FirstCaribbean International Bank (Jamaica) Limited

Financial Statements 2003

PRICEWATERHOUSECOOPERS

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29 January 2004

To the Members of
FirstCaribbean International Bank (Jamaica) Limited

We have audited the financial statements set out on pages 45 to 88, and have received all the information and explanations which we considered necessary. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 about whether the financial statements are free of material misstatement. 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 provides a reasonable basis for our opinion.

In our opinion, 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 Bank and the Group as at 31 October 2003 and of the results of operations, changes in equity and cash flows of the Bank and the Group for the year then ended, 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.

PricewaterhouseCoopers

Chartered Accountants
Kingston, Jamaica

Group Balance Sheet

October 31, 2003

(expressed in thousands of Jamaican dollars)

	Notes	2003 $	Restated 2002 $
ASSETS			
Cash resources	4	**7,673,416**	7,930,259
Investments			
Held-to-maturity		**2,633,771**	2,105,386
Available for sale		**25,516**	30,135
	6	**2,659,287**	2,135,521
Government securities purchased under resale agreements	7	**412,797**	1,385,790
Loans, less provision for impairment	8	**7,061,581**	5,159,805
Net investment in leases	9	**25,632**	41,223
Other assets	10	**1,252,632**	988,058
Property, plant and equipment	11	**286,313**	233,861
		19,371,658	17,874,517
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Customers' deposits	12	**16,561,713**	15,742,973
Other liabilities	13	**490,776**	360,139
Deferred taxation	14	**152,180**	87,946
		17,204,669	16,191,058
Stockholders' Equity			
Share capital	15	**96,667**	96,667
Capital reserves	16	**19,458**	19,458
Reserve fund	17	**156,667**	156,667
Retained earnings reserve	18, 24	**956,163**	932,163
Building society reserve	19	**45,522**	45,522
Retained earnings		**892,512**	432,982
		2,166,989	1,683,459
		19,371,658	17,874,517

Approved by the Board of Directors on 29 January 2004 and signed on its behalf by:

A.W. Webb — Director

A.C. Watson — Director

R. O'B. Campbell — Director

A.C. Rattray — Secretary

Group Statement of Changes in Stockholders' Equity

Year ended October 31, 2003
(expressed in thousands of Jamaican dollars)

	Notes	Share Capital $	Capital Reserves $	Reserve Fund $	Retained Earnings Reserve $	Building Society Reserve $	Retained Earnings $	Total $
Balance as restated 31 October 2001	36(i)	96,667	19,458	156,667	932,163	45,522	283,571	1,534,048
Restated net profit	36(ii)	–	–	–	–	–	168,744	168,744
Dividends	20	–	–	–	–	–	(19,333)	(19,333)
Balance as restated 31 October 2002	36(ii)	96,667	19,458	156,667	932,163	45,522	432,982	1,683,459
Net profit		–	–	–	–	–	502,863	502,863
Transfer to retained earnings reserve	18	–	–	–	24,000	–	(24,000)	–
Dividends	20	–	–	–	–	–	(19,333)	(19,333)
Balance at 31 October 2003		96,667	19,458	156,667	956,163	45,522	892,512	2,166,989

Group Statement of Revenue and Expenses

Year ended October 31, 2003
(expressed in thousands of Jamaican dollars)

	Notes	2003 $	Restated 2002 $
Interest Income			
Loans		**1,082,026**	1,063,265
Securities		**486,547**	526,705
Lease financing		**5,991**	10,481
Other		**667,742**	610,416
		2,242,306	2,210,867
Interest Expense			
Deposits		**(886,998)**	(1,124,141)
Net Interest Income		**1,355,308**	1,086,726
Impairment losses on loans		**(14,049)**	(49,634)
		1,341,259	1,037,092
Non-Interest Income			
Net fees and commissions		**318,643**	312,569
Net foreign exchange trading income		**274,256**	125,544
Other		**42,828**	43,331
		635,727	481,444
Net Revenue		**1,976,986**	1,518,536
Non-Interest Expenses			
Employee compensation and benefits	22	**565,181**	484,224
Depreciation		**71,096**	119,860
Occupancy costs		**147,661**	134,097
Restructuring		**(10,463)**	122,951
Other		**506,962**	451,677
		1,280,437	1,312,809
Profit before Taxation	25	**696,549**	205,727
Taxation	26	**(193,686)**	(36,983)
Net Profit		**502,863**	168,744
EARNINGS PER STOCK UNIT	29	**$2.60**	$0.87

Group Statement of Cash Flows

Year ended October 31, 2003
(expressed in thousands of Jamaican dollars)

	Notes	2003 $	Restated 2002 $
Cash Flows from Operating Activities			
Net profit		**502,863**	168,744
Interest received		**2,296,160**	2,170,762
Interest paid		**(895,837)**	(1,153,383)
Income tax paid		**(78,105)**	(135,002)
Depreciation		**71,096**	119,860
(Gain)/loss on disposal of property, plant and equipment		**(6,292)**	75,601
Impairment losses on loans		**14,049**	49,634
Deferred taxation		**64,235**	(52,384)
Interest income		**(2,242,306)**	(2,210,867)
Interest expense		**886,999**	1,124,141
Income tax charge		**130,324**	89,367
Statutory reserves with Bank of Jamaica		**(414,575)**	85,310
Customers' deposits		**818,740**	(1,652,822)
Net investment in leases		**15,591**	(18,600)
Loans		**(1,915,826)**	635,202
Net cash used in operating activities		**(752,884)**	(704,437)
Cash Flows from Investing Activities			
Investments		**(523,766)**	(90,471)
Government securities purchased under resale agreements		**972,993**	176,598
Additions to property, plant and equipment		**(125,245)**	(45,854)
Proceeds from disposal of property, plant and equipment		**7,989**	12,154
Other assets		**(365,415)**	159,715
Net cash (used in)/provided by investing activities		**(33,444)**	212,142
Cash Flows from Financing Activities			
Account with parent company		**114,891**	(9,922)
Other liabilities		**19,352**	66,719
Dividends paid		**(19,333)**	(52,200)
Net cash provided by financing activities		**114,910**	4,597
Net decrease in cash and cash equivalents		**(671,418)**	(487,698)
Cash and cash equivalents at beginning of year		**6,565,760**	7,053,458
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	5	**5,894,342**	6,565,760

