



Annual Report
2004



We believe in you...Jamaica

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NATIONAL COMMERCIAL BANK JAMAICA LIMITED

FINANCIAL HIGHLIGHTS

	2004	2003	2002	2001	2000
			Restated	Restated	
	(J\$'000)	(J\$'000)	(J\$'000)	(J\$'000)	(J\$'000)
Net Profit	3,216,738	2,804,391	1,478,407	369,914	1,514,946
Net Interest Income	9,704,637	6,757,882	4,282,614	4,492,754	5,544,421
Other Operating Income	3,297,734	4,271,679	2,349,312	1,672,925	1,998,121
Total Operating Income	13,002,371	11,029,561	6,631,926	6,165,679	7,542,542
Operating Expenses	9,209,487	7,566,311	4,920,249	5,686,071	5,937,963
Total Assets	175,872,017	145,886,165	115,220,390	105,770,654	94,835,223
Net Loans	34,024,628	26,400,147	15,282,721	8,639,839	7,249,634
Customer Deposits	79,862,280	69,688,968	63,365,179	58,351,974	51,638,190
Paid Up Capital	2,466,763	2,466,763	2,466,763	1,973,410	5,701,000
Net Worth	16,294,005	12,871,832	11,971,477	10,889,979	9,301,508
Net Worth - BIS * (Bank only)	11,256,435	8,697,899	8,292,696	7,503,376	7,762,912

PROFITABILITY RATIOS

Return on Average Equity	22.06%	22.58%	12.93%	3.66%	17.77%
Return on Average Capital	130.40%	113.69%	66.59%	9.64%	26.57%
Return on Average Total Assets	2.00%	2.15%	1.34%	0.37%	2.97%
Cost to Income Ratio	67.58%	66.73%	76.79%	104.00%	60.30%

CAPITAL RATIOS

BIS * Capital Adequacy Ratio (Bank only)	21.95%	21.01%	29.64%	41.28%	45.22%
Net Worth to Total Assets	9.26%	8.82%	10.39%	10.30%	9.81%

ASSET QUALITY RATIOS

Net Loans to Total Assets	19.35%	18.10%	13.26%	8.17%	7.64%
Non-Perf. Loans to Total Loans	4.08%	5.26%	8.84%	17.00%	24.53%
Provision Coverage	154.27%	148.77%	134.74%	138.45%	130.24%

LIQUIDITY RATIOS

Net Loans to Customer Deposit Ratio	42.60%	37.88%	24.12%	14.81%	14.04%
Net Loans to Borrowed Funds	62.10%	63.48%	74.45%	49.93%	62.01%
Liquid Assets to Total Deposits	38.42%	27.56%	22.82%	40.14%	50.79%

MARKET STATISTICS

Share Price	\$25.20	\$13.30	\$5.70	\$4.90	\$3.00
Earnings per Share	\$1.30	\$1.14	\$0.60	\$0.15	\$0.77
Price Earnings Ratio	19.38	11.67	9.50	32.67	3.90

* BIS - Bank for International Settlements, Switzerland

In 2002, when AIC acquired a controlling interest in NCB, our country was facing severe challenges. I committed myself to showing the entire world that Jamaica is a fabulous place in which to invest, as it is my belief that if we do not exhibit confidence in our country by investing in its future, we risk losing out on opportunities that will be taken advantage of by foreigners. I therefore urge all Jamaicans to seriously consider investing in Jamaica.

In the past year, your Company has maintained its focus on the central purpose of regaining and maintaining its rightful position as Jamaica's pre-eminent financial institution. As your Chairman, I have a very clear vision as to how we will achieve this goal, and with the help and support of our customers, shareholders, management, staff and directors, we are well on our way.

Your Company's long-term success is inextricably tied to the long-term success of Jamaica - it is as simple as this. The stronger Jamaica becomes, the more your Company will succeed. It follows that NCB must do whatever it can to help build a better Jamaica. It makes absolute commercial sense. But it is also the right and moral way to conduct ourselves.

As Chairman, I view my central role as creating and articulating a purpose developed by your Board of Directors, and then doing my utmost to ensure this purpose is fulfilled. I have focused my attention on two primary targets for you, my fellow shareholders, and for your Company and the country - that of creating, growing and keeping in Jamaica both financial and intellectual capital. NCB has concentrated its efforts, both internally and in the broader community, to these two areas.

Chairman's Statement



There is another, very important, reason for our behaviour. The greatest asset that any company, country or individual has is Reputation. Your Company's every action today is part of a process of building an everlastingly powerful reputation. We do nothing to weaken it, and we allow no one to lever off it. Our commitment to helping to build a better country through building a stronger and stronger NCB will inevitably achieve that goal. As a financial institution, we have to earn and keep the confidence of our shareholders, customers, and regulators. We do that by building a powerful balance sheet - by creating wealth in NCB, and retaining it in Jamaica. We better ensure the creation of wealth for NCB by ensuring that we continuously enhance the intellectual capital of our management and staff. I will speak more about that below. We build confidence in the Company by conducting ourselves as dedicated and committed members of our community, and we do what we can to help build that community.

As I reflect on NCB's achievements over the past two and a half years since March 19th, 2002, I can proudly say that NCB has made great strides in creating and developing a foundation that will make it everlasting.

NCB's financial performance and growth in 2004 support our belief that NCB has a very bright future and gives us confidence to continue investing in our employees, our customers, our business and Jamaica. Our efforts and actions in NCB have been, and continue to be, underpinned by a focus and commitment to meeting customer needs and helping to build a better Jamaica.

Public confidence in NCB continues to rise as we develop and deliver products and services to meet the needs of consumers, and engage in activities to improve our communities and give Jamaica a brighter future.

It is important that your Company commits itself to the continuous development of its executives, management and staff. In June 2004, I was pleased to announce the launch of the NCB Institute of Leadership & Organizational Development (NCB ILOD). The NCB ILOD was established with the primary aim of identifying and training future leaders for the NCB group of companies. The investment and expertise in this Institute is also to ensure that it eventually becomes the standard of training for corporate executives first in Jamaica, then the Caribbean and even further in the world.

To help us achieve this goal, we have chosen the very accomplished Dr. G.K. Jayaram to become the Institute's first Executive Director. Dr. Jayaram established the Infosys Leadership Institute in India, and within only three years of doing so, The Economic Times reported that this Institute won the International Excellence Award for "Aligning Corporate Learning to Business Strategies" from the Corporate University Xchange, ahead of best firms in global comparison. We are

Our efforts and actions in NCB have been, and continue to be, underpinned by a focus and commitment to meeting customer needs and helping to build a better Jamaica.

honoured to be benefiting from Dr. Jayaram's knowledge and experience, which spans over thirty-five years in the field of academics, entrepreneurship and consulting. Under his leadership, we have put together an excellent team of experienced business practitioners, bankers and professional trainers. NCB employees have already begun courses with these individuals to develop their leadership and organizational development skills so that they may be more effective in the execution of their duties, as they strive to attain the standard of excellence in their performance.

The net profit of J\$3.2B, representing growth of 15% over 2003, was achieved amidst many challenges, as we were engaged in several initiatives necessary to build an unparalleled technological infrastructure, and as part of our unwavering focus to improve our operating efficiency, enhance our revenue streams, increase customer loyalty and to facilitate a working environment in which our employees remain productive and motivated.

As outlined in our Report to Shareholders, we recorded strong performance in all areas of our business - banking, investment, stock brokerage, insurance and pension management - and the NCB brand continues to connote pride in Jamaica. Going forward, we will maintain our focus on building an even stronger NCB, and in turn, playing our part in building a better Jamaica.

Jamaica, we believe in you

Michael Lee-Chin

Chairman



BOARD MEMBERS

left to right

Kris Astaphan (Deputy Chairman)

Sandra Glasgow

Michael Lee-Chin (Chairman)

Donovan Lewis

Wayne Chen

Thalia Lyn

Patrick Hylton (Group Managing Director)

Desmond Blades

Jennifer Dewdney Kelly (Company Secretary)

Professor Alvin Wint

Herbert Phillipps, Jr.

Hon. Noel Hylton

Dr. Nigel Clarke (absent)



NCB Board Members in the banking hall of the newly renovated 1-7 Knutsford Branch



DIRECTORS

Michael Lee-Chin, B.Sc.

Chairman

Michael Lee-Chin is the Chairman and Chief Executive Officer of AIC Limited and Chairman of NCB Jamaica Limited.

He holds a Bachelor's Degree in Civil Engineering from the McMaster University in Canada and has over twenty years experience in financial services, having founded AIC Limited, the largest privately owned Mutual Fund Management company in Canada.

Mr. Lee-Chin is listed by Forbes Magazine as one the world's 500 wealthiest people. He has received several prestigious awards in the areas of business and community service including the 2004 International Humanitarian Award from the American Friends of Jamaica.

Kris Astaphan, B.Sc., M.B.A., J.D.

Deputy Chairman

Kris Astaphan is Executive Vice President of AIC Limited, Deputy Chairman of NCB Jamaica Limited and the AIC Financial Group (Trinidad). He is also Chairman of NCB Capital Markets Limited and NCB (Cayman) Limited. His other directorships include NCB Insurance Company Limited, West Indies Trust Company Limited and Jamaica Promotions Corporation Limited.

For the past eleven years, Mr. Astaphan has held various executive positions with AIC Group of Companies.

Mr. Astaphan holds degrees in Law, Business and Science and gained extensive experience as a Tax Partner for some eight years at one of Canada's largest law firms.

Patrick Hylton, A.C.I.B., B.B.A., C.D.

Group Managing Director

Patrick Hylton is an Honours Graduate in Management from the University of Technology, Jamaica and an associate of the Chartered Institute of Bankers (London).

With over ten years managerial experience in the financial sector, Mr. Hylton has a proven track record of performance in the areas of change management, organizational re-structuring, credit & risk administration, process efficiency and human resource development. He was the recipient of the UTECH Alumni Award in

2000 for outstanding contribution to the development of the University, and the 1998 Flagrans Bronze awardee for exceptional service in the field of Finance from his alma mater, Glenmuir High School.

In 2002, the Order of Distinction, Commander Class was awarded to Mr. Hylton by the Prime Minister and Governor General of Jamaica, for his service in the resuscitation and rehabilitation of Jamaica's financial sector. Mr. Hylton was the Managing Director of Financial Institution Services Limited and FINSAC for five years, where he had responsibility for the rehabilitation and divestment of intervened financial institutions and the acquired assets.

Aylmer Desmond Blades

Desmond Blades is Chairman and Managing Director of Musson (Jamaica) Limited, in addition to chairing other companies including T. Geddes Grant (Distributors) Limited, Lannaman's Holdings Limited, Stanley Motta Limited, Seprod Limited, Industrial Sales and Jamaica Detergents Limited. Other directorships include Facey Commodity Company Limited, Allied Stores Limited and Jamaica Feeds Limited. Mr. Blades also chairs the Credit Committee of the Board of NCB Jamaica Limited.

Mr. Blades is a graduate of Harrison College in Barbados and a former president of the Jamaica Chamber of Commerce.

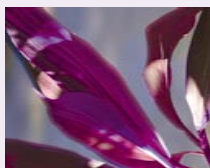
Nigel Clarke, B.S.c., M.Sc., D. Phil

Nigel Clarke holds a Bachelor's Degree in Mathematics and Computer Science from the University of the West Indies, a M.Sc. in Applied Statistics and a D. Phil in Numerical Analysis from the Oxford University, England. He has written various publications and has received several awards, including the Rhodes Scholarship and the Commonwealth Scholarship.

Dr. Clarke is Chief Operating Officer of the Musson Group and a Director of NCB Capital Markets Limited, Seprod and Facey Commodity Limited.

Wayne Chen, LL.B.

Wayne Chen holds an LL.B (Hons.) degree from the University of the West Indies and is the Chief Executive Officer of Super Plus Food Stores, the largest retailer in Jamaica. He is the recipient of several national awards including the Jamaican Institute of Management Young Entrepreneur for 1997 and the Jamaica Observer Business Leader of the Year in 1998.



DIRECTORS cont'd

Mr. Chen is the Chairman of NCB Insurance Company Limited and West Indies Trust Company Limited. He is also a Director of NCB (Cayman) Limited, AIC (Barbados) Limited and the Christiana Town Centre Limited.

Sandra Glasgow, B. Sc., M.B.A.

Sandra Glasgow is the Senior Vice President, Corporate Services at the University of Technology Jamaica, and a member of the Board of Directors of several companies including World Association for Cooperative Education (WACE), the National Export-Import Bank and the Grace Kennedy Foundation.

Mrs. Glasgow has a Bachelor's Degree in Applied Zoology and Applied Botany and an MBA from the University of the West Indies.

Hon. Noel Hylton, O.J., Hon. LL.D., C.D., J.P.

Noel Hylton is the Chairman and President /Chief Executive Officer of The Port Authority of Jamaica. He is the recipient of the national awards of Commander of the Order of Distinction (C.D.) and the Order of Jamaica (O.J.) for service to the growth and development of the shipping industry. He has also served for 10 years in various administrative posts with the Eastern Regional Government of Nigeria.

Mr. Hylton serves on several boards including the Jamaica Urban Transport Company, Jamaica Promotions Corporation, the Maritime Authority of Jamaica, Air Jamaica Limited and the Police Service Commission.

Donovan Lewis

Donovan Lewis is the founder of the Ideal Group of Companies which includes Ideal Finance Corporation Limited, Ideal Portfolio Services Company Limited, Ideal Betting Company Limited and Donwis Limited.

Mr. Lewis is Chairman of the NCB Staff Pension Fund and serves on the Audit Committee of the Board of NCB Jamaica Limited. He is a Director of AIC (Barbados) Limited, NCB (Cayman) Limited, United General Insurance Company Limited, Central Finance Corporation Limited and PowerSun Corporation (operators of Golden Seas Beach Resorts).

Thalia Lyn, B.A.

Thalia Lyn holds a Bachelor's Degree from Manhattanville College in the United States of America and worked as a licensed stockbroker for one of the largest companies in Canada.

Mrs. Lyn founded and is presently Chief Executive Officer of Island Grill chain of fast food restaurants which has earned her many awards including Business Leader of the Year from the Florida International University MSBA Class of 2002. The company also received the Best Fast Food Award in 1998.

She is a Director of Jamaica Macaroni Factory Limited, Patta Kake Bakers Limited, Consolidated Bakers Limited and Telegens Limited. She also serves as a member of the NCB Foundation, the St. Patrick's Foundation and the Mustard Seed Communities. In 2004, she was appointed as Jamaica's Consul General to the United Kingdom of Thailand.

Herb Phillipps Jnr., B.C., M.B.A., C.M.A.

Herb Phillipps holds a Bachelor's Degree in Communications from Sir George Williams University and an MBA from the Concordia University in Canada. A certified Management Accountant with over 30 years experience in banking, mutual funds management, investment, finance and auditing, Mr. Phillipps has worked both in Canada and the United States. He has extensive experience developing business strategies and integrating computer systems for superior service solutions.

Mr. Phillipps is Founder and CEO of HIPNET INC and a consultant to the AIC Group in Canada. He chairs the Council that manages IT-related projects within NCB Jamaica Limited.

Professor Alvin Wint, B.A., M.B.A.

Alvin Wint holds an MBA in Finance and has a Doctorate in International Business from the Harvard Business School. He is currently Professor of International Business in the Department of Management Studies at the University of the West Indies, Mona campus. Professor Wint is an expert resource person for the United Nations and a former consultant to the World Bank.

He serves on the boards of Jamaica Producers Group, NCB Insurance Company Limited, Jamaica Promotions Corporation and the Statistical Institute of Jamaica. He is Chairman of the Audit Committees of the Boards of NCB Jamaica Limited and NCB Insurance Company Limited.

FINANCIAL REVIEW

The NCB Group posted record financial performance in the face of considerable challenges in the business and economic environments. The results are primarily due to improvement in the Group's core earnings and continued increasing contributions from our non-bank businesses.

REPORT to SHAREHOLDERS



Our main financial successes in 2004 included the following:-

- Net profit growth of 15% from J\$2.8 billion in 2003 to J\$3.2 billion in 2004
- Increase in gross operating income of J\$3.06 billion or 14% compared to the prior financial year
- Net interest income of J\$9.7 billion, an increase of 44% over 2002/3
- Earnings per share of J\$1.30 compared to J\$1.14 as at the end of the previous financial year
- Dividend payments of J\$1.3 billion to our shareholders, representing a 6% increase over 2002/3
- Average month-end share price during 2004 of J\$20.94, an increase of 112% over the 2003 average month-end share price of J\$9.90.

Net Interest Income

Net interest income continued to be the major contributor to our operating income. For the year ended September 30, 2004, the Group's net interest income increased by J\$2.9 billion or 44%, primarily due to benefits from interest rate gaps created to capitalize on the continued decline in interest rates throughout the financial year. This was complemented by a continuous increase in the Group's average total earning assets, which increased by J\$28.4 billion or 21.4%.

Asset Growth

The Group's total assets increased from \$145.9 billion as at September 30, 2003, to J\$175.9 billion as at September 30, 2004, an increase of 21%. The major increases were from loans and advances which grew by 29% to J\$34 billion while Reverse Repurchase Agreements increased by J\$15.5 billion to J\$21.4 billion. The asset growth was funded mainly by increases in customers' deposits, repurchase agreements, securitization arrangements and retained earnings.

Major revenue driver, Loans and Advances, increased by J\$7.6 billion or 29% without deterioration in loan quality. The aggregate amount of



Expansion work in progress at the Sangsters' International Airport. Construction by Ashtrom Building Systems is being financed by the NCB Corporate Banking Division.

non-performing loans amounted to J\$1.47 billion compared to J\$1.5 billion as at September 30, 2003. Non-performing loans now represent 4.1% of gross loans compared to 5.3% at September 2003.

