

**National Commercial Bank
Jamaica Limited**

**Unaudited Financial Statements
31 December 2003**

National Commercial Bank Jamaica Limited

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31 December 2003

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National Commercial Bank Jamaica Limited

Consolidated Profit and Loss Account

Quarter ended 31 December 2003

	Note	Dec. 2 \$'000	Restated Dec. 2002 \$'000
Operating Income			
Interest income from loans		1,133,166	572,635
Interest income from securities		4,588,681	2,703,400
Total interest income		5,721,847	3,276,035
Interest expense		(3,167,417)	(2,097,224)
Net interest income		2,554,430	1,178,811
Net fee and commission income	4	398,836	324,326
Net trading income	5	189,059	415,122
Other operating income		39,665	49,305
		<u>3,181,990</u>	<u>1,967,564</u>
Operating Expenses			
Staff costs		1,187,487	945,244
Provision for credit losses		34,777	41,473
Depreciation		144,626	74,584
Other operating expenses		844,976	527,249
		<u>2,211,866</u>	<u>1,588,550</u>
Profit before Taxation		970,124	379,014
Taxation	6	(223,916)	101,900
Net Profit		<u>746,208</u>	<u>480,914</u>
EARNINGS PER STOCK UNIT	7	<u>\$0.30</u>	<u>\$0.19</u>

National Commercial Bank Jamaica Limited

Consolidated Balance Sheet

31 December 2003

	Notes	Dec. 2003 \$'000	Sept. 2003 \$'000
ASSETS			
Cash and balances at Bank of Jamaica	8	14,604,091	10,641,638
Due from other banks		8,130,528	9,117,248
Trading securities		105,864	1,906,270
Reverse repurchase agreements	9	7,327,717	5,832,957
Loans and advances, net of provision for credit losses	10	30,109,922	26,400,147
Investment securities		76,453,321	78,538,460
Investment properties		28,200	28,200
Property, plant and equipment		4,043,390	3,911,816
Deferred tax assets	11	4,771	120,426
Retirement benefit asset		6,009	6,009
Income tax recoverable		297,469	87,505
Other assets	12	6,293,194	6,368,703
Customers' liability on acceptances, guarantees, indemnities and credits		3,313,902	2,926,786
Total assets		150,718,378	145,886,165

National Commercial Bank Jamaica Limited

Consolidated Balance Sheet

31 December 2003

	Notes	Dec. 2 \$'000	Sept. 2003 \$'000
LIABILITIES			
Due to other banks		4,617,896	6,257,208
Customer deposits		72,115,273	69,688,968
Derivative financial instruments		105,139	128,909
Promissory notes and certificates of participation		10,030,057	10,119,549
Repurchase agreements		31,103,458	29,624,741
Obligations under credit card and cash advance securitization arrangements	13	4,396,839	4,576,979
Other borrowed funds		1,266,727	1,129,249
Income tax payable		55,684	234,569
Deferred tax liabilities	11	560,124	437,966
Policyholders' liabilities		4,795,154	4,287,658
Other liabilities	14	4,761,333	3,423,494
Retirement benefit obligations		178,257	178,257
Liability on acceptances, guarantees, indemnities and credits		3,313,902	2,926,786
Total liabilities		<u>137,299,843</u>	<u>133,014,333</u>
STOCKHOLDERS' EQUITY			
Share capital	15	2,466,763	2,466,763
Share premium		4,453,752	4,453,752
Fair value and other reserves		(322,272)	(270,773)
Loan loss reserve	16	150,459	72,891
Banking reserve fund	17	1,078,000	1,078,000
Retained earnings reserve	18	1,218,761	1,218,761
Retained earnings		4,373,072	3,852,438
Total stockholders' equity		<u>13,418,535</u>	<u>12,871,832</u>
Total equity and liabilities		<u><u>150,718,378</u></u>	<u><u>145,886,165</u></u>

Director

Director

Director

Secretary

National Commercial Bank Jamaica Limited
Consolidated Statement of Changes in Stockholders' Equity
Quarter ended 31 December 2003

