CAPITAL & CREDIT MERCHANT BANK LIMITED

Notes to the Financial Statements

31 December, 2004

1. GROUP IDENTIFICATION

(a) Capital & Credit Merchant Bank Limited ("the Bank") is incorporated in Jamaica and is a 75% subsidiary of Capital & Credit Financial Group Limited (previously Capital & Credit Holdings Limited), which is also incorporated in Jamaica. The registered office of the Bank is 6 - 8 Grenada Way, Kingston 5.

The Bank's main business is that of taking deposits, granting loans and trading in foreign currencies and Government securities.

The Bank has two subsidiaries, Capital & Credit Securities Limited and Jamaica Unit Trust Services Limited having acquired the latter effective October 1, 2004. The name of Jamaica Unit Trust Services Limited was changed to Capital & Credit Fund Managers Limited on January 19, 2005. Both subsidiaries are incorporated and domiciled in Jamaica.

The principal activities of the subsidiaries are as follows:

Subsidiaries	Principal Activities	Holdings	Financial Year End
Capital & Credit Securities Limited	Dealing in securities, stockbroking, portfolio planning, pension fund management and investment	100%	December 31

	advisory services		
Capital & Credit Fund Managers Limited	Management of the Jamaica Investment Fund and the selling of units to the public on its behalf	70%	April 30

(b) i) The Bank is licensed under the Financial Institutions Act and the Securities Act and regulated by the Bank of Jamaica (the Supervisor) and the Financial Services Commission. The Bank is listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange.

ii) Capital & Credit Securities Limited is licensed under the Securities Act and regulated by the Financial Services Commission and the Jamaica Stock Exchange.

iii) Capital & Credit Fund Managers Limited is licensed under the Unit Trust Act and regulated by the Financial Services Commission.

(c) These financial statements have been expressed in Jamaican dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, investment securities held-for-trading and all derivative contracts.

(b) Consolidation

The consolidated financial statements comprise those of the Bank and its subsidiaries presented as a single economic entity. Intra Group transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements. The financial statements include the results of Jamaica Unit Trust Services for the three-month period ended December 31, 2004.

(c) Use of estimates

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 the disclosure of contingent liabilities at the date of the financial statem ents and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from the estimates and any adjustments that may be necessary will be reflected in the year in which actual results are known.

(d) 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 original dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency nwnetary assets and liabilities are recognised in the profit and loss account.

(e) 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 discount or premium on financial 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 basis and IFRS for the recognition of such income in the current year was assessed to be immaterial.

Fee and commission income is recognised on an accrual basis. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan.

(f) Investment in securities

Investments are recognised on a trade-date basis and are initially measured at cost, including transaction costs.

Investments are classified into the following categories: trading securities, securities available-for-sale, securities held to maturity and originated debt. 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 profit0taking exists. They are subsequently remeasured at fair value based on quoted bid prices. All related realized and unrealized gains and losses are included in net gains on securities trading in the profit and loss account.

Securities available-for-sale 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 subsequently re-measued at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains and losses arising from changes in fair value of available-for-sale securities are recognised in stockholders' equity in the fair value reserve. When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in the fair value reserve are transferred to the profit and loss account.

Securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are subsequently re-measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Loans and advances which are provided directly to a borrower, and government or other securities which are purchased directly from the issuer, are classified as originated debt. Those include bonds and treasury bills, mortgages and demand loans. They are subsequently re-measured at amortised cost using the effective interest rate method.

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 assets 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 Discounted at the current market interest rate for a similar financial asset.

(g) 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 arnortised cost using the effective interest rate method.

A loan is classified as non-performing when, in management's opinion, there has been deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the fall amount of principal and interest.

Loans are classified as non-current if they are non-performing in excess of ninety days. When a loan is classified as non-current, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis.

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 reduce it to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees aid, collateral, discounted at the original effective interest rate of the loan.

General provisions for doubtful credits are established against the loan portfolio where a prudent assessment by the Group of adverse economic trends suggests that losses may occur, but where such losses cannot yet be determined on an item-by-item basis. The Supervisor requires that such a provision should not be less than 0.5% for certain residential mortgages and not less than 1 % for all other loans. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for loan losses.

Statutory and other regulatory loan loss reserve requirements that exceed the provision required, under IAS 39 (Financial Instruments) are dealt with in a non-distributable loan loss reserve as a transfer from unappropriated profits.

Write-offs are made when all or part of a loan is deemed uncollectible. 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 loan less expense in the profit and loss account.

(h) Investment in subsidiaries

Investment by the Bank in its subsidiaries is stated at cost.

(i) Goodwill

Goodwill represents the excess of cost over the net fair value of investments in subsidiaries assets, liabilities and contingent assets. In accordance with International Financial Reporting. Standards (IFRS 3), goodwill is recognized at cost less any accumulated impairment losses. Previously goodwill was amortised over a three year period.

(j) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any recognized impairment losses.

Depreciation is calculated on the straight- line basis an cost over the estimated useful lives of the assets. Annual depreciation rates are based on the following estimated useful lives:

Leasehold improvements	3 - 5 years
Furniture, fixtures and office equipment	5 years
Computer equipment	3 years
Motor vehicles	5 years
Building	40 years

No depreciation is provided on land, paintings and artwork.

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

Gains and losses on disposal of property and equipnent 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.

(k) Computer software development costs

Costs associated with maintaining computer software programmes are recognised as an expense over the expected period of usage (not expected to exceed 12 months). Costs that are directly associated with identifiable and unique software products controlled by the Group that will probably generate economic benefits exceeding costs beyond one year, are recognised as assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software developnwnt costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 3 years.