Company Balance Sheet

October 31, 2003
(expressed in thousands of Jamaican dollars)

	Notes	2003 $	Restated 2002 $
ASSETS			
Cash resources	4	**7,668,339**	7,770,623
Investments			
Held to maturity		**2,548,540**	1,090,416
Available for sale		**25,516**	30,135
	6	**2,574,056**	1,120,551
Investments in Subsidiaries		**36,745**	36,745
Government securities purchased under resale agreements	7	**316,470**	260,759
Loans, less provision for impairment	8	**6,401,871**	4,672,505
Net investment in leases	9	**25,632**	–
Other assets	10	**1,222,020**	757,555
Property, plant and equipment	11	**281,617**	226,267
		18,526,750	14,845,005
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Customers' deposits	12	**16,058,474**	13,428,580
Other liabilities	13	**424,596**	239,306
Deferred taxation	14	**136,452**	75,523
		16,619,522	13,743,409
Stockholders' Equity			
Share capital	15	**96,667**	96,667
Capital reserves	16	**12,833**	12,833
Reserve fund	17, 24	**121,667**	96,667
Retained earnings reserve	18, 24	**890,666**	722,863
Retained earnings		**785,395**	172,566
		1,907,228	1,101,596
		18,526,750	14,845,005

Approved by the Board of Directors on 29 January 2004 and signed on its behalf by:

A.W. Webb — Director

A.C. Watson — Director

R. O'B. Campbell — Director

A.C. Rattray — Secretary

Company Statement of Changes in Stockholders' Equity

Year ended October 31, 2003
(expressed in thousands of Jamaican dollars)

	Notes	Share Capital $	Capital Reserves $	Reserve Fund $	Retained Earnings Reserve $	Retained Earnings $	Total $
Balance as restated 31 October 2001	36(i)	96,667	12,833	96,667	722,863	154,765	1,083,795
Restated net profit	36(ii)	–	–	–	–	37,134	37,134
Dividends	20	–	–	–	–	(19,333)	(19,333)
Balance as restated at 31 October 2002	36(ii)	96,667	12,833	96,667	722,863	172,566	1,101,596
Net profit		–	–	–	–	632,162	632,162
Transfer of reserves from subsidiary	24	–	–	25,000	167,803	–	192,803
Dividends	20	–	–	–	–	(19,333)	(19,333)
Balance at 31 October 2003		96,667	12,833	121,667	890,666	785,395	1,907,228

Company Statement of Revenue and Expenses

Year ended October 31, 2003
(expressed in thousands of Jamaican dollars)

	Notes	2003 $	Restated 2002 $
Interest Income			
Loans		**982,043**	826,567
Securities		**279,189**	139,294
Other		**666,076**	764,016
		1,927,308	1,729,877
Interest Expense			
Deposits		**(725,642)**	(821,308)
Net Interest Income		**1,201,666**	908,569
Impairment losses on loans		**(14,959)**	(54,052)
		1,186,707	854,517
Non-Interest Income			
Net fees and commissions		**264,933**	226,182
Net foreign exchange trading income		**254,053**	120,723
		518,986	346,905
Net Revenue		**1,705,693**	1,201,422
Non-Interest Expenses			
Employee compensation and benefits	22	**516,210**	440,046
Depreciation		**67,598**	110,474
Occupancy costs		**139,382**	125,658
Restructuring costs		**(7,270)**	107,051
Other		**437,138**	390,955
		1,153,058	1,174,184
Profit before Exceptional Items		**552,635**	27,238
Exceptional Item	23	**242,364**	–
Profit before Taxation	25	**794,999**	27,238
Taxation	26	**(162,837)**	9,896
Net Profit		**632,162**	37,134

Company Statement of Cash Flows

Year ended October 31, 2003
(expressed in thousands of Jamaican dollars)

	Notes	2003 $	Restated 2002 $
Cash Flows from Operating Activities			
Net profit		**632,162**	37,134
Interest received		**1,866,318**	1,698,679
Interest paid		**(713,574)**	(847,130)
Income tax paid		**(30,277)**	(89,818)
Depreciation		**67,598**	110,474
Impairment losses on loans		**14,959**	54,052
Deferred taxation		**60,056**	(49,358)
(Gain)/loss on disposal of fixed assets		**(6,221)**	66,780
Reserves transferred from subsidiary		**192,803**	–
Statutory reserves at Bank of Jamaica		**(549,601)**	51,119
Interest income		**(1,927,308)**	(1,729,877)
Interest expense		**725,642**	821,308
Income tax		**102,781**	39,462
Customers' deposits		**2,629,894**	(1,236,464)
Loans		**(1,744,325)**	666,266
Net investment in leases		**(25,632)**	–
Cash provided by/(used in) operating activities		**1,295,275**	(407,373)
Cash Flows from Investing Activities			
Government securities purchased under resale agreements		**(55,711)**	(253,259)
Investments		**(1,453,505)**	102,935
Additions to fixed assets		**(124,645)**	(45,320)
Proceeds from disposal of fixed assets		**7,918**	11,121
Other assets		**(418,016)**	(46,684)
Net cash used in investing activities		**(2,043,959)**	(231,207)
Cash Flows from Financing Activities			
Account with parent company		**95,385**	15,186
Account with subsidiaries		**(40,000)**	–
Other liabilities		**60,748**	270,430
Dividends paid		**(19,333)**	(52,200)
Net cash provided by financing activities		**96,800**	233,416
Net decrease in cash and cash equivalents		**(651,884)**	(405,164)
Cash and cash equivalents at beginning of year		**6,546,226**	6,951,390
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	5	**5,894,342**	6,546,226

1. Identification and Activities

FirstCaribbean International Bank (Jamaica) Limited (the Bank), which was incorporated and is domiciled in Jamaica, is a 94.62% (2002 – 82.23%) subsidiary of FirstCaribbean International Bank Limited, a Bank incorporated and domiciled in Barbados which itself is an associated company of Barclays Bank PLC and Canadian Imperial Bank of Commerce. The registered office of the Bank is located at 23-27 Knutsford Boulevard, Kingston 5.

The Bank is licensed and these financial statements are prepared in accordance with the Banking Act, 1992 and the Banking (Amendment) Act, 1997.

The Bank is listed on the Jamaica Stock Exchange.

