

# NATIONAL COMMERCIAL BANK JAMAICA LTD.

SIX MONTHS ENDED MARCH 31, 2005

## Consolidated Profit & Loss Account

Six Months Ended 31 March 2005

	Quarter Ended 31 Mar 2005	Year to Date 31 Mar 2005	Quarter Ended 31 Mar 2004	Year to Date 31 Mar 2004
Note	\$'000	\$'000	\$'000	\$'000
<b>Operating Revenue</b>				
Interest income from loans	1,451,385	2,964,573	1,222,748	2,355,914
Interest income from securities	<u>3,579,253</u>	<u>7,290,308</u>	<u>4,376,891</u>	<u>8,932,900</u>
Total interest income	5,030,638	10,254,881	5,599,639	11,288,814
Interest expense	<u>(2,587,289)</u>	<u>(5,250,512)</u>	<u>(3,180,900)</u>	<u>(6,348,317)</u>
Net interest income	2,443,349	5,004,369	2,418,739	4,940,497
Net fee and commission income	597,811	1,153,385	555,941	954,777
Net trading income	4 810,209	1,622,411	446,079	667,810
Other operating income	<u>39,174</u>	<u>81,165</u>	<u>(6,515)</u>	<u>33,150</u>
	<u>3,890,543</u>	<u>7,861,330</u>	<u>3,414,244</u>	<u>6,596,234</u>
<b>Operating Expenses</b>				
Staff costs	1,447,193	2,776,454	1,076,340	2,263,827
Provision for credit losses	(84,413)	80,594	194,737	229,514
Provision for impairment of investment in Dyoll	10 535,761	535,761	-	-
Depreciation	255,261	506,824	164,412	309,038
Other operating expenses	<u>878,423</u>	<u>1,754,101</u>	<u>745,682</u>	<u>1,590,658</u>
	<u>3,032,225</u>	<u>5,653,734</u>	<u>2,181,171</u>	<u>4,393,037</u>
<b>Operating profit</b>	858,318	2,207,596	1,233,073	2,203,197
Share of profits of associates	<u>56,741</u>	<u>104,477</u>	<u>-</u>	<u>-</u>
<b>Profit before taxation</b>	915,059	2,312,073	1,233,073	2,203,197
Taxation	5 (267,701)	(593,784)	(83,736)	(307,652)
<b>Net Profit</b>	<u>647,358</u>	<u>1,718,289</u>	<u>1,149,337</u>	<u>1,895,545</u>
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<b>EARNINGS PER STOCK UNIT</b>	6	\$0.70		\$0.77
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## Consolidated Balance Sheet

31 March 2005

	Note	March 2005 \$'000	September 2004 \$'000
<b>ASSETS</b>			
Cash and balances at Bank of Jamaica	7	14,406,360	13,986,481
Due from other banks		11,856,638	13,659,635
Trading securities		1,457,609	293,885
Reverse repurchase agreements	8	25,028,187	21,372,536
Loans and advances, net of provision for credit losses	9	38,889,908	34,024,628
Investment securities		78,660,783	77,494,225
Investment in associates, net of provision for impairment	10	1,448,229	1,163,192
Investment properties		9,800	21,300
Property, plant and equipment		4,335,300	4,432,289
Retirement benefit asset		7,602	7,602
Income tax recoverable		334,606	244,001
Other assets	12	8,714,135	6,081,825
Customers' liability on acceptances, guarantees, indemnities and letters of credits		3,325,758	3,090,418
<b>Total Assets</b>		<u>188,474,915</u>	<u>175,872,017</u>
<b>LIABILITIES</b>			
Due to other banks		5,613,252	6,794,790
Customer deposits		82,594,740	79,862,280
Derivative financial instruments		10,317	44,983
Promissory notes and certificates of participation		9,205,684	9,768,128
Repurchase agreements		40,807,793	37,496,253
Obligations under credit card and cash advance securitisation arrangements	13	11,596,007	9,427,736
Other borrowed funds		1,181,502	1,069,318
Income tax payable		853,651	405,854
Deferred tax liabilities	11	729,976	852,926
Policyholders' liabilities		8,085,163	6,912,610
Provisions	14	146,873	117,000
Retirement benefit obligations		222,057	209,879
Other liabilities	15	5,794,845	3,525,837
Liability on acceptances, guarantees, indemnities and letters of credits		3,325,758	3,090,418
<b>Total Liabilities</b>		<u>170,167,618</u>	<u>159,578,012</u>
<b>STOCKHOLDERS' EQUITY</b>			

