaries operate a number of retirement plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the relevant companies, taking into account the recommendations of independent qualified actuaries. The Group has both defined contribution and defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligation beyond paying these contributions. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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

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.

(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.

(p) 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.

(q) Income taxes

Taxation expense in the profit and loss account comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted at balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited to equity, in which case, deferred tax is also dealt with in equity.

(r) Policyholders' liabilities

Policyholders' liabilities are determined annually by an independent actuary using the Policy Premium Method of valuation. They represent 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 liabilities represent the amount which, together with future premiums and investment returns, in the opinion of the actuary, will 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.

(s) 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.

(t) 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.

(u) Acceptances, guarantees, indemnities and letters of credit

The potential liability under acceptances, guarantees, indemnities and letters of credit 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.

(v) Fiduciary activities

The Group acts as trustee and in other fiduciary capacities that result in holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

(w) Segment reporting
Business segments provide products or services that are subject to risks and returns that are different from those of other business segments, and comprise the Group's three operating divisions.

(x) Comparative information
Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

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 stock brokerage, securities trading, 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, money remittance services and registrar and transfer agent services.

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 2004	Banking	Wealth Management	Insurance	Other	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
External operating revenue	17,215,673	6,588,628	996,082	11,327	-	24,811,710
Operating revenue from other segments	110,480	1,409,847	391,844	51,390	(1,963,561)	-
Operating revenue	17,326,153	7,998,475	1,387,926	62,717	(1,963,561)	24,811,710

Segment result	1,802,419	1,539,157	410,116	(3,149)	44,341	3,792,884
Share of profit of associates						67,230
Profit before tax						3,860,114
Taxation expense						(643,376)
Net profit						3,216,738
Segment assets	121,856,528	49,755,191	7,664,014	221,684	(5,032,593)	174,464,824
Associates						1,163,192
Unallocated assets						244,001
Total assets						175,872,017
Segment liabilities	110,554,317	45,503,571	7,004,298	237,195	(5,076,934)	158,222,447
Unallocated liabilities						1,355,565
Total liabilities						159,578,012
Capital expenditure	1,485,072	54,774	24,440	1,273		1,565,559
Depreciation	929,597	22,786	10,718	2,359		965,460
Amortisation	81,384	-	-			81,384

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
Taxation expense						(658,859)
Net profit						2,804,391
Segment assets	116,444,537	36,662,981	4,761,732	172,228	(12,363,244)	145,678,234
Associates						-
Unallocated assets						207,931
Total assets						145,886,165

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Segment liabilities	105,615,281	34,533,179	4,393,551	163,031	(12,363,244)	132,341,798
Unallocated liabilities						672,535
Total liabilities						133,014,333
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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

4. Net Fee and Commission Income

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Fee and commission income:				
Retail banking fees	631,081	527,866	656,857	524,430
Credit related fees	1,249,424	1,005,187	1,249,424	1,005,187
Other fees	310,675	189,232	66,483	46,262
	2,191,180	1,722,285	1,972,764	1,575,879
Fee and commission expenses	(418,259)	(413,924)	(418,259)	(381,601)
	1,772,921	1,308,361	1,554,505	1,194,278

5. Net Trading Income

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Foreign exchange translation and trading	871,973	1,971,850	830,349	1,929,809
Fixed income	449,149	92,991	269,780	73,238
Equities	15,751	843,868	10,735	773,853
	1,336,873	2,908,709	1,110,864	2,776,900

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	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Wages and salaries	3,150,448	2,847,140	2,741,685	2,559,193
Statutory contributions	353,710	278,423	315,138	262,552
Pension costs - defined contribution plans	113,669	95,025	106,688	91,166
Pension costs - defined benefit plans	(520)	342	-	-
Allowances and benefits	661,978	583,550	604,406	545,666
Staff profit share	246,390	221,059	246,390	221,059
Termination benefits	113,910	186,742	109,984	186,553
	4,639,585	4,212,281	4,124,291	3,866,189

The number of persons employed as at 30 September:

	The Group		The Bank	
	2004	2003	2004	2003
Full-time	2,445	2,386	2,243	2,196
Part-time	109	272	107	254
Contract	137	39	122	21
	2,691	2,697	2,472	2,471

7. Profit before Taxation

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

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Directors' emoluments -				

Fees	2,500	2,141	1,760	1,236
Management remuneration	59,050	33,665	59,050	33,665
Auditors' remuneration	20,518	17,603	12,460	11,100
Depreciation	965,460	494,410	928,532	471,742
Gain on disposal of property, plant and equipment	(29,257)	(324)	(28,490)	(1,242)
Dividend income	(101,539)	(24,776)	(80,422)	(14,204)
Operating lease rentals	72,782	73,774	72,782	73,774

8. Taxation

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Current:				
Income tax at 33 1/3%	449,610	253,618	428,274	31,860
Premium tax at 1 1/2% up to 31 December 2003 and 3% thereafter (2003 - 1 1/2%)	75,148	18,392	-	-
Investment income tax at 7 1/2% up to 31 December 2003 and 15% thereafter (2003 - 7 1/2%)	2,116	6,535	-	-
Tax credit on bonus issue of shares	-	(2,825)	-	-
Share of tax of associates (Note 18)	22,835	-	-	-
Deferred tax (Note 21)	93,667	383,139	(319,091)	389,259
	643,376	658,859	109,183	421,119

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	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Profit before tax	3,860,114	3,463,250	1,768,839	2,550,654

Tax calculated at a tax rate of 33 1/3%	1,286,705	1,154,417	589,613	850,218
Income not subject to tax or in respect of which tax has been remitted	(638,787)	(676,593)	(497,967)	(594,820)
Expenses not deductible for tax purposes	65,624	212,235	39,414	165,721
Effect of different tax regime applicable to life insurance subsidiary	12,844	(28,375)	-	-
Prior year overprovision	(31,860)	-	(31,860)	-
Effect of tax credit on bonus issue of shares	-	(2,825)	-	-
Other	(51,150)	-	9,983	-
Taxation expense	643,376	658,859	109,183	421,119

(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% up to 31 December 2003 and 15% thereafter and on premium income less reinsurance premiums at 1 1/2% up to 31 December 2003 and 3% thereafter.