Note	Share Capital	Share Premium	Share Redemption Reserve Fund	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	\$'000
Balance as at 1 October 2002, as restated	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 gains/(losses) on available-for-sale investments, net of taxes	-	-	-	(669,670)	-	-	-	-	(669,670)
Reclassified and reported in profit	-	-	-	(48,031)	-	-	-	-	(48,031)
Net gains/(losses) not recognised in Consolidated Profit and Loss Account	-	-	-	(645,987)	-	-	-	-	(645,987)
Net profit	-	-	-	-	-	-	-	2,804,391	2,804,391
Bonus issue of shares in subsidiary	-	-	-	34,970	-	-	-	(34,970)	-
Dividends paid	-	-	-	-	-	-	-	(1,258,049)	(1,258,049)
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	-	-	-	1,777	-	-	-	-	1,777
Unrealised gains/(losses) on available-for-sale investments, net of taxes	-	-	-	(53,276)	-	-	-	-	(53,276)
Reclassified and reported in profit	-	-	-	-	-	-	-	-	-
Net gains/(losses) not recognised in Consolidated Profit and Loss Account	-	-	-	(51,499)	-	-	-	-	(51,499)
Net profit	-	-	-	-	-	-	-	746,208	746,208
Dividends paid	-	-	-	-	-	-	-	(148,006)	(148,006)
Transfer to Loan Loss Reserve	-	-	-	-	77,568	-	-	(77,568)	-
Transfer to Banking Reserve Fund	-	-	-	-	-	-	-	-	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	-	-	-	-
Balance at 31 December 2003	2,466,763	4,453,752	-	(322,272)	150,459	1,078,000	1,218,761	4,373,072	13,418,535

National Commercial Bank Jamaica Limited

Consolidated Statement of Cash Flows

Quarter ended 31 December 2003

	Note	Dec. 2003 \$'000	Restated Dec 2002 \$'000
Cash Flows from Operating Activities			
Net cash provided by operating activities	19	1,162,696	7,392,570
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment, net		(258,747)	(533,017)
Investment securities		3,913,890	(4,842,964)
Net cash provided by/(used in) investing activities		3,655,143	(5,375,981)
Cash Flows from Financing Activities			
Repayments under credit card and cash advance securitization arrangements		(321,207)	(232,550)
Other borrowed funds		137,478	(284,846)
Dividends paid		(148,006)	(123,338)
Net cash used in financing activities		(331,735)	(640,734)
Net increase in cash and cash equivalents		4,486,104	1,375,855
Cash and cash equivalents at beginning of year		4,803,138	6,076,221
Cash and cash equivalents at end of period		9,289,242	7,452,076
Comprising:			
Cash and balances at Bank of Jamaica		5,776,610	4,220,513
Due from other banks		8,130,528	6,319,377
Due to other banks		(4,617,896)	(3,087,814)
		9,289,242	7,452,076

National Commercial Bank Jamaica Limited

Profit and Loss Account

Quarter ended 31 December 2003

	Note	Dec. 2 \$'000	Restated Dec. 2 \$'000
Operating Revenue			
Interest income from loans		1,130,842	570,125
Interest income from securities		3,163,556	1,731,000
Total interest income		4,294,398	2,301,125
Interest expense		(2,162,026)	(1,289,330)
Net interest income		2,132,372	1,011,795
Net fee and commission income	4	323,092	269,829
Net trading income	5	190,117	399,705
Other operating income		31,419	15,936
		<u>2,677,000</u>	<u>1,697,265</u>
Operating Expenses			
Staff costs		1,082,930	876,487
Provision for credit losses		34,806	41,473
Depreciation		137,163	69,225
Other operating expenses		770,457	484,547
		<u>2,025,356</u>	<u>1,471,732</u>
Profit before Taxation		651,644	225,533
Taxation	6	(90,796)	113,837
Net Profit		<u><u>560,848</u></u>	<u><u>339,370</u></u>