Share capital	16	2,466,763	2,466,763
Share premium		4,453,752	4,453,752
Fair value and other reserves		1,717,045	1,266,714
Loan loss reserve	17	125,832	111,650
Banking reserve fund	18	1,327,000	1,327,000
Retained earnings reserve	19	3,119,761	3,119,761
Retained earnings		5,097,144	3,548,365
<b>Total Stockholders' Equity</b>		<u>18,307,297</u>	<u>16,294,005</u>
<b>Total Equity and Liabilities</b>		<u>188,474,915</u>	<u>175,872,017</u>
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## Consolidated Statement of Changes in Stockholders' Equity

Six Months Ended 31 March 2005

	Share Capital \$'000	Share Premium \$'000	Fair Value and Other Reserves \$'000	Loan Loss Reserve \$'000	Banking Reserve Fund \$'000	Retained Earnings Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance as at 1 October 2003</b>	2,466,763	4,453,752	(270,773)	72,891	1,078,000	1,218,761	3,852,438	12,871,832
Currency translation differences	-	-	6,597	-	-	-	-	6,597
Unrealised gains on available-for-sale investments, net of taxes	-	-	1,062,950	-	-	-	-	1,062,950
Net gains not recognised in consolidated profit & loss account	-	-	1,069,547	-	-	-	-	1,069,547
Net Profit	-	-	-	-	-	-	1,895,545	1,895,545
Dividends paid	-	-	-	-	-	-	(888,035)	(888,035)
Transfer to Loan Loss Reserve	-	-	-	92,492	-	-	(92,492)	-
<b>Balance as at 31 March 2004</b>	2,466,763	4,453,752	798,774	165,383	1,078,000	1,218,761	4,767,456	14,948,889
<b>Balance as at 1 October 2004</b>	2,466,763	4,453,752	1,266,714	111,650	1,327,000	3,119,761	3,548,365	16,294,005
Currency translation differences	-	-	(7,561)	-	-	-	-	(7,561)
Unrealised gains on available-for-sale investments, net of taxes	-	-	1,359,087	-	-	-	-	1,359,087
Realised fair value gain transferred to consolidated profit & loss account	-	-	(904,821)	-	-	-	-	(904,821)
Net gains not recognised in Consolidated profit & loss account	-	-	446,705	-	-	-	-	446,705
Net profit	-	-	-	-	-	-	1,718,289	1,718,289
Dividends paid	-	-	-	-	-	-	(888,035)	(888,035)
Negative goodwill transferred to retained earnings on adoption of IFRS 3	-	-	-	-	-	-	752,207	752,207
Transfer from Loan Loss Reserve	-	-	-	14,182	-	-	(14,182)	-
Other	-	-	3,626	-	-	-	(19,500)	(15,874)
<b>Balance as at 31 March 2005</b>	2,466,763	4,453,752	1,717,045	125,832	1,327,000	3,119,761	5,097,144	18,307,297

## Consolidated Statement of Cash Flows

Six months ended 31 March 2005

	Note	March 2005 \$'000	March 2004 \$'000
<b>Cash Flows from Operating Activities</b>			
Net cash provided by/(used in) operating activities	20	<u>1,313,020</u>	<u>(2,917,793)</u>
<b>Cash Flows from Investing Activities</b>			
Acquisition of property, plant and equipment, net		(396,960)	(494,421)
Investment Securities, net		<u>(2,339,959)</u>	<u>10,066,624</u>
Net cash (used in)/provided by investing activities		<u>(2,736,919)</u>	<u>9,572,203</u>
<b>Cash Flows from Financing Activities</b>			
Drawdowns under credit card and cash advance securitisation arrangements		2,778,317	-
Repayments under credit card and cash advance securitisation arrangements		(576,290)	(730,571)
Other borrowed funds		112,184	127,750
Dividends paid		<u>(888,035)</u>	<u>(888,035)</u>
Net cash provided by/(used in) financing activities		<u>1,426,176</u>	<u>(1,490,856)</u>
Net increase in cash and cash equivalents		2,277	5,163,554
Cash and cash equivalents at beginning of period		<u>14,892,665</u>	<u>6,078,693</u>
<b>Cash and cash equivalents at end of period</b>		<u>14,894,942</u>	<u>11,242,247</u>
		=====	=====
<b>Comprising:</b>			
Cash and balances at Bank of Jamaica		5,256,366	2,998,458
Due from other banks		11,856,638	10,563,281
Investment securities		3,395,190	3,723,519
Due to other banks		<u>(5,613,252)</u>	<u>(6,043,011)</u>
		<u>14,894,942</u>	<u>11,242,247</u>
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## Profit and Loss Account