(b) The tax credit on the issue of bonus shares was computed at the rate of 25% of the nominal value of the shares issued during the prior year. The maximum nominal value available for the credit was 50% of the after-tax profit for the year of each company.

9. Net Profit

	2004 $'000	2003 $'000
Dealt with in the financial statements of:		
The Bank	1,659,656	2,129,535
Subsidiaries	1,549,384	674,856
Associates	7,698	-
	3,216,738	2,804,391

10. Retained Earnings

	2004 $'000	2003 $'000
Reflected in the financial statements of:		
The Bank	706,613	2,567,768
Subsidiaries	2,834,054	1,284,670
Associates	7,698	-
	3,548,365	3,852,438

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.

	2004	2003
Net profit attributable to stockholders ($'000)	3,216,738	2,804,391
Weighted average number of ordinary stock units in issue ('000)	2,466,763	2,466,763
Basic earnings per stock unit ($)	1.30	1.14

12. Cash and Balances at Bank of Jamaica

	The Group		The Bank	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Cash in hand and at bank	3,590,187	1,920,305	2,736,749	1,856,282
Balances with the Bank of Jamaica other than statutory reserves	723,641	22,792	721,934	22,792
Included in cash and cash equivalents	4,313,828	1,943,097	3,458,683	1,879,074
Statutory reserves with the Bank of Jamaica - interest-bearing	5,165,356	4,593,657	5,165,356	4,593,657
Statutory reserves with the Bank of Jamaica - non-interest-bearing	4,507,297	4,104,884	4,507,298	4,104,884
	13,986,481	10,641,638	13,131,337	10,577,615

Statutory reserves with the Bank of Jamaica represent the required ratio of 9% (2003 - 9%) of prescribed liabilities. They are not available for investment, lending or other use by the Group.

Since 15 January 2003, the Bank has been 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	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Items in course of collection from other banks	1,080,605	1,615,564	1,080,605	1,615,564
Placements with other banks	12,579,030	7,501,684	12,896,353	7,826,142
Included in cash and cash equivalents	13,659,635	9,117,248	13,976,958	9,441,706

14. Trading Securities

	The Group	
	2004	2003
	$'000	$'000
Government of Jamaica debt securities	7,689	895,230
Quoted equity securities	286,196	1,011,040
	293,885	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 2004, the Group and the Bank held $21,562,000,000 (2003 - $7,441,192,000) and $278,010,000 (2003 - $570,538,000), respectively of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

16. Loans and Advances

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Gross loans and advances	36,189,151	28,563,664	35,962,839	28,426,623
Provision for credit losses	(2,164,523)	(2,163,517)	(2,161,259)	(2,151,883)
	34,024,628	26,400,147	33,801,580	26,274,740

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

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Balance at beginning of year	2,163,517	1,972,328	2,151,883	1,963,506
Provided during the year	853,400	1,906,596	853,270	1,903,784
Recoveries	(431,059)	(1,700,035)	(431,059)	(1,700,035)
Net charge to profit	422,341	206,561	422,211	203,749
Write-offs	(421,335)	(15,372)	(412,835)	(15,372)
Balance at end of year	2,164,523	2,163,517	2,161,259	2,151,883

The aggregate amount of non-performing loans on which interest was not being accrued amounted to $1,475,419,000 as at 30 September 2004 (2003 - $1,503,254,000).

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

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Specific provision	1,932,230	1,994,136	1,928,966	1,982,502
General provision	343,943	242,272	343,943	242,272
	2,276,173	2,236,408	2,272,909	2,224,774
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 32)	111,650	72,891	111,650	72,891

17. Investment Securities

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Originated debt securities - at amortised cost				
Government of Jamaica	47,661,489	58,344,867	35,796,728	49,670,679
Foreign government	-	20,000	-	-
Other	621,819	725,827	563,353	726,915
	48,283,308	59,090,694	36,360,081	50,397,594
Available-for-sale securities - at fair value				
Debt securities				
- Government of Jamaica	27,197,789	18,924,976	10,419,354	7,474,127
- Foreign government	171,199	175,556	171,199	175,556
- Corporate	8,170	14,370	8,170	14,370
- Other	-	13,164	-	-
Equity securities				
- Quoted	1,800,503	319,700	1,762,462	305,318
- Unquoted	33,256	-	33,255	-
	29,210,917	19,447,766	12,394,440	7,969,371
Total	77,494,225	78,538,460	48,754,521	58,366,965

The Bank of Jamaica holds as security, Government of Jamaica Local Registered Stocks with a face value of $1,400,000,000 (2003 - $2,017,151,000) for the Group and $1,300,000,000 (2003 - $1,977,151,000) 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 (2003 - $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	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000

Debt securities with an original maturity of less than 90 days	3,713,992	1,275,556	3,421,199	1,275,556

18. Investments in Associates

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Acquisitions during the year	1,148,446	-	1,148,446	-
Share of results before tax	67,230	-	-	-
Share of tax (Note 8)	(22,835)	-	-	-
Dividends received	(21,345)	-	-	-
Amortisation of positive goodwill	(36,363)	-	-	-
Amortisation of negative goodwill	21,011	-	-	-
Other equity movements	7,048	-	-	-
At end of year	1,163,192	-	1,148,446	
Comprising:				
Share of net assets	1,679,040	-	-	-
Unamortised positive goodwill	236,359	-	-	-
Unamortised negative goodwill	(752,207)	-	-	-
At end of year	1,163,192	-	-	-

19. Investment Properties

	The Group	
	2004	2003
	$'000	$'000
Balance at beginning of year	28,200	17,442
Additions	-	8,445
Disposals	(8,000)	-
Fair value gains/(losses)	1,100	2,313
Balance at end of year	21,300	28,200