Provisions for loan losses are considered adequate and are continually evaluated due to the uncertainty of market conditions. The provision for credit losses of J\$2.28 billion represented 154.27% of non-performing loans, compared to 148.77% as at September 2003. The difference between the statutory provision for credit losses and the International Financial Reporting Standards (IFRS) provision is credited to a non-distributable reserve - Loan Loss Reserve. The balance in the Loan Loss Reserve was J\$111.65 million as at end of the Financial year. The Bank's provisioning policy is in compliance with the Bank of Jamaica regulations.

Despite the increase in total assets, our holdings of investment securities decreased from J\$78.5 billion to J\$77.5 billion. This decrease in investment securities is the result of our concerted efforts to diversify our asset portfolio. These securities are held primarily to meet the Bank's statutory liquidity requirements and also to maintain the operating liquidity levels required to ensure the Bank is able to effectively respond to market swings.

Deposits/ Funding

The Bank achieved an increase in the level of its customer deposit base, despite the increased diversion of this funding source to fixed income securities, including Government of Jamaica securities and corporate paper. Bank deposits increased by 15%, from J\$69.7 billion in 2003 to J\$79.9 billion during the 2003/4 financial year. This increase was based primarily on an 18%

increase in retail customer account balances which underlines the high public confidence exhibited in the Bank. We will continue to focus our efforts on garnering more deposits while ensuring that we also provide alternative investment products through our subsidiaries.

Dividends

We maintained the Group's policy of paying quarterly dividends of not less than 6 cents per share. Our dividend payout ratio for 2004 was 41.4%, compared with 44.9% for the prior financial year.

Capital

As a part of our commitment to maintain prudent capital levels to facilitate our planned business activities and protect our depositors, the Bank voluntarily increased its statutory capital base by J\$1.9 billion during the financial year. This voluntary increase, coupled with the mandatory increase, resulted in the Bank's statutory capital base as at September 30, 2004 being J\$11.3 billion compared to J\$8.7 billion as at the end of September 30, 2003.

The Group's total stockholders equity as at the end of the financial year was J\$16.3 billion, an increase of J\$3.4 billion or 26.6% when compared to September 30, 2003. National Commercial Bank is one of the best capitalized banks in Jamaica as evidenced by the international benchmark of capital adequacy; the Risk-based Capital Ratio was 21.95% at September 30, 2004 (21.01% at September 30, 2003).

OPERATIONAL REVIEW

Revenue growth, improved customer service cost containment and increased productivity and were the critical areas of focus for the 2003/4 financial year.

Revenue Drivers

A wide range of **Corporate Banking** transactions contributed to increased revenues for the Bank. These included group-structured financing of acquisitions in the hotel industry, trade financing for port services (including the first ever non-sovereign-backed US\$21 million purchase of X-ray security equipment for expansion), the transport industry, securitizations for agri-business, construction financing and various other deals for the retail and distributive industry. These corporate banking transactions represented an estimated total of US\$180 million.

The corporate banking business successfully arranged lines of credit from six overseas banks/agencies for a total of US\$50 million which will assist in stimulating growth among Small and Medium Enterprises in the NCB's client base. There was an average increase of \$3.2 billion in low cost deposits that was achieved by the Corporate Banking Division. This was facilitated through the securitization of the future funds flow from two of the Bank's largest customers, bundling of retail and loan products and leveraging the Bank's information technology infrastructure through the sale of NCB e-financial services and NCB e-commerce services. Corporate Banking loan commitments topped the J\$35 billion mark, a 29% increase over the prior financial year.

During the financial year, the Bank dominated Foreign Exchange Trading with a market share of 11% and established new trading relationships with four major international banks. Much improved liquidity management was evidenced by a significant reduction in volatile funding and the attendant costs. The Bank's **Treasury & Correspondent Banking Division** pursued a strategy of securing new, low cost and stable funding, and played a pivotal role in the raising of US\$100 million via securitization of credit card receivables. Through key leveraging of correspondent banking relationships, the Bank also achieved a 100% increase in available funding lines.

A number of new initiatives as well as the continued aggressive marketing of banking products fostered strong revenue growth in **Retail Banking**, These included:-



A nurse leaves an NCB ATM on her way from work

- special loan packages for targeted groups (NCB Jamaica Constabulary Force Loan, NCB Signature Credit Line for professionals and NCB Payroll Plus)
- the launch of NCB SME Financial Services, a banking solution package for Small and Medium Enterprises including a concessionary J\$ and USD loan facility.

Overall growth in revenue was fuelled by impressive growth of 86% in our Consumer Loan Portfolio to over \$9B at the end of the financial year. NCB Payroll Plus, NCB Signature Line and NCB Auto Loan were the main drivers of consumer loan sales.

New credit card products were launched - Secured Lovebird Keycard, UWI Alumni Association Lovebird Keycard and the Jamaica Teachers Association Cooperative Credit Union Keycard. These helped to increase the number of active accounts to over 70,000 and grew credit card purchases by 58% over the 2003 financial year.

1,045 new POS (Point-of-Sale) merchants were also signed up during the year to bring the total of NCB merchants to approximately 7,700 island-wide.

The making and settlement of purchases over the Internet were also enhanced during the year with the launch of the NCB e-Commerce solution. NCB e-Commerce provides the opportunity to use the NCB Keycard, Visa and MasterCard for online multi-currency transactions at secure merchant websites. Businesses that access NCB e-commerce benefit from real-time authorization, as well as prompt settlement of transactions done by their customers on the Internet. In September 2004, the NCB ePins

service was introduced. This allowed customers of all three major cellular service providers to add credit to their pre-paid cell phones through the NCB POS (Point of Sale) machines island-wide or via tele-banking.

Customer Service

The Group continued to leverage its investment in technology through the ongoing process of migrating routine transactions to electronic channels in order to facilitate customers having more convenience and access to manage their finances. During the financial year, over 15,000 customers signed up for NCB e-Financial Services, which provides self-service for financial transactions via the ABM, POS, Internet, Short Messaging Services (Cell Phone Text Alerts) and Telephone Banking via 1-888-NCB-FIRST (622-3477). The state-of-the-art **NCB Customer Care Centre** responded to over 400,000 calls and 95% of reported incidents to the Centre were resolved within 24 hours. During the financial year, approximately 1,000,000 transactions were performed by



A customer is greeted and given information by an officer at the new NCB branch at Matilda's Corner

customers through the NCB Customer Care Centre, Internet Banking and Telephone Banking.

Ten new ABMS were installed during 2004 and four were upgraded. The NCB ABM network realised a 17% increase in the number of transactions processed, 19% in the number of customers serviced, and approximately 2% point improvement in the uptime of the ABMs. NCB retained majority share in the area of Point-of-Sale (POS) with 62% of the terminals, 67% of the customers served and 82% of the card acquiring transactions done at POS. There was a 2.4% point improvement in uptime of the NCB POS terminals over the financial year 2003.

In our branches, the cadre of Personal Bankers played a pivotal role in improving our portfolio of business in the personal customer segment, while strengthening customer relationships through value-added service. Other key customer service initiatives included:-

- the training and deployment of 37 Heads of Customer Service in branches to ensure sharper focus on delivering high levels of customer service.
- the re-configuration of Morant Bay, Oxford Place, St. James Street and 1-7 Knutsford Boulevard branches, to provide customers with a much more spacious and friendly banking environment.
- the construction of new parking facilities at 1-7 Knutsford Boulevard branch.
- the opening of new branches in Yallahs and Matilda's Corner to better serve the public.

The **NCB Private Banking Centre** continued to hold its premier place in its niche market offering not only the full array of banking services to our preferred clients, but also providing a confidential and professional gateway to the wealth creation service of the NCB Group.

Strengthening our Human Resources

Focus was placed on improving the training and human resource practices and programs for NCB employees during the 2003/4 financial year. We launched the NCB Institute of Leadership and Organizational Development (ILOD) in July 2004; a manifestation of our Chairman's passion for the pursuit of excellence. ILOD's main objective is to prepare leaders for the NCB Group of companies and ultimately other businesses in Jamaica and the Caribbean. The Institute was complemented with the implementation of the enhanced Management Trainee Program, an important aspect of NCB's long term human capital development strategy. Presently, twenty-four (24) graduates with high potential profiles are completing functional rotations to gain knowledge and competence in the operations of different facets of the business.

The **NCB Staff Training Centre** conducted two hundred and eighty-five (285) training programs in mission-critical areas of Service Excellence and Core Banking Technology.



Group Managing Director, Patrick Hylton (left), presents Oral Heaven of NCB Black River with the Personal Banker of the Year 2004 Award



An outside view of the newly constructed NCB Yallahs branch. The branch is located on Main Street and houses an NCB Automated Banking Machine (ABM).

During the 2003/4 financial year, a new performance appraisal instrument was implemented. The objectives of the new appraisal form are to align employee work goals with the business strategies, and to effectively assess results of measured performance.



Group Managing Director, Patrick Hylton (left) presents the Branch of the Year trophy to the management of NCB Cross Roads from left: Marva Peynado, Manager (now at NCB Half Way Tree branch), Elaine Campbell, Assistant Operations Manager, Audrey McIntosh, former Manager's Assistant, Dorrian Lynch, former Personal Banker. Missing is Donna Solomon, Operations Manager.

In recognition of the adverse effects of stress on health and lifestyle, the **Training & Human Resources Division** led the development and introduction of an Employee Wellness Program. A Wellness Centre was created at the NCB Head Office in Kingston and staff members were selected and trained as Wellness Officers to promote and monitor the facets of a positive work environment in each NCB unit. The Augusta Payne Nursery was upgraded to world-class standards in child-care delivery to the benefit of the over one hundred and ninety (190) children of NCB employees.

Business Support

Through the successful implementation of cash management projects as well as the re-engineering of certain business processes, primarily in branches, greater efficiencies were achieved, resulting in lower operating costs for the Bank. Outsourcing opportunities for some high volume time consuming transactions were also identified and the

Network Operations Division forged alliances with local suppliers to handle these processes in a cost-effective manner. As a result, we were able to re-deploy employees from business support roles to customer sales and service activities on our frontline. Two knowledge management tools - an electronic database for Instructional Circulars and an Electronic Operations Manual - were introduced to improve timely access to information by our staff.

The launch of a major project to centralize loan securities and disbursement activities from the branches into one location, took place during 2003/4. In addition to the improvement in quality arising from standardization and specialization in loan administration, significant cost savings are to be realized.

The Bank's entire Debt Recovery activities were centralized and resulted in the achievement of measurable improvements in bad debt recoveries and a more pro-active problem loan management process.

The critical role of Information Technology support was provided during the financial year to facilitate the offering of new and enhanced products by NCB. The improvement of our operations was also achieved through the implementation of technology-enabled solutions which included:-

- The implementation of electronic cheque readers across the island, significantly enhancing the Bank's daily cheque processing and liquidity position.
- The implementation of Signature Verification infrastructure to decrease turnaround time for customer in-branch transactions.
- The increased automation of payroll services for our Corporate and SME clients.
- The implementation of a new ABM monitoring system which has resulted in shorter down-time period for our machines.

Implementation of Phase One of a Treasury Management System was completed during the financial year. Completion of subsequent phases will afford the Bank efficient and straight through transaction execution, increased flexibility and enhanced capabilities in its treasury operations.

Physical Infrastructure

The organization continued its focus on providing comfortable surroundings for our employees and customers in a modern, safe and ergonomically pleasing environment. Five (5) branches were refurbished and some with limited parking facilities were targeted for improvement, resulting in the construction of three (3) new car parks. The car parks at the NCB Staff Training Centre and "The Atrium", Head Office were also expanded to facilitate use by our employees and customers.

Commencement of the construction of a new 15,000 square foot branch in Portmore, strategically located in the center of the Portmore retail district in St. Catherine, took place during the financial year. The new branch is on schedule to be opened during April 2005. Plans are also well advanced for the construction of a new branch in Mandeville and for the restoration and conversion of the old Port Antonio Court House into an NCB branch for the parish of Portland.

Refurbishing work commenced on the NCB Staff Sports Club. This includes the re-surfacing of the tennis courts, upgrading of the swimming pool, club house and the construction of a new gymnasium. This project supports the Employee Wellness Program that was launched during the financial year.

The Disaster Preparedness and Recovery Plan was tested during the passage of Hurricane Ivan in September 2004. Under the guidance of the Projects Administration & Services Division, the organization met the challenges of fully securing all physical assets, including infrastructure for our critical information technology systems. The effectiveness of this Plan was manifested by our ability to open on the first business day following the hurricane.

Risk Management

A comprehensive risk management strategic plan based on an "Enterprise Risk Management" and "Economic Capital" framework was developed and implemented in the 2003/4 financial year.

There was also the implementation of a new concept of hands-on-training (HOT) within branches that strengthened staff capacity to reduce operational errors and related losses. This initiative, complemented with regular branch visits for operational review by assigned Branch Coordinators, improved the quality of operational risk management and identified emerging risks that could be mitigated.

Community Relations

NCB remained focused on its commitment to participate in *building a better Jamaica*. By combining a strong social purpose with our business objectives, the organization's corporate activities were evident in areas such as Education, Social Welfare, Arts & Culture, Health and Sports.

The 1st Anniversary of the **NCB Jamaican Education Initiative** was celebrated in May 2004. This program continued to provide funding for education-related causes from the contribution of 1% of all NCB Keycard purchases. In the 2003/4





Under the NCB Jamaican Education Initiative's (JEI) Early Literacy programme, Debran Scarlett, NCB Personal Banker, reads to kids at the Liguanea Preparatory School with the participation of their teacher (extreme right).

financial year, an initial commitment of \$25M was given for the Education Grant for the Omni Educator product, offered by the NCB Insurance Company Limited. In June 2004, NCB was proud to announce the award of Two Hundred (200) JEI scholarships valued at \$22M in total, tenable at the University of the West Indies, University of Technology Jamaica and the Edna Manley College of the Visual and Performing Arts.

The JEI also facilitated the hosting of motivational talks and seminars for students sitting CXC examinations. The JEI co-ordinators were able to cover schools in the parishes of St. Mary, St. Ann, Portland, Kingston and St. Andrew, offering important tips and giving study guide techniques. NCB employees also commenced a programme of reading in schools to promote early literacy and role model talks were held with high school students.

NCB collaborated with the Jamaica Manufacturers' Association in the launch of the "Buy Jamaican, Build Jamaica" campaign, which promotes support for local goods and services. This, in addition to being a major sponsor of the 2004 JMA/JEA Expo, represented a \$16.25M commitment by NCB. During the financial year, the Private Sector Organisation of Jamaica's Partnership for Progress and the May Pen Cemetery Restoration Fund received NCB's financial support.

NCB was also pleased to present His Excellency, Sir Howard Cooke, Governor

General of Jamaica with a fully furnished office complex at 14 1/2 Half Way Tree Road, Kingston. The local chapter of Hands Across Jamaica for Righteousness (HANDS), of which the Governor General is patron, will use the facility as its secretariat.

The island's security force will stand to benefit from the announcement by NCB of its financial commitment to build a convalescence home in Black River, St. Elizabeth valued at \$15M. Through an AMCHAM initiative, a joint project to build a model police community in Grants Pen, St. Andrew is also being funded by NCB through a \$50M donation.

In the area of Performing Arts, NCB was pleased to sponsor the ASHE ensemble's trip to Thailand for performances at the Jamaican Consulate. In recognition of the 150th anniversary of the Chinese population in Jamaica, donations were made towards the celebrations, which included the Yang Zhou Puppet Troupe which visited from China to stage concerts across the island.

In our continued effort to expose Jamaica's young talent to the best in the world, sponsorship of the Boys & Girls 4x100 Relay Events at the International Track & Field Meet held at the National Stadium was undertaken by NCB.

The University of the West Indies Hospital was able to enhance its health services when a \$1.5M donation was made to the Tony Thwaites Wing in January 2004. Later in the financial year, the Black River Hospital received wheelchairs through the financial assistance of NCB.

During the period, tribute was made to the memory of former Prime Minister of Jamaica, the Right Honourable Hugh Lawson Shearer when an NCB scholarship valued at US\$25,000 was awarded to Hopeton Dias, a young man who rose above dire circumstances on the streets of Kingston and is now completing a Bachelor's Degree in the USA. NCB Chairman Michael Lee-Chin created the scholarship in Mr. Shearer's honour as the former Prime Minister made it possible for Mr. Lee-Chin to receive a scholarship to complete his Bachelor's degree in 1971.

Our country suffered serious damage from the onslaught of Hurricane Ivan in September. NCB quickly responded to the nation's need for re-building and restoration, with the announcement of the launch of the NCB Hurricane Ivan Disaster Relief Initiative on Monday, September 13th, 2004. A \$100M pledge was given by Chairman Michael Lee-Chin, representing NCB's maximum contribution for every dollar that it received in



Scholarship recipient, Hopeton Dias (extreme right), greets Hope Shearer-Maxwell, daughter of former Prime Minister, the late Right Honourable Hugh Lawson Shearer in whose honour the scholarship was awarded by NCB Chairman, Michael Lee Chin (centre) and Assistant General Manager, Corporate Communications, Sheree Martin look on.

the Fund by October 31st, 2004. Through this Initiative, a total of \$212M is now being disbursed by the CVSS/United Way of Jamaica for relief aid to schools, farms, hospitals, churches, businesses, families and individuals across the island.



Chairman, Michael Lee Chin (left) presents \$20M from the \$100M raised by the NCB Hurricane Ivan Disaster Relief Initiative to the Head of the Office of National Reconstruction (ONR), Danville Walker.