(l) Leases

(i) Group as the lessee

To date, the leases entered into by the Group are operating leases as a significant portion of the risks and reward of ownership are retained by the lessor. The total, payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be m ade to the lessor way of penalty is recognised as an expense in the period in which termination takes place.

(ii) Group as the lessor

When assets are held subject to 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 using the net investment method, which reflects constant periodic rate of return.

(m) Cash and cash equivalents

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

(n) Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost (including transaction costs) and subsequently are re-measured at their fair value.

Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of such derivatives are included in income as they arise.

(o) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the riSks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recopised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

(p) Sale and repurchase agreements

Securities sold subject to repurchase agreements are retained in the financial statements as trading or investment securities and the counterparty liability is included in due to other financial institutions and securities sold under repurchase agreements.

The difference between sale and repurchase price is treated as interest and accrued over the life of the repurchase agreements using the effective yield method.

(q) Borrowings

Borrowings 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 recognized in the profit and loss account over the period of the borrowings using the effective yield method.

(r) 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.

(s) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates currently enacted, which are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is ch arged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also charged or credited in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities an a net basis.

(t) Share capital

(i) Share issue costs

Incremental external costs directly attributable to the issue of new shares, are deducted from share premium.

(ii) Dividends on ordinary stock units

Dividends on ordinary stock units are recognised in the period in which they declared.

(u) Employee benefits

(i) Pension obligations

The Group pays fixed contributions into a defined contribution Superannuation Fund and will have no legal or constructive obligations to pay further pension benefits.

The regular contributions constitute costs for the year in which they are due and are included in staff costs.

(ii) Employee Share Ownership Plan

The Group has an Employee Share Ownership Plan (ESOP) for eligible employees. When the options are exercised, the par value of the shares is credited to share capital and the excess of the fair value over the par value is included in share premium. The difference between the fair value and the option price is included in staff cost.

(iii) Leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave for services rendered by employees up to the balance sheet date.

(v) Acceptances

The Group's potential liability under acceptances is recorded as a liability. The Group's recourse against its customers in the event of a call on these commitments is reported as an asset.

(w) Fiduciary activities

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

(x) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the currentyear.

3. CASH RESOURCES

Cash resources include:

(a) $304,440,000 (2003: $175,156,000) held under Section 14(i) of the Financial Institutions Act, at the Bank of Jamaica as a Cash Reserve. This amount includes a Special Deposit of 5% of prescribed liabilities on which interest is paid at 6% to the Bank. Accordingly, these amounts are not available for investment or other use by the Bank.

(b) $6,129,977,000 is held by an investment broker as security for the sale of certain borrowed investment securities. The interest rate on this amount varies with the US Federal Reserve rate. The effective rate at year end was 1.875%.

4. INVESTMENT IN SECURITIES

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Trading securities				
Government of Jamaica securities	3,134,077	573,729	-	-
Financial institutions	198,004	-	-	-
Equity securities	67,106	47,187	-	-
Other securities	1,924,501	50,295	-	-
	5,323,688	671,211	-	-
Available-for-sale securities				
Government of Jamaica securities	12,153,988	11,822,383	3,482,740	98,768
Other securities	6,248,318	1,908,258	6,216,971	1,908,258
	18,402,306	13,730,641	9,699,711	2,007,026
Securities held-to-maturity				
Government of Jamaica securities	1,972,816	1,950,771	1,365,349	1,344,907
Originated debt				
Government of Jamaica securities	6,527,904	4,126,690	2,287,340	1,289,123
US Government agencies and other securities	14,240,601	16,542,601	11,956,113	15,334,295
	20,768,505	20,669,291	14,243,453	16,623,418
	46,467,315	37,021,914	25,308,513	19,975,441

The interest rates of a significant portion of Government of Jamaica Local Registered Stocks are adjusted on interest payment dates by reference to the existing six months Treasury bill rate which is the primary reference point for interest rates in the economy. The securities classified as originated debt and available-for-sale have been valued at amortised cost or at market value respectively. Market value is computed using the current market quotations for similar securities derived from accumulation of data for the market and the compilation of a monthly yield curve.

Government securities totalling $92,630,000 (2003:$140,134,000) are held by the Bank of Jamaica, $91,630,000 (2003:$139,134,000) as security in the event of an overdraft on the Bank and subsidiary's primary dealer accounts and $1,000,000 (2003:$1,000,000) to facilitate stockbroking activities of the subsidiary.

Gross gains of $114,078,000 for the Group and $48,011,000 for the Bank (2003: $2,994,000 for the Bank and the Group) were realized on sales of available-for-sale securities during the year.

5. LOANS

(a)

	The Group and the Bank	
	2004	2003
	$'000	$'000
Loans	2,661,429	1,872,529
Less: Loan loss provision	30,494	42,972
	2,630,935	1,829,557

(b)

The Group and the Bank
Remaining Term to Maturity

	Under 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying Value 2004	Carrying Value 2003
	$'000	$'000	$'000	$'000	$'000	$'000
Individuals	22,767	25,034	191,102	33,013	271,916	125,341
Businesses	614,386	533,550	775,259	466,318	2,389,513	1,747,188
	637,153	558,584	966,361	499,331	2,661,429	1,872,529

Loans for the group include non-performing loans in the amount of $33,031,000 (2003:$71,294,000).