The Bank's subsidiaries, which were incorporated and are domiciled in Jamaica, are as follows:

Subsidiaries	Principal Activities	Financial Holding	Year End
FirstCaribbean International Securities Limited	Investment and Pension Fund Management	100%	31 October
FirstCaribbean International Building Society	Mortgage Financing	100%	31 October

On 25 June 2003, FirstCaribbean International Trust and Merchant Bank (Jamaica) Limited sold its banking assets and liabilities to the Bank as stipulated by the Bank of Jamaica's Best Practice, Proprietary Trading Activities by Banks, and was renamed FirstCaribbean International Securities Limited.

These financial statements are presented in Jamaican dollars (J$).

2. Significant Accounting Policies

The principal financial accounting policies adopted in the preparation of these consolidated financial statements are set out below:

(a) Basis of preparation

Jamaica adopted International Financial Reporting Standards (IFRS) as its national accounting standards effective for accounting periods beginning on or after 1 July 2002. The financial statements for the year ended 31 October 2003 have therefore been prepared in accordance with and comply with IFRS and comparative information has been restated to conform with the provisions of IFRS. IFRS 1 – First-time adoption of IFRS has been adopted early.

The effects of adopting IFRS on equity and net profit as previously reported are detailed in Note 36. The financial statements have been prepared under the historical cost convention as modified for the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount 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) Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its Subsidiaries. All significant inter-company transactions have been eliminated. The Bank and its Subsidiaries are referred to as the "Group".

2. Significant Accounting Policies (continued)

(c) Interest income and expense

Interest income and expense are recognised in the statement of revenue and expenses 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 or premium on treasury bills and other discounted instruments.

Where collection of interest income is considered doubtful, or payment is outstanding for more than 90 days, the banking regulations stipulate that interest should be taken into account on the cash basis. IFRS requires 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. However, such amounts under IFRS are considered to be immaterial.

(d) Income under finance leases

Income under finance leases is recognised in a manner which produces a constant rate of return on the net investment in leases.

(e) Fee and commission income

Fee and commission income are recognised on the accrual basis. Loan origination fees, for loans which are probable of being drawn down, are recognised in the statement of revenue and expenses immediately as they are not considered material for deferral.

(f) Foreign currencies

Foreign currency balances outstanding at the balance sheet date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies during the year are converted at the rates of exchange ruling on the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in the statement of revenue and expenses.

(g) Investments

The Group classifies its investment securities into the following two main categories: held-to-maturity and originated debts. Management determines the appropriate classification of Investments at the time of purchase.

Government or other securities which are purchased directly from the issuer are classified as originated debts. These include bonds and treasury bills. They are initially recorded at cost, which is the cash given to originate the debt including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

Investments purchased on the secondary market, which are intended to be held to maturity, are classified as such. These investments are initially recorded at cost, and are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

Unquoted equity securities for which fair values cannot be measured reliably are recognised at cost less 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.

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

2. Significant Accounting Policies (continued)

(h) Investment in subsidiaries

Investments by the Bank in subsidiaries are stated at cost.

(i) Sale and repurchase agreements and lending of securities

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.

(j) Loans and provision for impairment losses

Loans are stated net of unearned income and provision for impairment.

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 are subsequently measured at amortised cost using the effective interest rate method.

A provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

A loan is classified as impaired when, in management's opinion there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. As required by statutory regulations, if a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such. Any credit card loan that has a payment that is contractually 90 days in arrears is written-off.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis. Interest income on impaired loans has not been recognised, as it is not considered material.

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 unappropriated profits.

(k) Provisions

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

Employee entitlements to annual leave and other benefits are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and other benefits as a result of services rendered by employees up to the balance sheet date.

(l) Fiduciary activities

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

2. **Significant Accounting Policies** (continued)

(m) Leases

(i) As Lessee

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.

(n) Property, plant and equipment

Land and buildings are stated at historical cost less accumulated depreciation and impairment losses.

The Group's property, plant and equipment, with the exception of freehold land on which no depreciation is provided, are depreciated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Buildings	2.5%
Leasehold improvements	10%
Furniture, fixtures and office equipment	6.7% – 14.3%
Computer equipment	20%-50%
Motor vehicles	20%

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

Gains and losses on disposal of property and 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 income statement when the expenditure is incurred.

(o) Deferred income taxes

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.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities and provisions for pensions and other post retirement benefits and any allowance for impairment losses.

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.

2. Significant Accounting Policies (continued)

(p) Employee benefits

(i) Pension asset

The Group operates a defined benefit pension plan. The asset in respect of the defined benefit pension plan 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.

The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates on government securities which have terms to maturity approximating the terms of the related liability. The pension benefit is based on the best consecutive five years' earnings in the last ten years of employment and the charge representing the net periodic pension cost less employee contributions, is included in staff costs.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to the pension plan are charged or credited to income over the service lives of the related employees.

(ii) Other post-retirement obligations

Group companies provide post-retirement health care benefits to its retirees. The entitlement to 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. These obligations are valued annually by independent qualified actuaries.

(q) Employee share ownership plan

The Bank has an Employee Share Ownership Plan (ESOP) for certain eligible employees. The Bank currently pays all the administrative and other expenses of the Plan. The employees' maximum contribution ranges from 2-6% of regular earnings, based on years of service with the Bank. The Bank contributes 50 cents for each dollar contributed to the Plan by the employees. This benefit is recorded in salaries and staff benefits expense in the statement of revenue and expenses with a corresponding accrual in expenses and other liabilities in the balance sheet.

(r) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition including cash and balances with Bank of Jamaica (excluding statutory reserves) and accounts with other banks.

(s) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, comparatives have been adjusted or extended to take into account the requirements of IFRS (Note 36).

3. Segment Financial Information

The Group is organised into two main business segments:

(a) Financial Services — This incorporates retail and corporate banking services.

(b) Investment Management Services — This includes investments and pension fund management and the administration of trust accounts.

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

The Group's operations are located solely in Jamaica.