Our employees continued to give of time and effort in the communities in which they operate and we are thankful for their exemplary efforts to serve our customers well in the past financial year.



REPORT to SHAREHOLDERS

continued

WEALTH MANAGEMENT REVIEW



NCB CAPITAL MARKETS LIMITED

The 2003/4 financial year was very successful for NCB Capital Markets Limited with record net profits after tax of \$1.15 billion, an increase of 164% over the previous financial year. The achievement of such exceptional financial returns was owing to our unyielding focus on growing every aspect of our business, by centering on our customers, developing our staff and improving efficiency levels.

Our commitment to serving our clients' financial needs and maintaining strong relationships led to a reorganization of our customer service team and support systems. This, in conjunction with fully leveraging the NCB branch network and placing 15 Wealth Managers in NCB locations islandwide, enhanced the growth in funds under management for the financial year.

Funds under management at the end of September 2004 was \$44.2 billion relative to \$32.8 billion at the end of September 2003, a growth of approximately 35%.

During the financial year, the company focused on building stronger presence in the financial market and greater recognition amongst investors. We believe that we have been able to achieve both of these goals with the success of our "Serious about Wealth" campaign which has enhanced our corporate image and re-positioned our brand.



Debra Lopez, Vice President - Distribution & Wealth Management, discusses a financial plan with a client of NCB Capital Markets Limited.

NCB Capital Markets Limited Financial Highlights October 2003 - September 2004

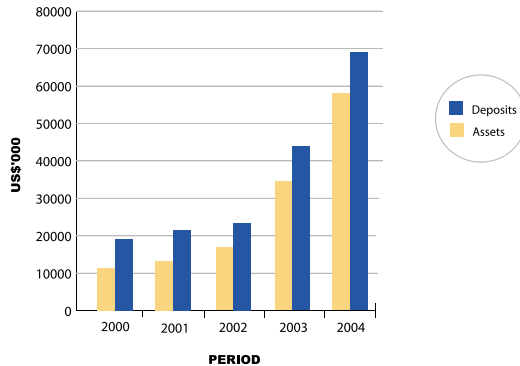
	2004	2003
Total Funds under Management (in billions)	\$44.2	\$32.9
Profits after Tax (in millions)	\$1,152.5	\$436.3
Capital Base (in billions)	\$3,374.43	\$1,766.6
Efficiency ratio	23.00%	31.6%



NCB (CAYMAN) LIMITED

NCB (Cayman) Limited continued its impressive performance in the 2003/4 Financial Year. The Company achieved net income of approximately US\$1.2 million (J\$72 million) primarily by increasing interest income from its core banking activity and fee income from its remittance activity, while maintaining a cost-to-income ratio of 41.29%.

GROWTH OF ASSETS AND DEPOSITS



Total assets grew by 53% - from US\$45 million in 2003 to US\$69 million in 2004 - while deposits grew by 66% from US\$35 million to US\$58 million during the period.



NCB INSURANCE COMPANY LIMITED

NCB Insurance Company Limited has earned the reputation of being the fastest growing company in the insurance sector. In 2003/4, the Company grew by 156% relative to an industry growth of 44% in gross premium income.

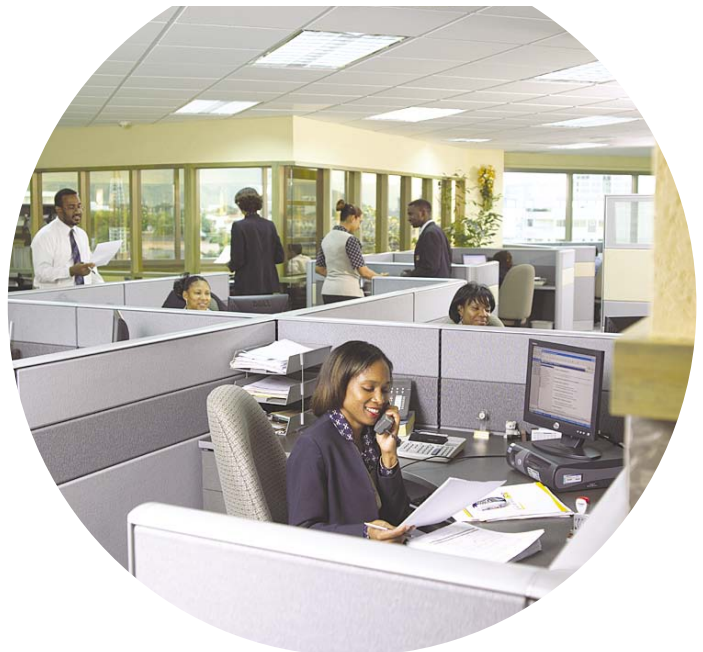
The company achieved Net Profit after Tax of \$241 million, an increase of 56% over prior year and 28% over budget. Return on Average Equity was 49% relative to 42% in prior year and Return on Average Assets was 3.9% compared with 2.9% in 2003. Over the year, Total Assets increased by 66% to \$7.8 billion.

The \$2.7 billion of Total Premium Income written for the year was the highest in NCB Insurance's history, surpassing revenues of \$914 million realized in the 2003 Financial Year by 188%, with excellent retention results of over 95%. Market share for Total Premium Income improved significantly, increasing to 21% from 13%.

In new annualized premium income, NCB Insurance grew by 194% compared to the industry growth of 67%. We were successful in expanding the focus of our sales representatives to incorporate high net-worth clientele and they succeeded in increasing the average premium size from \$80,000 to \$301,000. We achieved a first in bancassurance history when six Sales Representatives qualified for the prestigious Million Dollar Round Table (MDRT), the hallmark of individual excellence in insurance sales.

OMNI Educator, geared towards tertiary level education with a popular feature being a 20% grant paid in addition to competitive interest rates, was launched in the financial year. Actual revenue income from the OMNI Educator for the 6-month period since launch was \$93.7 million or 156% of targeted revenues.

The re-organizing and re-tooling strategy for operations and business development continued throughout the financial year. Systems and workflow efficiencies supported a reduction in overall operational costs and optimized the use of resources. This reflected in improved levels of accuracy and customer responsiveness and facilitated enhanced service quality without an increase in staffing complement. Systems upgrades took into consideration the long-term needs of the Company to avoid redundancies and duplication, and fully supported the



A section of the NCB Insurance Company's head office operations.

development and introduction of new products. Extensive training provided a decentralized platform for post-sales servicing and reinforced compliance with the relevant laws and insurance regulations.

During the year, e-learning was developed and implemented to improve performance in sales and services. This investment expanded the learning environment from instructor-led in-class strategies, to include formal e-learning sites set up on the Intranet. It also permitted the easy updating of training materials, product enhancements, new insurance offerings and services, quick reference, easily accessible and graphically appealing self-learning guides.

NCB Insurance corporate citizenship activities included joint sponsorship, with the Retail Banking Division, of the 2004 Junior Schools Challenge Quiz. Early in the year, the Company hosted investment seminars with other Group members to position and reinforce its financial advisory expertise within the sector.

**NCB Insurance Company Limited
Financial Highlights, October 2003 - September 2004**

	\$ Millions 2004	\$ Millions 2003
Investments	7,072	4,233
Shareholders' Equity	669	299
Policyholders' Fund	6,913	4,288
Total Assets	7,825	4,701
Net Profit after Tax	241	154
Return on Average Equity (%)	49%	42%
Return on Assets (%)	3.9%	2.9%

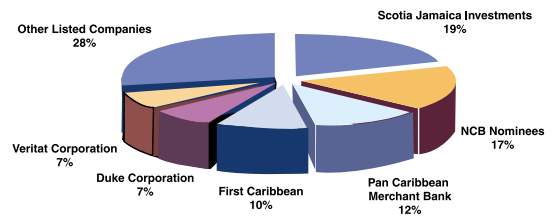


NCB JAMAICA (NOMINEES) LIMITED

NCB Jamaica (Nominees) Limited recorded a net profit of J\$20.7M (unaudited) for the 2004 Financial Year, representing an increase of 20% over the 2003 Financial Year and a 17% share of the market.

The Company has been well positioned to capitalize on new business opportunities that will arise from the anticipated listings of new companies on the local and Regional Stock Markets during the 2005 Financial Year.

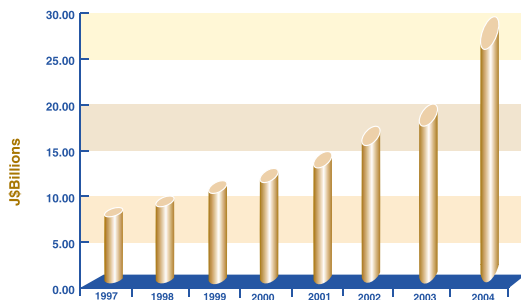
Market Share and Customer Base (Competition)



WEST INDIES TRUST COMPANY LIMITED

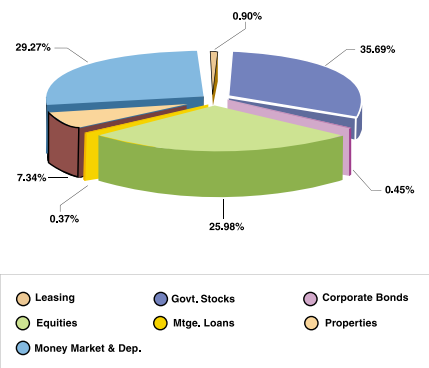
West Indies Trust Company Limited (WITCo.) maintained its position as the leading provider of segregated pension fund management with total assets net of current liabilities of J\$342 million, an increase of \$83 million or 32% over Financial Year 2003. The total value of the funds under management grew by 49.64% from \$22.6 Billion as at September 2003 to J\$30.957 Billion as at September 2004.

**VALUE OF ASSETS MANAGED
AT 30 SEPTEMBER 2004**



Investment in information technology systems, designed to enhance investment management and pension administration capabilities, continued in Financial Year 2004. The new pension administration and investment systems will consolidate WITCO's pension management capabilities and ensure compliance with the new pension legislation. Improved technical capabilities will reduce operational cost and improve personalized service delivery to our expanding client base.

**ANALYSIS OF INVESTMENT DISTRIBUTION AS AT
SEPTEMBER 2004**



The portfolio of assets under management - Fixed Income, Equities, Real Estate, Mortgages, Insurance Premium Financing and Leases, is diversified.

E X E C U T I V E S

Seated (left to right)

Ingrid Chambers
Marjorie Seeberan
Ingrid Stephens
Septimus 'Bob' Blake
Jennifer Dewdney Kelly
Patrick Hylton

Rickert Allen
Sheree Martin
Yvonne Clarke
Courtney Campbell
Christopher Williams
Ffrench Campbell

Standing (left to right)

Dennis Cohen
Janice McKenley
Minish Parikh

Shereen Jones (missing)





EXECUTIVES

Patrick Hylton, A.C.I.B., B.B.A., C.D. **Group Managing Director**

Patrick Hylton is an Honours Graduate in Management from the University of Technology Jamaica and an associate of the Chartered Institute of Bankers (London).

With over ten (10) years' managerial experience in the financial sector, Mr. Hylton has a proven track record of performance in the areas of change management, organizational re-structuring, credit & risk administration, process efficiency and human resource development. He was the recipient of the UTECH Alumni Award in 2000 for outstanding contribution to the development of the University, and the 1998 Flagrans Bronze awardee for exceptional service in the field of Finance from his alma mater, Glenmuir High School.

In 2002, the Order of Distinction, Commander Class was awarded to Mr. Hylton by the Prime Minister and Governor General of Jamaica, for his service in the resuscitation and rehabilitation of Jamaica's financial sector. Mr. Hylton was the Managing Director of Financial Institution Services Limited and FINSAC for five years, where he had responsibility for the rehabilitation and divestment of intervened financial institutions and the acquired assets.

Rickert Allen, B.A., M.Sc. **General Manager, Training & Human Resources**

Rickert Allen is a seasoned practitioner of organization design, change management and negotiations honed by 20 years in the Jamaican bauxite industry. Mr. Allen holds a Bachelor's Degree in Personnel Administration and a Masters of Science in Human Resource Management.

He is an executive member of the Jamaica Employers Federation.

Septimus "Bob" Blake **Assistant General Manager, Treasury & Correspondent Banking**

Mr. Blake joined NCB in March 2002 as Manager - Asset Trading with responsibility for the management of the Bank's investment portfolio. He was subsequently promoted to Assistant General Manager in February 2003 and given responsibility for the tactical management of interest rate, liquidity and foreign exchange risk. He has been the head of the Treasury & Correspondent Banking Division since June 2004. In his present role he is also responsible for the management of local financial institution and correspondent banking relationships.

He has over a decade of experience in the financial services industry, and has received professional training in asset/liability & risk management both locally and overseas.

He is a member of NCB's ALCO (Asset & Liability) Committee and serves on the Investment Management Committees of NCB Capital Markets Ltd. and NCB Insurance Company Ltd.

Courtney Campbell, B.Sc., A.C.I.B., M.B.A. **Senior Assistant General Manager, Retail Banking**

Courtney Campbell started at NCB as a Management Trainee and worked as a Credit Officer, Account Manager in Corporate Banking and Branch Manager, before being assigned to head the Retail Banking Division in 2001. He has served in the financial sector for over 18 years.

Mr. Campbell holds an MBA with Distinction in Finance from the University of Manchester and a B.Sc. in Management Studies from the University of West Indies. He is a member of the Board of

Management of the Knox College and Chairman of the Evangelism & Growth Committee of Webster Memorial United Church. Mr. Campbell is also a member of the Synodical Committee of the United Church of Jamaica and the Cayman Islands.

Ffrench Campbell B.Sc., E.M.B.A. **Assistant General Manager, Projects & Administration Services**

Major Campbell's career in the private sector spans fourteen years, after a thirteen year posting in Jamaica's Military where he served as an Officer in various engineering management posts. A Mechanical Engineer by training, Major Campbell worked with the Jamaica Public Service Company in the capacity of Station Manager and at the Jamaica Private Power Company as Production Manager before his appointment at the EAL/ERI Cogeneration LP power company as General Manager in 2003.

He joined NCB as the Head of the Projects Administration & Services Division in April 2004, with responsibility for all asset management, procurement, security and project management services for the NCB group of companies.

He holds a Bachelor's Degree in Engineering from the Royal Military College of Science in the United Kingdom and an Executive MBA from the University of the West Indies.

Ingrid Chambers, B.Sc., E.M.B.A. **Managing Director, NCB Insurance Company Limited & West Indies Trust Company Limited**

Ingrid Chambers is renowned as one of Jamaica's premier banc assurance experts. Formerly, a General Manager of Scotia Life Insurance Company, she has over 24 years experience covering systems, sales, human resource management, operations, financial and strategic management.

Ms. Chambers holds a B.Sc. in Management Studies and an Executive MBA from the University of the West Indies.

She is Chairman of NCB Jamaica (Nominees) Limited, a Director of Mutual Security Insurance Brokers Ltd., Vice President of the Life Insurance Company Association (LICA), and an Executive Member of the Pensions Fund Association of Jamaica.

Yvonne Clarke, F.C.C.A., M.B.A. **Chief Internal Auditor**

Yvonne Clarke is a Chartered Accountant with over 20 years experience in audit and accounting. Prior to joining NCB in 2000, she worked at PricewaterhouseCoopers where she gained experience in Assurance and Business Advisory Services.

Mrs. Clarke holds an MBA from the University of Manchester. She is a fellow of the Association of Chartered Certified Accountants (ACCA), the Institute of Chartered Accountants of Jamaica (ICAJ) and a member of the Accounting Standards Committee of the Institute of Chartered Accountants of Jamaica. Mrs. Clarke is also Chairperson for the Jamaica Bankers Association Anti-Fraud Sub-Committee.

Dennis G. Cohen, F.C.A., F.C.C.A., B.Sc. **Group Chief Financial Officer**

A Chartered Accountant by profession, Mr. Cohen has served in the local banking industry for almost thirteen years. Prior to joining NCB, he served in a number of positions at Citibank N.A. Jamaica, including that of Country Treasurer for the local branch and its affiliates. He also



EXECUTIVES cont'd

served as head of Citibank's Relationship Management Group. Prior to commencing his banking career, Mr. Cohen was employed to PricewaterhouseCoopers as a Senior Accountant.

Mr. Cohen was appointed by the Minister of Finance as a member of Jamaica's Public Accountancy Board and serves as a resource person for accounting issues relating to the financial sector. He serves on a number of the Jamaica Bankers' Association Committees and as a Council Member of the Jamaica Securities Dealers Association. He is a Director of NCB (Cayman) Limited, NCB Capital Markets Limited, NCB Insurance Company Limited and West Indies Trust Company Limited.

Jennifer Dewdney Kelly, B.A. (Hons.) Law **Group Chief Compliance Officer and Company Secretary**

Jennifer Dewdney Kelly is an Attorney-at-law with over 19 years experience in the legal profession. Before joining NCB in 1989, she worked in a private law firm. Prior to her present assignment, she held the positions of Assistant Legal Officer/Assistant Company Secretary, Company Secretary and General Counsel/Company Secretary.

Mrs. Dewdney Kelly holds a B.A. (Hons.) Law degree and is a member of the Jamaican Bar Association.

Shereen Jones, B.Sc., M.Sc. **General Manager, Information Technology**

Shereen Jones has worked in Jamaica's Information Technology industry for over 16 years. Before joining NCB, she worked at PricewaterhouseCoopers as a Consultant.

Mrs. Jones has B.Sc. and M.Sc. degrees in Computer Science and is a member of the Nova Powerspeakers Toastmasters Club.