National Commercial Bank Jamaica Limited

Balance Sheet

31 December 2003

	Notes	Dec. 2003 \$'000	September 2003 \$'000
ASSETS			
Cash and balances at Bank of Jamaica	8	14,202,974	10,577,615
Due from other banks		8,419,799	9,441,706
Reverse repurchase agreements	9	824,199	570,538
Loans and advances, net of provision for credit losses	10	29,961,717	26,274,740
Investment securities		54,715,569	58,366,965
Investments in subsidiaries		1,456,970	1,456,970
Property, plant and equipment		3,932,207	3,793,908
Income tax recoverable		125,083	87,505
Other assets	12	3,710,709	4,505,131
Customers' liability on acceptances, guarantees, indemnities and credits		3,313,902	2,926,786
Total Assets		120,663,129	118,001,864

National Commercial Bank Jamaica Limited

Balance Sheet

31 December 2003

	Notes	Dec. 2003 \$'000	Sept. 2003 \$'000
LIABILITIES			
Due to other banks		4,612,977	6,257,208
Customer deposits		72,840,832	70,671,9
Derivative financial instruments		105,139	128,9
Repurchase agreements		19,574,331	17,858,1
Obligations under credit card and cash advance securitization arrangements	13	4,396,839	4,576,9
Other borrowed funds		1,084,489	1,165,3
Income tax payable		-	
Deferred tax liabilities	11	497,150	422,3
Other liabilities	14	2,229,225	2,371,1
Retirement benefit obligations		178,257	178,2
Liability on acceptances, guarantees, indemnities and credits		3,313,902	2,926,7
			<u>106,557,10</u>
Total liabilities		<u>108,833,141</u>	
STOCKHOLDERS' EQUITY			
Share capital	15	2,466,763	2,466,7
Share premium		3,998,968	3,998,9
Fair value and other reserves		13,995	41,6
Loan loss reserve	16	150,459	72,8
Banking reserve fund	17	1,078,000	1,078,0
Retained earnings reserve	18	1,218,761	1,218,7
Retained earnings		2,903,042	2,567,7
Total stockholders' equity		<u>11,829,988</u>	<u>11,444,7</u>
		120,663,129	118,001,86
Total equity and liabilities		<u><u>120,663,129</u></u>	<u><u>118,001,86</u></u>

 Director

 Director

 Director

 Secretary

National Commercial Bank Jamaica Limited

Balance Sheet

31 December 2003

National Commercial Bank Jamaica Limited

Statement of Changes in Equity

31 December 2003

Note	Share Capital	Share Premium	Share Redemption Reserve Fund	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	\$'000
Balance as at 1 October 2002, as restated	2,466,763	3,998,968	-	438,132	83,674	759,000	911,897	2,311,363	10,969,797
Unrealised gains/(losses) on available-for-sale investments, net of taxes	-	-	-	(369,509)	-	-	-	-	(369,509)
Reclassified and reported in profit	-	-	-	(27,019)	-	-	-	-	(27,019)
Net gains/(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/(losses) on available-for-sale investments, net of taxes	-	-	-	(27,609)	-	-	-	-	(27,609)
Reclassified and reported in profit	-	-	-	-	-	-	-	-	-
Net gains/(losses) not recognised in Profit and Loss Account	-	-	-	(27,609)	-	-	-	-	(27,609)
Net profit	-	-	-	-	-	-	-	560,848	560,848
Dividends paid	-	-	-	-	-	-	-	(148,006)	(148,006)
Transfer to Loan Loss Reserve	-	-	-	-	77,568	-	-	(77,568)	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	-	-	-	-
Transfer to Banking Reserve Fund	-	-	-	-	-	-	-	-	-
Balance at 30 September 2003	2,466,763	3,998,968	-	13,995	150,459	1,078,000	1,218,761	2,903,042	11,829,988