The Group and the Bank

(c) Loan loss provision

	2004 $'000	2003 $'000
Balance, January 1	42,972	46,765
Provision for the year	15,503	10,260
	58,475	57,025
Recoveries during the year	(13,559)	(7,525)
Written off during the year	(14,422)	(6,528)
Balance, December 31	30,494	42,972

The amount charged in the profit and loss account comprises:	$'000	$'000
Expense for the year	15,503	10,260
Recoveries	(13,559)	(7,525)
Net charge for year	1,944	2,735

(d) Loan loss reserve

	2004 $'000	2003 $'000
Regulatory loan loss provision	51,196	73,945
Less: Provision based on IAS 39	30,494	42,972
Balance, December 31	20,702	30,973

The amount in excess of the loan loss provision based on IAS 39 (Financial Instruments) requirements has been tmnsferred to a non-distributable Loan loss reserve.

6. ACCOUNTS RECEIVABLE

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Interest receivable on investments	1,217,999	1,016,479	415,923	399,731
Interest receivable on loans	58,016	84,312	58,016	84,312
Withholding tax recoverable	186,397	51,263	49,801	51,263
Owed by parent company	15,024		15,024	
Owed by wholly-owned subsidiary	-		4,203	2,807
Owed by fellow subsidiary	506	16	506	16
Accounts receivable - Brokerage	25,532	24,111	-	-
Other receivables	63,982	43,551	59,850	35,205
	1,567,456	1,219,732	603,323	573,334

The Directors are of the opinion that the carrying amount of accounts receivable approximates its fair value.

7. PROPERTY AND EQUIPMENT

	The Group						
	Land	Building	Furniture, Fixtures & Equipment	Paintings & Artwork	Leasehold Improvements	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At cost							
January 1, 2004	2,968	20,391	79,719	7,956	46,874	2,306	160,214
Acquisition of subsidiary	-	-	12,984	-	-	2,012	14,996
Additions	-	-	12,648	3,403	1,083	226	17,360
Disposals	-	-	-	-	-	(1,500)	(1,500)
December 31, 2004	2,968	20,391	105,351	11,359	47,957	3,044	191,070
Depreciation							

January 1, 2004	-	-	41,178	-	27,810	2,014	71,002
Acquisition of						-	
subsidiary	-	-	12,728	-	-	368	13,096
Charge for year	-	504	18,555	-	6,710	428	26,197
Disposal	-	-	-	-	-	(1,500)	(1,500)
December 31, 2004	-	504	72,461	-	34,520	1,310	108,795
Net book value							
December 31, 2004	2,968	19,887	32,890	11,359	13,437	1,734	82,275
December 31, 2003	2,968	20,391	38,541	7,956	19,064	292	89,212

The Bank

	Land $'000	Building $'000	Furniture, Fixtures & Equipment $'000	Paintings & Artwork $'000	Leasehold Improvements $'000	Motor Vehicles $'000	Total $'000
Furniture,							
At cost							
January 1, 2004	2,968	20,391	74,782	7,303	46,357	2,306	154,107
Additions	-	-	9,546	3,403	1,083	-	14,032
Disposal	-	-	-	-	-	(1,500)	(1,500)
December 31, 2004	2,968	20,391	84,328	10,706	47,440	806	166,639
Depreciation							
January 1,2004	-	-	39,450	-	27,369	2,014	68,833
Charge for year	-	504	16,805	-	6,634	290	24,233
Disposal	-	-	-	-	-	(1,500)	(1,500)
December 31, 2004	-	504	56,255	-	34,003	804	91,566
Net book value							
December 31, 2004	2,968	19,887	28,073	10,706	13,437	2	75,073
December 31, 2003	2,968	20,391	35,332	7,303	18,988	292	85,274

8. OTHER ASSET

This represents one qualifying share held in the Jamaica Stock Exchange Limited (JSE) at cost. The qualifying share entitles Capital & Credit Securities Limited, a subsidiary, to operate as a broker/dealer and be a member of the Council of the JSE.

9. GOODWILL ON CONSOLIDATION

Goodwill represents the excess of the cost of shares in subsidiary over the value of the net assets acquired.

	2004 $'000	2003 $'000
Net amount at January 1		2,088
Goodwill on acquisition during the year	140,146	-
	140,146	2,088
Amortisation		
Write off for impairment/amortisation for the year	-	2,088
Net balance at December 31	140,146	-

10. DEPOSITS

The Group and The Bank
Remaining Term to Maturity

	Within 3 months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Carrying Value 2004 $'000	Carrying Value 2003 $'000
Total	2,549,129	1,969,158	3,739	4,522,026	2,154,609
Personal				1,828,147	1,092,123
Financial institutions				906,275	300,121
Commercial and business enterprises				1,787,604	762,365
				4,522,026	2,154,609

11. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

The Group
Remaining Term to Maturity

	Under 3 months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Carrying Value 2004 $'000	Carrying Value 2003 $'000
Total	23,232,998	2,291,425	227,321	25,751,744	18,732,156
Personal				3,025,804	3,123,008
Financial institutions				10,518,942	6,429,091
Commercial and business enterprises				12,206,998	9,180,057
				25,751,744	18,732,156

The Bank
Remaining Term to Maturity

	Within 3 months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Carrying Value 2004 $'000	Carrying Value 2003 $'000
Total	5,871,555	103,235	17,988	5,992,778	2,404,945
Personal				427,064	1,365,108
Financial institutions				3,354,753	563,858
Commercial and business enterprises				2,210,961	475,979
				5,992,778	2,404,945

12. ACCOUNTS PAYABLE

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Interest payable	619,496	675,264	290,389	192,410
Dividends payable	-	58,450	-	58,450
Brokerage payable	24,647	23,859	-	-
Withholding tax payable	5,559	-	-	-
Prime accounts	17,290	4,072	-	-
Other payable	388,223	92,868	79,643	79,936
	1,049,656	860,072	370,032	330,796

The Directors are of the opinion that the carrying amount of accounts payable approximates its fair value.