Sheree Martin B.A., M.B.A. **Assistant General Manager, Corporate Communications**

Sheree Martin joined NCB twelve years ago, after working at PRO Communications Ltd. where she was first exposed to advertising and marketing communication. She joined NCB as a Management Trainee and gained experience in all areas of commercial banking and credit before being assigned various supervisory and management roles in NCB's Marketing and Human Resource departments. She joined the Retail Banking Division as Manager, Personal Banking in 2001 and was later the Manager, Customer Service & Marketing in 2003. In July 2004, Mrs. Martin was promoted as the Head of Group Corporate Communications Division.

She holds an MBA with Distinction in Banking & Finance and a B.A. Degree in Language & Literature from the University of the West Indies.

Mrs. Martin is a Director of Spectrum Management Authority Ltd. and Chairman of its Audit and Finance Sub-Committee.

Janice McKenley, B.Sc., F.C.A., F.C.C.A., M.B.A. **General Manager, Financial Control**

Janice McKenley is a Chartered Accountant with expertise in Computerised Information Systems Risk Management (CISRM) sharpened by 14 years service at PricewaterhouseCoopers. She is a former Deputy General Manager of City of Kingston Credit Union and

Partner at McKenley & Associates.

Mrs. McKenley is a fellow of the Association of Certified Chartered Accountants (ACCA), Past Council Member of the Institute of Chartered Accountants of Jamaica (ICAJ) and Member of the Accounting Standards Committee of ICAJ.

Minish Parikh, B.Sc., M.Sc. **General Manager, Network Operations**

Minish Parikh has had a distinguished banking career having served at the State Bank of India and the National Bank of Oman for over 18 years in which his assignments included small business finance, corporate finance, business process automation, internal controls and compliance, trade finance, retail banking, establishing banking policies and procedures and monitoring operating units.

Mr. Parikh is a graduate of the Senior Executive Programme at London Business School. He holds a B.Sc. and a M.Sc. in Chemistry and is a member of the Indian Institute of Bankers.

He is the Bank's representative on the Board of Directors for JETS Limited and APL Limited in addition to being a member of the BOJ Bankers Sub-Committee, The Jamaica Clearing Banks Association and the ACH Rules Committee.

Marjorie Seeberan, B.Sc., M.B.A. **General Manager, Corporate Banking**

Marjorie Seeberan is a well-respected banking professional, with over 25 years experience which includes her assignment as Senior Vice President of Corporate Banking and Corporate Finance with JP Morgan Chase (formerly Chemical Bank). Prior to joining NCB in 2002, she was the Executive Director of the University of the West Indies' (UWI) Business Development Office.

Mrs. Seeberan holds a B.Sc. in Economics and an MBA in Finance. She is a Director of the American Foundation of the UWI.

Christopher Williams B.Sc., M.B.A. **Managing Director, NCB Capital Markets Limited**

Christopher Williams joined NCB Capital Markets in January 2004 as Deputy Managing Director, after acquiring over ten years experience in banking & investments from senior management positions held in Dehring Bunting & Golding Ltd., Knutsford Capital Merchant Bank and Manufacturers Merchant Bank. He served as Consulting Analyst at KMPG Peat Marwick for two years before pursuing his career in the financial sector.

In September 2004, he was appointed Managing Director of NCB Capital Markets Limited. Mr. Williams holds a BSc. in Accounting from the University of the West Indies and a MBA in Strategic Marketing and Finance from the York University in Canada.

Ingrid Stephens B.Sc., E.M.B.A. **Assistant General Manager, Customer Experience Management**

Ingrid Stephens joined NCB over 3 years ago in the former Edward Gayle & Company Limited (now NCB Capital Markets Ltd) as Manager, Information Technology. In September 2003, she was promoted as Head of the Customer Experience Management (CEM) Division, with responsibility for the NCB Customer Care Centre, the Card Acquiring business, Internet Banking and Telephone banking, Short Messaging Services and NCB e-Commerce solutions.

Miss Stephens holds a B.Sc. in Computers and Management Studies from the University of Technology Jamaica (UTECH) and an



NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of National Commercial Bank Jamaica Limited will be held at The Hilton Kingston Hotel, 77 Knutsford Boulevard, in the parish of Saint Andrew on **Thursday, March 24, 2005 at 4:00 p.m.** to consider and if thought fit pass the following resolutions:

ORDINARY BUSINESS

Ordinary Resolutions

1. Audited Accounts

"**THAT** the Audited Accounts for the year ended September 30, 2004 and the Reports of the Directors and Auditors, circulated with the Notice convening the Meeting, be and are hereby adopted."

2. Election of Directors

- (a) **Article 97** of the Company's Articles of Association provides that one-third of the Board (except the Managing Director and Deputy Managing Director) or, if the number of members of the board is not three or a multiple of three, then the number nearest to one-third shall retire from office at each Annual General Meeting. The Directors retiring under this Article are **Mr. Herbert Ignatious Phillipps, Dr. Nigel Andrew Lincoln Clarke, Mrs. Thalia Geraldine Lyn and Professor Alvin George Wint** and being eligible, offer themselves for re-election.

The proposed resolutions are therefore as follows:

- (i) "**THAT** Director, **MR. HERBERT IGNATIUS PHILLIPPS**, retiring pursuant to Article 97 of the Articles of Association be and is hereby re-elected."
- (ii) "**THAT** Director, **DR. NIGEL ANDREW LINCOLN CLARKE**, retiring pursuant to Article 97 of the Articles of Association be and is hereby re-elected."
- (iii) "**THAT** Director, **MRS. THALIA GERALDINE LYN**, retiring pursuant to Article 97 of the Articles of Association be and is hereby re-elected."
- (iv) "**THAT** Director, **PROFESSOR ALVIN GEORGE WINT**, retiring pursuant to Article 97 of the Articles of Association be and is hereby re-elected."
- (b) **The Rt. Hon. Justice Edward Zacca, O.J., P.C.** was appointed a Director of the Company on January 27, 2005. **Under Article 103** of the Company's Articles of Association, his appointment expires on the date of this Meeting and being eligible he offers himself for re-election.

The proposed resolution is therefore as follows:

- (i) "**THAT** Director, **RT. HON. JUSTICE EDWARD ZACCA, O.J., P.C.**, retiring pursuant to Article 103 of the Articles of Association be and is hereby re-elected."

3. Directors' Remuneration

- (a) "**THAT** the Directors be and are hereby empowered to fix the remuneration of the Executive Directors."
- (b) "**THAT** the total remuneration of all of the Directors combined, other than the Executive Directors, for the financial year of the Company ending September 30, 2005, be and is hereby fixed at \$15,030,000."

4. Appointment of Auditors and their Remuneration

"**THAT** Messrs. PricewaterhouseCoopers, having signified their willingness to serve, continue in office as Auditors of the Company until the conclusion of the next Annual General Meeting, at a remuneration to be agreed with the Directors."

SPECIAL BUSINESS

5. The Companies Act 2004: Election to Retain Shares with a Nominal or Par Value

"**THAT** the Company hereby elects to retain its existing shares with a nominal or par value and to continue to issue shares with a nominal or par value, and that the directors be and are hereby authorised to do whatever they deem necessary to facilitate compliance with the Companies Act in this regard and to facilitate the conversion of the Company's shares to shares without a nominal or par value at the end of eighteen months from the date of this resolution, so however that the Company's shares may be converted to shares without a nominal or par value within the said eighteen months if the Company in general meeting passes an ordinary resolution to that effect during the eighteen month period."

6. Resolutions in respect of any other business which can be transacted at an Annual General Meeting.

A Member of the Company, entitled to attend and vote, is entitled to appoint a Proxy to attend and vote in his stead, and a Proxy need not be a member.

If you are unable to attend the Meeting, a Form of Proxy is enclosed for your convenience. When completed, this Form should be deposited with the Secretary, at the Registered Office of the Company, "The Atrium", 32 Trafalgar Road, Kingston 10, Jamaica, not less **than 48 hours** before the time appointed for the Meeting. The Proxy Form should bear stamp duty of **\$100.00**, before being signed. The stamp duty may be paid by adhesive stamps, which are to be cancelled by the person signing the Proxy.

DATED this 7th day of FEBRUARY 2005

BY ORDER OF THE BOARD

.....
Jennifer Dewdney Kelly (Mrs.)
COMPANY SECRETARY

	2006	Share Capital	Share Premium	Reserves	Share Based Payments	Share Based Payments Reserve	Retained Earnings	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 October 2001, as restated	431,973,410	1,973,410	4,453,752	400,000	108,749	36,478	145,445	3,020,837
10,889,979							(18,445)	10,871,538
currency translation differences							(78,710)	10,792,828
unrealised gains/(losses) on available-for-sale investments, net of taxes							(89,447)	10,703,381
Reclassified and reported in profit							(457,000)	10,246,381
Net gains/(losses)	493,353						32,853	10,279,234
Consolidated							(27,745)	10,251,489
Net profit, as restated							23,22	10,274,711
Bonus issue of shares								10,297,933
Dividends paid	(340,413)							9,957,520
Other							67,71	10,024,809
Transfer from Loan Loss Reserve							2,466,763	7,558,046
Transfer to Banking Reserve Fund							4,453,752	3,104,294
Retained earnings capitalised							43(0)	2,661,333
Balance at 30 September 2002, as restated								1,645,479
11,971,477								1,662,956
currency translation differences								1,684,912
unrealised gains/(losses) on available-for-sale investments, net of taxes								1,615,297
Reclassified and reported in profit								1,645,987
Net gains/(losses) not recognised in Consolidated Profit and Loss Account								1,645,987

Financial Statements

& Notes to the Financial Statements

DIRECTORS' REPORT

The directors submit herewith the Consolidated Profit and Loss Account of National Commercial Bank Jamaica Limited and its subsidiaries for the year ended 30 September 2004, together with the Consolidated Balance Sheet as at that date:

Operating Results

	\$'000
Gross operating revenue	24,811,710
Profit before taxation	<u>3,860,114</u>
Taxation	(643,376)
Net profit	<u><u>3,216,738</u></u>

Dividends

The following dividends were paid during the year:

- Third interim dividend of \$0.06 per ordinary stock unit in respect of the year ended 30 September 2003 was paid in November 2003.
- Final interim dividend of \$0.21 per ordinary stock unit in respect of the year ended 30 September 2003 was paid in January 2004.
- First, second and third interim dividends in respect of the year ended 30 September 2004 of \$0.09 each per ordinary stock unit were paid in February, May and August 2004.

Directors

The Board of Directors comprises:

Mr. Michael A. Lee-Chin	-	Chairman
Mr. Kris S.A.C. Astaphan	-	Deputy Chairman
Mr. Patrick A.A. Hylton	-	Group Managing Director
Mr. Aylmer Desmond Blades		
Mr. Wayne C. Chen		
Dr. Nigel Andrew Lincoln Clarke		
Mrs. Sandra A.C. Glasgow		
Hon. Noel A.A. Hylton, OJ, CD, Hon. LL D		
Mr. Donovan Anthony Lewis		
Mrs. Thalia Lyn		
Mr. Herbert I. Phillipps		
Professor Alvin G. Wint		
Mrs. Jennifer Dewdney Kelly	-	Company Secretary

DIRECTORS' REPORT (cont'd)

The Board of Directors accepted the resignation of Mr. Aubyn Hill as the Group Managing Director on 25 November 2004. The resignation took effect on 30 November 2004. Mr. Patrick Hylton was appointed as the Group Managing Director effective 1 December 2004.

Pursuant to Article 97 of the Articles of Association of the Bank, one-third of the Directors other than the Managing Director will retire at the Annual General Meeting.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and offer themselves for re-appointment.

On behalf of the Board



Jennifer Dewdney Kelly
Secretary



PricewaterhouseCoopers
Scotiabank Centre
Duke Street
Box 372
Kingston Jamaica
Telephone: (876) 922-6230
Facsimile: (876) 922-7581
www.pwc.com/jm

9 December 2004

To the Members of
National Commercial Bank Jamaica Limited

Auditors' Report

We have audited the financial statements set out on pages 23 to 81, and have received all the information and explanations which we considered necessary. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of certain subsidiaries, which statements reflect assets of \$50,178,958,000 and \$4,999,162,000 and revenue of \$8,092,681,000 and \$1,076,986,000 as at and for the years ended 30 September 2004 and 2003, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these subsidiaries, is based solely on the reports of the other auditors.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the auditors of subsidiaries not audited by us, proper accounting records have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the Group and Bank as at 30 September 2004 and the results of operations, changes in equity and cash flows of the Group and the Bank for the year then ended, so far as concerns the members of the Bank, and have been prepared in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act applicable to banking companies.

Chartered Accountants
Kingston, Jamaica

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 September 2004

	Note	2004 \$'000	2003 \$'000
Operating Income			
Interest income from loans		4,979,253	3,000,806
Interest income from securities		16,534,723	14,469,997
Total interest income		<u>21,513,976</u>	<u>17,470,803</u>
Interest expense		<u>(11,809,339)</u>	<u>(10,712,921)</u>
Net interest income		9,704,637	6,757,882
Net fee and commission income	4	1,772,921	1,308,361
Net trading income	5	1,336,873	2,908,709
Other operating income		187,940	54,609
		<u>13,002,371</u>	<u>11,029,561</u>
Operating Expenses			
Staff costs	6	4,639,585	4,212,281
Provision for credit losses	16	422,341	206,561
Depreciation		976,022	494,910
Other operating expenses		3,171,539	2,652,559
		<u>9,209,487</u>	<u>7,566,311</u>
Operating Profit		3,792,884	3,463,250
Share of profit of associates		67,230	-
Profit before Taxation	7	<u>3,860,114</u>	<u>3,463,250</u>
Taxation	8	<u>(643,376)</u>	<u>(658,859)</u>
Net Profit	9	<u>3,216,738</u>	<u>2,804,391</u>
EARNINGS PER STOCK UNIT	11	<u>\$1.30</u>	<u>\$1.14</u>

CONSOLIDATED BALANCE SHEET

30 September 2004


	Notes	2004 \$'000	2003 \$'000
ASSETS			
Cash and balances at Bank of Jamaica	12	13,986,481	10,641,638
Due from other banks	13	13,659,635	9,117,248
Trading securities	14	293,885	1,906,270
Reverse repurchase agreements	15	21,372,536	5,832,957
Loans and advances, net of provision for credit losses	16	34,024,628	26,400,147
Investment securities	17	77,494,225	78,538,460
Investment in associates	18	1,163,192	-
Investment properties	19	21,300	28,200
Property, plant and equipment	20	4,432,289	3,911,816
Deferred tax assets	21	-	120,426
Retirement benefit asset	22	7,602	6,009
Income tax recoverable		244,001	87,505
Other assets	23	6,081,825	6,368,703
Customers' liability on acceptances, guarantees, indemnities and letters of credit		3,090,418	2,926,786
Total assets		<u>175,872,017</u>	<u>145,886,165</u>

CONSOLIDATED BALANCE SHEET

30 September 2004

	Notes	2004 \$'000	2003 \$'000
LIABILITIES			
Due to other banks	24	6,794,790	6,257,208
Customer deposits		79,862,280	69,688,968
Derivative financial instruments	25	44,983	128,909
Promissory notes and certificates of participation		9,768,128	10,119,549
Repurchase agreements		37,496,253	29,624,741
Obligations under credit card and cash advance securitization arrangements	25	9,427,736	4,576,979
Other borrowed funds	26	1,069,318	1,129,249
Income tax payable		405,854	234,569
Deferred tax liabilities	21	852,926	437,966
Policyholders' liabilities	27	6,912,610	4,287,658
Provisions	28	117,000	140,000
Retirement benefit obligations	22	209,879	178,257
Other liabilities	29	3,525,837	3,283,494
Liability on acceptances, guarantees, indemnities and letters of credit		3,090,418	2,926,786
Total liabilities		<u>159,578,012</u>	<u>133,014,333</u>
STOCKHOLDERS' EQUITY			
Share capital	30	2,466,763	2,466,763
Share premium		4,453,752	4,453,752
Fair value and other reserves	31	1,266,714	(270,773)
Loan loss reserve	32	111,650	72,891
Banking reserve fund	33	1,327,000	1,078,000
Retained earnings reserve	34	3,119,761	1,218,761
Retained earnings	10	3,548,365	3,852,438
Total stockholders' equity		<u>16,294,005</u>	<u>12,871,832</u>
Total equity and liabilities		<u><u>175,872,017</u></u>	<u><u>145,886,165</u></u>

Approved for issue by the Board of Directors on 9 December 2004 and signed on its behalf by:


 Patrick Hylton Group Managing Director


 Donovan Lewis Director


 Professor Alvin Wint Director


 Jennifer Dewdney Kelly Secretary

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Year ended 30 September 2004

	Share Capital	Share Premium	Fair Value and Other Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 October 2002	2,466,763	4,453,752	340,244	83,674	759,000	911,897	2,956,147	11,971,477
Currency translation differences	-	-	71,714	-	-	-	-	71,714
Unrealised losses on available-for-sale investments, net of taxes	-	-	(669,670)	-	-	-	-	(669,670)
Realised fair value gains transferred to Consolidated Profit and Loss Account	-	-	(48,031)	-	-	-	-	(48,031)
Net losses not recognised in Consolidated Profit and Loss Account	-	-	(645,987)	-	-	-	-	(645,987)
Net profit	-	-	-	-	-	-	2,804,391	2,804,391
Dividends paid	-	-	-	-	-	-	(1,258,049)	(1,258,049)
Bonus issue of shares in subsidiary	-	-	34,970	-	-	-	(34,970)	-
Transfer from Loan Loss Reserve	-	-	-	(10,783)	-	-	10,783	-
Transfer to Banking Reserve Fund	-	-	-	-	319,000	-	(319,000)	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	306,864	(306,864)	-
Balance at 30 September 2003	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	-	-	22,625	-	-	-	-	22,625
Unrealised gains on available-for-sale investments, net of taxes	-	-	1,781,448	-	-	-	-	1,781,448
Realised fair value gains transferred to Consolidated Profit and Loss Account	-	-	(266,586)	-	-	-	-	(266,586)
Net gains not recognised in Consolidated Profit and Loss Account	-	-	1,537,487	-	-	-	-	1,537,487
Net profit	-	-	-	-	-	-	3,216,738	3,216,738
Dividends paid	-	-	-	-	-	-	(1,332,052)	(1,332,052)
Transfer to Loan Loss Reserve	-	-	-	38,759	-	-	(38,759)	-
Transfer to Banking Reserve Fund	-	-	-	-	249,000	-	(249,000)	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	1,901,000	(1,901,000)	-
Balance at 30 September 2004	2,466,763	4,453,752	1,266,714	111,650	1,327,000	3,119,761	3,548,365	16,294,005