	2003			
	Financial Services $'000	Investment Management Services $'000	Consolidation Elimination $'000	Group $'000
Net revenues	1,811,476	179,559	–	1,991,035
Operating expenses	(1,202,146)	(92,340)	–	(1,294,486)
Profit before taxation	609,330	87,219		696,549
Income tax expense				(193,686)
Net profit				502,863
Segment assets	19,375,760	126,241	(130,343)	19,371,658
Segment liabilities	17,234,299	63,968	(93,598)	17,204,669
Other segment items:				
Capital expenditure	124,720	524	–	125,245
Depreciation	67,661	3,435	–	71,096

	2002			
	Financial Services $'000	Investment Management Services $'000	Consolidation Elimination $'000	Group $'000
Net revenues	1,332,796	235,374	–	1,568,170
Operating expenses	(1,266,380)	(96,063)	–	(1,362,443)
Profit before taxation	66,416	139,311		205,727
Income tax expense				(36,983)
Net profit				168,744
Segment assets	15,937,797	1,983,569	(46,849)	17,874,517
Segment liabilities	14,641,686	1,559,476	(10,104)	16,191,058
Other segment items:				
Capital expenditure	45,615	239	–	45,854
Depreciation	113,607	6,253	–	119,860

4. Cash Resources

	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Notes, coins and money at Bank of Jamaica	**3,486,377**	5,754,942	**3,481,300**	5,615,524
Foreign currencies	**51,276**	79,313	**51,276**	79,313
Accounts with other banks, net	**3,909,267**	2,060,369	**3,909,267**	2,040,839
Account with ultimate parent company	**226,496**	35,635	**226,496**	34,947
	7,673,416	7,930,259	**7,668,339**	7,770,623

Cash resources include J$1,779,074,000 (2002 – J$1,364,499,000) for the Group and J$1,773,997,000 (2002 – J$1,224,397,000) for the Bank, as required under section 14 (i) of both the Banking Act, 1992 and the Financial Institutions Act, 1992, respectively, and section 13 of the Bank of Jamaica (Building Societies) Regulations, 1995, which are held substantially on a non-interest-bearing basis at Bank of Jamaica as a cash reserve; accordingly, these amounts are not available for investment or other use by the Group and the Bank. This represents 9% (9% – 2002) of the Bank's prescribed liabilities.

Effective 15 January 2003, the Bank was required by the Bank of Jamaica (BOJ) under Section 28A of the Bank of Jamaica Act, to maintain with the BOJ, a special deposit wholly in the form of cash, representing 5% of the Bank's prescribed liabilities. The special deposit maintained with BOJ at 31 October 2003 was $436,412,000 and is included in the balance for notes, coins and money at BOJ. Interest at a rate of 6% per annum is earned on this deposit.

5. Cash and Cash Equivalents

	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Notes, coins and money at Bank of Jamaica	**3,486,377**	5,754,942	**3,481,300**	5,615,524
Less: statutory reserves	**(1,779,074)**	(1,364,499)	**(1,773,997)**	(1,224,397)
	1,707,303	4,390,443	**1,707,303**	4,391,127
Foreign currencies	**51,276**	79,313	**51,276**	79,313
Accounts with other banks, net	**3,909,267**	2,060,369	**3,909,267**	2,040,839
Account with ultimate parent company	**226,496**	35,635	**226,496**	34,947
	5,894,342	6,565,760	**5,894,342**	6,546,226

6. Investments

(i) Investments – Held to Maturity

	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Securities issued or guaranteed by Government				
Treasury bills	**304,838**	343,641	**304,838**	185,671
Debentures	**1,507,509**	304,020	**1,434,842**	100,000
Debt securities	**821,424**	1,457,725	**808,860**	804,745
	2,633,771	2,105,386	**2,548,540**	1,090,416

6. Investments (continued)

(ii) Investments – Available for Sale

	The Group and the Bank	
	2003 $'000	2002 $'000
Unquoted equities	**25,516**	30,135
Provision for impairment	**–**	–
	25,516	30,135

7. Government Securities Purchased Under Resale Agreements — Originated Debts

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

	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Government securities purchased under resale agreements	**412,797**	1,385,790	**316,470**	260,759
	412,797	1,385,790	**316,470**	260,759

8. Loans, Less Provision for Impairment

	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Mortgages	**665,190**	492,400	**–**	–
Personal loans	**2,131,776**	1,348,073	**2,131,776**	1,348,073
Business loans	**4,393,100**	3,416,581	**4,393,100**	3,416,581
	7,190,066	5,257,054	**6,524,876**	4,764,654
Less: Provision for impairment	**(128,485)**	(97,249)	**(123,005)**	(92,149)
Balance, end of year	**7,061,581**	5,159,805	**6,401,871**	4,672,505

8. Loans, Less Provision for Impairment (continued)

The movement in the provision for impairment on loans during the year is as follows:

	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Balance at beginning of year	**97,249**	74,092	**92,149**	63,457
Provided during the year	**14,049**	49,634	**14,959**	54,052
Amounts recovered	**17,187**	–	**15,897**	–
Amounts written off	**–**	(26,477)	**–**	(25,360)
Balance at end of year	**128,485**	97,249	**123,005**	92,149

These comprise:

	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Specific Provisions	**45,905**	53,286	**44,648**	50,598
General Provisions	**82,580**	43,963	**78,357**	41,551

As at 31 October 2003 loans with principal balances outstanding of J$435,919,000 (2002 – J$212,605,000) for the Group and J$426,223,000 (2002 – J$196,907,000) for the Bank were in non-performing status.

9. Net Investment in Leases

	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Total minimum lease payments receivable	**32,562**	54,203	**32,562**	–
Unearned income	**(6,060)**	(12,730)	**(6,060)**	–
	26,502	41,473	**26,502**	–
Less: Provision for impairment losses	**(870)**	(250)	**(870)**	–
	25,632	41,223	**25,632**	–

Future minimum lease payments are receivable as follows:

	2003 $'000	2002 $'000
2003	**–**	5,511
2004	**22,628**	7,089
2005	**8,867**	41,603
2006	**1,067**	–
	32,562	54,203

10. Other Assets

	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Cheques and other items in transit, net	270,280	–	282,137	–
Interest receivable	464,529	518,382	450,209	389,219
Prepayments and deferred items	34,244	28,365	27,703	11,279
Due from subsidiary	–	–	40,000	–
Due from affiliates	5,800	5,800	5,800	5,800
Due from parent company	–	23,309	–	23,539
Withholding tax	50,425	56,277	50,425	1,846
Taxation recoverable	–	–	–	8,197
Retirement benefit asset (Note 27)	409,270	346,490	364,450	308,240
Other	18,084	9,435	1,296	9,435
	1,252,632	988,058	1,222,020	757,555