13. INCOME TAX

(a) Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using the current tax rate of 33 1/3%.

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Analysis for financial reporting purposes				
Deferred tax liability	691,226	415,869	339,377	213,899
Deferred tax assets	(304,753)	(225,088)	(171,316)	(64,136)
	386,473	190,781	168,061	149,763

The movement for the year in the deferred tax position is as follows:

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Net liability at January 1	190,781	136,841	149,763	129,216
Deferred tax expenses	11,446	44,361	(134,887)	3,019
Deferred tax revaluation reserve charged to equity	202,016	9,579	153,185	17,528
Deferred tax - subsidiary purchased	(17,770)	-	-	-
Net liability at December 31	386,473	190,781	168,061	149,763
Deferred tax liabilities				
Property and equipment capital allowances in excess of accounting depreciation	1,341	3,857	1,112	3,674
Interest receivable	403,560	366,930	136,202	161,347
Available-for-sale investments	249,633	40,929	202,063	48,878
Trading investment revaluation	36,692	4,153	-	-
	691,226	415,869	339,377	213,899
Deferred tax assets				
Unrealised loss on securities trading	73,520	-	73,520	-
Interest payable	206,498	225,088	96,796	64,136
Retirement benefits	574	-	-	-
Tax credit	1,000	-	1,000	-
Tax losses available	23,161	-	-	-
	304,753	225,088	171,316	64,136

(b) Tax charge for the year

Total charge for the year comprises:

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Income tax at 33 1/3% of taxable income	101,494	45,122	54,170	23,205

Deferred tax adjustment	11,446	44,361	(134,887)	3,019
	112,940	89,483	(80,717)	26,224

(c) The charge for the year is reconciled to the profit and loss account as follows:

The Group

	2004		2003	
	$'000	%	$'000	%
Profit before tax	978,259		554,749	
Tax at the domestic income tax rate	326,086	33.3	184,916	33.3
Tax effect of-				
Net expenses deductible in determining taxable profit	14,740	1.6	(6,725)	(1.2)
Non-taxable income	(221,475)	(23.4)	(120,279)	(21.7)
Deferred tax expenses	(16,826)	(1.8)	44,361	8.0
Effect of tax losses	-	-	(12,790)	(2.3)
Other adjustments	10,415	1.1	-	-
Tax expense and effective tax rate for the year	112,940	10.8	89,483	16.1

The Bank

	2004		2003	
	$'000	%	$'000	%
Profit before tax	255,037		343,452	
Tax at the domestic income tax rate	85,012	33.3	114,484	33.3
Tax effect of.-				
Net expenses deductible in determining taxable profit	135,850	43.9	9,264	2.7
Non-taxable income	(166,197)	(53.8)	(100,543)	(29.3)
Deferred tax expenses	(134,887)	(43.6)	3,019	0.9
Other adjustments	(495)	(0.1)	-	-

Tax expense and effective tax rate for the year	(80,717)	(20.3)	26,224	7.6

14. SHARE CAPITAL

	2004 $'000	2003 $'000
Authorised:		
600,000,000 ordinary shares of 50c each	300,000	300,000
Issued and fully paid:		
588,800,000 (2003: 584,500,000) ordinary stock units of 50c each	294,400	292,250

On June 18, 2004 an amount of 4,300,000 ordinary shares were issued to the Employee Share Ownership Plan for the benefit of participating employees. This increased the issued share capital to 588,800,000 ordinary stock units.

On April 30, 2003, following the Initial Public Offering of its shares, the Bank increased its shares in issue by issuing 82,000,000 new ordinary shares to the public bringing the issued share capital of the Bank to 582,000,000 ordinary stock units. On August 1, 2003 an additional 2,500,000 ordinary shares were issued to the Employee Share Ownership Plan for the benefit of participating employees. This increased the issued share capital to 584,500,000 ordinary stock units.

15. STATUTORY RESERVE FUND

Under the Financial Institutions Act (1992) the Bank is required to transfer to a reserve fund a minimum of 15% of the net profit each year until the amount to the credit of the reserve fund is equal to 50% of the Bank's paid up capital. Thereafter, 10% of the net profit each year is to be transferred to the reserve fund until the amount at the credit of the reserve fund is equal to the Bank's paid up capital
The transfer for the year was at the prescribed rate of 10% (2003: 10%).

16. RETAINED EARNINGS RESERVE

The Financial Institutions Act permits the transfer of net profits to a retained earnings reserve. Such transfers are made at the discretion of the Bank's Board of Directors and must be notified to the Bank of Jamaica.

The Board of Directors by resolutions authorised the transfer of $362,000,000 (2003: $200,000,000) from unappropriated profits to retained earnings reserve.

17. FAIR VALUE RESERVE

Fair value reserve represents the excess of the market value of securities available for sale at the period end over the historical cost net of the deferred tax effect.

18. STAFF COSTS

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
(a) Staff costs incurred during the year in respect of employees were:				
Salaries and wages	262,085	177,486	129,094	126,018
Statutory contributions	22,167	19,071	13,353	14,507
Pension contributions	6,801	5,808	3,864	4,244
Other staff benefits	36,868	29,242	29,703	26,005
	327,921	231,607	176,014	170,774

The value of compensation under the ESOP included in other staff benefits was $7,270,000 (2003: $2,500,000).