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 September 2004

	Note	2004 \$'000	2003 \$'000
Cash Flows from Operating Activities			
Net cash provided by operating activities	35	30,525	14,919,932
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment		(1,472,556)	(1,939,836)
Proceeds from disposal of property, plant and equipment		103,786	6,257
Acquisition of investments in associates		(1,148,446)	-
Dividends received from associates		21,345	-
Investment securities, net		7,349,421	(12,609,420)
Investment properties, net		8,000	(8,445)
Net cash provided by/(used in) investing activities		4,861,550	(14,551,444)
Cash Flows from Financing Activities			
Drawdowns under credit card and cash advance securitization arrangements		6,137,077	-
Repayments under credit card and cash advance securitization arrangements		(1,498,613)	(1,261,019)
Other borrowed funds		(147,330)	(441,620)
Dividends paid		(1,332,052)	(1,258,049)
Net cash provided by/(used in) financing activities		3,159,082	(2,960,688)
Effect of exchange rate changes on cash and cash equivalents		762,815	917,506
Net increase/(decrease) in cash and cash equivalents		8,813,972	(1,674,694)
Cash and cash equivalents at beginning of year		6,078,693	7,753,387
Cash and Cash Equivalents at End of Year		14,892,665	6,078,693
Comprising:			
Cash and balances at Bank of Jamaica	12	4,313,828	1,943,097
Due from other banks	13	13,659,635	9,117,248
Investment securities	17	3,713,992	1,275,556
Due to other banks	24	(6,794,790)	(6,257,208)
		14,892,665	6,078,693

PROFIT AND LOSS ACCOUNT

Year ended 30 September 2004

	Note	2004 \$'000	2003 \$'000
Operating Revenue			
Interest income from loans		4,965,070	2,991,444
Interest income from securities		9,476,327	9,488,932
Total interest income		14,441,397	12,480,376
Interest expense		(6,843,225)	(6,981,076)
Net interest income		7,598,172	5,499,300
Net fee and commission income	4	1,554,505	1,194,278
Net trading income	5	1,110,864	2,776,900
Other operating income		109,800	36,196
		<u>10,373,341</u>	<u>9,506,674</u>
Operating Expenses			
Staff costs	6	4,124,291	3,866,189
Provision for credit losses	16	422,211	203,749
Depreciation		939,105	471,742
Other operating expenses		3,118,895	2,414,340
		<u>8,604,502</u>	<u>6,956,020</u>
Profit before Taxation	7	1,768,839	2,550,654
Taxation	8	(109,183)	(421,119)
Net Profit		<u><u>1,659,656</u></u>	<u><u>2,129,535</u></u>

BALANCE SHEET

30 September 2004


	Notes	2004 \$'000	2003 \$'000
ASSETS			
Cash and balances at Bank of Jamaica	12	13,131,337	10,577,615
Due from other banks	13	13,976,958	9,441,706
Reverse repurchase agreements	15	278,010	570,538
Loans and advances, net of provision for credit losses	16	33,801,580	26,274,740
Investment securities	17	48,754,521	58,366,965
Investments in associates	18	1,148,446	-
Investments in subsidiaries		1,456,970	1,456,970
Property, plant and equipment	20	4,319,920	3,793,908
Income tax recoverable		-	87,505
Other assets	23	3,103,298	4,505,131
Customers' liability on acceptances, guarantees, indemnities and letters of credit		3,090,418	2,926,786
Total assets		<u>123,061,458</u>	<u>118,001,864</u>

BALANCE SHEET

30 September 2004

	Notes	2004 \$'000	2003 \$'000
LIABILITIES			
Due to other banks	24	6,795,508	6,257,208
Customer deposits		79,393,594	70,671,943
Derivative financial instruments	25	44,983	128,909
Repurchase agreements		7,580,162	17,858,101
Obligations under credit card and cash advance securitization arrangements	25	9,427,736	4,576,979
Other borrowed funds	26	1,082,144	1,165,392
Income tax payable		303,190	-
Deferred tax liabilities	21	308,243	422,349
Provisions	28	117,000	140,000
Retirement benefit obligations	22	209,879	178,257
Other liabilities	29	2,024,453	2,231,185
Liability on acceptances, guarantees, indemnities and letters of credit		3,090,418	2,926,786
Total liabilities		<u>110,377,310</u>	<u>106,557,109</u>
STOCKHOLDERS' EQUITY			
Share capital	30	2,466,763	2,466,763
Share premium		3,998,968	3,998,968
Fair value and other reserves	31	953,393	41,604
Loan loss reserve	32	111,650	72,891
Banking reserve fund	33	1,327,000	1,078,000
Retained earnings reserve	34	3,119,761	1,218,761
Retained earnings	10	706,613	2,567,768
Total stockholders' equity		<u>12,684,148</u>	<u>11,444,755</u>
Total equity and liabilities		<u>123,061,458</u>	<u>118,001,864</u>

Approved for issue by the Board of Directors on 9 December 2004 and signed on its behalf by:


 Patrick Hylton Group Managing Director


 Donovan Lewis Director


 Professor Alvin Wint Director


 Jennifer Dewdney Kelly Secretary

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Year ended 30 September 2004

	Share Capital	Share Premium	Fair Value and Other Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 October 2002	2,466,763	3,998,968	438,132	83,674	759,000	911,897	2,311,363	10,969,797
Unrealised losses on available-for-sale investments, net of taxes	-	-	(369,509)	-	-	-	-	(369,509)
Realised fair value gains transferred to Profit and Loss Account	-	-	(27,019)	-	-	-	-	(27,019)
Net losses not recognised in Profit and Loss Account	-	-	(396,528)	-	-	-	-	(396,528)
Net profit	-	-	-	-	-	-	2,129,535	2,129,535
Dividends paid	-	-	-	-	-	-	(1,258,049)	(1,258,049)
Transfer from Loan Loss Reserve	-	-	-	(10,783)	-	-	10,783	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	306,864	(306,864)	-
Transfer to Banking Reserve Fund	-	-	-	-	319,000	-	(319,000)	-
Balance at 30 September 2003	2,466,763	3,998,968	41,604	72,891	1,078,000	1,218,761	2,567,768	11,444,755
Unrealised gains on available-for-sale investments, net of taxes	-	-	1,008,875	-	-	-	-	1,008,875
Realised fair value gains transferred to Profit and Loss Account	-	-	(97,086)	-	-	-	-	(97,086)
Net gains not recognised in Profit and Loss Account	-	-	911,789	-	-	-	-	911,789
Net profit	-	-	-	-	-	-	1,659,656	1,659,656
Dividends paid	-	-	-	-	-	-	(1,332,052)	(1,332,052)
Transfer to Loan Loss Reserve	-	-	-	38,759	-	-	(38,759)	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	1,901,000	(1,901,000)	-
Transfer to Banking Reserve Fund	-	-	-	-	249,000	-	(249,000)	-
Balance at 30 September 2004	2,466,763	3,998,968	953,393	111,650	1,327,000	3,119,761	706,613	12,684,148

STATEMENT OF CASH FLOWS

Year ended 30 September 2004

	Note	2004 \$'000	2003 \$'000
Cash Flows from Operating Activities			
Net cash (used in)/provided by operating activities	35	(6,801,344)	8,310,635
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment		(1,401,035)	(1,830,552)
Proceeds from disposal of property, plant and equipment		51,809	4,917
Acquisition of investments in associates		(1,148,446)	-
Investment securities, net		13,027,407	(5,977,359)
Net cash provided by/(used in) investing activities		10,529,735	(7,802,994)
Cash Flows from Financing Activities			
Drawdowns under credit card and cash advance securitization arrangements		6,137,077	-
Repayments under credit card and cash advance securitization arrangements		(1,498,613)	(1,261,019)
Other borrowed funds		(170,648)	(218,259)
Dividends paid		(1,332,052)	(1,258,049)
Net cash provided by/(used in) financing activities		3,135,764	(2,737,327)
Effect of exchange rate changes on cash and cash equivalents		858,049	903,483
Net increase/(decrease) in cash and cash equivalents		7,722,204	(1,326,203)
Cash and cash equivalents at beginning of year		6,339,128	7,665,331
Cash and Cash Equivalents at End of Year		14,061,332	6,339,128
Comprising:			
Cash and balances at Bank of Jamaica	12	3,458,683	1,879,074
Due from other banks	13	13,976,958	9,441,706
Investment securities	17	3,421,199	1,275,556
Due to other banks	24	(6,795,508)	(6,257,208)
		14,061,332	6,339,128

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

1. Identification and Principal Activities

National Commercial Bank Jamaica Limited ("the Bank") is incorporated in Jamaica and licensed under the Banking Act, 1992. The Bank is a 75% subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. The Bank's registered office is located at 32 Trafalgar Road, Kingston 10, Jamaica.

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

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

	<u>Principal Activities</u>	<u>Percentage Ownership by Bank</u> <u>30 September 2004</u>
Data-Cap Processing Limited	Data Processing	100
NCB Capital Markets Limited	Primary Dealer and Stock Broker	100
Mutual Security Insurance Brokers Limited	Insurance Brokers	100
NCB (Cayman) Limited and its 100% subsidiary:	Commercial Banking	100
NCB Servia Limited	Money Remittance	
N.C.B. (Investments) Limited	Money Market Trading	100
N.C.B. Jamaica (Nominees) Limited	Securities' Nominee	100
NCB Insurance Company Limited	Life Insurance	100
West Indies Trust Company Limited	Investment and Pension Fund Management and Trustee Services	100
Servia Money Services (UK) Limited	Money Remittance	100

All subsidiaries are incorporated in Jamaica with the exception of NCB (Cayman) Limited and NCB Servia Limited, which are incorporated in the Cayman Islands and Servia 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</u> <u>30 September 2004</u>
Kingston Wharves Limited	Wharf Operations and Stevedoring	43.45
Dyoll Group Limited	Property and Casualty Insurance	44.47

Effective 23 January 2004 and 17 February 2004, the Group acquired the above shareholdings in Dyoll Group Limited and Kingston Wharves Limited, respectively.

All amounts are stated in Jamaican dollars unless otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

2. Significant Accounting Policies

(a) Basis of preparation

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

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

(b) Consolidation

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

(c) Foreign currency translation

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

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

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

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

(d) Interest and fees

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

2. Significant Accounting Policies (Continued)

(e) Investments

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

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

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

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

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

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

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

(f) Repurchase and reverse repurchase transactions

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

(g) Derivatives

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

Changes in the fair value of derivatives are included in net trading income. This includes derivative transactions which, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules in International Accounting Standard (IAS) 39.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

2. Significant Accounting Policies (Continued)

(h) Loans and provisions for credit losses

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

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

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

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

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

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

(i) Investment property

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

(j) Investments in subsidiaries

Investments by the Bank in subsidiaries are stated at cost less accumulated impairment losses.

(k) Investments in associates

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

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

(l) Property, plant and equipment

Land and buildings, except for investment property, are shown at deemed cost, less subsequent depreciation for buildings. Under IFRS 1, a first-time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment as its deemed cost. The Group elected to apply this provision. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

2. Significant Accounting Policies (Continued)

(l) Property, plant and equipment (continued)

Land is not depreciated. Depreciation on other assets is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates are as follows:

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

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

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

(m) Goodwill

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

(n) Borrowings

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

(o) Employee benefits

(i) Pension plans

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

2. Significant Accounting Policies (Continued)

(o) Employee benefits (continued)

(i) Pension plans (continued)

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

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

(ii) Other post-retirement obligations

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

(p) Leases

(i) As Lessee

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

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

(ii) As Lessor

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

2. Significant Accounting Policies (Continued)

(q) Income taxes

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

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

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

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

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

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

(r) Policyholders' liabilities

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

(s) Provisions

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

(t) Cash and cash equivalents

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

2. Significant Accounting Policies (Continued)

(v) **Fiduciary activities**

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

(w) **Segment reporting**

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

(x) **Comparative information**

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

3. Segment Reporting

The Group is organised into three main business segments:

- (a) Banking - This incorporates retail and corporate banking services.
- (b) Wealth management - This incorporates stock brokerage, securities trading, investment management, pension fund management and trustee services.
- (c) Insurance - This incorporates life insurance and insurance brokerage services.

Other operations of the Group include data processing, money remittance services and registrar and transfer agent services.

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

3. Segment Reporting (Continued)

Year ended 30 September 2004	Banking \$'000	Wealth Management \$'000	Insurance \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
External operating revenue	17,215,673	6,588,628	996,082	11,327	-	24,811,710
Operating revenue from other segments	110,480	1,409,847	391,844	51,390	(1,963,561)	-
Operating revenue	17,326,153	7,998,475	1,387,926	62,717	(1,963,561)	24,811,710
Segment result	1,802,419	1,539,157	410,116	(3,149)	44,341	3,792,884
Share of profit of associates						67,230
Profit before tax						3,860,114
Taxation expense						(643,376)
Net profit						3,216,738
Segment assets	121,856,528	49,755,191	7,664,014	221,684	(5,032,593)	174,464,824
Associates						1,163,192
Unallocated assets						244,001
Total assets						175,872,017
Segment liabilities	110,554,317	45,503,571	7,004,298	237,195	(5,076,934)	158,222,447
Unallocated liabilities						1,355,565
Total liabilities						159,578,012
Capital expenditure	1,485,072	54,774	24,440	1,273		1,565,559
Depreciation	929,597	22,786	10,718	2,359		965,460
Amortisation	81,384	-	-	-		81,384
Year ended 30 September 2003	Banking \$'000	Wealth Management \$'000	Insurance \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
External operating revenue	16,506,432	4,485,574	745,667	4,809	-	21,742,482
Operating revenue from other segments	59,549	1,634,614	188,115	37,748	(1,920,026)	-
Operating revenue	16,565,981	6,120,188	933,782	42,557	(1,920,026)	21,742,482
Segment result	2,615,548	747,688	205,397	(10,436)	(94,947)	3,463,250
Taxation expense						(658,859)
Net profit						2,804,391
Segment assets	116,444,537	36,662,981	4,761,732	172,228	(12,363,244)	145,678,234
Associates						-
Unallocated assets						207,931
Total assets						145,886,165
Segment liabilities	105,615,281	34,533,179	4,393,551	163,031	(12,363,244)	132,341,798
Unallocated liabilities						672,535
Total liabilities						133,014,333
Capital expenditure	1,934,850	62,973	10,371	2,000		2,010,194
Depreciation	472,497	9,721	8,967	3,725		494,910
Amortisation	107,342	-	-	-		107,342

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

4. Net Fee and Commission Income

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

5. Net Trading Income

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

6. Staff Costs

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

The number of persons employed as at 30 September:

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

7. Profit before Taxation

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

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Directors' emoluments -				
Fees	2,500	2,141	1,760	1,236
Management remuneration	59,050	33,665	59,050	33,665
Auditors' remuneration	20,518	17,603	12,460	11,100
Depreciation	965,460	494,410	928,532	471,742
Gain on disposal of property, plant and equipment	(29,257)	(324)	(28,490)	(1,242)
Dividend income	(101,539)	(24,776)	(80,422)	(14,204)
Operating lease rentals	72,782	73,774	72,782	73,774
	<u>643,376</u>	<u>658,859</u>	<u>109,183</u>	<u>421,119</u>

8. Taxation

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

8. Taxation (Continued)

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

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Profit before tax	3,860,114	3,463,250	1,768,839	2,550,654
Tax calculated at a tax rate of 33 $\frac{1}{3}$ %	1,286,705	1,154,417	589,613	850,218
Income not subject to tax or in respect of which tax has been remitted	(638,787)	(676,593)	(497,967)	(594,820)
Expenses not deductible for tax purposes	65,624	212,235	39,414	165,721
Effect of different tax regime applicable to life insurance subsidiary	12,844	(28,375)	-	-
Prior year overprovision	(31,860)	-	(31,860)	-
Effect of tax credit on bonus issue of shares	-	(2,825)	-	-
Other	(51,150)	-	9,983	-
Taxation expense	643,376	658,859	109,183	421,119

- (a) Tax on the life insurance business is charged on investment income, less expenses allowable in earning that income, at the rate of 7 $\frac{1}{2}$ % up to 31 December 2003 and 15% thereafter and on premium income less reinsurance premiums at 1 $\frac{1}{2}$ % up to 31 December 2003 and 3% thereafter.
- (b) The tax credit on the issue of bonus shares was computed at the rate of 25% of the nominal value of the shares issued during the prior year. The maximum nominal value available for the credit was 50% of the after-tax profit for the year of each company.