National Commercial Bank Jamaica Limited

Statement of Cash Flows

Quarter ended 31 December 2003

	Note	Dec. 2003 \$'000	Restated Dec. 2002 \$'000
Cash Flows from Operating Activities			
Net cash provided by operating activities	19	1,289,652	6,402,650
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment, net		(258,009)	(507,359)
Investment securities		3,679,741	(3,582,090)
Net cash provided by(used in) investing activities		3,421,732	(4,089,449)
Cash Flows from Financing Activities			
Repayments under credit card and cash advance securitization arrangements		(321,207)	(232,550)
Other borrowed funds		(80,903)	(11,069)
Dividends paid		(148,006)	(123,338)
Net cash used in financing activities		(550,116)	(366,957)
Net increase in cash and cash equivalents		4,161,268	1,946,244
Cash and cash equivalents at beginning of year		5,063,574	6,116,561
Cash and cash equivalents at end of period		9,224,842	8,062,805
Comprising:			
Cash and balances at Bank of Jamaica		5,375,493	4,198,244
Due from other banks		8,419,799	6,260,004
Due to other banks		(4,570,450)	(2,395,443)
		9,224,842	8,062,805

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

31 December 2003

1. Identification and Principal Activities

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

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

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

	<u>Principal Activities</u>	<u>Percentage ownership by Bank</u>
		<u>31 Dec. 2003</u>
Data-Cap Processing Limited	Data Processing	100
NCB Capital Markets Limited (formerly Edward Gayle and Company Limited)	Primary Dealer and Stock Broker	100
Mutual Security Insurance Brokers Limited	Insurance Brokers	100
NCB (Cayman) Limited	Commercial Banking	100
N.C.B. (Investments) Limited	Money Market Trading	100
N.C.B. Jamaica (Nominees) Limited	Securities' Nominee	100
NCB Insurance Company Limited	Life Insurance	100
West Indies Trust Company Limited	Investment and Pension Fund Management and Trustee Services	100
Senvia Money Services (UK) Limited (formerly N.C.B. Remittance Services Limited)	Money Remittance	100

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

All amounts are stated in Jamaican dollars unless otherwise indicated.

2. Significant Accounting Policies

(a) Basis of preparation

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

There have been no changes in accounting policies since the most recent annual accounts as at 30 September 2003.

(b) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current period. In particular, comparatives have been adjusted to take into account the requirements of

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

31 December 2003

IFRS.

3. Segment Reporting

The Group is organised into three main business segments:

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

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

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

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

Quarter ended 31 Dec. 2003	Banking \$'000	Wealth Management \$'000	Insurance \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
External revenue	4,831,244	1,282,886	232,720	2,557	-	6,349,407
Revenue from other segments	10,380	596,797	96,003	11,920	(715,100)	-
Total revenue	4,841,624	1,879,683	328,723	14,477	(715,100)	6,349,407
Segment result	667,158	239,191	65,097	(1,322)		970,124
Tax						(223,916)
Net profit						746,208
Segment assets	122,357,667	40,981,089	5,310,608	62,414	(17,993,400)	150,718,378
Segment liabilities	108,411,789	38,798,346	4,972,091	65,503	(14,947,886)	137,299,843
Depreciation	137,386	5,427	1813	-	-	144,626

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

31 December 2003

3. Segment Reporting (Continued)

Quarter ended 31 Dec. 2002	Banking \$'000	Wealth Management \$'000	Insurance \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
External revenue	2,990,545	914,090	156,444	3,709	-	4,064,788
Revenue from other segments	37,668	208,148	33,397	5,800	(285,013)	-
Total revenue	<u>3,028,213</u>	<u>1,122,238</u>	<u>189,841</u>	<u>9,509</u>	<u>(285,013)</u>	<u>4,064,788</u>
Segment result	249,898	69,130	64,099	(4,113)	-	379,014
Tax						<u>101,900</u>
Net profit						<u><u>480,914</u></u>
Segment assets	<u>100,708,758</u>	<u>28,643,661</u>	<u>3,893,384</u>	<u>34,393</u>	<u>(7,574,721)</u>	<u>125,705,475</u>
Segment liabilities	<u>88,227,087</u>	<u>27,601,456</u>	<u>3,541,537</u>	<u>17,336</u>	<u>(6,358,081)</u>	<u>113,029,335</u>
Depreciation	<u>69,323</u>	<u>2,653</u>	<u>2,602</u>	<u>6</u>	<u>-</u>	<u>74,584</u>