Six months ended 31 March 2005

	Note	Quarter Ended	Year to Date	Quarter Ended	Year to Date
		31 March 2005	31 March 2005	31 March 2004	31 March 2004
		\$'000	\$'000	\$'000	\$'000
<b>Operating Revenue</b>					
Interest income from loans		1,449,197	2,957,937	1,220,499	2,351,341
Interest income from securities		1,636,987	3,423,083	2,461,327	5,592,211
Total interest income		<u>3,086,184</u>	<u>6,381,020</u>	<u>3,681,826</u>	<u>7,943,552</u>
Interest expense		(1,186,111)	(2,466,756)	(1,952,259)	(4,114,285)
Net interest income		1,900,073	3,914,264	1,729,567	3,829,267
Net fee and commission income		475,868	921,024	367,800	690,892
Net trading income	4	989,083	1,411,637	439,489	662,278
Other operating income		49,900	82,646	19,156	50,575
		<u>3,414,924</u>	<u>6,329,571</u>	<u>2,556,012</u>	<u>5,233,012</u>
<b>Operating Expenses</b>					
Staff costs		1,287,507	2,435,883	963,590	2,046,520
Provision for credit losses		(84,413)	80,594	194,737	229,543
Provision for impairment of investment in Dyoll	10	540,043	540,043	-	-
Depreciation		245,288	486,689	156,469	293,632
Other operating expenses		<u>728,741</u>	<u>1,586,059</u>	<u>747,963</u>	<u>1,518,420</u>
		<u>2,717,166</u>	<u>5,129,268</u>	<u>2,062,759</u>	<u>4,088,115</u>
<b>Operating profit</b>		697,758	1,200,303	493,253	1,144,897
<b>Taxation</b>	5	(138,240)	(224,628)	-	(90,796)
<b>Net Profit</b>		<u>559,518</u>	<u>975,675</u>	<u>493,253</u>	<u>1,054,101</u>
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## Balance Sheet

31 March 2005

	Note	March 2005 \$'000	September 2004 \$'000
<b>ASSETS</b>			
Cash and balances at Bank of Jamaica	7	14,234,574	13,131,337
Due from other banks		11,958,568	13,976,958
Reverse repurchase agreements	8	1,073,043	278,010
Loans and advances, net of provision for credit losses	9	38,663,898	33,801,580
Investment securities		47,041,096	48,754,521
Investment in subsidiaries		1,456,970	1,456,970

Investment in associates, net of provision for impairment	10	608,403	1,148,446
Property, plant and equipment		4,226,656	4,319,920
Other assets	12	3,661,665	3,103,298
Customers' liability on acceptances, guarantees, indemnities and letters of credits		<u>3,325,758</u>	<u>3,090,418</u>
<b>Total Assets</b>		<u>126,250,631</u>	<u>123,061,458</u>
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**LIABILITIES**

Due to other banks		5,595,729	6,795,508
Customer deposits		83,153,322	79,393,594
Derivative financial instruments		10,317	44,983
Repurchase agreements		5,436,742	7,580,162
Obligations under credit card and cash advance securitisation arrangements	13	11,596,007	9,427,736
Other borrowed funds		1,182,002	1,082,144
Income tax payable		701,409	303,190
Deferred tax liabilities	11	171,470	308,243
Provisions	14	146,873	117,000
Retirement benefit obligations		222,057	209,879
Other liabilities	15	2,009,533	2,024,453
Liability on acceptances, guarantees, indemnities and credits		<u>3,325,758</u>	<u>3,090,418</u>
<b>Total liabilities</b>		<u>113,551,219</u>	<u>110,377,310</u>