9. Net Profit

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

10. Retained Earnings

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

11. Earnings Per Stock Unit

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

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

12. Cash and Balances at Bank of Jamaica

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

12. Cash and Balances at Bank of Jamaica (Continued)

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

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

13. Due from Other Banks

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Items in course of collection				
from other banks	1,080,605	1,615,564	1,080,605	1,615,564
Placements with other banks	12,579,030	7,501,684	12,896,353	7,826,142
Included in cash and cash equivalents	<u>13,659,635</u>	<u>9,117,248</u>	<u>13,976,958</u>	<u>9,441,706</u>

14. Trading Securities

	The Group	
	2004	2003
	\$'000	\$'000
Government of Jamaica debt securities	7,689	895,230
Quoted equity securities	286,196	1,011,040
	<u>293,885</u>	<u>1,906,270</u>

15. Reverse Repurchase Agreements

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

At 30 September 2004, the Group and the Bank held \$21,562,000,000 (2003 - \$7,441,192,000) and \$278,010,000 (2003 - \$570,538,000), respectively of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

16. Loans and Advances

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

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

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

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

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

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

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17. Investment Securities

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

The Bank of Jamaica holds as security, Government of Jamaica Local Registered Stocks with a face value of \$1,400,000,000 (2003 - \$2,017,151,000) for the Group and \$1,300,000,000 (2003 - \$1,977,151,000) for the Bank against possible shortfalls in the operating account.

The Financial Services Commission holds as security, Government of Jamaica Local Registered Stocks valued at \$90,000,000 (2003 - \$90,000,000) for the life insurance subsidiary, in accordance with Section 8(1)(B) of the Insurance Regulations 2001.

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

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Debt securities with an original maturity of less than 90 days	<u>3,713,992</u>	<u>1,275,556</u>	<u>3,421,199</u>	<u>1,275,556</u>

NOTES TO THE FINANCIAL STATEMENTS

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18. Investments in Associates

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

19. Investment Properties

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

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

NOTES TO THE FINANCIAL STATEMENTS

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20. Property, Plant and Equipment

	The Group					Total \$'000
	Freehold Land and Buildings \$'000	Leasehold Improvements \$'000	Furniture, Equipment & Software \$'000	Assets Capitalised Under Finance Leases \$'000	Work-in- progress \$'000	
Cost -						
At 1 October 2002	1,355,503	249,075	1,127,922	883,558	707,854	4,323,912
Additions	96,790	19,084	822,378	6,784	1,065,158	2,010,194
Disposals	-	(2,514)	(9,897)	(18,063)	-	(30,474)
Transfers	27,227	75,040	1,036,885	15,341	(1,154,493)	-
Reclassifications and adjustments	-	-	-	-	(63,574)	(63,574)
At 30 September 2003	1,479,520	340,685	2,977,288	887,620	554,945	6,240,058
Additions	114,670	33,110	874,231	87,401	456,147	1,565,559
Disposals	(10,525)	-	(33,145)	(50,393)	(45,254)	(139,317)
Transfers	267,382	33,459	252,082	13,491	(566,414)	-
Reclassifications and adjustments	-	-	-	-	4,967	4,967
At 30 September 2004	1,851,047	407,254	4,070,456	938,119	404,391	7,671,267
Accumulated						
Depreciation -						
At 1 October 2002	204,378	201,216	730,239	722,040	-	1,857,873
Charge for the year	25,414	27,836	353,500	88,160	-	494,910
Disposals	-	(1,996)	(8,157)	(14,388)	-	(24,541)
At 30 September 2003	229,792	227,056	1,075,582	795,812	-	2,328,242
Charge for the year	27,012	64,991	788,410	85,047	-	965,460
Disposals	(1,921)	-	(18,649)	(44,724)	-	(65,294)
Reclassifications and adjustments	(47,429)	(17,846)	96,092	(20,247)	-	10,570
At 30 September 2004	207,454	274,201	1,941,435	815,888	-	3,238,978
Net Book Value -						
30 September 2004	1,643,593	133,053	2,129,021	122,231	404,391	4,432,289
30 September 2003	1,249,728	113,629	1,901,706	91,808	554,945	3,911,816

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

20. Property, Plant and Equipment (Continued)

	The Bank					Total \$'000
	Freehold Land and Buildings \$'000	Leasehold Improvements \$'000	Furniture, Equipment & Software \$'000	Assets Capitalised Under Finance Leases \$'000	Work-in- progress \$'000	
Cost -						
At 1 October 2002	1,329,620	243,151	1,045,211	885,693	694,102	4,197,777
Additions	96,790	-	788,215	6,784	1,035,125	1,926,914
Disposals	-	-	-	(18,063)	-	(18,063)
Transfers	27,227	75,040	1,011,990	15,341	(1,129,598)	-
Reclassifications and adjustments	-	-	-	-	(63,574)	(63,574)
At 30 September 2003	1,453,637	318,191	2,845,416	889,755	536,055	6,043,054
Additions	114,670	18,067	836,732	87,400	426,597	1,483,466
Disposals	(10,525)	-	(14,430)	(50,393)	-	(75,348)
Transfers	293,265	33,459	252,082	13,491	(592,297)	-
Reclassifications and adjustments	-	-	-	-	4,967	4,967
At 30 September 2004	1,851,047	369,717	3,919,800	940,253	375,322	7,456,139
Accumulated						
Depreciation -						
At 1 October 2002	204,379	196,412	668,961	722,040	-	1,791,792
Charge for the year	25,414	25,416	332,752	88,160	-	471,742
Disposals	-	-	-	(14,388)	-	(14,388)
At 30 September 2003	229,793	221,828	1,001,713	795,812	-	2,249,146
Charge for the year	27,011	58,569	757,906	85,047	-	928,533
Disposals	(1,921)	-	(5,385)	(44,724)	-	(52,030)
Reclassifications and adjustments	(47,429)	(17,846)	96,092	(20,247)	-	10,570
At 30 September 2004	207,454	262,551	1,850,326	815,888	-	3,136,219
Net Book Value -						
30 September 2004	1,643,593	107,166	2,069,474	124,365	375,322	4,319,920
30 September 2003	1,223,844	96,363	1,843,703	93,943	536,055	3,793,908

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

20. Property, Plant and Equipment (Continued)

Included in the table above are amounts totaling \$164,000,000 (2003 - \$164,000,000) for the Group and the Bank representing the previous Jamaican GAAP revalued amount of land and buildings which has been used as the deemed cost of these assets under the provision of IFRS 1 (Note 2(l)).

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

21. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 7.5% for the insurance subsidiary and 33¹/₃% for the Bank and all other subsidiaries. Assets and liabilities recognised on the balance sheet are as follows:

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets	-	(120,426)	-	-
Deferred tax liabilities	852,926	437,966	308,243	422,349
Net liability	<u>852,926</u>	<u>317,540</u>	<u>308,243</u>	<u>422,349</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

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21. Deferred Income Taxes (Continued)

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

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets:				
Property, plant and equipment	133	50	-	-
Investment securities - available-for-sale	2,530	295,389	-	160,815
Loan loss provisions	77,431	56,460	77,431	56,460
Pensions and other				
post-retirement benefits	70,893	59,419	69,960	59,419
Interest payable	300,115	425,646	-	-
Interest rate swap	14,994	42,970	14,994	42,970
Tax loss carry forwards	-	5,919	-	-
Accrual for staff profit share	-	73,686	-	73,686
Other temporary differences	38,453	38,027	32,111	34,617
	<u>504,549</u>	<u>997,566</u>	<u>194,496</u>	<u>427,967</u>
Deferred income tax liabilities:				
Property, plant and equipment	103,256	159,731	100,440	157,629
Investment securities - available-for-sale	157,085	8,226	44,169	-
Investment securities - trading	25,237	-	-	-
Obligations under				
securitization arrangements	21,265	47,092	21,265	47,092
Interest receivable	705,866	446,774	-	-
Unrealised foreign exchange gains	341,124	651,358	336,865	645,595
Other temporary differences	3,642	1,925	-	-
	<u>1,357,475</u>	<u>1,315,106</u>	<u>502,739</u>	<u>850,316</u>

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

Deferred income tax liabilities have not been provided for on the withholding and other taxes that would be payable on the undistributed earnings of certain subsidiaries to the extent that such earnings are permanently reinvested. Such undistributed earnings totalled \$2,834,054,000 at 30 September 2004 (2003 - \$1,284,670,000).

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

22. Retirement Benefits

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

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

Pension schemes

The Bank and its subsidiaries have established a number of pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. Defined benefit plans are valued by independent actuaries annually using the projected unit credit method. The latest actuarial valuations were carried out as at 30 June 2004.

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

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

Pension plan assets include:

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

22. Retirement Benefits (Continued)

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

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

The actual return on plan assets was \$2,545,018,000 (2003 - \$934,182,000) and \$2,543,189,000 (2003 - \$932,436,000) for the Group and the Bank, respectively.

Movements in the amounts recognised in the balance sheet:

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

The principal actuarial assumptions used were as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

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22. Retirement Benefits (Continued)

Other post-retirement benefits

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

In addition to the assumptions used for pension schemes, the main actuarial assumption is a long-term increase in health costs of 15% per year (2003 - 13%).

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

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

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

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

Movements in the amounts recognised in the balance sheet:

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

NOTES TO THE FINANCIAL STATEMENTS

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23. Other Assets

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Accounts receivable and prepayments	744,606	1,031,276	459,879	426,685
Interest receivable	4,071,907	4,987,290	1,896,175	3,608,276
Withholding tax recoverable	1,265,312	350,137	747,244	470,170
	<u>6,081,825</u>	<u>6,368,703</u>	<u>3,103,298</u>	<u>4,505,131</u>

24. Due to Other Banks

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

25. Obligations Under Credit Card and Cash Advance Securitization Arrangements

	The Group and The Bank	
	2004	2003
	\$'000	\$'000
Principal outstanding - US\$154.3 million (2003 - US\$79.2 million)	9,532,453	4,718,256
Unamortised transaction fees	(104,717)	(141,277)
Net liability	<u>9,427,736</u>	<u>4,576,979</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 in October 2001 and ending October 2006. In September 2004, the arrangement was amended to extend the scheduled final payment date from October 2006 to October 2009 and to increase the facility limit to US\$200,000,000. An additional drawdown of US\$100,000,000 was made in September 2004.

Interest is calculated daily based on the weighted average rate applicable to commercial paper transactions administered by the respective conduits. The rate approximates one month US dollar LIBOR plus 200 basis points.

NOTES TO THE FINANCIAL STATEMENTS

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25. Obligations Under Credit Card and Cash Advance Securitization Arrangements (Continued)

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

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

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

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

26. Other Borrowed Funds

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

- (a) The loans from Development Bank of Jamaica are granted in both Jamaican dollar and US dollar currencies and are utilised by the Bank to finance customers with viable projects in agricultural, agro-industrial, manufacturing, mining and tourism sectors of the economy. The loans to customers are for terms up to 12 years and at rates of 10 - 13%.
- (b) Student loan funds represent funds provided by the Government of Jamaica and various funding agencies to the Bank for the purpose of making loans to students of tertiary educational institutions. These are repayable over 7 - 10 years and attract interest at a rate of 16 - 18%.

NOTES TO THE FINANCIAL STATEMENTS

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26. Other Borrowed Funds (Continued)

(c) The finance lease obligations are as follows:

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

The present value of finance lease obligations are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

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27. Policyholders' Liabilities

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

	The Group	
	2004	2003
	\$'000	\$'000
(a) Composition of policyholders' liabilities:		
Life assurance fund	7,105,114	4,232,286
Insurance risk reserve	(192,504)	55,372
	<u>6,912,610</u>	<u>4,287,658</u>
(b) Change in policyholders' liabilities:		
Life assurance fund:		
At the beginning of the year	4,232,286	3,188,347
Gross premiums	2,764,700	1,070,137
Cost of insurance transferred to profit and loss account	(24,595)	(24,222)
Fees transferred to profit and loss account	(93,579)	(70,992)
Claims and benefits	(666,961)	(430,983)
Interest credited	893,263	499,999
At the end of the year	<u>7,105,114</u>	<u>4,232,286</u>
Insurance risk reserve:		
At the beginning of the year	55,372	29,174
(Decrease)/increase in reserve	(247,876)	26,198
At the end of the year	<u>(192,504)</u>	<u>55,372</u>

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28. Provisions

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

29. Other Liabilities

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

30. Share Capital

	2004	2003
	\$'000	\$'000
Authorised	<u>5,750,000</u>	<u>5,750,000</u>
Issued and Fully Paid Up - 2,466,762,828 Ordinary stock units of \$1 each	<u>2,466,763</u>	<u>2,466,763</u>

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31. Fair Value and Other Reserves

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

Capital reserve comprises:

Realised:

Capital gains from the scheme of arrangement	-	-	300,564	300,564
Surplus on revaluation of property, plant and equipment	92,991	92,991	-	-
Retained earnings capitalised	98,167	98,167	-	-

Unrealised:

Surplus on revaluation of property, plant and equipment	116,960	116,960	47,904	47,904
	<u>308,118</u>	<u>308,118</u>	<u>348,468</u>	<u>348,468</u>

32. Loan Loss Reserve

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

33. Banking Reserve Fund

This fund is maintained in accordance with the Banking Act 1992 which requires that a minimum of 15% of the net profits, as defined by the Act, of the Bank be transferred to the reserve fund until the amount of the fund is equal to 50% of the paid-up capital of the Bank and thereafter 10% of the net profits until the amount of the fund is equal to the paid-up capital of the Bank.

34. Retained Earnings Reserve

Section 2 of the Banking Act 1992 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers.

The deposit liabilities of the Bank and other indebtedness for borrowed money together with all interest accrued should not exceed twenty-five times its capital base.

NOTES TO THE FINANCIAL STATEMENTS

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35. Cash Flows from Operating Activities

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Net profit	3,216,738	2,804,391	1,659,656	2,129,535
Adjustments to reconcile net profit to cash flow provided by/(used in) operating activities:				
Depreciation of property, plant and equipment	965,460	494,910	939,105	471,742
Share of after tax profits of associates	(44,395)	-	-	-
Provision for credit losses	422,341	206,561	422,211	203,749
Interest income	(21,513,976)	(17,470,803)	(14,441,397)	(12,480,376)
Interest expense	11,809,339	10,712,921	6,843,225	6,981,076
Income tax expense	526,874	275,720	428,274	31,860
Unrealised exchange loss on credit card and cash advance securitization arrangements	130,909	881,965	130,909	881,965
Amortisation of upfront fees on credit card and cash advance securitization arrangements	81,384	107,342	81,384	107,342
Change in retirement benefit asset/obligation	30,029	22,975	31,622	23,700
Unrealised exchange gain on foreign currency denominated investments	(1,037,974)	(3,063,652)	(1,010,595)	(3,063,652)
Deferred tax expense/(credit)	93,667	383,139	(319,091)	389,259
Gain on sale of property, plant and equipment	(29,763)	(324)	(28,491)	(1,242)
Fair value (gains)/losses on investment properties	(1,100)	(2,313)	-	-
Fair value (gains)/losses on interest rate swap	(83,926)	(10,321)	(83,926)	(10,321)
Changes in operating assets and liabilities:				
Statutory reserves at Bank of Jamaica	(974,113)	(3,080,443)	(974,113)	(3,080,443)
Reverse repurchase agreements	(15,539,579)	4,572,944	292,528	1,958,054
Loans and advances	(8,046,822)	(11,323,987)	(7,949,051)	(11,390,860)
Customer deposits	10,173,312	6,323,789	8,721,651	7,277,393
Repurchase agreements	7,871,512	17,727,301	(10,277,939)	13,482,230
Promissory notes and certificates of participation	(351,421)	(969,588)	-	-
Policyholders' liabilities	2,624,952	1,070,137	-	-
Other	(171,777)	3,366,723	(45,594)	255,405
	(9,848,329)	13,029,387	(15,579,632)	4,166,416
Interest received	22,429,359	12,332,120	16,153,498	10,764,198
Interest paid	(12,038,420)	(10,163,584)	(7,337,631)	(6,360,671)
Income tax paid	(512,085)	(277,991)	(37,579)	(259,308)
Net cash provided by/(used in) operating activities	30,525	14,919,932	(6,801,344)	8,310,635

NOTES TO THE FINANCIAL STATEMENTS

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36. Related Party Transactions and Balances

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

The following transactions were carried out with related parties:

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

36. Related Party Transactions and Balances (Continued)

Year-end balances with related parties are as follows:

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Loans and advances:				
Directors	4,458	3,261	4,458	3,261
Relatives of directors	1,663	-	1,663	-
Companies controlled by directors and related by virtue of common directorships	1,078,830	2,053,957	1,078,830	2,053,957
	<u>1,084,951</u>	<u>2,057,218</u>	<u>1,084,951</u>	<u>2,057,218</u>
Reverse repurchase agreements:				
Companies controlled by directors and related by virtue of common directorships	469,025	-	-	-
Subsidiaries	-	-	-	470,538
	<u>-</u>	<u>-</u>	<u>-</u>	<u>470,538</u>
Due from other banks:				
Subsidiaries	-	-	440,630	424,676
	<u>-</u>	<u>-</u>	<u>440,630</u>	<u>424,676</u>
Other assets:				
Companies controlled by directors and related by virtue of common directorships	236,935	9,158	236,935	9,158
Subsidiaries	6,131	-	102,682	47,899
	<u>243,066</u>	<u>9,158</u>	<u>339,617</u>	<u>57,057</u>
Customer deposits:				
Directors	90,495	48,190	90,495	48,190
Relatives of directors	5,968	2,629	5,968	2,629
Companies controlled by directors and related by virtue of common directorships	1,028,831	471,484	1,028,831	471,484
Associates	25,034	-	25,034	-
Subsidiaries	-	-	2,408,992	2,195,601
	<u>1,150,328</u>	<u>522,303</u>	<u>3,559,320</u>	<u>2,717,904</u>
Repurchase agreements:				
Companies controlled by directors and related by virtue of common directorships	-	-	-	25,566
Relatives of directors	8,423	-	-	-
Subsidiaries	-	-	2,395,900	9,637,317
	<u>8,423</u>	<u>-</u>	<u>2,395,900</u>	<u>9,662,883</u>
Obligations under finance leases:				
Subsidiaries	-	-	12,826	36,143
	<u>-</u>	<u>-</u>	<u>12,826</u>	<u>36,143</u>
Other liabilities:				
Companies controlled by directors and related by virtue of common directorships	248,353	-	248,353	-
Relatives of directors	85	-	-	-
Parent company	23,737	-	23,737	-
Subsidiaries	-	-	245,707	643,432
	<u>272,175</u>	<u>-</u>	<u>517,796</u>	<u>643,432</u>