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

20. 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 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)	-
Reclassifications and adjustments	-	-	-	-	(63,574)	(63,574)
At 30 September 2003	1,479,520	340,685	2,977,288	887,620	554,945	6,240,058
Additions	114,670	33,110	874,231	87,401	456,147	1,565,559
Disposals	(10,525)	-	(33,145)	(50,393)	45,254	(139,317)
Transfers	267,382	33,459	252,082	13,491	(566,414)	-
Reclassifications and adjustments	-	-	-	-	4,967	4,967
At 30 September 2004	1,851,047	407,254	4,070,456	938,119	404,391	7,671,267
Accumulated Depreciation -						
At 1 October 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
Charge for the year	27,012	64,991	788,410	85,047	-	965,460
Disposals	(1,921)	-	(18,649)	(44,724)	-	(65,294)
Reclassifications and adjustments	(47,429)	(17,846)	96,092	(20,247)	-	10,570

At 30 September 2004	207,454	274,201	1,941,435	815,888	-	3,238,978
Net Book Value -						
30 September 2004	1,643,593	133,053	2,129,021	122,231	404,391	4,432,289
30 September 2003	1,249,728	113,629	1,901,706	91,808	554,945	3,911,816

The Bank

	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 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)	
Reclassifications and adjustments	-	-	-	-	(63,574)	(63,574)
At 30 September 2003	1,453,637	318,191	2,845,416	889,755	536,055	6,043,054
Additions	114,670	18,067	836,732	87,400	426,597	1,483,466
Disposals	(10,525)	-	(14,430)	(50,393)	-	(75,348)
Transfers	293,265	33,459	252,082	13,491	(592,297)	-
Reclassifications and adjustments	-	-	-	-	4,967	4,967
At 30 September 2004	1,851,047	369,717	3,919,800	940,253	375,322	7,456,139
Accumulated Depreciation -						
At 1 October 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
Charge for the year	27,011	58,569	757,906	85,047	-	928,533
Disposals	(1,921)	-	(5,385)	(44,724)	-	(52,030)
Reclassifications and adjustments	(47,429)	(17,846)	96,092	(20,247)	-	10,570
At 30 September 2004	207,454	262,551	1,850,326	815,888	-	3,136,219
Net Book Value -						
30 September 2004	1,643,593	107,166	2,069,474	124,365	375,322	4,319,920
30 September 2003	1,223,844	96,363	1,843,703	93,943	536,055	3,793,908

Included in the table above are amounts totalling $164,000,000 (2003 - $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(l)).

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

21. 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	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Deferred income tax assets	-	(120,426)	-	-
Deferred tax liabilities	852,926	437,966	308,243	422,349
Net liability	852,926	317,540	308,243	422,349

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

	The Group 2004 $'000	The Group 2003 $'000	The Bank 2004 $'000	The Bank 2003 $'000
Net liability at beginning of year	317,540	218,141	422,349	163,491
Deferred tax (income)/expense (Note 8)	93,667	383,139	(319,091)	389,259
Deferred tax charged/(credited) to stockholders' equity on available-for-sale investment securities	441,719	(283,740)	204,985	(130,401)
Net liability at end of year	852,926	317,540	308,243	422,349

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

	The Group 2004 $'000	The Group 2003 $'000	The Bank 2004 $'000	The Bank 2003 $'000
Deferred income tax assets:				
Property, plant and equipment	133	50	-	-
Investment securities - available-for-sale	2,530	295,389	-	160,815
Loan loss provisions	77,431	56,460	77,431	56,460
Pensions and other post-retirement benefits	70,893	59,419	69,960	59,419
Interest payable	300,115	425,646	-	-
Interest rate swap	14,994	42,970	14,994	42,970
Tax loss carry forwards	-	5,919	-	-
Accrual for staff profit share	-	73,686		73,686
Other temporary differences	38,453	38,027	32,111	34,617
	504,549	997,566	194,496	427,967
Deferred income tax liabilities:				
Property, plant and equipment	103,256	159,731	100,440	157,629
Investment securities - available-for-sale	157,085	8,226	44,169	-
Investment securities - trading	25,237	-	-	-
Obligations under securitization arrangements	21,265	47,092	21,265	47,092
Interest receivable	705,866	446,774	-	-

Unrealised foreign exchange gains	341,124	651,358	336,865	645,595
Other temporary differences	3,642	1,925	-	-
	1,357,475	1,315,106	502,739	850,316

Deferred income taxes are recognised for tax losses carry forwards only to the extent that realisation of the related tax benefit is probable. At 30 September 2003, a subsidiary had tax losses, subject to agreement with the Commissioner of Taxpayer Audit and Assessment, aggregating $17,757,000 available for indefinite offset against future taxable income in respect of which a deferred tax asset had 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 $2,834,054,000 at 30 September 2004 (2003 - $1,284,670,000).

22. Retirement Benefits

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

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Pension schemes	(7,602)	(6,009)	-	-
Other post retirement benefits	209,879	178,257	209,879	178,257

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 annually using the projected unit credit method. The latest actuarial valuations were carried out as at 30 June 2004.

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

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Present value of funded obligations	4,101,467	3,541,715	4,091,070	3,532,961
Fair value of plan assets	(9,311,163)	(6,965,257)	(9,294,518)	(6,951,468)
	(5,209,696)	(3,423,542)	(5,203,448)	(3,418,507)
Unrecognised actuarial gains	2,192,330	561,117	2,193,684	562,091
Limitation on asset due to uncertainty of obtaining economic benefits	3,009,764	2,856,416	3,009,764	2,856,416
Asset in the balance sheet	(7,602)	(6,009)	-	-

Pension plan assets include:

- Ordinary stock units of the Bank with a fair value of $1,622,032,000 (2003 - $664,913,000).
- Repurchase obligations, promissory notes and lease obligations of the Group aggregating $620,277,000 (2003 - $1,052,071,000).
- Properties occupied by the Group with a fair value of $238,050,000 (2003 - $212,400,000).

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

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Current service cost	(390)	420	-	-
Interest cost	387,572	418,666	386,200	417,586
Expected return on plan assets	(541,050)	(551,829)	(539,548)	(550,664)
Net actuarial gains recognised	-	7	-	
Change in limitation on asset	153,348	133,078	153,348	133,078
Total, included in staff costs (Note 6)	(520)	342	-	-

The actual return on plan assets was $2,545,018,000 (2003 - 934,182,000) and $2,543,189,000 (2003

$932,436,000) for the Group and the Bank, respectively.