11. Property, Plant and Equipment

	The Group				
	Land $'000	Buildings $'000	Leasehold Improvements $'000	Furniture Computer Equipment and Motor Vehicles $'000	Total $'000
Cost —					
1 November 2002	3,900	46,266	70,008	433,843	554,017
Additions	–	435	4,444	120,366	125,245
Disposals	–	(595)	–	(9,930)	(10,525)
31 October 2003	3,900	46,106	74,452	544,279	668,737
At cost	–	35,576	74,452	544,279	654,307
At valuation	3,900	10,530	–	–	14,430
	3,900	46,106	74,452	544,279	668,737
Accumulated Depreciation —					
1 November 2002	–	11,450	50,720	257,986	320,156
Charge for the year	–	1,148	6,926	63,022	71,096
Relieved on disposals	–	(90)	–	(8,738)	(8,828)
31 October 2003	–	12,508	57,646	312,270	382,424
Net Book Value —					
31 October 2003	3,900	33,598	16,806	232,009	286,313
31 October 2002	3,900	34,816	19,288	175,857	233,861

11. Property, Plant and Equipment (continued)

	The Bank				
	Land $'000	Buildings $'000	Leasehold Improvements $'000	Furniture Computer Equipment and Motor Vehicles $'000	Total $'000
Cost —					
1 November 2002	3,900	46,266	69,963	412,648	532,777
Additions	–	435	4,444	119,765	124,644
Disposals	–	(595)	–	(9,744)	(10,339)
31 October 2003	3,900	46,106	74,407	522,669	647,082
At cost	–	35,576	74,407	522,669	632,652
At valuation	3,900	10,530	–	–	14,430
	3,900	46,106	74,407	522,669	647,082
Accumulated Depreciation —					
1 November 2002	–	11,450	50,720	244,340	306,510
Charge for the year	–	1,148	6,926	59,524	67,598
Relieved on disposals	–	(90)	–	(8,553)	(8,643)
31 October 2003	–	12,508	57,646	295,311	365,465
Net Book Value —					
31 October 2003	3,900	33,598	16,761	227,358	281,617
31 October 2002	3,900	34,816	19,243	168,308	226,267

Land and buildings are stated at deemed cost which is based on open market value as at 25 July 1988, as appraised by C.D. Alexander Company Realty Limited, real estate brokers and appraisers, amounting to J$14,430,000 for the Group and the Bank.

Subsequent additions and other property, plant and equipment are shown at cost.

12. Customers' Deposits

	Carrying Value			
	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Individuals	**7,922,289**	10,252,998	**7,445,225**	8,670,414
Business and Government	**8,392,635**	5,247,839	**8,333,819**	4,516,030
Banks	**246,789**	242,136	**279,430**	242,136
	16,561,713	15,742,973	**16,058,474**	13,428,580

13. Other Liabilities

	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Cheques and other items in transit, net	**–**	23,679	**–**	23,679
Interest payable	**58,844**	67,682	**52,806**	40,738
Due to parent company	**91,582**	–	**71,846**	–
Taxation payable	**64,526**	12,307	**64,307**	–
Post retirement health obligation (Note 27)	**81,811**	65,959	**72,856**	58,675
Other	**194,013**	190,512	**162,781**	116,214
	490,776	360,139	**424,596**	239,306

14. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of:

- 30 % for FirstCaribbean International Building Society
- 331/3% for the Bank and FirstCaribbean International Securities Limited.

The movement on the deferred income tax account is as follows:

	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Balance as at 1 November	**87,946**	140,327	**75,523**	124,880
Charge/(credit) to statement of revenue and expenses	**63,362**	(52,384)	**60,056**	(49,358)
Other	**872**	3	**873**	1
Balance as at 31 October	**152,180**	87,946	**136,452**	75,523

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

	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Deferred income tax assets				
Decelerated tax depreciation	**4,233**	–	**3,701**	–
Impairment loan loss	**880**	735	**–**	–
Employee benefits and restructuring costs	**30,970**	38,178	**29,668**	35,838
Other temporary differences	**1,777**	–	**1,777**	–
	37,860	38,913	**35,146**	35,838
Deferred income tax liabilities				
Pensions and other post retirement benefits	**133,010**	112,693	**121,362**	102,644
Unrealised exchange gain	**43,500**	3,727	**43,501**	3,727
Allowance for loan impairment	**2,741**	–	**2,741**	–
Other temporary differences	**10,707**	1,170	**3,994**	114
Accelerated tax depreciation	**82**	9,269	**–**	4,876
	190,040	126,859	**171,598**	111,361

14. Deferred Taxation (continued)

The deferred tax charge in the statement of revenue and expenses comprises the following temporary differences:

	The Group		The Bank	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Accelerated tax depreciation	**(13,420)**	(38,674)	**(8,577)**	(35,949)
Employee benefits and restructuring costs	**7,208**	(22,352)	**6,170**	(20,012)
Other temporary differences	**6,887**	(229)	**1,230**	–
Pensions and other post retirement benefits	**20,317**	14,002	**18,718**	12,893
Unrealised exchange gain	**39,774**	(6,290)	**39,774**	(6,290)
Provision for loan impairment	**2,596**	1,159	**2,741**	–
	63,362	(52,384)	**60,056**	(49,358)

15. Share Capital

	2003	2002
	$'000	$'000
Authorised — 200,000,000 Ordinary shares of J$0.50 each	**100,000**	100,000
Issued and fully paid — 193,333,332 Ordinary stock units of J$0.50 each	**96,667**	96,667

16. Capital Reserves

	The Group		The Bank	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Balance at beginning of year	**19,458**	19,458	**12,833**	12,833
Comprised of:				
Unrealised —				
Capitalisation of retained earnings in subsidiary	**5,000**	5,000	**–**	–
Surplus on revaluation of premises	**6,188**	6,188	**5,493**	5,493
Arising on consolidation	**930**	930	–	–
	12,118	12,118	**5,493**	5,493
Realised —				
Profit on sale of property, plant and equipment	**7,340**	7,340	**7,340**	7,340
Balance at end of year	**19,458**	19,458	**12,833**	12,833

17. Reserve Fund

The fund is maintained in accordance with the Banking Act for the Bank and The Bank of Jamaica (Building Societies) Regulations, 1995 for FirstCaribbean International Building Society. These require that minimum prescribed percentages of net profit be transferred to the reserve fund until the amount in the fund is equal to paid-up share capital.