NOTES TO THE FINANCIAL STATEMENTS

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37. Financial Risk Management

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

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

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

(a) Liquidity risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

37. Financial Risk Management (Continued)

(a) Liquidity risk (continued)

As at 30 September 2004:

	The Group					Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	
	Assets					
Cash and balances at Bank of Jamaica	13,986,481	-	-	-	-	13,986,481
Due from other banks	9,968,925	1,444,728	2,245,982	-	-	13,659,635
Trading Securities	-	-	-	-	293,885	293,885
Reverse repurchase agreements	4,315,176	3,822,282	13,206,148	28,930	-	21,372,536
Loans and advances net of provision for credit losses	9,531,865	2,823,943	3,081,770	10,417,690	8,169,360	34,024,628
Investment securities	4,062,786	2,696,558	7,466,537	27,598,574	35,669,770	77,494,225
Investment in subsidiaries	-	-	-	-	1,163,192	1,163,192
Other	590,543	786,404	2,343,000	634,263	9,523,225	13,877,435
Total assets	42,455,776	11,573,915	28,343,437	38,679,457	54,819,432	175,872,017
Liabilities						
Due to other banks	3,490,185	1,103,185	2,201,420	-	-	6,794,790
Customer deposits	66,292,082	1,296,436	10,286,769	1,986,993	-	79,862,280
Derivative financial instruments	-	-	6,748	35,986	2,249	44,983
Promissory notes and certificates of participation	5,778,786	2,420,186	1,529,395	39,761	-	9,768,128
Repurchase agreements	16,292,250	10,090,265	11,028,090	54,123	31,525	37,496,253
Obligations under credit card and cash advance securitization arrangements	-	-	1,362,595	7,562,694	502,447	9,427,736
Other borrowed funds	-	-	-	1,155,322	-	1,155,322
Other	7,486,741	240,061	998,359	424,554	5,878,805	15,028,520
Total liabilities	99,340,044	15,150,133	27,413,376	11,259,433	6,415,026	159,578,012
Net Liquidity Gap	(56,884,268)	(3,576,218)	930,061	27,420,024	48,404,406	16,294,005
Cumulative Liquidity Gap	(56,884,268)	(60,460,486)	(59,530,425)	(32,110,401)	16,294,005	
As at 30 September 2003:						
Total assets	26,307,995	13,548,629	21,210,394	37,566,723	47,252,424	145,886,165
Total liabilities	88,725,853	13,214,478	20,524,249	8,933,357	1,616,396	133,014,333
Net Liquidity Gap	(62,417,858)	334,151	686,145	28,633,366	45,636,028	12,871,832
Cumulative Liquidity Gap	(62,417,858)	(62,083,707)	(61,397,562)	(32,764,196)	12,871,832	

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

37. Financial Risk Management (continued)

(a) Liquidity risk (continued)

As at 30 September 2004:

	The Bank					Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	
	Assets					
Cash and balances at Bank of Jamaica	13,131,337	-	-	-	-	13,131,337
Due from other banks	12,307,772	15,580	1,653,606	-	-	13,976,958
Reverse repurchase agreements	278,010	-	-	-	-	278,010
Loans and advances net of provision for credit losses	9,539,652	2,823,629	3,057,843	10,250,502	8,129,954	33,801,580
Investment securities	3,689,632	1,447,468	3,543,193	11,045,229	29,028,999	48,754,521
Investment in subsidiaries	-	-	-	-	1,456,970	1,456,970
Investments in associates	-	-	-	-	1,148,446	1,148,446
Other	155,007	94,942	299,230	295,227	9,669,230	10,513,636
Total assets	39,101,410	4,381,619	8,553,872	21,590,958	49,433,599	123,061,458
Liabilities						
Due to other banks	3,491,102	1,103,185	2,201,221	-	-	6,795,508
Customer deposits	68,022,380	279,621	9,209,626	1,881,967	-	79,393,594
Derivative financial instruments	-	-	6,748	35,986	2,249	44,983
Repurchase agreements	4,491,384	1,471,137	1,617,641	-	-	7,580,162
Obligations under credit card and cash advance securitization arrangements	-	-	1,257,878	7,667,411	502,447	9,427,736
Other borrowed funds	-	-	-	1,168,148	-	1,168,148
Other	61,870	123,739	852,952	61,944	4,866,674	5,967,179
Total liabilities	76,066,736	2,977,682	15,146,066	10,815,456	5,371,370	110,377,310
Net Liquidity Gap	(36,965,326)	1,403,937	(6,592,194)	10,775,502	44,062,229	12,684,148
Cumulative Liquidity Gap	(36,965,326)	(35,561,389)	(42,153,583)	(31,378,081)	12,684,148	
As at 30 September 2003:						
Total assets	23,755,086	11,251,758	14,245,614	28,531,462	40,217,944	118,001,864
Total liabilities	65,792,726	16,611,418	13,605,105	9,014,758	1,533,102	106,557,109
Net Liquidity Gap	(42,037,640)	(5,359,660)	640,509	19,516,704	38,684,842	11,444,755
Cumulative Liquidity Gap	(42,037,640)	(47,397,300)	(46,756,791)	(27,240,087)	11,444,755	

(b) Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

37. Financial Risk Management (Continued)

(b) Interest rate risk (Continued)

As at 30 September 2004:

	The Group						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non-Interest Bearing \$'000	
	Assets						
Cash and balances at Bank of Jamaica	3,359,198	-	-	-	-	10,627,283	13,986,481
Due from other banks	3,827,120	1,444,728	2,245,982	-	-	6,141,805	13,659,635
Trading securities	-	7,689	-	-	-	286,196	293,885
Reverse repurchase agreements	3,925,265	4,211,775	13,235,496	-	-	-	21,372,536
Loans and advances net of provision for credit losses	27,947,119	791,440	977,909	4,268,754	39,406	-	34,024,628
Investment securities	8,749,825	37,968,546	12,888,794	11,518,886	6,368,174	-	77,494,225
Investment in associates	-	-	-	-	-	1,163,192	1,163,192
Other	-	-	-	-	-	13,877,435	13,877,435
Total assets	47,808,527	44,424,178	29,348,181	15,787,640	6,407,580	32,095,911	175,872,017
Liabilities							
Due to other banks	3,490,384	1,103,185	2,201,221	-	-	-	6,794,790
Customer deposits	19,199,458	11,202,771	30,099,440	1,986,993	-	17,373,618	79,862,280
Derivative financial instruments	-	-	6,748	35,986	2,249	-	44,983
Promissory notes and certificates of participation	5,778,786	2,420,186	1,529,395	39,761	-	-	9,768,128
Repurchase agreements	16,292,250	10,090,265	11,028,090	54,123	31,525	-	37,496,253
Obligations under credit card and cash advance securitization arrangements	-	-	1,362,595	7,562,694	502,447	-	9,427,736
Other borrowed funds	-	-	-	1,155,322	-	-	1,155,322
Other	-	-	-	-	1,490	15,027,030	15,028,520
Total liabilities	44,760,878	24,816,407	46,227,489	10,834,879	537,711	32,400,648	159,578,012
On balance sheet							
interest sensitivity gap	3,047,649	19,607,771	(16,879,308)	4,952,761	5,869,869	(304,737)	16,294,005
Cumulative interest sensitivity gap	3,047,649	22,655,420	5,776,112	10,728,873	16,598,742	16,294,005	
As at 30 September 2003:							
Total assets	35,630,724	39,168,313	16,570,507	21,931,456	6,743,625	25,841,540	145,886,165
Total liabilities	71,996,991	12,661,759	18,478,572	7,962,277	231,770	21,682,964	133,014,333
On balance sheet							
interest sensitivity gap	(36,366,267)	26,506,554	(1,908,065)	13,969,179	6,511,855	4,158,576	12,871,832
Cumulative interest sensitivity gap	(36,366,267)	(9,859,713)	(11,767,778)	2,201,401	8,713,256	12,871,832	

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

37. Financial Risk Management (Continued)

(b) Interest rate risk (Continued)

As at 30 September 2004:

	The Bank						
	Within 1	1 to 3	3 to 12	1 to 5	Over	Non-Interest	Total
	Month	Months	Months	Years	5 Years	Bearing	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash and balances at Bank of Jamaica	2,504,054	-	-	-	-	10,627,283	13,131,337
Due from other banks	3,310,112	15,580	1,653,606	-	-	8,997,660	13,976,958
Reverse repurchase agreements	278,010	-	-	-	-	-	278,010
Loans and advances net of provision for credit losses	27,946,781	791,126	953,982	4,109,691	-	-	33,801,580
Investment securities	4,045,592	23,797,584	4,556,386	8,896,987	5,662,255	1,795,717	48,754,521
Investment in subsidiaries	-	-	-	-	-	1,456,970	1,456,970
Investment in associates	-	-	-	-	-	1,148,446	1,148,446
Other	-	-	-	-	-	10,513,636	10,513,636
Total assets	38,084,549	24,604,290	7,163,974	13,006,678	5,662,255	34,539,712	123,061,458
Liabilities							
Due to other banks	3,491,102	1,103,185	2,201,221	-	-	-	6,795,508
Customer deposits	20,929,756	10,185,956	29,022,297	1,881,967	-	17,373,618	79,393,594
Derivative financial instruments	-	-	6,748	35,986	2,249	-	44,983
Repurchase agreements	4,491,384	1,471,137	1,617,641	-	-	-	7,580,162
Obligations under credit card and cash advance securitization arrangements	-	-	1,362,595	7,562,694	502,447	-	9,427,736
Other borrowed funds	-	-	-	1,168,148	-	-	1,168,148
Other	-	-	-	-	-	5,967,179	5,967,179
Total liabilities	28,912,242	12,760,278	34,210,502	10,648,795	504,696	23,340,797	110,377,310
On balance sheet							
interest sensitivity gap	9,172,307	11,844,012	(27,046,528)	2,357,883	5,157,559	11,198,915	12,684,148
Cumulative interest sensitivity gap	9,172,307	21,016,319	(6,030,209)	(3,672,326)	1,485,233	12,684,148	
As at 30 September 2003:							
Total assets	34,595,115	34,018,915	13,514,822	14,417,512	2,510,650	18,944,850	118,001,864
Total liabilities	51,072,730	16,113,463	14,349,861	8,749,231	1,062,078	15,209,746	106,557,109
On balance sheet							
interest sensitivity gap	(16,477,615)	17,905,452	(835,039)	5,668,281	1,448,572	3,735,104	11,444,755
Cumulative interest sensitivity gap	(16,477,615)	1,427,837	592,798	6,261,079	7,709,651	11,444,755	

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

37. Financial Risk Management (Continued)

(b) Interest rate risk (Continued)

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

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

(c) Currency risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

37. Financial Risk Management (Continued)

(c) Currency risk (Continued)

As at 30 September 2004:

	The Group					Total J\$'000
	Jamaican \$ J\$'000	US\$ J\$'000	GBP J\$'000	CAN\$ J\$'000	Other J\$'000	
Assets						
Cash and balances at						
Bank of Jamaica	10,102,468	3,284,621	523,244	63,275	12,873	13,986,481
Due from other banks	236,929	8,255,910	4,811,026	54,581	301,189	13,659,635
Trading securities	287,089	6,796	-	-	-	293,885
Reverse repurchase agreements	18,712,814	2,659,722	-	-	-	21,372,536
Loans and advances net of provision for credit losses	15,023,329	19,001,299	-	-	-	34,024,628
Investment securities	51,552,716	25,681,628	8,171	171,092	80,618	77,494,225
Investment in associates	1,163,192	-	-	-	-	1,163,192
Other	11,324,904	2,304,417	164,333	22,415	61,366	13,877,435
Total assets	108,403,441	61,194,393	5,506,774	311,363	456,046	175,872,017
Liabilities						
Due to other banks	1,793,379	4,923,273	55,665	15,159	7,314	6,794,790
Customer deposits	50,457,039	24,535,712	4,308,946	375,738	184,845	79,862,280
Derivative financial instruments	-	44,983	-	-	-	44,983
Promissory notes and certificates of participation	9,768,128	-	-	-	-	9,768,128
Repurchase agreements	21,387,741	16,081,262	24,899	2,351	-	37,496,253
Obligations under credit card and cash advance securitization arrangements	-	9,427,736	-	-	-	9,427,736
Other borrowed funds	1,155,322	-	-	-	-	1,155,322
Retirement benefit obligations	209,879	-	-	-	-	209,879
Other	11,558,132	2,918,976	294,357	11,005	36,171	14,818,641
Total liabilities	96,329,620	57,931,942	4,683,867	404,253	228,330	159,578,012
Net position	12,073,821	3,262,451	822,907	(92,890)	227,716	16,294,005
As at 30 September 2003:						
Total assets	90,201,164	51,691,808	3,186,631	332,056	474,506	145,886,165
Total liabilities	85,215,541	43,788,954	3,703,262	229,592	76,984	133,014,333
Net position	4,985,623	7,902,854	(516,631)	102,464	397,522	12,871,832

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

37. Financial Risk Management (Continued)

(c) Currency risk (Continued)

As at 30 September 2004:

	The Bank					
	Jamaican \$	US\$	GBP	CAN\$	Other	Total
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Assets						
Cash and balances						
at Bank of Jamaica	9,948,507	2,630,416	482,169	57,372	12,873	13,131,337
Due from other banks	224,581	8,585,581	4,811,027	54,580	301,189	13,976,958
Reverse repurchase agreements	-	278,010	-	-	-	278,010
Loans and advances net of						
provision for credit losses	15,023,330	18,778,247	3	-	-	33,801,580
Investment securities	35,440,613	13,054,027	8,171	171,092	80,618	48,754,521
Investment in subsidiaries	1,325,063	131,565	342	-	-	1,456,970
Investment in associated companies	1,148,446	-	-	-	-	1,148,446
Property, plant and equipment	4,319,920	-	-	-	-	4,319,920
Other	4,024,529	1,926,296	159,110	22,415	61,366	6,193,716
Total assets	71,454,989	45,384,142	5,460,822	305,459	456,046	123,061,458
Liabilities						
Due to other banks	1,793,180	4,924,190	55,665	15,159	7,314	6,795,508
Customer deposits	50,457,039	24,067,026	4,308,946	375,738	184,845	79,393,594
Derivative financial instruments	-	44,983	-	-	-	44,983
Repurchase agreements	5,593,765	1,986,397	-	-	-	7,580,162
Obligations under credit card						
and cash advance						
securitization arrangements	-	9,427,736	-	-	-	9,427,736
Other borrowed funds	1,168,148	-	-	-	-	1,168,148
Deferred tax	308,243	-	-	-	-	308,243
Retirement benefit obligations	209,879	-	-	-	-	209,879
Other	2,555,203	2,638,543	208,135	11,005	36,171	5,449,057
Total liabilities	62,085,457	43,088,875	4,572,746	401,902	228,330	110,377,310
Net position	9,369,532	2,295,267	888,076	(96,443)	227,716	12,684,148
As at 30 September 2003:						
Total assets	71,196,935	42,826,785	3,174,019	329,619	474,506	118,001,864
Total liabilities	69,614,513	32,977,504	3,661,052	227,056	76,984	106,557,109
Net position	1,582,422	9,849,281	(487,033)	102,563	397,522	11,444,755

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

37. Financial Risk Management (Continued)

(d) Market risk

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

(e) Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

37. Financial Risk Management (Continued)

(e) Credit risk (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

38. Fair Values of Financial Instruments

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

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

- (a) Trading securities, derivatives and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount for these items;
- (b) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;
- (c) The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- (d) The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the balance sheet date;
- (e) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts; and
- (f) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

38. Fair Values of Financial Instruments (Continued)

The following tables present the fair value of financial instruments based on the above valuation methods and assumptions for those financial assets and financial liabilities that are not carried at fair value.

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

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

39. Banking Act

At 30 September 2004 and 30 September 2003:

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

40. Commitments

(a) Capital:

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

	The Group		The Bank	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Authorised and contracted	231,530	301,557	231,530	301,557
Authorised but not yet contracted	821,910	123,053	821,910	123,053
	<u>1,053,440</u>	<u>424,610</u>	<u>1,053,440</u>	<u>424,610</u>

(b) Operating lease:

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

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

41. Pledged Assets

	The Group		The Bank	
	Asset	Related Liability	Asset	Related Liability
	\$'000	\$'000	\$'000	\$'000
Balances at Bank of Jamaica	9,672,654	-	9,672,654	-
Securities	53,072,929	47,798,461	12,375,055	7,580,162
Property, plant and equipment	123,256	111,062	123,256	123,888
Other	966,850	814,260	966,850	814,260

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

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

42. Fiduciary Activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At 30 September 2004, the Group had financial assets under administration of approximately \$30.9 billion (2003 - \$22.6 billion).