Movements in the amounts recognised in the balance sheet:

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Asset at beginning of year	(6,009)	(5,284)	-	-
Total (income)/expense, as above	(520)	342	-	-
Contributions paid	(1,073)	(1,067)	-	-
Asset at end of year	(7,602)	(6,009)	-	-

The principal actuarial assumptions used were as follows:

	The Group		The Bank	
	2004	2003	2004	2003
Discount rate	12.5%	15.0%	12.5%	15.0%
Expected return of plan assets	10.0%	10.5%	10.0%	10.5%
Future salary increases	9.5%	10.0%	9.5%	10.0%
Future pension increases	0-3.5%	0-6.5%	3.5%	6.5%

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 15% per year (2003 - 13%).

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

	The Group and The Bank	
	2004	2003
	$'000	$'000
Present value of unfunded obligations	173,259	177,028
Unrecognised actuarial gains	36,620	1,229
Liability in the balance sheet	209,879	178,257

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

	The Group and The Bank	
	2004	2003
	$'000	$'000
Current service cost	12,383	8,419
Interest cost	27,772	21,410
Total, included in staff costs	40,155	29,829

Movements in the amounts recognised in the balance sheet:

	The Group and The Bank	
	2004	2003
	$'000	$'000
Liability at beginning of year	178,257	154,557
Total expense, as above	40,155	29,829
Contributions paid	(8,533)	(6,129)
Liability at end of year	209,879	178,257

23. Other Assets

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Accounts receivable and prepayments	744,606	1,031,276	459,879	426,685

Interest receivable	4,071,907	4,987,290	1,896,175	3,608,276
Withholding tax recoverable	1,265,312	350,137	747,244	470,170
	6,081,825	6,368,703	3,103,298	4,505,131

24. Due to Other Banks

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Items in course of payment	1,310,633	1,150,994	1,310,633	1,150,994
Deposits from other banks	5,484,157	5,106,214	5,484,875	5,106,214
	6,794,790	6,257,208	6,795,508	6,257,208

25. Obligations Under Credit Card and Cash Advance Securitization Arrangements

	The Group and The Bank	
	2004	2003
	$'000	$'000
Principal outstanding - US$154.3 million (2003 - US$79.2 million)	9,532,453	4,718,256
Unamortised transaction fees	(104,717)	(141,277)
Net liability	9,427,736	4,576,979

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. Payments under the arrangement were due quarterly commencing in October 2001 and ending October 2006. In September 2004, the arrangement was amended to extend the scheduled final payment date from October 2006 to October 2009 and to increase the facility limit to US$200,000,000. An additional drawdown of US$100,000,000 was made in September 2004.

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 200 basis points.

Related to this arrangement, the Bank also entered into two interest rate swap agreements effective October 2001 with Citibank N.A. as follows:

Swap 1 - The Bank pays 4.33% per annum fixed and receives three month US dollar LIBOR on a notional amount of US$45,000,000 every quarter commencing January 2002 and ending July 2006.

Swap 2 - The Bank pays 3.78% per annum fixed and receives three month US dollar LIBOR on a notional amount of US$45,000,000 every quarter commencing January 2002 and ending July 2006.

The combined fair value of these interest rate swaps at 30 September 2004 is negative US$728,000 (2003 - Negative US$2,166,000).

26. Other Borrowed Funds

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Development Bank of Jamaica	865,166	949,431	865,166	949,431
Student loan funds	93,090	114,074	93,090	114,074
Finance lease obligations	111,062	65,744	123,888	101,887
	1,069,318	1,129,249	1,082,144	1,165,392

(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 finance lease obligations are as follows:

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Minimum lease payments under finance leases:				
Not later than 1 year	59,291	52,662	72,574	80,948
Later than 1 year and not later than 5 years	91,386	25,860	91,729	39,612
	150,677	78,522	164,303	120,560
Future finance charges	(39,615)	(12,778)	(40,415)	(18,673)
Present value of finance lease obligations	111,062	65,744	123,888	101,887

The present value of finance lease obligations are as follows:

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Not later than 1 year	37,998	43,214	50,481	66,270
Later than 1 year and not later than 5 years	73,064	22,530	73,407	35,617
	111,062	65,744	123,888	101,887

27. Policyholders' Liabilities

The Board of Directors of the Group's life insurance subsidiary appoints the Actuary pursuant to the Insurance Act. His responsibility is to carry out an annual valuation of the company's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. In performing the valuation, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the company and the insurance policies in force.

The Group	
2004	2003

	$'000	$'000
(a) Composition of policyholders' liabilities:		
Life assurance fund	7,105,114	4,232,286
Insurance risk reserve	(192,504)	55,372
	6,912,610	4,287,658
(b) Change in policyholders' liabilities:		
Life assurance fund:		
At the beginning of the year	4,232,286	3,188,347
Gross premiums	2,764,700	1,070,137
Cost of insurance transferred to profit and loss a/c	(24,595)	(24,222)
Fees transferred to profit and loss account	(93,579)	(70,992)
Claims and benefits	(666,961)	(430,983)
Interest credited	893,263	499,999
At the end of the year	7,105,114	4,232,286
Insurance risk reserve:		
At the beginning of the year	55,372	29,174
(Decrease)/increase in reserve	(247,876)	26,198
At the end of the year	192,504	55,372

28. Provisions

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
At beginning of year	140,000	61,060	140,000	61,060
Provided during the year	-	90,000	-	90,000
Utilised during the year	(23,000)	(11,060)	(23,000)	(11,060)
At end of year	117,000	140,000	117,000	140,000
Comprising:				
Provision for litigation	117,000	140,000	117,000	140,000

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29. Other Liabilities

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Interest payable	1,803,507	2,032,588	1,089,008	1,583,414
Accrued liabilities	1,722,330	1,250,906	935,445	647,771
	3,525,837	3,283,494	2,024,453	2,231,185

30. Share Capital

	2004	2003
	$'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

31. Fair Value and Other Reserves

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Fair value reserve - available-for-sale investments	837,549	(677,313)	604,925	(306,864)
Translation reserve	121,047	98,422	-	-
Capital reserve	308,118	308,118	348,468	348,468
	1,266,714	(270,773)	953,393	41,604
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	98,167	-	-

Unrealised:				
Surplus on revaluation of property, plant and equipment	116,960	116,960	47,904	47,904
	308,118	308,118	348,468	348,468

32. 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).