18. Retained Earnings Reserve

Sections 2 of the Banking Act, the Financial Institutions Act and the Bank of Jamaica (Building Societies) Regulations, 1995 permit the transfer of any portion of 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.

Transfers to the retained earnings reserve are made at the discretion of the Board; such transfers must be notified to the Bank of Jamaica.

19. Building Society Reserve

In accordance with the Income Tax Act, FirstCaribbean International Building Society may transfer amounts from retained earnings to a general reserve on a tax-free basis until this reserve equals 5% of prescribed assets.

20. Dividends

	2003 $'000	2002 $'000
Interim dividend for 2003 at J$0.10 (2002 – J$0.10) per stock unit — gross	**19,333**	19,333
	19,333	19,333

21. Net Foreign Exchange Trading Income

Foreign exchange net trading income includes gains and losses arising from foreign currency trading activities.

22. Employee Compensation and Benefits

	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Wages and salaries	**483,897**	443,333	**438,975**	400,947
Statutory contributions	**56,002**	42,671	**54,491**	39,556
Pension costs (Note 27)	**(56,760)**	(37,550)	**(50,820)**	(33,400)
Other post retirement benefits (Note 27)	**16,339**	12,931	**14,617**	11,504
Staff welfare	**65,703**	22,839	**58,947**	21,439
	565,181	484,224	**516,210**	440,046

Average number of persons employed during the year:

	The Group		The Bank	
	2003 No.	2002 No.	2003 No.	2002 No.
Full-time	**349**	357	**322**	325
Part-time	**91**	90	**89**	88
	440	447	**411**	413

23. Exceptional Item

	The Group		The Bank	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Profit on purchase of net banking assets (Note 24)	**–**	–	**(242,364)**	–

24. Purchase of Banking Assets and Liabilities from Subsidiary

The Bank purchased the banking assets and liabilities of the former Trust and Merchant Bank, pursuant to Section 29G of the Banking Act – the Standard of Best Practice – Management or Investment of Customers' Funds. The Standard requires that activities relating to the management or investment of customers' funds be separated from deposit-taking activities; accordingly, the Bank entered into an Agreement to purchase the assets and liabilities. Assets and liabilities purchased are as follows:

	$'000
Assets	
Cash resources	219,534
Investments	1,211,038
Loans and leases, after provision for impairment	29,772
Other assets	60,644
	1,520,988
Liabilities	
Customers' deposits	1,083,741
Other liabilities	2,080
	1,085,821
Reserves	
Reserve fund	25,000
Retained earning reserve	167,803
	192,803
Profit on purchase of banking assets, liabilities and reserves	(242,364)

25. Profit before Taxation

Profit before taxation is stated after charging:

	The Group		The Bank	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Depreciation and amortization	**71,096**	119,860	**67,598**	110,474
Directors' emoluments —				
Fees	**31**	35	**11**	13
Management remuneration	**15,830**	15,186	**12,611**	12,239
Management fees (Note 31)	**125,810**	107,236	**91,861**	78,300
Restructuring costs	**(10,463)**	122,951	**(7,270)**	107,051
Auditors' remuneration	**5,100**	4,024	**3,300**	2,609

26. Taxation

(a) The taxation charge is based on the profit for the year adjusted for taxation purposes and comprises:

	The Group		The Bank	
	2003 $'000	**2002 $'000**	**2003 $'000**	**2002 $'000**
Income tax at 33¹/₃%	**130,324**	84,670	**102,781**	36,971
Tax withheld under Caricom Treaty	**–**	2,485	**–**	2,485
Prior year under provision	**–**	2,212	**–**	6
Deferred income tax	**63,362**	(52,384)	**60,056**	(49,358)
	193,686	36,983	**162,837**	(9,896)

Income tax is calculated at the rate of 33¹/₃% for the Bank and FirstCaribbean International Securities Limited and at 30% for FirstCaribbean International Building Society.

(b) Reconciliation of theoretical tax charge to effective tax charge:

	The Group		The Bank	
	2003 $'000	**2002 $'000**	**2003 $'000**	**2002 $'000**
Profit before taxation	**696,549**	205,727	**794,999**	27,238
Tax calculated at 33¹/₃%	**232,183**	68,576	**265,000**	9,079
Effect of different tax rate applicable to mortgage financing subsidiary	**(2,074)**	(2,911)	**–**	–
Profit on purchase of net banking assets not subject to tax (Note 24)	**–**	–	**(80,788)**	–
Income not subject to tax – tax-free investments	**(32,819)**	(39,159)	**(23,579)**	(23,770)
Expenses not deductible for tax purposes	**11,869**	75,309	**7,003**	64,568
Net effect of other charges and allowances	**(78,835)**	(17,145)	**(64,855)**	(12,906)
Income tax expense	**130,324**	84,670	**102,781**	36,971

27. Retirement Benefits

Amounts recognised in the balance sheet:

	The Group		The Bank	
	2003 $'000	**2002 $'000**	**2003 $'000**	**2002 $'000**
Pension scheme	**409,270**	346,490	**364,450**	308,240
Other post retirement benefits	**(81,811)**	(65,959)	**(72,856)**	(58,675)

(a) Pension Scheme

The Group operates a pension scheme covering all permanent employees. The pension benefit is based on the best five consecutive years' earnings in the last 10 years, multiplied by the years of credited service. The assets of the plan are held independently of the Group's assets in a separate trustee fund. The scheme is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation was carried out as at 31 October 2003.

27. Retirement Benefits (continued)

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

	The Group		The Bank	
	2003 $'000	**2002 $'000**	**2003 $'000**	**2002 $'000**
Fair value of plan assets	**910,740**	733,120	**815,430**	652,160
Present value of funded obligations	**(390,440)**	(386,610)	**(349,580)**	(343,920)
Unrecognised actuarial gains	**(111,030)**	(20)	**(101,400)**	—
Asset in the balance sheet (Note 10)	**409,270**	346,490	**364,450**	308,240

Pension plan assets include the Bank's and its parent company's ordinary stock units with a fair value of $10,280,144 (2002 – $6,344,302).