	The Group		The Bank	
(b) Average number of persons employed by the Group/Bank dining the year:	2004	2003	2004	2003
Full time	146	94	101	70
Part time	8	6	5	4
	154	100	106	74

19. NET PROFIT

(a) Dealt with in the accounts of:

	2004 $'000	2003 $'000
The Bank	335,754	317,228
The subsidiaries	529,159	148,038
	864,913	465,266

(b) The net profit is stated after taking account of the following items:

	The Group		The Bank	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Directors' emoluments				
- Fees	2,412	2,769	2,412	2,769
- Management	27,369	19,501	13,789	19,501
Audit fees - current year	4,169	3,428	2,669	2,096
- prior year	(278)	500	104	300
Depreciation	26,197	18,229	24,233	16,980

20. EARNINGS PER STOCK UNIT

The calculation of earnings per stock unit is based on the net profit after taxation of $864,913,000 for the Group and $335,754,000 for the Bank, divided by the weighted average number of 50 cents stock units in issue in the period amounting to 586,809,041 ordinary stock units. See Note 14 for increases in share capital in the year.

The comparative earnings per stock unit is based on net profit of $465,266,000 for the Group and $317,228,000 for the Bank and the 555,708,333 weighted average number of ordinary stock units in issue during the year.

21. ACQUISITION OF SUBSIDIARY

On October 1, 2004, the Bank acquired 70% of the issued share capital of Capital & Credit Fund Managers Limited (formerly Jamaica Unit Trust Service Limited) for consideration of $179.1 million. This transaction has been accounted for by the purchase method of accounting.

	$'000
Net assets acquired:	
Cash resources	29,896
Investment	26,744
Investment in subsidiary	249
Accounts receivable	2,098
Property and equipment	1,900
Deferred tax assets	17,902
Accounts payable	(21,077)
Income tax payable	(1,858)
Bank overdraft	(100)
	55,753
Less minority interest at acquisition	(16,810)
Goodwill	140,146
Total consideration	179,089
Satisfied by cash	179,089

	========
Net cash outflow arising on acquisition:	
Cash consideration	(179,089)
Bank balances and cash acquired	29,796
	(149,293)
	========

22. CASH AND CASH EQUIVALENTS

	2004	2003
	$'000	$'000
Cash and balances with banks including Bank of Jamaica	8,246,436	1,279,149
Less: Statutory cash reserves (Note 3(a))	304,440	175,156
Cash deposit - Investment Broker (Note 3(b))	6,129,977	-
	1,812,019	1,103,993
	==========	==========

23. FUND MANAGEMENT

The Group provides corporate administration, investment management and advisory services to third parties which involve the Group making allocation, purchase and sales decisions in relation to a wide range of financial instruments. Those assets are held in a fiduciary capacity and are not included in these financial statements. At December 31, 2004, the Group had financial assets under administration of approximately $2.4 billion (2004: $0.2 billion).

24. SEGMENTAL FINANCIAL INFORMATION

The Group is organized into two main business segments:

a) Banking and related services which include taking deposits, granting loans and other credit facilities and foreign currency trading.

b) Financial and related services which include securities trading, stock-broking, portfolio planning, pension fund management and investment advisory services.

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

2004

	Banking & Related Services $'000	Financial & Related Services $'000	Consolidated Adjustments $'000	Group $'000
External revenues	528,465	1,115,949	-	1,644,414
Revenue from other segments	76,957	-	(76,957)	-
	605,422	1,115,949	(76,957)	1,644,414
Operating expenses	443,712	222,443	-	666,155
Profit before tax	161,710	893,506	(769,857)	978,259
Income tax expense				112,940
				865,319
Minority interest				406
Net profit				864,913
Segment assets	37,910,170	22,425,391	(966,291)	59,369,270
Segment liabilities	33,368,077	21,415,127	(713,785)	56,069,419
Other segment items:				
Capital expenditure	14,032	3,328		17,360
Depreciation	24,233	1,964		26,197
Loan loss expense	1,944			1,944

2003

Banking & Related Services	Financial & Related Services	Consolidated Adjustments	Group

	$'000	$'000	$'000	$'000
External revenues	611,748	414,270	-	1,026,013
Revenue from other segments	36,666	-	(36,666)	-
	648,414	414,270	(36,666)	1,026,018
Operating expenses	366,903	102,278	2,088	471,269
Profit before tax	281,511	311,992	(38,754)	554,749
Income tax expense				89,483
Net profit				465,266
Segment assets	24,587,990	17,936,494	(909,122)	41,615,362
Segment liabilities	22,628,780	17,489,912	(592,407)	39,526,285
Other segment items:				
Capital expenditure	76,138	3,130		79,268
Depreciation	16,980	1,249		18,229
Loan loss expense	2,735			2,735

25. PENSION FUND

A defined contribution superannuation fund ("The Fund") was established for the purpose of securing pensions on retirement, for the qualified present and future employees of the Group. Under the plan, employees who are members of the Fund will contribute 5% of earnings (as defined), as a basic contribution and have the option to contribute an additional amount of 5%. The Group contributes at a rate of 5% of members' earnings (as defined). (See note 18).

Retirement benefits payable by the Fund will be based on the contributions made to the Fund together with investment earnings thereon.

26. RELATED PARTY TRANSACTIONS AND BALANCES

The following transactions were carried out with related parties including companies connected by virtue of common directorship and the Bank's parent company:

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Interest income	-	-	100,886	36,001
Management fees paid	24,000	24,000	24,000	24,000
Interest expense	40,197	36,498	17,171	127,351
Fees charged	-	-	42,181	-
Preference dividends received	-	-	34,776	36,666

Year end balances with related parties are as follows:

	The Group		The Bank	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Securities sold under repurchase agreements	107,262	20,000	32,277	193,242
Securities purchased under resale agreements	-	-	644,860	374,448
Deposits	205,481	5,270	205,481	5,270

These transactions occurred in the normal course of business.