33. 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.

34. 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.

35. Cash Flows from Operating Activities

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Net profit	3,216,738	2,804,391	1,659,656	2,129,535
Adjustments to reconcile net profit to cash flow provided by/(used in) operating activities:				
Depreciation of property, plant and equipment	965,460	494,910	939,105	471,742
Share of after tax profits of associates	(44,395)	-	-	-
Provision for credit losses	422,341	206,561	422,211	203,749
Interest income	(21,513,976)	(17,470,803)	(14,441,397)	(12,480,376)

Interest expense	11,809,339	10,712,921	6,843,225	6,981,076
Income tax expense	526,874	275,720	428,274	31,860
Unrealised exchange loss on credit card and cash advance securitization arrangements	130,909	881,965	130,909	881,965
Amortisation of upfront fees on credit card and cash advance securitization arrangements	81,384	107,342	81,384	107,342
Change in retirement benefit asset/obligation	30,029	22,975	31,622	23,700
Unrealised exchange gain on foreign currency denominated investments	(1,037,974)	(3,063,652)	(1,010,595)	(3,063,652)
Deferred tax expense/(credit)	93,667	383,139	(319,091)	389,259
Gain on sale of property, plant and equipment	(29,763)	(324)	(28,491)	(1,242)
Fair value (gains)/losses on investment properties	(1,100)	(2,313)	-	-
Fair value (gains)/losses on interest rate swap	(83,926)	(10,321)	(83,926)	(10,321)
Changes in operating assets and liabilities:				
Statutory reserves at Bank of Jamaica	(974,113)	3,080,443	(974,113)	(3,080,443)
Reverse repurchase agreements	(15,539,579)	4,572,944	292,528	1,958,054
Loans and advances	(8,046,822)	(11,323,987)	(7,949,051)	(11,390,860)
Customer deposits	10,173,312	6,323,789	8,721,651	7,277,393
Repurchase agreements	7,871,512	17,727,301	(10,277,939)	13,482,230
Promissory notes and certificates of participation	(351,421)	(969,588)	-	-
Policyholders' liabilities	2,624,952	1,070,137	-	-
Other	(171,777)	3,366,723	(45,594)	255,405
	(9,848,329)	13,029,387	(15,579,632)	4,166,416
Interest received	22,429,359	12,332,120	16,153,498	10,764,198
Interest paid	(12,038,420)	(10,163,584)	(7,337,631)	(6,360,671)
Income tax paid	(512,085)	(277,991)	(37,579)	(259,308)
Net cash provided by/(used in) operating activities	30,525	14,919,932	(6,801,344)	8,310,635

36. 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	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Interest income from loans:				
Directors	930	533	930	534
Relatives of directors	1,911	13	1,911	13
Companies controlled by directors and related by virtue of common directorships	275,085	154,088	275,085	154,088
	277,926	154,634	277,926	154,635
Interest income from securities:				
Fellow subsidiaries	9,325	-	-	-
Subsidiaries	-	-	17,671	99,841
Fees and commissions earned:				
Companies controlled by directors and related by virtue of common directorships	6,272	-	6,272	-
Subsidiaries	-	-	79,760	815
	6,272	-	86,032	815
Other operating income:				
Subsidiaries	-	-	16,286	1,277
Interest expense:				
Directors	1,764	1,204	1,764	1,204
Companies controlled by directors and related by virtue of common directorships	28,245	9,765	28,245	9,765
Relatives of directors	1,241	-	-	-
Subsidiaries	-	-	1,504,544	1,609,888
	31,250	10,969	1,534,553	1,620,857
Other operating expenses:				
Fellow subsidiaries	7,061	6,070	7,061	6,070
Parent company	205,592	164,331	205,592	164,331
Subsidiaries	-	-	23,825	21,490
	212,653	170,401	236,478	191,891

Year-end balances with related parties are as follows:

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Loans and advances:				
Directors	4,458	3,261	4,458	3,261
Relatives of directors	1,663	-	1,663	-
Companies controlled by directors and related by virtue of common directorships	1,078,830	2,053,957	1,078,830	2,053,957
	1,084,951	2,057,218	1,084,951	2,057,218
Reverse repurchase agreements:				
Companies controlled by directors and related by virtue of common directorships	469,025	-	-	-
Subsidiaries	-	-	-	470,538
Due from other banks:				
Subsidiaries	-	-	440,630	424,676
Other assets:				
Companies controlled by directors and related by virtue of common directorships	236,935	9,158	236,935	9,158
Subsidiaries	6,131	-	102,682	47,899
	243,066	9,158	339,617	57,057
Customer deposits:				
Directors	90,495	48,190	90,495	48,190
Relatives of directors	5,968	2,629	5,968	2,629
Companies controlled by directors and related by virtue of common directorships	1,028,831	471,484	1,028,831	471,484
Associates	25,034	-	25,034	-
Subsidiaries	-	-	2,408,992	2,195,601
	1,150,328	522,303	3,559,320	2,717,904
Repurchase agreements:				
Companies controlled by directors and related by virtue of common directorships	-	-	-	25,566

Relatives of directors	8,423	-	-	
Subsidiaries	-		2,395,900	9,637,317
	8,423	-	2,395,900	9,662,883
Obligations under finance leases:				
Subsidiaries	-	-	12,826	36,143
Other liabilities:				
Companies controlled by directors and related by virtue of common directorships	248,353	-	248,353	-
Relatives of directors	85	-	-	-
Parent	23,737	-	23,737	-
Subsidiaries	-	-	245,707	643,432
	272,175	-	517,796	643,432

37. Financial 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 financial institutions 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 2004:

	The Group					
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
Assets						
Cash and balances at Bank of Jamaica	13,986,481	-	-	-	-	13,986,481
Due from other banks	9,968,925	1,444,728	2,245,982	-	-	13,659,635
Trading Securities	-	-	-	-	293,885	293,885
Reverse repurchase agreements	4,315,176	3,822,282	13,206,148	28,930	-	21,372,536
Loans and advances net of provision for credit losses	9,531,865	2,823,943	3,081,770	10,417,690	8,169,360	34,024,628
Investment securities	4,062,786	2,696,558	7,466,537	27,598,574	35,669,770	77,494,225
Investment in subsidiaries	-	-	-	-	1,163,192	1,163,192
Other	590,543	786,404	2,343,000	634,263	9,523,225	13,877,435
Total assets	42,455,776	11,573,915	28,343,437	38,679,457	54,819,432	175,872,017

Liabilities						
Due to other banks	3,490,185	1,103,185	2,201,420	-	-	6,794,790
Customer deposits	66,292,082	1,296,436	10,286,769	1,986,993	-	79,862,280
Derivative financial instruments	-	-	6,748	35,986	2,249	44,983
Promissory notes and certificates of participation	5,778,786	2,420,186	1,529,395	39,761	-	9,768,128
Repurchase agreements	16,292,250	10,090,265	11,028,090	54,123	31,525	37,496,253
Obligations under credit card and cash advance					-	
securitization arrangements	-	-	1,362,595	7,562,694	502,447	9,427,736
Other borrowed funds	-	-	-	1,155,322	-	1,155,322
Other	7,486,741	240,061	998,359	424,554	5,878,805	15,028,520
Total liabilities	99,340,044	15,150,133	27,413,376	11,259,433	6,415,026	159,578,012
Net Liquidity Gap	(56,884,268)	3,576,218	930,061	27,420,024	48,404,406	16,294,005
Cumulative Liquidity Gap	(56,884,268)	(60,460,486)	(59,530,425)	(32,110,401)	16,294,005	

As at 30 September 2003:

Total assets	26,307,995	13,548,629	21,210,394	37,566,723	47,252,424	145,886,165
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 2004:

The Bank

	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
Assets						
Cash and balances at Bank of Jamaica	13,131,337	-	-	-	-	13,131,337
Due from other banks	12,307,772	15,580	1,653,606		-	13,976,958
Reverse repurchase agreements	278,010	-	-	-	-	278,010
Loans and advances net of provision for credit losses	9,539,652	2,823,629	3,057,843	10,250,502	8,129,954	33,801,580
Investment securities	3,689,632	1,447,468	3,543,193	11,045,229	29,028,999	48,754,521
Investment in subsidiaries	-	-	-	-	1,456,970	1,456,970

Investments in associates	-	-	-	-	1,148,446	1,148,446
Other	155,007	94,942	299,230	295,227	9,669,230	10,513,636
Total assets	39,101,410	4,381,619	8,553,872	21,590,958	49,433,599	123,061,458
Liabilities						
Due to other banks	3,491,102	1,103,185	2,201,221	-	-	6,795,508
Customer deposits	68,022,380	279,621	9,209,626	1,881,967	-	79,393,594
Derivative financial instruments	-	-	6,748	35,986	2,249	44,983
Repurchase agreements	4,491,384	1,471,137	1,617,641	-	-	7,580,162
Obligations under credit card and cash advance securitization arrangements	-	-	1,257,878	7,667,411	502,447	9,427,736
Other borrowed funds	-	-	-	1,168,148	-	1,168,148
Other	61,870	123,739	852,952	61,944	4,866,674	5,967,179
Total liabilities	76,066,736	2,977,682	15,146,066	10,815,456	5,371,370	110,377,310
Net Liquidity Gap	(36,965,326)	1,403,937	(6,592,194)	10,775,502	44,062,229	12,684,148
Cumulative Liquidity Gap	(36,965,326)	(35,561,389)	(42,153,583)	(31,378,081)	12,684,148	
As at 30 September 2003:						
Total assets	23,755,086	11,251,758	14,245,614	28,531,462	40,217,944	118,001,864
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	

(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 decrease 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 tables 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 2004:

The Group

	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-interest Bearing $'000	Total $'000
Assets							
Cash and balances at Bank of Jamaica	3,359,198	-	-	-	-	10,627,283	13,986,481
Due from other banks	3,827,120	1,444,728	2,245,982	-	-	6,141,805	13,659,635
Trading securities	-	7,689	-	-	-	286,196	293,885
Reverse repurchase agreements	3,925,265	4,211,775	13,235,496	-	-	-	21,372,536
Loans and advances net of provision for credit losses	27,947,119	791,440	977,909	4,268,754	39,406	-	34,024,628
Investment securities	8,749,825	37,968,546	12,888,794	11,518,886	6,368,174	-	77,494,225
Investment is associates	-	-	-	-	-	1,163,192	1,163,192
Other	-	-	-	-	-	13,877,435	13,877,435
Total assets	47,808,527	44,424,178	29,348,181	15,787,640	6,407,580	32,095,911	175,872,017
Liabilities							
Due to other banks	3,490,384	1,103,185	2,201,221	-	-	6,794,790	
Customer deposits	19,199,458	11,202,771	30,099,440	1,986,993	-	17,373,618	79,862,280
Derivative financial instruments	-	-	6,748	35,986	2,249	-	44,983
Promissory notes and certificates of participation	5,778,786	2,420,186	1,529,395	39,761	-	-	9,768,128
Repurchase agreements	16,292,250	10,090,265	11,028,090	54,123	31,525	-	37,496,253
Obligations under credit card and cash advance securitization arrangements	-	-	1,362,595	7,562,694	502,447	-	9,427,736
Other borrowed funds	-	-	-	1,155,322		-	1,155,322
Other	-	-	-	-	1,490	15,027,030	15,028,520
Total liabilities	44,760,878	24,816,407	46,227,489	10,834,879	537,711	32,400,648	159,578,012
On balance sheet interest sensitivity gap	3,047,649	19,607,771	(16,879,308)	4,952,761	5,869,869	(304,737)	16,294,005
Cumulative interest sensitivity gap	3,047,649	22,655,420	5,776,112	10,728,873	16,598,742	16,294,005	
As at 30 September 2003:							
Total assets	35,630,724	39,168,313	16,570,507	21,931,456	6,743,625	25,841,540	145,886,165
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							