**STOCKHOLDERS' EQUITY**

Share capital	16	2,466,763	2,466,763
Share premium		3,998,968	3,998,968
Fair value and other reserves		881,017	953,393
Loan loss reserve	17	125,832	111,650
Banking reserve fund	18	1,327,000	1,327,000
Retained earnings reserve	19	3,119,761	3,119,761
Retained earnings		780,071	706,613
<b>Total stockholders' equity</b>		<u>12,699,412</u>	<u>12,684,148</u>
<b>Total equity and liabilities</b>		<u>126,250,631</u>	<u>123,061,458</u>
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## Statement of Changes in Stockholders' Equity

Six months ended 31 March 2005

	Share Capital \$'000	Share Premium \$'000	Fair Value and Other Reserves \$'000	Loan Loss Reserve \$'000	Banking Reserve Fund \$'000	Retained Earnings Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance as at 1 October 2003</b>	2,466,763	3,998,968	41,604	72,891	1,078,000	1,218,761	2,567,768	11,444,755
Currency translation differences	-	-	-	-	-	-	-	-
Unrealised gains on available-for-sale investments, net of taxes	-	-	865,353	-	-	-	-	865,353
Realised fair value gains transferred to profit & loss account	-	-	41,988	-	-	-	-	41,988
Net gains not recognised in profit and loss account	-	-	907,341	-	-	-	-	907,341
Net Profit	-	-	-	-	-	-	1,054,101	1,054,101
Bonus issue of shares in subsidiary	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(888,035)	(888,035)
Transfer to Loan Loss Reserve	-	-	-	92,492	-	-	(92,492)	-
<b>Balance as at 31 March 2004</b>	<b>2,466,763</b>	<b>3,998,968</b>	<b>948,945</b>	<b>165,383</b>	<b>1,078,000</b>	<b>1,218,761</b>	<b>2,641,342</b>	<b>12,518,162</b>
<b>Balance as at 1 October 2004</b>	2,466,763	3,998,968	953,393	111,650	1,327,000	3,119,761	706,613	12,684,148
Currency translation differences	-	-	-	-	-	-	-	-
Unrealised gains on available-for-sale investments, net of taxes	-	-	818,619	-	-	-	-	818,619
Realised fair value gains transferred to profit & loss account	-	-	(890,995)	-	-	-	-	(890,995)
Net losses not recognised in profit and loss account	-	-	(72,376)	-	-	-	-	(72,376)
Net profit	-	-	-	-	-	-	975,675	975,675
Dividends paid	-	-	-	-	-	-	(888,035)	(888,035)
Transfer from Loan Loss Reserve	-	-	-	14,182	-	-	(14,182)	-
<b>Balance as at 31 March 2005</b>	<b>2,466,763</b>	<b>3,998,968</b>	<b>881,017</b>	<b>125,832</b>	<b>1,327,000</b>	<b>3,119,761</b>	<b>780,071</b>	<b>12,699,412</b>



## Statement of Cash Flows

Six months ended 31 March 2005

	Note	March 2005 \$'000	March 2004 \$'000
<b>Cash Flows from Operating Activities</b>			
Net cash used in operating activities	20	(2,336,090)	(1,734,840)
<b>Cash Flows from Investing Activities</b>			
Acquisition of property, plant and equipment, net		(382,801)	(489,111)
Investment Securities, net		2,086,318	8,810,096
Net cash provided by investing activities		1,703,517	8,320,985
<b>Cash Flows from Financing Activities</b>			
Drawdowns under credit card and cash advance securitisation arrangements		2,778,317	-
Repayments under credit card and cash advance securitisation arrangements		(576,290)	(730,571)
Other borrowed funds		99,858	(9,786)
Dividends paid		(888,035)	(888,035)
Net cash provided by/(used in) financing activities		1,413,850	1,628,392
Net increase in cash and cash equivalents		781,277	4,957,753
Cash and cash equivalents at beginning of period		14,061,332	6,339,128
<b>Cash and cash equivalents at end of period</b>		<u>14,842,609</u>	<u>11,296,881</u>
		=====	=====
<b>Comprising:</b>			
Cash and balances at Bank of Jamaica		5,084,580	2,830,789
Due from other banks		11,958,568	10,784,853
Investment securities		3,395,190	3,723,519
Due to other banks		(5,595,729)	(6,042,280)
		<u>14,842,609</u>	<u>11,296,881</u>
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## Notes to the Financial Statements