The amounts recognised in the statement of revenue and expenses are as follows:

	The Group		The Bank	
	2003 $'000	**2002 $'000**	**2003 $'000**	**2002 $'000**
Current service cost, net of employee contributions	**18,060**	19,630	**16,170**	17,470
Interest cost	**49,020**	44,380	**43,890**	39,480
Expected return on plan assets	**(123,840)**	(101,560)	**(110,880)**	(90,350)
Included in staff costs (Note 22)	**(56,760)**	(37,550)	**(50,820)**	(33,400)

The actual return on plan assets for the Group was $119,540,000 (2002: $95,000,000) and the Bank $107,030,000 (2002 – $84,000,000).

Movement in the asset recognised in the balance sheet:

	The Group		The Bank	
	2003 $'000	**2002 $'000**	**2003 $'000**	**2002 $'000**
At 1 November	**346,490**	302,970	**308,240**	269,520
Total income	**56,760**	37,550	**50,820**	33,400
Contributions paid	**6,020**	5,970	**5,390**	5,320
At 31 October	**409,270**	346,490	**364,450**	308,240

The principal actuarial assumptions used were as follows:

	The Group and The Bank	
	2003	**2002**
Discount rate	**14.0%**	12.5%
Expected return on plan assets	**16.0%**	15.0%
Future salaries increases	**10.0%**	10.0%
Future pension increases	**6.0%**	6.0%

27. Retirement Benefits (continued)

(b) Other Post-Retirement Benefits

In addition to pension benefits, the Bank offers 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 the defined benefit pension scheme.

In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long-term increase in health costs of 13% per year (2002 – 11.5%).

The amounts recognised in the balance sheet are as follows:

	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Present value of unfunded obligations	**77,697**	65,959	**69,642**	58,675
Unrecognised actuarial gains	**4,114**	–	**3,214**	–
Liability in the balance sheet (Note 13)	**81,811**	65,959	**72,856**	58,675

The amounts recognised in the statement of revenue and expenses are as follows:

	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Current service cost	**7,361**	6,253	**6,597**	5,563
Interest cost	**8,978**	6,678	**8,020**	5,941
Total included in staff costs (Note 22)	**16,339**	12,931	**14,617**	11,504

Movements in the amounts recognised in the balance sheet:

	The Group		The Bank	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Liability at beginning of year	**65,959**	53,424	**58,675**	47,525
Total expense, as above	**16,339**	12,931	**14,617**	11,504
Contributions paid	**(487)**	(396)	**(436)**	(354)
Liability at end of year	**81,811**	65,959	**72,856**	58,675

28. Net Profit

	2003 $'000	2002 $'000
The net profit is dealt with as follows in the financial statements of:		
The Bank	**632,162**	37,134
Subsidiaries	**(129,299)**	131,610
	502,863	168,744

29. Earnings Per Stock Unit

The calculation of earnings per ordinary 50 cents stock unit is based on the net profit for the year of J$502,863,000 (2002 – J$168,744,000) and 193,333,000 ordinary stock units in issue for both years.

30. Financial Risk Management

(a) Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market 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:

(i) the fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;

(ii) 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;

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

(iv) the fair value of investments classified as originated loans is assumed to be equal to the amortised cost using the effective yield method.

(v) the fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for impairment from both book and fair values.

The following tables set out the fair values of the financial instruments of the Group and the Bank using the above-mentioned valuation methods and assumptions.

	The Group			
	Carrying value	Fair value	Carrying value	Fair value
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Financial Assets				
Cash resources	**7,673,416**	7,673,416	**7,930,259**	7,930,259
Investments	**2,659,287**	2,862,607	**2,135,521**	2,468,973
Government securities purchased under resale agreements	**412,797**	462,103	**1,385,790**	1,385,790
Loans	**7,061,581**	7,061,581	**5,159,805**	5,159,805
Net investment in leases	**25,632**	25,632	**41,223**	41,223
Other assets	**1,252,632**	1,252,632	**988,058**	988,058
Financial Liabilities				
Deposits	**16,561,713**	16,561,713	**15,742,973**	15,742,973
Deferred taxation	**152,180**	152,180	**87,946**	87,946
Other liabilities	**490,776**	490,776	**360,139**	360,139

30. Financial Risk Management (continued)

(a) Fair Value (continued)

	The Bank			
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
	2003	**2003**	**2002**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Financial Assets				
Cash resources	**7,668,339**	**7,668,339**	7,770,623	7,770,623
Investments	**2,574,056**	**2,786,495**	1,120,551	1,238,092
Investments in subsidiaries	**36,745**	**975,248**	36,745	3,076,362
Government securities purchased under resale agreements	**316,470**	**316,470**	260,759	260,759
Loans	**6,401,871**	**6,401,871**	4,672,505	4,672,505
Net investment in leases	**25,632**	**25,632**	–	–
Other assets	**1,220,020**	**1,220,020**	757,555	757,555
Financial Liabilities				
Deposits	**16,058,474**	**16,058,474**	13,428,580	13,428,580
Other liabilities	**424,596**	**424,596**	239,306	239,306

Deposits

The fair value of deposits which are payable on demand or notice is assumed to be equal to their carrying values. Fixed rate deposits payable on a fixed date are determined by discounting the contractual cash flows, using market interest rates currently offered for deposits with similar terms and risks.