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

31 December 2003

4. Net Fee and Commission Income

	The Group		The Bank	
	Dec. 2003	Dec. 2002	Dec. 2003	Dec. 2002
	\$'000	\$'000	\$'000	\$'000
Fee and commission income:				
Retail banking fees	132,023	110,036	130,457	109,928
Credit and card related fees	293,050	199,702	292,843	199,551
Other fees	90,278	62,593	13,291	6,696
	<u>515,351</u>	<u>372,331</u>	<u>436,591</u>	<u>316,175</u>
Fee and commission expenses	(116,515)	(48,005)	(113,499)	(46,346)
	<u>398,836</u>	<u>324,326</u>	<u>323,092</u>	<u>269,829</u>

5. Net Trading Income

	The Group		The Bank	
	Dec. 2003	Dec. 2002	Dec. 2003	Dec. 2002
	\$'000	\$'000	\$'000	\$'000
Foreign exchange translation and trading	170,053	211,798	188,305	206,362
Fixed income	12,816	4,318	-	-
Equities	6,190	199,006	1,872	193,343
	<u>189,059</u>	<u>415,122</u>	<u>190,177</u>	<u>399,705</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.

6. Taxation

	The Group		The Bank	
	Dec. 2003	Dec. 2002	Dec. 2003	Dec. 2002
	\$'000	\$'000	\$'000	\$'000
Current:				
Income tax at 33 $\frac{1}{3}$ %	18,191	5,888	-	-
Premium tax at 1 $\frac{1}{2}$ %	6,658	3,331	-	-
Investment income tax at 7 $\frac{1}{2}$ %	-	3,367	-	-
Deferred tax (Note 11)	199,067	(114,486)	90,796	(113,837)
	<u>223,916</u>	<u>(101,900)</u>	<u>90,796</u>	<u>(113,837)</u>

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

31 December 2003

7. Earnings Per Stock Unit

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

	Dec. 2003	Dec. 2002
Net profit attributable to stockholders (\$'000)	746,208	480,914
Weighted average number of ordinary stock units in issue('000)	2,466,763	2,466,763
Basic earnings per stock unit (\$)	<u>0.3</u>	<u>0.2</u>

8. Cash and Balances at Bank of Jamaica

	The Group		The Bank	
	Dec. 2003	Sept. 2003	Dec. 2003	Sept. 2003
	\$'000	\$'000	\$'000	\$'000
Cash in hand and at bank	5,251,525	1,920,305	4,850,408	1,856,282
Balances with the Bank of Jamaica other than statutory reserves	525,085	22,792	525,085	22,792
Included in cash and cash equivalents	5,776,610	1,943,097	5,375,493	1,879,074
Statutory reserves with the Bank of Jamaica – interest-bearing	4,720,345	4,593,657	4,720,345	4,593,657
Statutory reserves with the Bank of Jamaica – non-interest-bearing	4,107,136	4,104,884	4,107,136	4,104,884
	<u>14,604,091</u>	<u>10,641,638</u>	<u>14,202,974</u>	<u>10,577,615</u>

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

31 December 2003

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

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

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

9. Reverse Repurchase Agreements

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

At 31 December 2003, the Group and the Bank held \$13,529,339,000 (Sept. 2003 - \$7,441,192,000) and \$1,066,346,000 (Sept. 2003 - \$570,538,000) respectively of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