31 March 2005

### 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:

	<u>Principal Activities</u>	<u>Percentage owner- ship by Bank 31 March 2005</u>
Data-Cap Processing Limited	Data Processing	100
NCB Capital Markets Limited (formerly Edward Gayle and Company Limited)	Primary Dealer and Stock Broker	100
Mutual Security Insurance Brokers Limited	Insurance Brokers	100
NCB (Cayman) Limited and its 100 % subsidiary: NCB Senvia Limited	Commercial Banking	100
NCB (Investments) Limited	Money Remittance	100
NCB Jamaica (Nominees) Limited	Money Market Trading	100
NCB Insurance Company Limited	Securities' Nominee	100
West Indies Trust Company Limited	Life Insurance	100
	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:

	<u>Principal Activities</u>	<u>Percentage ownership by Bank 31 March 2005</u>
Dyoll Group Limited	Property and Casualty Insurance	44.47
Kingston Wharves Limited	Wharf Operations and Stevedoring	43.45

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.

As at 1 October 2004, the bank has adopted IFRS 3 (Business Combinations). This has resulted in the transfer of the negative goodwill arising on acquisition of associates to retained earnings. Positive goodwill is assessed annually for impairment and is no longer amortised.

One of the bank's subsidiaries, NCB Insurance Company Limited, has not opted for the early adoption of IFRS 4 (insurance Contracts). The results as at 31 March 2005 do not incorporate any adjustment that would arise from such adoption.

**(b) Comparative information**

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

**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.

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

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

Six months ended 31 March 2005	Wealth					Consolidated \$'000
	Banking \$'000	Management \$'000	Insurance \$'000	Other \$'000	Eliminations \$'000	
External operating revenue	8,375,427	4,055,944	669,085	11,380		13,111,842
Operating revenue from other segments	442,446	115,290	83,529	19,290	(660,555)	-
Operating revenue	8,817,873	4,171,234	752,614	30,676	(660,555)	13,111,842
Segment result	1,253,470	1,149,474	215,509	2,066	(412,923)	2,207,596
Share of profit of associates						104,477
Profit before tax						2,312,073
Taxation expense						(593,784)
Net Profit						1,718,289
Segment assets	124,733,038	54,938,719	8,833,745	279,797	(2,093,219)	186,692,080
Associates						1,448,229
Unallocated assets						334,606
Total Assets						188,474,975
Segment liabilities	112,543,158	49,691,830	8,178,511	295,908	(2,130,416)	168,583,991
Unallocated liabilities						1,583,627
Total liabilities						170,167,618
Depreciation	487,292	13,671	4,901	960		506,824

Six months ended 31 March 2004	Wealth					Consolidated \$'000
	Banking \$'000	Management \$'000	Insurance \$'000	Other \$'000	Eliminations \$'000	
External operating revenue	9,371,912	3,115,924	443,026	13,689	-	12,944,551
Operating revenue from other segments	14,671	1,047,485	205,948	17,879	(1,285,983)	-
Operating revenue	9,386,583	4,163,409	648,974	31,568	(1,285,983)	12,944,551
Segment result	1,179,708	850,028	174,084	(623)		2,203,197
Share of profits in associates						-
Profit before tax						2,203,197
Taxation expense						(307,652)
Net Profit						1,695,545
Segment assets	120,432,901	46,239,817	6,389,361	206,975	(13,323,492)	159,945,562
Associates						1,149,386
Unallocated assets						175,027
Total Assets						161,269,975
Segment liabilities	109,420,707	43,567,778	5,660,504	213,169	(13,323,492)	145,538,666
Unallocated liabilities						740,432
Total liabilities						146,279,098

Depreciation	294,084	10,698	3,732	524	-	309,038
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#### 4. Net Trading Income

	The Group		The Bank	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Foreign exchange translation and trading	503,988	556,210	478,238	548,410
Fixed income	524,455	113,868	280,772	113,868
Equities	593,968	(2,268)	652,627	-
	<u>1,622,411</u>	<u>667,810</u>	<u>1,411,637</u>	<u>662,278</u>

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. Equities include the gain on sale of investments in Life of Jamaica Limited and Desnoes and Geddes Limited which were previously held in the available-for sale category.