43. Litigation and Contingent Liabilities

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

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

Significant matters are as follows:

- (a) Suit has been filed by a customer of the Bank against the Attorney General of Jamaica, the Bank and Mr. Dunbar McFarlane. The customer is claiming damages arising out of an alleged breach of a contract between the customer and the National Insurance Fund of which Mr. Dunbar McFarlane, a former director of the Bank, was Chairman, for the sale of certain premises which were mortgaged to the Bank. The customer also claims special damages amounting to approximately \$110 million. No provision has been made in the financial statements as the Bank's attorneys, are of the opinion that the plaintiff's claims against Mr. McFarlane and the Bank are unlikely to succeed.
- (b) Suit has been filed by the Bank's Staff Association against the Bank and Trustees of the N.C.B. Pension Scheme for breach of trust in respect of matters concerning the amendment and merger of the former pension funds, as well as the management and investment of the funds of the pension scheme. No provision has been made in the financial statements as the Bank's attorneys are of the opinion that the suit against the Bank is unlikely to succeed.

NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

43. Litigation and Contingent Liabilities (Continued)

- (c) Suit has been filed against the Bank by a customer for breach of contract and/or negligence for debiting the plaintiff's account. The claim is for \$33.35 million with interest on the said sum at commercial bank rates from 16 May 1997 to date of payment. No provision has been made in these financial statements for this claim as the Bank's attorneys are of the view that the Bank will not be found liable.
- (d) Suit has been filed by a customer against the Bank for breach of contract, breach of trust and negligence. The claim for damages includes a sum equivalent to the profit of the business foregone as a result of an inability to access a loan approved by the Bank and the cost of interim financing. Based on the advice of the Bank's attorneys, a provision of \$170 million has been made in the financial statements in respect of this suit.
- (e) Suit has been filed by a customer against the Bank for damages suffered as a result of the Bank's negligence in the sale of property for an undervalued amount. The claim is for \$31 million plus interest. Based on the advice of the Bank's attorneys, a provision has been made in the financial statements in respect of this claim.
- (f) Suit has been filed by a customer against the Bank for unlawful, wrongful and/or improper use of power in the appointment of a Receiver and Manager of the customer's business property and assets. The claim is for specific sums totaling \$59 million. The Bank's attorneys are unable to determine the outcome of the suit and no provision has been made in the financial statements.
- (g) A number of other suits claiming damages in excess of \$5 million each have been filed by customers of the Bank. The sums totalled approximately \$116 million. In some instances counter claims have been filed by the Bank. Provision has been made in the financial statements for certain of these claims. No provision has been made where the Bank's attorneys are of the view that the Bank has a good defence.

44. Dividends

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the Board of Directors meeting on 9 December 2004, a final interim dividend in respect of 2004 of \$ 0.21 per ordinary stock unit was declared. The financial statements for the year ended 30 September 2004 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 30 September 2005.

CAPITAL ADEQUACY

The international standard for measuring capital adequacy is the risk asset ratio.

The risk asset ratio calculated in accordance with the capital adequacy guidelines of the Bank for International Settlement is as follows:

	2004	2003
	J\$'000	J\$'000
CAPITAL BASE		
TIER 1 - SHAREHOLDERS' FUNDS	10,912,492	8,455,627
TIER 2 - GENERAL PROVISION	343,943	242,272
TOTAL CAPITAL BASE	11,256,435	8,697,899
TOTAL RISK WEIGHTED ASSETS	51,273,164	41,402,841
RISK ASSET RATIO	21.95%	21.01%

NCB JAMAICA LIMITED 10 LARGEST SHAREHOLDERS



AS AT SEPTEMBER 30, 2004

NAME OF SHAREHOLDER	UNITS
AIC (Barbados) Limited	1,737,018,044
Jamaica National Building Society	78,911,646
West Indies Trust Company Limited A/c WT. 109	47,379,462
Trading Pooled Equity #1 - Life of Jamaica	17,624,574
National Insurance Fund	16,911,712
Capil's & Company Ltd. (T&T Stock Exchange)	16,500,000
Ideal Portfolio Services	16,033,719
AIC Limited	15,056,320
T & T Unit Trust Corporation - Fus	18,500,000
West Indies Trust Company A/c WT 89	13,572,311

AS AT JANUARY 31, 2005

NAME OF SHAREHOLDER	UNITS
AIC (Barbados) Limited	1,726,013,510
Jamaica National Building Society	58,919,723
West Indies Trust Company Limited A/c WT.109	47,379,462
T&T Unit Trust Corporation - Fus.	18,250,000
Trading Pooled Equity #1 - Life of Jamaica	17,825,056
National Insurance Fund	16,911,712
Ideal Portfolio Services	16,209,389
AIC Limited	15,056,320
West Indies Trust Company A/c WT 89	13,572,311
Trustees NCB Employee's Share Scheme	10,948,395

ANALYSIS OF SHAREHOLDINGS OF DIRECTORS



AS AT SEPTEMBER 30, 2004

		TOTAL
KRIS ASTAPHAN	1,003,845	1,003,845
AYLMER "DESMOND" BLADES	Nil	Nil
WAYNE CHEN	Nil	Nil
DR. NIGEL CLARKE	1,440	1,440
SANDRA GLASGOW	1,500	1,500
HON. NOEL A.A. HYLTON	Nil	Nil
PATRICK ANDREW HYLTON	259,232	259,232
MICHAEL LEE-CHIN	5,138,529	
AIC (Barbados) Ltd.	1,731,879,515	1,737,018,044
DONOVAN LEWIS	15,000	
	17,382,716*	17,397,716
THALIA LYN	12,500	12,500
HERBERT PHILLIPPS JNR.	Nil	Nil
PROF. ALVIN WINT	150	150
Shareholding of Company Secretary		
JENNIFER DEWDNEY KELLY	26,194	26,194

*Indicates shares held by Nominees or connected persons

ANALYSIS OF SHAREHOLDINGS OF EXECUTIVES








AS AT SEPTEMBER 30, 2004

		TOTAL
RICKERT GEORGE ALLEN	37,142	37,142
SEPTIMUS "BOB" BLAKE	50	50
COURTNEY CAMPBELL	72,811	72,811
FFRENCH CAMPBELL	4,500	4,500
INGRID S.M. CHAMBERS	1,500	1,500
YVONNE CLARKE	14,711	14,711
DENNIS G. COHEN	Nil	Nil
SHEREEN JONES	Nil 52,560*	52,560
SHEREE MARTIN	1,360	1,360
JANICE McKENLEY	Nil	Nil
MINISH PARIKH	Nil	Nil
MARJORIE SEEBERAN	3,720	3,720
INGRID STEPHENS	Nil	Nil
CHRISTOPHER WILLIAMS	17,785	17,785

*Indicates shares held by Nominees or connected persons

LISTING OF SUBSIDIARIES

OF NATIONAL COMMERCIAL BANK JAMAICA LIMITED

<p>1. NCB CAPITAL MARKETS LIMITED (Incorporated in Jamaica)</p> <p>The Company is a licensed securities dealer and is a member of the Jamaica Stock Exchange. It also has primary dealer status from the Bank of Jamaica.</p>	
<p>2. NCB INSURANCE COMPANY LIMITED (Incorporated in Jamaica)</p> <p>The principal activity of the Company is the provision of long term insurance.</p>	
<p>3. N.C.B. JAMAICA (NOMINEES) LIMITED (Incorporated in Jamaica)</p> <p>The main activities of the Company are the provision of services as Registrar and transfer agent for several major companies listed on the Jamaican stock exchange.</p>	
<p>4. NCB (CAYMAN) LIMITED (Incorporated in the Cayman Islands)</p> <p>The core business of this Company is the provision of banking and financial services to overseas clients.</p>	
<p>5. N.C.B. (INVESTMENTS) LIMITED (Incorporated in Jamaica)</p> <p>This Company is presently dormant.</p>	
<p>6. WEST INDIES TRUST COMPANY LIMITED (Incorporated in Jamaica)</p> <p>The main activities of the Company are pension administration, investment and trust management, and the administration of deceased estates.</p>	
<p>7. SENVIA MONEY SERVICES (UK) LIMITED (Incorporated in the U.K.)</p> <p>The principal activity of the Company is the remittance of pounds sterling overseas.</p>	
<p>8. MUTUAL SECURITY INSURANCE BROKERS LIMITED (Incorporated in Jamaica)</p> <p>The principal activity of the Company is the placement of insurance on behalf of clients from which commissions are earned. At present the principal clients are National Commercial Bank Jamaica Limited and its subsidiaries. There are two other clients.</p>	
<p>9. DATA-CAP PROCESSING LIMITED (Incorporated in Jamaica)</p> <p>The Company is presently dormant.</p>	

NCB BRANCH NETWORK & SUBSIDIARY LOCATIONS

ANNOTTO BAY

P.O. Box 30
Annotto Bay, St. Mary
Tel. 996-2213, 996-2219
Fax: 996-2416
Audrey McIntosh - Manager

BAYWEST

Baywest Centre, Harbour Street
Montego Bay, Jamaica
Tel. 952-3640
Fax: 952-7256
Andrea Allen - Officer in Charge

BLACK RIVER

Chambers Plaza, Black River
Tel. 965-2207, 965-9083
Fax: 965-2407
Andrea Arscott Allen - Actg. Manager

BROWN'S TOWN

17 Main Street
Brown's Town, St. Ann
Tel. 975-2242, 975-2275
Fax: 975-2508
Earl Mark Leakey - Manager

CHAPELTON

40 Main Street
Chapelton, Clarendon
Tel. 987-2225, 987-2395
Fax: 987-2211
Conroy Ward - Manager

CHRISTIANA

Main Street
Christiana, Manchester
Tel. 964-2235, 964-2426
Fax: 964-2454
Orlease Walker - Manager

CROSS ROADS

90-94 Slipe Road
P.O. Box 5, Kingston 5
Tel. 926-7428-9
Fax: 926-7463
Ilyn Thompson - Manager

DUKE & BARRY STREETS

37 Duke Street, Kingston
Tel. 922-6710-9
Fax: 922-4816
Noel Barker - Manager

FALMOUTH

Water Square, P.O. Box 80
Falmouth, Trelawny
Tel. 954-3232-3
Fax: 954-3211
Lorna Deers - Manager

HAGLEY PARK ROAD

211 Hagley Park Road
Kingston 11
Tel. 923-5391-5
Fax: 923-7517
Mark Fletcher - Manager

HALF WAY TREE

94 Half Way Tree Road
Kingston 10
Tel. 926-5416-9
Fax: 929-3861
Marva Peynado - Manager
Lavern Francis - Asst. Manager
Jenny Eastwood - Operations Manager

HARBOUR VIEW

Harbour View Shopping Centre
Harbour View, Kingston 17
Tel. 928-6361, 928-7513
Fax: 928-7566
Percival Chin - Manager

54 KING STREET

54 King Street
P.O. Box 120, Kingston
Tel. 922-3940-9, 922-6250-9
Fax: 922-6107, 922-4373
Valda Facey - Manager
Donna Clarke - Asst. Manager
Sheila Smith - Operations Manager
Winsome Heslop - Customer Service Manager

1-7 KNUTSFORD BOULEVARD

P.O. Box 463, Kingston 5
Tel. 926-9015-23
Fax: 926-4210
Stuart Reid - Manager
Jeffrey Johnson - Asst. Manager
Sharon Gibson - Customer Service Manager

LINSTEAD

29 King Street, P.O. Box 3
Linstead, St. Catherine
Tel. 985-2257, 985-9295
Fax: 985-2454
Jacqueline Mighten - Manager

LUCEA

Main Street, P.O. Box 3
Lucea, Hanover
Tel. 956-2204, 956-2348-9
Fax: 956-2410
Donald Courtney Wilson - Manager

MANDEVILLE

P.O. Box 61
Mandeville, Manchester
Tel. 962-2618, 962-2161
Fax: 962-3619
Winston Lawson - Manager

MANOR CENTRE

195 Constant Spring Road
Kingston 8
Tel. 924-1388
Fax: 755-1805
Linda Miller - Manager

MANOR PARK

184 Constant Spring Road
Manor Park Plaza, Kingston 8
Tel. 924-6107-9
Fax: 925-6478
Linda Miller - Manager

MATILDA'S CORNER

15 Northside Drive, Northside Plaza
Kingston 6
Tel. 702-2421-3
Fax: 927-3580
Jocelyn Richards - Manager

MAY PEN

41 Main Street, P.O. Box 29
May Pen, Clarendon
Tel. 986-2411, 986-2343
Fax: 986-2745
Leroy Harding - Manager

MORANT BAY

39 Queen Street, P.O. Box 3
Morant Bay, St. Thomas
Tel. 982-2225, 982-2272
Fax: 982-2480
David Barnes - Manager

NEGRIL

P.O. Box 87, Sunshine Village
Negril, Westmoreland
Tel. 957-4239/3133
Fax: 957-4118
Wayne Hunter - Manager

NEWPORT WEST

54 Second Street, Kingston 11
Tel. 923-9004-5
Fax: 923-5272
Glen Shields - Manager

OCHO RIOS

40 Main Street
Ocho Rios, St. Ann
Tel. 974-2522, 974-2580
Fax: 974-2366
Kay Earl - Manager
Beverley Creighton - Operations Manager

OLD HARBOUR

South & West Street
Old Harbour, St. Catherine
Tel. 983-2279
Fax: 983-2209
Laurie Spencer - Manager

OXFORD PLACE

2 Oxford Road
P.O. Box 521, Kingston 5
Tel. 968-2765, 968-2773
Fax: 929-4876
Elizabeth Thompson - Manager

PRIVATE BANKING CENTRE

32 Trafalgar Road, Kingston 10
Tel. 929-7717/8735
Fax: 929-8736
Elaine Riettie - Manager
Athelstan Bellamy - Asst. Manager

PORTMORE

Shop 2D, Portmore Mall
Tel. 988-7433-7
Fax: 988-7432
Ashbourne Solomon - Manager

PORT MARIA

8 Main Street
Port Maria, St. Mary
Tel. 994-2551, 994-2219
Fax: 994-2380
Phyllis Smith - Manager (Relief)

RED HILLS ROAD

Red Hills Shopping Mall
105 Red Hills Road
Kingston 19
Tel. 925-3313-4
Fax: 924-5174
Avis Andrews - Manager

ST. ANN'S BAY

19-21 Main Street
St. Ann's Bay, St. Ann
Tel. 972-2490-1
Fax: 972-2462
Marva Blair - Manager

ST. JAMES STREET

41 St. James Street
P.O. Box 318, Montego Bay,
St. James
Tel. 952-6540-9
Fax: 952-6258
Robert Brooks - Manager
Marcia O'Reggio - Operations Manager

SANTA CRUZ

7 Coke Drive, Santa Cruz
St. Elizabeth
Tel. 966-2204
Fax: 966-2495
Jacqueline Lucas - Manager

SAVANNA LA MAR

68 Great Georges Street
P.O. Box 10
Savanna la mar
Tel. 955-2623
Fax: 955-2483
Stuart Barnes - Manager

SPANISH TOWN ROAD

236 Spanish Town Road
Kingston 11
Tel. 901-2042/9929
Fax: 901-7876
Denzil McKenzie - Officer in Charge

ST. JAGO SHOPPING CENTRE

St. Jago Shopping Centre
P.O. Box 22, Spanish Town
St. Catherine
Tel. 984-0672-6
Fax: 984-0667
Peter Jennings - Manager

UNIVERSITY

University of the West Indies
Mona, Kingston 7
Tel. 927-1057/0463
Fax: 927-1523
Andrew McCalla - Manager

YALLAHS

Main Street
St. Thomas
Tel. 706-1154, 706-3701
Fax: 706-2512
Cheryl Foster - Officer in Charge

WASHINGTON BOULEVARD

45 Elma Crescent, Kingston 20
Tel. 934-1081-2
Fax: 934-1381
Courtney Williams - Manager

WINDWARD ROAD

89-91 Windward Road
P.O. Box 25, Kingston 2
Tel. 928-1167, 928-2922
Fax: 928-5922
Delroy Morris - Officer in Charge

NCB SUBSIDIARIES

MUTUAL SECURITY INSURANCE BROKERS LIMITED

1st Floor, The Atrium
32 Trafalgar Road, Kingston 10
Tel. 929-9050
Fax: 968-7725
Pat Austin - Manager

NCB CAPITAL MARKETS LIMITED

3rd Floor, The Atrium
32 Trafalgar Road, Kingston 10
Tel. 960-7018/8592
Fax: 920-4313
Christopher Williams - Managing Director

NCB (CAYMAN) LIMITED

Cricket Square, Elgin Street
P.O. Box 31120
Grand Cayman, B.W.I.
Tel. (345) 949-8002
Fax: (345) 949-4006
Phillip Harrison - Manager

NCB INSURANCE COMPANY LIMITED

3rd Floor, The Atrium
32 Trafalgar Road, Kingston 10
Tel. 935-2004, 935-2005
Fax: 929-7301
Ingrid Chambers - Managing Director

NCB JAMAICA (NOMINEES) LIMITED

2nd Floor, The Atrium
32 Trafalgar Road, Kingston 10
Tel. 929-9050
Fax: 968-1344
Colleen McDonald - Registrar

NCB REMITTANCE SERVICES LIMITED

33 Smallbrook, Queensbury
Birmingham B5, 4HQ
England
Tel. 121-632-5334-5
Fax: 121-643-8447
Dale Robinson - Manager


WEST INDIES TRUST COMPANY LIMITED

2nd Floor, The Atrium
32 Trafalgar Road, Kingston 10
Tel. 929-9050
Fax: 926-6674
Ingrid Chambers - Managing Director



"It is my dream that, one day, every Jamaican child will have the opportunity to complete tertiary education - it is my commitment to do all I can to realize that dream."

Michael Lee-Chin, Chairman, National Commercial Bank

**JAMAICAN
EDUCATION**

INITIATIVE

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JAMAICA LIMITED

Email: ncbinfo@ncb.com • Website: www.ncb.com
Customer Care Centre: 1-888-NCB-FIRST (1-888-622-3477)