31 December 2003

10. Loans and Advances

	The Group		The Bank	
	Dec. 2003 \$'000	Sept. 2003 \$'000	Dec. 2003 \$'000	Sept. 2003 \$'000
Gross loans and advances	32,206,400	28,563,664	32,046,590	28,426,623
Provision for credit losses	(2,096,478)	(2,163,517)	(2,084,873)	(2,151,883)
	<u>30,109,922</u>	<u>26,400,147</u>	<u>29,961,717</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	
	Dec. 2003 \$'000	Sept. 2003 \$'000	Dec. 2003 \$'000	Sept. 2003 \$'000
Balance at beginning of year	2,163,517	1,972,328	2,151,883	1,963,506
Provided during the period	81,777	1,906,596	81,806	1,903,784
Recoveries	(47,000)	(1,700,035)	(47,000)	(1,700,035)
Net charge/(credit) to profit	34,777	206,561	34,806	203,749
Write-offs	(101,816)	(15,372)	(101,816)	(15,372)
Balance at end of period	<u>2,096,478</u>	<u>2,163,517</u>	<u>2,084,873</u>	<u>2,151,883</u>

The aggregate amount of non-performing loans on which interest was not being accrued amounted to \$1,556,459,000 as at 31 December 2003 (Sept -2003 - \$1,503,254,000).

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

	The Group		The Bank	
	Dec. 2 \$'000	Sept. 2 \$'000	Dec. 2 \$'000	Sept. 2 \$'000
Specific provision	1,979,811	1,994,136	1,968,206	1,982,502
General provision	267,126	242,272	267,126	242,272
	<u>2,246,937</u>	<u>2,236,408</u>	<u>2,235,332</u>	<u>2,224,774</u>
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 16)	<u>150,459</u>	<u>72,891</u>	<u>150,459</u>	<u>72,891</u>

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11. Deferred Income Taxes

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

	The Group		The Bank	
	Dec. 2	Sept. 2	Dec.	Sept. 200
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets	(4,771)	(120,426)	-	-
Deferred tax liabilities	560,124	437,966	497,150	422,349
Net liability	555,353	317,540	497,150	422,349

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

	The Group		The Bank	
	Dec. 2	Sept. 2	Dec.	Sept. 200
	\$'000	\$'000	\$'000	\$'000
Net liability at beginning of year	317,540	218,141	422,349	163,491
Deferred tax (income)/expense (Note 6)	199,067	383,139	90,796	389,259
Deferred tax debited/(credited) to stockholders' equity	38,746	(283,740)	(15,995)	(130,401)
Net liability at end of period	555,353	317,540	497,150	422,349

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31 December 2003

11. Deferred Income Taxes (Continued)

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

	The Group		The Bank	
	Dec. 2003	Sept. 2003	Dec. 2003	Sept. 2003
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets:				
Property, plant and equipment	-	50	-	-
Investment securities	302,823	295,389	176,810	160,815
Loan loss provisions	38,889	56,460	38,889	56,460
Pensions and other post-retirement benefits	59,419	59,419	59,419	59,419
Interest payable	542,975	425,646	-	-
Interest rate swap	35,046	42,970	35,046	42,970
Tax loss carry forwards	-	5,919	-	-
Accrual for staff profit share	-	73,686	-	73,686
Other temporary differences	41,486	38,027	35,786	34,617
	<u>1,020,638</u>	<u>997,566</u>	<u>345,950</u>	<u>427,967</u>
Deferred income tax liabilities:				
Property, plant and equipment	165,201	159,731	157,629	157,629
Investment securities	877	8,226	-	-
Obligations under securitization arrangements	39,876	47,092	39,876	47,092
Interest receivable	723,853	446,774	-	-
Unrealised foreign exchange gains	645,595	651,358	645,595	645,595
Other temporary differences	589	1,925	-	-
	<u>1,575,991</u>	<u>1,315,106</u>	<u>843,100</u>	<u>850,316</u>

Deferred income taxes are recognised for tax loss carry forwards only to the extent that realisation of the related tax benefit is probable. Group subsidiaries have tax losses, subject to agreement with the Commissioner of Taxpayer Audit and Assessment, aggregating Nil (Sept. 2003 - \$17,757,000) available for indefinite offset against future taxable income in respect of which a deferred tax asset has been recognised.