#### 5. Taxation

	The Group		The Bank	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current:				
Income tax at 33 1/3%	665,156	195,511	398,249	-
Premium tax at 1 1/2% up to 31 December 2003 and 3% thereafter	39,751	18,251	-	-
Investment income tax at 7 1/2% up to 31 December 2003 and 15% thereafter	32,683	(6,534)	-	-
Share of tax of associates	25,529	-	-	-
Deferred tax (Note 11)	(169,335)	100,424	(173,621)	90,796
	<u>593,784</u>	<u>307,652</u>	<u>224,628</u>	<u>90,796</u>

#### 6. 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 period.

	Mar 2005	Mar 2004
Net profit attributable to stockholders (\$'000)	1,718,289	1,895,545
Weighted average number of ordinary stock units in issue ('000)	2,466,763	2,466,763
Basic earnings per stock unit	0.70	0.77

7. Cash and Balances at Bank of Jamaica

	The Group		The Bank	
	Mar. 2005 \$'000	Sept. 2004 \$'000	Mar. 2005 \$'000	Sept. 2004 \$'000
Cash in hand and at bank	3,162,178	3,590,187	3,001,025	2,736,749
Balances with the Bank of Jamaica				
other than statutory reserves	2,094,188	723,640	2,083,555	721,934
Included in cash and cash equivalents	5,256,366	4,313,827	5,084,580	3,458,683
Statutory reserves with the Bank of Jamaica: interest-bearing	4,395,549	5,165,356	4,395,549	5,165,356
Statutory reserves with the Bank of Jamaica: non-interest-bearing	4,754,445	4,507,298	4,754,445	4,507,298
	14,406,360	13,986,481	14,234,574	13,131,337

Statutory reserves with the Bank of Jamaica represent the required ratio of 9% (2004 - 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. On 1 March 2005 this was reduced to 3% of prescribed liabilities. This special deposit earns interest at 6% per annum.

8. 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 31 March 2005, the Group and the Bank held \$25,280,000,000 (Sept. 2004 - \$21,562,000,000) and \$1,153,000,000 (Sept. 2004 - \$278,010,000), respectively of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

9. Loans and Advances

	The Group		The Bank	
	Mar. 2005 \$'000	Sept. 2004 \$'000	Mar. 2005 \$'000	Sept. 2004 \$'000
Gross loans and advances	41,006,570	36,189,151	40,777,319	35,962,839
Provision for credit losses	(2,116,662)	(2,164,523)	(2,113,421)	(2,161,259)
	38,889,908	34,024,628	38,663,898	33,801,580

The movement in the provision for credit losses determined under the requirements of

IFRS is as follows:

	The Group		The Bank	
	Mar. 2005 \$'000	Mar. 2004 \$'000	Mar. 2005 \$'000	Mar. 2004 \$'000
Balance at beginning of period	2,164,523	2,163,517	2,161,259	2,151,883
Provided during the period	371,660	394,042	371,660	394,042
Recoveries	(291,066)	(164,528)	(291,066)	(164,499)
Net charge to profit	80,594	229,514	80,594	229,543
Write-offs	(128,455)	(282,163)	(128,432)	(282,163)
Balance at end of period	2,116,662	2,110,868	2,113,421	2,099,263

The aggregate amount of non-performing loans on which interest was not being accrued amounted to \$1,596,363,000 as at 31 March 2005 (Sept. 2004 - \$1,475,419,000).

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

	The Group		The Bank	
	Mar. 2005 \$'000	Sept. 2004 \$'000	Mar. 2005 \$'000	Sept. 2004 \$'000
Specific provision	1,850,330	1,932,230	1,847,089	1,928,966
General provision	392,164	343,943	392,164	343,943
	2,242,494	2,276,173	2,239,253	2,272,909
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 17)	125,832	111,650	125,832	111,650

#### 10. Investments in Associates

	The Group		The Bank	
	Mar. 2005 \$'000	Mar. 2004 \$'000	Mar. 2005 \$'000	Mar. 2004 \$'000
At beginning of the period	1,163,192	-	1,148,446	-
Acquisition during the period	-	1,148,446	-	1,148,446
Share of results before tax	104,477	-	-	-
Share of tax (Note 5)	(25,529)	-	-	-
Dividends received	(13,983)	-	-	-
Amortisation of positive goodwill	-	(4,617)	-	-
Amortisation of negative goodwill	-	5,557	-	-
Negative goodwill transferred to retained earnings	752,207	-	-	-
Other equity movements	3,626	-	-	-
	1,983,990	1,149,386	1,148,446	1,148,446
Provision for impairment of investment	(535,761)	-	(540,043)	-