27. FINANCIAL INSTRUMENTS

(a) Fair value

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. A market price, where an active market (such as a recognized stock exchange) exists, is the best evidence of the fair value of a financial instrument. Market prices are not available for some of the financial assets and liabilities of the Group. Fair values in the financial statements have therefore been estimated using present values or other estimation and valuation techniques based on market conditions existing at balance sheet date. Generally, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estmates presented in these financial statements are not necessarily indicative of the amounts that the Group would realise in a current market exchange.

The following methods and assumptions have been used:

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

(ii) 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;

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

(iv) the fair value of variable rate financial instruments is assumed to approximate their carrying amounts; and

(v) 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 above-mentioned valuation methods and assumptions. The following financial assets 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 in securities				
- Held to maturity	1,972,816	2,112,985	1,950,771	1,770,926
- Originated debt	20,786,505	20,377,058	20,669,291	20,222,024

The Bank

	Carrying Value 2004 $'000	Fair value 2004 $'000	Carrying Value 2003 $'000	Fair value 2003 $'000
Financial Assets				
Investment in securities				
- Held to maturity	1,365,349	1,470,954	1,344,997	1,265,854
- Originated debt	14,243,453	13,756,335	16,623,418	16,172,100
	375,406	991,104	316,715	446,582

(b) Interest rate risk

The Group and the Bank are exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes and create losses in the event tbat unexpected movements arise. The management sets limits on the level of mismatch of interest rate repricing that may be undertaken. This is monitored on a periodic basis.

(i) The following tables summarise carrying amounts of balance sheet assets, liabilities and equity in order to arrive at the Group's interest rate gap based on earlier of contractual repricing or maturity dates.

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 Securities $'000	Total $'000
Assets							
Cash resources	8,218,324	28,112	-	-	-	-	-
Investment in securities							
- Trading	215,066	2,273,678	806,796	1,961,042	-	67,106	5,323,688
- Available for sale	984,890	1,512,610	2,662,176	6,767,066	5,301,498	1,174,066	18,402,306
- Held-to-maturity	-	-	-	142,599	1,830,217	-	1,972,816
- Originated debt	747,014	789,170	3,325,666	7,169,056	8,737,599	-	20,768,505
Loans after provision for loan losses	116,898	520,044	552,982	9,471	494,540	-	2,630,935
Other assets	-		-	-	-	1,884,438	1,884,438
Goodwill on consolidation	-		-	-	-	140,146	140,146
Total	10,282,192	5,123,614	7,347,620	16,986,234	16,363,854	3,265,756	59,369,270
Liabilities and Stockholders' equity							
Deposits	992,540	1,556,590	1,969,157	3,739	-	-	4,522,026
Securities sold under repurchase agreements	9,477,259	13,755,739	2,291,425	227,321	-	-	25,751,744
Loan participation	94,478	665,912	437,552	-	-	-	1,197,842
Due to other financial institutions	232,646	3,265,118	13,161,777	3,140,725	3,083,967	-	22,884,233
Other liabilities	-	-	-	-	-	1,309,855	1,309,855
Deferred taxation	-	-	-	-	-	386,473	386,473
Minority interest	-	-	-	-	-	17,246	17,246
Stockholders' equity	-	-	-	-	-	3,299,851	3,299,851
Total	10,796,223	19,243,259	17,859,911	3,371,786	3,083,967	5,013,425	59,369,270
Interest sensitivity gap	(514,731)	(14,119,645)	(10,512,291)	13,614,449	13,279,887	(1,747,669)	-
Cumulative interest sensitivity gap	(514,731)	(14,634,376)	(25,146,667)	(11,532,218)	1,747,669	-	

2003

Interest sensitivity gap	(21,894,673)	4,139,519	6,833,796	7,352,304	4,874,802	(1,305,748)
Cumulative interest sensitivity gap	(21,894,673)	(17,755,154)	(10,921,358)	(3,569,054)	1,305,748	-

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 Securities $'000	Total $'000
Assets							
Cash resources	8,052,353	-	-	-	-	-	-
Investment in securities							
- Available-for-sale	-	100,111	300,141	3,777,732	4,347,661	1,174,066	9,699,711
- Held-to-maturity	-	-	-	75,812	1,289,537	-	1,365,349
- Originated debt	393	104,157	245,934	5,215,465	8,677,504	-	14,243,453
Securities purchased under resale agreements	138,860	200,000	306,000	-	-	-	644,860
Investment in subsidiaries	-	-	-	-		375,406	375,406
Loans after provision for losses	116,898	520,044	552,982	946,471	494,540	-	2,630,935
Other assets	-	-	-			898,103	898,103
Total	8,308,504	924,312	1,405,057	10,015,480	14,809,242	2,447,575	37,910,170
Liabilities and Stockholders' equity							
Deposits	992,540	1,556,590	1,969,157	3,739	-	-	4,522,026
Securities sold under repurchase agreements	4,470,734	1,400,821	103,235	17,988	-	-	5,992,778
Loan participation	94,478	665,812	437,552	-	-	-	1,197,842
Due to other financial institutions	12,086	3,265,118	13,161,777	3,214,150	3,231,102	-	22,884,233
Other liabilities	-	-	-	-	-	603,137	603,137
Deferred taxation	-	-	-	-	-	168,061	168,061
Stockholders' equity	-	-	-	-	-	2,542,093	2,542,093
Total	5,569,838	6,888,341	15,671,721	3,235,877	3,231,102	3,313,291	37,910,170
Interest sensitivity gap	2,738,666	(5,964,029)	(14,266,664)	6,779,603	11,578,140	(865,716)	-