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12. Other Assets

	The Group		The Bank	
	Dec. 2003	Sept. 2003	Dec. 2003	Sept. 2003
	\$'000	\$'000	\$'000	\$'000
Accounts receivable and prepayments	1,851,158	1,031,276	757,147	426,685
Interest receivable	3,063,080	4,987,290	1,588,371	3,608,276
Withholding tax recoverable	1,378,956	350,137	1,365,191	470,170
	<u>6,293,194</u>	<u>6,368,703</u>	<u>3,710,709</u>	<u>4,505,131</u>

13. Obligations Under Credit Card and Cash Advance Securitization Arrangements

In 2001, the Bank entered into an arrangement for the sale of Future Accounts Receivable amounting to US\$125,000,000 in respect of credit card and cash advance transactions in Jamaica between Visa International Service Association and Master Card International Incorporated and cardholders holding cards issued by banks outside of Jamaica (primarily in the U.S.A.). This took the form of variable funding certificates issued by Citibank N.A. through Citicorp administered commercial paper conduits. The interest is payable quarterly commencing in October 2001 and ending October 2006. Interest is calculated daily based on the weighted average rate applicable to commercial paper transactions administered by the respective conduits. The rate approximates one month US dollar LIBOR plus 250 basis points.

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

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

The fair value of these interest rate swaps at 31 December 2003 is negative US\$1,748,000 (30 September 2003 – Negative US\$2,166,000).

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14. Other Liabilities

	The Group		The Bank	
	Dec. 2003	Sept. 2003	Dec. 2003	Sept. 2003
	\$'000	\$'000	\$'000	\$'000
Interest payable	2,082,274	2,032,588	1,463,009	1,583,414
Provisions	140,000	140,000	140,000	140,000
Accrued liabilities	1,094,399	373,569	332,361	331,770
Other	1,444,660	877,337	293,855	316,001
	<u>4,761,333</u>	<u>3,423,494</u>	<u>2,229,225</u>	<u>2,371,185</u>

15. Share Capital

	Dec. 2003	Sept. 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>

16. 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.

17. 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.

18. 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.

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31 December 2003

19. Cash Flows from Operating Activities

	The Group		The Bank	
	Dec. 2003	Dec. 2002	Dec. 2003	Dec. 2002
	\$'000	\$'000	\$'000	\$'000
Net profit	746,208	480,914	560,848	339,370
Adjustments to reconcile net profit to cash flow provided by/(used in) operating activities:				
Depreciation of property, plant and equipment	144,626	74,584	137,163	69,225
Provision for credit losses	34,777	41,473	34,806	41,473
Amortisation of upfront fees on credit card and cash advance securitization arrangements	21,439	25,440	21,439	25,440
Deferred tax expense/(credit)	199,067	(114,486)	90,796	(113,837)
Gain on sale of property, plant and equipment	(17,453)	(452)	(17,453)	(452)
Gain on sale of Investments	(28,345)	(199,524)	(28,345)	(199,524)
Changes in operating assets and liabilities:				
Statutory reserves at Bank of Jamaica	(128,940)	(128,194)	(128,940)	(128,194)
Reverse repurchase agreements	(1,494,760)	1,194,509	(253,661)	718,882
Loans and advances	(3,744,552)	(2,249,037)	(3,721,784)	(2,311,539)
Customer deposits	2,426,305	5,399,019	2,168,889	5,322,738
Repurchase agreements	1,478,717	2,717,141	1,716,230	954,458
Promissory notes and certificates of participation	(89,492)	(498,843)	-	-
Policyholders' liabilities	507,496	239,597	-	-
Other	1,107,603	410,429	709,664	1,684,610
Net cash provided by/(used in) operating activities	<u>1,162,696</u>	<u>7,392,570</u>	<u>1,289,652</u>	<u>6,402,650</u>

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Notes to the Financial Statements

31 December 2003

20. 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 31 December 2003, the Group had financial assets under administration of approximately \$20.6 billion (31 December 2002 - \$17.3 billion).