At end of period	1,448,229	1,149,386	608,403	1,148,446
	=====	=====	=====	=====
Comprising:				
Share of net assets	1,448,229	1,638,273		
Unamortised positive goodwill	-	272,416		
Unamortised negative goodwill	-	(761,303)		
At end of period	<u>1,448,229</u>	<u>1,149,386</u>		
	=====	=====		

As at reporting date, the results for Dyoll Group Limited for year ended 31 December 2004 were not released. Trading in Dyoll shares was suspended on 15 February 2005 because of its failure to provide material information to the Jamaica Stock Exchange in keeping with the Exchange's Policy Statement on Timely Disclosure.

As a result of the claims arising from the devastating impact of Hurricane Ivan on the Cayman Islands, the company has suffered material losses. The Financial Services Commission appointed a temporary manager for Dyoll Insurance Company Limited on 7 March 2005. Based on the temporary manager's first interim report to the Financial Services Commission, the Dyoll Insurance Company' deficit is approximately J\$1.146 billion and liquidation of the company was proposed. Therefore, a full impairment provision has been made for this investment.

The consolidated profits of the bank includes the third and fourth quarter results of Kingston Wharves Limited. This is consistent with our practice of maintaining a three month lag when accounting for associated companies.

#### 11. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 15% 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	
	Mar. 2005	Sept. 2004	Mar. 2005	Sept. 2004
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	-	-	-	-
Deferred tax liabilities	729,976	852,926	171,470	308,243
Net liability	<u>729,976</u>	<u>852,926</u>	<u>171,470</u>	<u>308,243</u>
	=====	=====	=====	=====

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

	The Group		The Bank	
	Mar. 2005	Mar. 2004	Mar. 2005	Mar. 2004
	\$'000	\$'000	\$'000	\$'000
Net liability at beginning of pe	852,926	317,540	308,243	422,349



Deferred tax (income)/ expense (	(169,335)	100,424	(173,621)	90,796
Deferred tax charged to stockholders' equity				
on available-for-sale investment	46,385	227,569	36,848	139,504
Net liability at end of period	<u>729,976</u>	<u>645,533</u>	<u>171,470</u>	<u>652,649</u>
	=====	=====	=====	=====

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

	The Group		The Bank	
	Mar. 2005	Sept. 2004	Mar. 2005	Sept. 2004
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets:				
Property, plant and equipment	-	133	-	-
Investment securities - available-for-sale	3,796	2,530	-	-
Loan loss provisions	88,777	77,431	88,777	77,431
Pensions and other post-retirement benefits	74,019	70,893	74,019	69,960
Interest payable	330,154	300,115	-	-
Interest rate swap	3,439	14,994	3,439	14,994
Obligations under securitisation arrangements	7,425	-	7,425	-
Accrual for staff profit share	583	-	-	-
Other temporary differences	29,832	38,453	27,825	32,111
	<u>538,025</u>	<u>504,549</u>	<u>201,485</u>	<u>194,496</u>
Deferred income tax liabilities:				
Property, plant and equipment	208,048	103,256	204,350	100,440
Investment securities - available-for-sale	204,736	157,085	81,017	44,169
Investment securities - trading	25,740	25,237	-	-
Obligations under securitisation arrangements	-	21,265	-	21,265
Interest receivable	662,687	705,866	-	-
Unrealised foreign exchange gains	90,508	341,124	87,588	336,865
Other temporary differences	76,282	3,642	-	-
	<u>1,268,001</u>	<u>1,357,475</u>	<u>372,955</u>	<u>502,739</u>
Net Liability	<u>729,976</u>	<u>852,926</u>	<u>171,470</u>	<u>308,243</u>
	=====	=====	=====	=====

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 \$3,478,226,000 at 31 March 2005 (Sept. 2004 - \$2,834,054,000)

## 12. Other Assets

	The Group		The Bank	
	Mar. 2005	Sept. 2004	Mar. 2005	Sept. 2004
	\$'000	\$'000	\$'000	\$'000
Accounts receivable and prepayments	3,086,941	744,606	814,329	459,879
Interest receivable	4,387,346	4,071,907	2,031,114	1,896,175
Withholding tax recoverable	<u>1,239,848</u>	<u>1,265,312</u>	<u>816,222</u>	<u>747,244</u>