Cumulative interest sensitivity gap	2,738,666	(3,225,363)	(17,492,027)	(10,712,424)	865,716	-
2003						
Interest sensitivity gap	(12,221,088)	5,541,412	5,254,978	1,056,942	1,340,233	(972,477)
Cumulative interest sensitivity gap	(12,221,088)	(6,679,676)	(1,424,698)	(367,756)	972,477	-

(ii) Average effective yields by the earlier of the contractual repricing or maturity dates:

The Group
2004

	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Average
Cash resources	1.41	-	-	-	-	1.41
Investment in securities (1)						
- Trading	15.15	16.29	16.79	11.40	-	14.51
- Available-for-sale	17.42	17.69	11.88	7.90	9.11	9.63
- Held-to-maturity				11.87	11.75	11.76
- Originated debt	16.82	17.48	15.86	9.15	3.62	8.49
Loans (2)	14.31	17.45	12.68	15.47	14.78	15.10
Deposits (3)	7.72	8.29	6.78	15.01	-	7.51
Securities sold under repurchase agreements	8.79	11.04	12.91	8.89	-	10.36
Loan participation	9.72	10.85	8.32	-	-	9.76
Due to other financial institutions	0.07	2.10	1.96	4.04	4.75	2.62

The Group
2003

Immediately Rate	Within	3 to 12	1 to 5	Over 5

	Sensitive	3 Months	Months	Years	Years	Average
	%	%	%	%	%	%
Cash resources	0.59	-	-	-	-	0.59
Investment in securities (1)	10.93	33.80	28.95	12.14	9.57	13.87
Loans (2)	13.24	15.57	17.40	14.35	12.08	14.30
Deposits (3)	9.22	8.47	11.51	8.05	-	9.11
Securities sold under repurchase agreements	11.13	15.48	21.31	18.31	-	13.41
Due to other flnancial institutions	1.36	8.06	7.16	8.87	4.77	1.92

(1) Yields are based on book values and contractual interest adjusted for amortisation of premiums and discounts. Yields on tax-exempt investments have not been computed on a taxable equivalent basis.

(2) Yields are besed on book values, net of allowance for credit losses and contractual interest rates.

(3) Yields are based on contractual interest rates.

(ii) Average effective yields by the earlier of the contractual repricing or maturity dates:

The Bank
2004

	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Average
	%	%	%	%	%	%
Cash resources	1.43	-	-	-	-	1.43
Investment in securities (1)						
- Available-for-sale	-	16.63	12.63	5.27	8.68	6.50
- Held-to-maturity	-	-	-	11.10	11.75	11.71
- Originated debt	33.50	23.19	14.81	7.25	3.56	5.25
Securities purchased under resale agreements	6.31	17.93	17.35	-	-	15.15
Loans (2)	14.31	17.45	12.68	15.47	14.78	15.40

Deposits (3)	7.72	9.29	6.78	15.01	-	7.51
Securities sold under repurchase agreements	6.72	9.06	8.73	16.74	-	7.33
Loan participation	8.72	10.85	8.32	-	-	9.76
Due to other financial institutions	1.43	2.10	1.96	4.04	4.75	2.65

	2003					
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Average
	%	%	%	%	%	%
Cash resources	0.59	-	-	-	-	0.59
Investment in securities (1)	10.93	33.90	28.85	12.14	9.57	13.87
Loans (2)	13.24	15.54	17.40	14.35	12.03	14.30
Deposits (3)	9.22	8.47	11.51	8.05	-	9.11
Securities sold under repurchase agreements	6.83	10.30	20.34	17.40	-	8.04
Due to other financial institutions	1.36	9.06	7.16	8.87	4.77	1.92

(1) Yields are based on book values and contractual interest adjusted for amortisation of premiums and discounts. Yields on tax-exempt investments bave not been computed on a taxable equivalent basis.
(2) Yields are based on book values, net of allowance for credit losses and contractual interest rates.
(3) Yields are based on contractual interest rates.

(c) Foreign exchange risks

Foreign currency risk is incurred on transactions that are denominated in a currency other than the Jamaican dollar. The main currencies giving rise to the risk are the United States dollar, the Canadian dollar, the British Pound and the Euro.

Net exposure is kept to an acceptable level by matching foreign assets with liabilities as far as possible.

The following foreign currency balances are included in these financial statements:

The Group

	2004				2003		
	US$ '000	Cdn$ 000	Pound 000	Euro 000	US$ 000	Cdn$ 000	Pound 000
Total assets	768,942	1,259	1,997	23,502	522,976	131	290
Total liabilities	(779,240)	(632)	(1,523)	(22,197)	(530,450)	(85)	(128)
Net exposure	(10,298)	627	474	1,305	(7,474)	46	162

The Bank

	2004				2003		
	US$ '000	Cdn$ 000	Pound 000	Euro 000	US$ 000	Cdn$ 000	Pound 000
Total assets	594,160	1,259	1,997	23,408	348,670	131	290
Total liabilities	(611,056)	(632)	(1,523)	(22,197)	(357,505)	(85)	(128)
Net exposure	(16,896)	627	474	1,211	(8,835)	46	162

(d) Credit risk

Credit risk is the risk of default by an obligator. The risk is managed primarily by reviews of the financial status of each obligator. The primary concentration of the Group's credit risk relates to investments in government securities. In respect of loans, the exposure is to a number of individuals and businesses in different sectors and geographic areas and this, in effect, mitigates the credit risk.