	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-interest Bearing $'000	Total $'000
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 2004:

The Bank

	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-interest Bearing $'000	Total $'000
Assets							
Cash and balances at Bank of Jamaica	2,504,054	-	-	-	-	10,627,283	131,131,337
Due from other banks	3,310,112	15,580	1,653,606	-	-	8,997,660	13,976,958
Reverse repurchase agreements	278,010	-	-	-	-	-	278,010
Loans and advances net of provision for credit losses	27,946,781	791,126	953,982	4,109,691	-	-	33,801,580
Investment securities	4,045,592	23,797,584	4,556,386	8,896,987	5,662,225	1,795,717	48,754,521
Investment in subsidiaries	-	-	-	-	-	1,456,970	1,456,970
Investment in associates	-	-	-	-	-	1,148,446	1,148,446
Other	-	-	-	-	-	10,513,636	10,513,636
Total assets	38,084,549	24,604,290	7,163,974	13,006,678	5,662,255	34,539,712	123,061,458
Liabilities							
Due to other banks	3,491,102	1,103,185	2,201,221	-	-	-	-
Customer deposits	20,929,756	10,185,956	29,022,297	1,881,967	-	17,373,618	-
Derivative financial instruments	-	-	6,748	35,986	2,249	-	44,983
Repurchase agreements	4,491,384	1,471,137	1,617,641	-	-	-	7,580,162
Obligations under credit card and cash advance securitization arrangements	-	-	1,362,595	7,562,694	502,447	-	502,447
Other borrowed funds	-	-	-	1,168,148	-	-	1,168,148
Other	-	-	-	-	-	5,967,179	5,967,179
Total liabilities	28,912,242	12,760,278	34,210,502	10,648,795	504,696	23,340,797	110,377,310
On balance sheet interest sensitivity gap	9,172,307	11,844,012	(27,046,528)	2,357,883	5,157,559	11,198,915	12,684,148
Cumulative interest sensitivity gap	9,172,307	21,016,319	(6,030,209)	(3,672,326)	1,485,233	12,684,148	

As at 30 September 2003:							
Total assets	34,595,115	34,018,915	13,514,822	14,417,512	2,510,650	18,944,850	118,001,864
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	

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
Assets	%	%	%	%	%	%	%	%
Cash and balances at Bank of Jamaica	6.0	0.9	2.1	4.0	6.0	0.9	2.1	4.0
Due from other banks	-	2.8	-	4.2	-	2.8	-	4.2
Trading securities - debt securities	-	8.7	-	-	-	-	-	-
Reverse repurchase agreements	17.5	6.6	4.0	-	-	6.2	-	-
Loans and advances	25.3	8.0	-	-	25.3	8.0	-	-
Investment securities - debt securities	16.5	10.5	2.1	5.3	14.9	10.5	2.1	5.3
Liabilities								
Due to other banks	-	3.5	-	-	-	3.5	-	-
Customer deposits	6.7	3.2	1.4	1.4	6.7	3.2	1.4	1.4
Repurchase agreements	14.7	6.4	3.0	3.0	12.3	5.2	-	-
Obligations under credit card and cash advance securitization arrangements	-	3.3	-	-	-	3.3	-	-
Other borrowed funds	13.6	4.0	-	-	7.3	4.0	-	-

(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 2004:

	The Group					
	Jamaican $	US$	GBP	CAN$	Other	Total
	J$'000	J$'000	J$'000	J$'000	J$'000	
Assets						
Cash and balances at Bank of Jamaica	10,102,468	3,284,621	523,244	63,275	12,873	13,986,481
Due from other banks	236,929	8,255,910	4,811,026	54,581	301,189	13,659,635
Trading securities	287,089	6,796	-	-	-	293,885
Reverse repurchase agreements	18,712,814	2,659,722	-	21,372,536	-	
Loans and advances net of provision for credit losses	15,023,329	19,001,299	-	-	-	34,024,628
Investment securities	51,552,716	25,681,628	8,171	171,092	80,618	77,494,225
Investment in associates	1,163,192	-	-	-	-	1,163,192
Other	11,324,904	2,304,417	164,333	22,415	61,366	13,877,435
Total assets	108,403,441	61,194,393	5,506,774	311,363	456,046	175,872,017
Liabilities						
Due to other banks	1,793,379	4,923,273	55,665	15,159	7,314	6,794,790
Customer deposits	50,457,039	24,535,712	4,308,946	375,738	184,845	79,862,280
Derivative financial instruments	-	44,983	-	-	-	44,983
Promissory notes and certificates of participation	9,768,128	-	-	-	-	9,768,128
Repurchase agreements	21,387,741	16,081,262	24,899	2,351	-	37,496,253
Obligations under credit card and cash advance securitization arrangements	-	9,427,736	-	-	-	9,427,736
Other borrowed funds	1,155,322	-	-	-	-	1,155,322
Retirement benefit obligations	209,879	-	-	-	-	209,879
Other	11,558,132	2,918,976	294,357	11,005	36,171	14,818,641
Total liabilities	96,329,620	57,931,942	4,683,867	404,253	228,330	159,578,012
Net position	12,073,821	3,262,451	822,907	(92,890)	227,716	16,294,005
As at 30 September 2003:						
Total assets	90,201,164	51,691,808	3,186,631	332,056	474,506	145,886,165
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 2004:

The Bank

	Jamaican $ J$'000	US$ J$'000	GBP J$'000	CAN$ J$'000	Other J$'000	Total J$'000
Assets						
Cash and balances at Bank of Jamaica	9,948,507	2,630,416	482,169	57,372	12,873	13,131,337
Due from other banks	224,581	8,585,581	4,811,027	54,580	301,189	13,976,958
Reverse repurchase agreements	-	278,010	-	-	-	278,010
Loans and advances net of provision for credit losses	15,023,330	18,778,247	3	-	-	33,801,580
Investment securities	35,440,613	13,054,027	8,171	171,092	80,618	48,754,521
Investment in subsidiaries	1,325,063	131,565	342	-	-	1,456,970
Investment in associated companies	1,148,446	-	-	-	-	1,148,446
Property, plant and equipment	4,319,920	-	-	-	-	4,319,920
Other	4,024,529	1,926,296	159,110	22,415	61,366	6,193,716
Total assets	71,454,989	45,384,142	5,460,822	305,459	456,046	123,061,458
Liabilities						
Due to other banks	1,793,180	4,924,190	55,665	15,159	7,314	6,795,508
Customer deposits	50,457,039	24,067,026	4,308,946	375,738	184,845	79,393,594
Derivative financial instruments	-	44,983	-	-	-	44,983
Repurchase agreements	5,593,765	1,986,397	-	-	7,580,162	
Obligations under credit card and cash advance securitization arrangements	-	9,427,736	-	-	-	9,427,736
Other borrowed funds	1,168,148	-	-	-	-	1,168,148
Deferred tax	308,243	-	-	-	308,243	
Retirement benefit obligations	209,879	-	-	-	-	209,879
Other	2,555,203	2,638,543	208,135	11,005	36,171	5,449,057
Total liabilities	62,085,457	43,088,875	4,572,746	401,902	228,330	110,377,310
Net position	9,369,532	2,295,267	888,076	(96,443)	227,716	12,684,148

As at 30 September 2003:

Total assets	71,196,935	42,826,785	3,174,019	329,619	474,506	118,001,864
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

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 2004	Total 2003	Loans and advances	Guarantees and letters of credit	Total 2004	Total 2003
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Agriculture, fishing and mining	261,981	2,575	264,556	223,684	261,981	2,575	264,556	223,684
Construction and real estate	1,166,840	1,119,231	2,286,071	1,817,035	1,063,235	1,119,231	2,182,466	1,786,016
Distribution	2,230,544	135,892	2,366,436	2,350,860	2,230,544	135,892	2,366,436	2,350,860
Financial institutions	261,018	11,643	272,661	369,012	261,018	11,643	272,661	369,012
Government and public entities	9,135,568	555	9,136,123	5,731,728	9,135,568	555	9,136,123	5,731,728
Manufacturing	712,656	694,330	1,406,986	1,310,934	708,835	694,330	1,403,165	1,310,934
Personal	9,818,029	64,317	9,882,346	6,858,495	9,700,577	64,317	9,764,894	6,752,473
Professional and other services	995,548	661,942	1,657,490	1,282,750	995,548	661,942	1,657,490	1,282,750
Tourism and entertainment	4,368,341	58,601	4,426,942	4,132,559	4,366,908	58,601	4,425,509	4,132,559
Transportation, storage and communication	7,062,211	140,868	7,203,079	6,782,284	7,062,211	140,868	7,203,079	6,782,284
Other	176,415	200,464	376,879	631,109	176,415	200,464	376,879	631,109
Total	36,189,151	3,090,418	39,279,569	31,490,450	35,962,839	3,090,418	39,053,259	31,353,409
Total provision	(2,164,523)	-	(2,164,523)	(2,163,517)	(2,161,259)	-	(2,161,259)	(2,151,883)
Net	34,024,628	3,090,418	37,115,046	29,326,933	33,801,580	3,090,418	36,891,998	29,201,526

38. 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 variable rate financial instruments 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 the 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 for those financial assets and financial liabilities that are not carried at fair value.

The Group

	Carrying Value 2004 $'000	Fair Value 2004 $'000	Carrying Value 2003 $'000	Fair Value 2003 $'000
Financial Assets				
Investment securities	77,784,579	78,219,804	78,538,460	78,133,295
Investment in associates	1,163,192	2,434,409	-	-
Financial Liabilities				
Obligations under credit card and cash advance securitization arrangements	9,427,736	9,532,453	4,576,979	4,718,256

The Bank

	Carrying Value 2004 $'000	Fair Value 2004 $'000	Carrying Value 2003 $'000	Fair Value 2003 $'000
Financial Assets				
Investment securities	48,754,521	48,984,684	58,366,965	57,660,750
Investment in associates	1,148,446	2,434,409	-	-
Financial Liabilities				
Obligations under credit card and cash advance securitization arrangements	9,427,736	9,532,453	4,576,979	4,718,256

39. Banking Act

At 30 September 2004 and 30 September 2003:
The Bank was in breach of Section 13(1)(d) of the Banking Act. This section deals with unsecured lending to connected persons. These lendings represent approximately 0.1% (2003 - 0.5%) of the Bank's loans and advances.

40. 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	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Authorised and contracted	231,530	301,557	231,530	301,557
Authorised but not yet contracted	821,910	123,053	821,910	123,053
	1,053,440	424,610	1,053,440	424,610

(b) Operating lease:

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

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Not later than 1 year	49,538	13,291	49,302	13,291
Later than 1 year and not later than 5 years	27,522	46,011	27,522	46,011
Later than 5 years	2,210	66	2,210	66
	79,270	59,368	79,034	59,368

41. Pledged Assets

	The Group		The Bank	
		Related		Related
	Asset	Liability	Asset	Liability
	$'000	$'000	$'000	$'000

Balances at Bank of Jamaica	9,672,654	-	9,672,654	-
Securities	53,072,929	47,798,461	12,375,055	7,580,162
Property, plant and equipment	123,256	111,062	123,256	123,888
Other	966,850	814,260	966,850	814,260

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.

42. 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 2004, the Group had financial assets under administration of approximately $30.9 billion (2003 - $22.6 billion).

43. 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. No provision has been in the financial statements as the Bank's attorneys are of the opinion that the plaintiff's claims against Mr. McFarlane and the Bank are unlikely to succeed.

(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 former pension 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 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 of $170 million has been made in the financial statements in respect of this suit.

(e) 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.

(f) Suit has been filed by a customer against the Bank for unlawful, wrongful and/or improper use of parks in the appointment of a Receiver and Manager of the customer's business property and assets, The claim is for specific sums totaling $59 million. The Bank's attorneys are unable to determine the outcome of the suit and no provision has been made in the financial statements.

(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 $116 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.

44. Dividends

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the Board of Directors meeting on 9 December 2004, a final interim dividend in respect of 2004 of $ 0.21 per ordinary stock unit was declared. The financial statements for the year ended 30 September 2004 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 2005.