8,714,135	6,081,825	3,661,665	3,103,298
=====	=====	=====	=====

**13. Obligations Under Credit Card and Cash Advance Securitisation Arrangements**

	<b>The Group and The Bank</b>	
	<b>Mar. 2005</b>	<b>Sept. 2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Principal outstanding - US\$191 Million (September 2004 - US\$154.3 Million)	11,692,451	9,532,453
Unamortised transaction fees	(96,444)	(104,717)
Net liability	<u>11,596,007</u>	<u>9,427,736</u>
	=====	=====

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 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. A drawdown of US\$100,000,000 was made in September 2004. An additional drawdown of US\$45,703,266 was made in November 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 250 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 31 March 2005 is negative US\$168,000 (Sept. 2004 - Negative US\$728,000)

**14. Provisions**

	<b>The Group and The Bank</b>	
	<b>Mar. 2005</b>	<b>Sept. 2004</b>
	<b>\$'000</b>	<b>\$'000</b>
At beginning of year	117,000	140,000
Provided during the period	29,873	-
Utilised during the period	-	(23,000)
At end of period	<u>146,873</u>	<u>117,000</u>
=====		
Comprising:		
Provision for litigation	146,873	117,000
	=====	

**15. Other Liabilities**

	<b>The Group</b>		<b>The Bank</b>	
	<b>Mar. 2005</b>	<b>Sept. 2004</b>	<b>Mar. 2005</b>	<b>Sept. 2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest Payable	2,323,219	1,803,507	1,079,356	1,089,008
Accrued Liabilities	<u>3,471,626</u>	<u>1,722,330</u>	<u>930,177</u>	<u>935,445</u>
	5,794,845	3,525,837	2,009,533	2,024,453
	=====		=====	

**16. Share Capital**

	<b>Mar. 2005</b>	<b>Sept. 2004</b>
	<b>\$'000</b>	<b>\$'000</b>
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

**17. 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 9)

**18. 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.

**19. 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 non-distributable 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.

## 20. Cash Flows from Operating Activities

	The Group		The Bank	
	Mar. 2005 \$'000	Mar. 2004 \$'000	Mar. 2005 \$'000	Mar. 2004 \$'000
Net profit	1,718,289	1,895,545	975,675	1,054,101
Adjustments to reconcile net profit to cash flow provided by/(used in) operating activities:				
Depreciation of property, plant and equipment	506,824	309,038	486,689	293,632
Provision for credit losses	80,594	229,514	80,594	229,543
Provision for impairment of investment in Dyoll	535,761	-	540,043	-
Amortisation of upfront fees on credit card and cash advance securitization arrangements	22,274	41,232	22,274	41,232
Deferred tax expense/(credit)	(169,335)	100,424	(173,621)	90,796
Fair value gains on trading securities	(259,355)	-	-	-
Gain on sale of property, plant and equipment	(12,875)	(20,410)	(10,625)	(20,410)
Gain on sale of investments	(859,068)	(113,868)	(933,399)	(113,868)
Fair Value gains on interest rate swap	(34,666)	(30,122)	(34,666)	(30,122)
Exchange (gains)/losses on credit card and cash advance securitisation	(56,030)	81,039	(56,030)	81,039
Amortisation of goodwill	-	4,617	-	-
Amortisation of negative goodwill	-	(5,557)	-	-
Changes in operating assets and liabilities:				
Statutory reserves at Bank of Jamaica	522,660	(490,102)	522,660	(490,102)
Reverse repurchase agreements	(3,655,651)	(9,742,798)	(795,033)	(220,408)
Loans and advances	(4,945,874)	(7,079,018)	(4,942,912)	(7,057,654)
Customer deposits	2,732,460	4,491,724	3,759,728	4,279,384
Repurchase agreements	3,311,540	5,983,384	(2,143,421)	(1,451,876)
Promissory notes and certificates of participation	(562,444)	(252,960)	-	-
Policyholders' liabilities	1,172,553	1,265,304	-	-
Other	1,265,363	415,221	365,954	1,579,873
Net cash provided by/(used in) operating activities	1,313,020	(2,917,793)	(2,336,090)	(1,734,840)

## 21. 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 state-

ments. At 31 March 2005, the Group had financial assets under administration of approximately \$31.30 billion (Sept. 2004 - \$30.96 billion)