The following table summarises the credit exposure to businesses and governments by sector:

The Group and the Bank

	2004 $'000	2003 $'000
Agriculture, fishing and mining	-	25,000
Construction, land development and real estate acquisition	409,935	221,240
Distribution	206,822	158,390
Electricity, gas & water	165,863	163,121
Financial institutions	190,140	-
Government and public entities	558,150	856,646
Manufacturing	71,651	48,935
Personal	271,950	115,165
Professional and other services	302,791	111,563
Tourism and entertainment	148,858	172,469
Transport, storage and communication	335,269	-
Total	2,661,429	1,872,529
Total provision	30,494	42,972
Net	2,630,935	1,829,557

(e) Liquidity risk

The Group is exposed to calls on its available cash resources from overnight deposits, maturing deposits, loan draw downs and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a level of reinvestment of maturing funds can be predicted with a high level of certainty.

The tables below analyse assets and liabilities of the Group 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 terms and of different types.

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 and exchange rates.

The Group
Remaining Term to Maturity

	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total 2004
	$'000	$'000	$'000	$'000	$'000
Assets					
Cash Resources	8,246,436	-	-	-	8,246,436
Investment in securities					
- Trading	2,488,744	806,796	1,961,042	67,106	5,323,688
- Available-for-sale	2,497,500	2,662,176	6,767,066	6,475,564	18,402,306
- Held-to-maturity	-	-	142,599	1,830,217	1,972,816
- Originated debt	1,536,184	3,325,666	7,169,056	8,737,599	20,768,505
Loans after provision for loan losses	636,942	552,982	946,471	494,540	2,630,931
Other assets	1,787,163	-	-	97,275	1,884,431
Goodwill on consolidation	-	-	-	140,146	140,146
Total	17,192,969	7,347,620	16,986,234	17,842,447	59,369,270
Liabilities and Stockholders' equity					
Deposits	2,549,130	1,969,157	3,739	-	4,522,026
Securities sold under repurchase agreements	23,232,998	2,291,425	227,321	-	25,751,744
Loan participation	760,290	437,552	-	-	
Due to other financial institutions	3,277,204	13,161,777	3,214,150	3,231,102	22,864,233
Other liabilities	1,309,855	-		-	1,309,855
Deferred taxation	-		386,473	-	386,473
Minority interest	-		-	17,246	17,246
Stockholders' equity	-			3,299,851	3,299,851

Total	31,129,477	17,859,911	3,831,683	6,548,199	59,369,270
Total Liquidity Gap	(13,936,508)	(10,512,291)	13,154,551	(11,294,248)	-
Cumulative Gap	(13,936,508)	(24,448,799)	(11,294,248)	-	
2003					
Total Liquidity Gap	(14,074,455)	(11,548,153)	13,603,509	12,019,099	
Cumulative Liquidity Gap	(14,074,455)	(25,622,608)	(12,019,099)	-	

The Bank
Remaining Term to Maturity

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total 2004 $'000
Assets					
Cash Resources	8,052,353	-			8,052,353
Investment in securities					
-Available-for-sale	100,111	300,141	3,777,732	5,521,727	9,699,711
- Held-to-maturity	-	-	75,812	1,289,537	1,365,349
- Originated debt	104,550	245,934	5,215,465	8,677,504	14,243,453
Securities purchased under resale agreements	338,860	306,000	-	-	644,860
Investment in subsidiaries	-	-	-	375,406	375,406
Loans after provision for loan losses	636,942	552,982	946,471	494,540	2,630,935
Other assets	823,030	-	-	75,073	898,103
Total Assets	10,055,846	1,405,057	10,015,480	16,433,787	37,910,170
Liabilities and Stockholders' equity					
Deposits	2,549,130	1,969,157	3,739	-	4,522,026
Securities sold under repurchase agreements	5,871,555	103,235	17,988	-	5,992,778

Loan participation	760,290	437,552	-		1,197,842
Due to other financial institutions	3,277,204	13,161,777	3,214,150	3,231,102	22,884,233
Other liabilities	603,137	-	-	-	603,137
Deferred taxation	-	-	168,061		168,061
Stockholders' equity	-	-	-	2,542,093	2,542,093
Total liabilities and Stockholders' equity	13,061,316	15,671,721	3,403,938	5,773,195	37,910,170
Total Liquidity Gap	(3,005,470)	(14,266,664)	6,611,542	(10,660,592)	-
Cumulative Gap	(3,005,470)	(17,272,134)	(10,660,592)	-	
2003					
Total liquidity Gap	(1,495,661)	(15,944,764)	7,468,024	9,972,401	
Cumulative Liquidity Gap	(1,495,661)	(17,440,425)	(9,972,401)	-	

28. CONTINGENCIES AND COMMITMENTS

(a) Litigation

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

Both the Bank and the subsidiary, Capital & Credit Fund Managers Limited (formerly Jamaica Unit Trust Services Limited) are involved in legal proceedings at this time. Based on legal advice, the Directors are of the opinion that the outcome will have no material effect on the financial position of the Group.

(b) Operating Leases

The Group has entered into lease agreements for office space expiring April 2007,June 2007, January 2008 and August 2009 and for motor vehicles expiring March 2006, April 2006, February 2007 and July 2007.

The total annual rentals to be paid are as follows:

	The Group $'000	The Bank $'000
2005	22,948	19,818
2006	22,243	19,918
2007	15,931	15,246
2008	10,531	10,531
2009	7,321	7,321

29. DIVIDENDS

On July 16, 2004 and November 11, 2004, the Directors declared and approved the payment of interim dividends of 7.5 cents per stock unit payable on August 26, 2004 and December 17, 2004 respectively, to stockholders on record at August 5, 2004 and November 26, 2004 respectively.

On December 5, 2003, the Directors declared and approved the payment of an interim dividmd of 10 cents per stock unit payable at January 26, 2004 to stockholders on record at January 13, 2004.