30. Financial Risk Management (continued)

(b) Interest rate risk

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

	The Group						
	Immediately Rate Sensitive[1]	**Within 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 years**	**Non Rate Sensitive**	**Total**
	2003 $'000	**2003 $'000**	**2003 $'000**	**2003 $'000**	**2003 $'000**	**2003 $'000**	**2003 $'000**
Cash resources	2,765,852	2,037,229	1,028,000	–	–	1,842,335	7,673,416
Investments[2]							
– Held to maturity	–	298,168	533,086	1,477,017	325,500	–	2,633,771
– Available for sale	–	–	–	–	–	25,516	25,516
Government securities purchased under resale agreements							
– Originated debts	1,683	156,732	254,382	–	–	–	412,797
Loans	393,781	141,834	515,528	3,105,233	2,587,050	318,155[3]	7,061,581
Net investment in leases	–	–	5,668	19,964	–	–	25,632
Other assets	–	–	–	–	–	1,252,632[4]	1,252,632
Property, plant and equipment	–	–	–	–	–	286,313	286,313
Total assets	3,161,316	2,633,963	2,336,664	4,602,214	2,912,550	3,724,951	19,371,658
Customers' deposits	9,452,687	2,266,259	1,867,010	1,081,755	35,086	1,858,916	16,561,713
Other liabilities	–	–	–	–	–	490,776	490,776
Deferred taxation	–	–	–	–	–	152,180	152,180
Total liabilities	9,452,687	2,266,259	1,867,010	1,081,755	35,086	2,501,872	17,204,669
Total interest rate sensitivity gap	(6,291,371)	367,704	469,654	3,520,459	2,877,464	–	–
Cumulative gap	(6,291,371)	(5,923,667)	(5,454,013)	(1,933,554)	943,910	–	–
As at 31 October 2002							
Total interest rate sensitivity gap	(6,356,171)	895,486	1,683,647	2,764,749	1,994,008	–	–
Cumulative gap	(6,356,171)	(5,460,685)	(3,777,035)	(1,012,289)	981,719	–	–

30. Financial Risk Management (continued)

(b) Interest rate risk (continued)

	The Bank						
	Immediately Rate Sensitive[1]	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 years	Non Rate Sensitive	Total
	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000
Cash resources	2,765,852	2,037,229	1,028,000	–	–	1,837,258	7,668,339
Investments[2]							
– Held to maturity	–	298,168	477,419	1,447,452	325,501	–	2,548,540
– Available for sale	–	–	–	–	–	25,516	25,516
Investment in subsidiaries	–	–	–	–	–	36,745	36,745
Government securities purchased under resale agreements							
– Originated debts	1,683	119,201	195,586	–	–	–	316,470
Loans	393,781	141,827	514,031	3,074,676	1,959,768	317,788 [3]	6,401,871
Net investment in leases	–	–	5,668	19,964	–	–	25,632
Other assets	–	–	–	–	–	1,222,020 [4]	1,222,020
Property, plant and equipment	–	–	–	–	–	281,617	281,617
Total assets	3,161,316	2,596,425	2,220,704	4,542,092	2,285,269	3,720,944	18,526,750
Customers' deposits	9,249,175	2,079,808	1,803,049	1,067,426	–	1,859,016	16,058,474
Other liabilities	–	–	–	–	–	424,596	424,596
Deferred taxation	–	–	–	–	–	136,452	136,452
Total liabilities	9,249,175	2,079,808	1,803,049	1,067,426	–	2,420,064	16,619,522
Total interest rate sensitivity gap	(6,087,859)	516,617	417,655	3,474,666	2,285,269	–	–
Cumulative gap	(6,087,859)	(5,571,242)	(5,153,587)	(1,678,921)	606,348	–	–
As at 31 October 2002							
Total interest rate sensitivity gap	(6,122,867)	1,296,043	1,709,427	2,461,774	1,255,951	–	–
Cumulative gap	(6,122,867)	(4,826,824)	(3,117,397)	(655,623)	600,328	–	–

[1] This represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example base rate loans.
[2] This includes financial instruments such as equity investments.
[3] This includes impaired loans.
[4] This includes non-financial instruments.

30. Financial Risk Management (continued)

(b) Interest rate risk (continued)

Average effective yields by the earlier of the contractual re-pricing or maturity dates:

	The Group					
	2003					
	Immediately Rate Sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash resources	3.88	13.14	28.78	–	–	11.50
Investments[1]	–	25.46	20.42	16.00	16.31	17.75
Government securities purchased under resale agreements	15.30	22.00	31.00	–	–	28.00
Loans[2]	38.34	26.05	12.58	13.79	26.66	20.33
Net investment in leases	–	–	32.94	24.78	–	26.61
Deposits[3]	4.94	8.95	9.30	2.40	–	5.91

	The Bank					
	2003					
	Immediately Rate Sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash resources	3.88	13.14	28.78	–	–	11.50
Investments[1]						
– held to maturity	–	25.46	20.77	15.53	16.31	17.77
Government securities purchased under resale agreements						
– originated debts	15.30	24.76	30.25	–	–	28.10
Loans[2]	38.34	26.05	12.78	13.80	30.11	20.81
Net investment in leases	–	–	32.94	24.78	–	26.61
Deposits[3]	4.75	8.65	9.17	2.18	–	5.69

30. Financial Risk Management (continued)

(b) Interest rate risk (continued)

Average effective yields by the earlier of the contractual re-pricing or maturity dates:

	The Group					
	2002					
	Immediately Rate Sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash resources	1.80	12.88	14.90	–	–	10.68
Investments[1]	–	15.00	16.67	13.01	11.37	13.29
Government securities purchased under resale agreements	–	16.98	15.82	–	–	16.57
Loans[2]	45.85	19.48	11.71	14.48	23.50	18.40
Net investment in leases	–	33.36	32.94	27.40	–	28.05
Deposits[3]	5.31	9.11	9.85	6.38	–	6.79

	The Bank					
	2002					
	Immediately Rate Sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash resources	1.85	12.88	14.90	–	–	10.73
Investments[1]	–	13.58	16.93	11.96	6.72	12.13
Government securities purchased under resale agreements	–	14.30	18.15	–	–	15.51
Loans[2]	45.85	19.51	11.68	14.45	26.20	18.52
Deposits[3]	5.11	7.89	8.28	5.19	–	5.86

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

30. Financial Risk Management (continued)

(c) Credit exposures

The Group and the Bank 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 also carry credit risk.

The Group and the Bank structure 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 industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The following table summarises the credit exposure of the Group and the Bank to individuals, businesses and government by sector:

	The Group			
	Loans and Leases $'000	Acceptances, Guarantees and Letters of Credit $'000	Total 2003 $'000	Total 2002 $'000
Agriculture, fishing and mining	77,995	3,633	**81,628**	74,421
Construction and real estate	1,226,712	92,009	**1,318,721**	554,579
Distribution	102,430	5,380	**107,810**	1,126,658
Electricity, gas and water	1,158,682	117,556	**1,276,238**	38,173
Financial institutions	31,853	6,485	**38,338**	8,765
Government and public utilities	837,413	–	**837,413**	288,136
Manufacturing and production	211,626	18,792	**230,418**	359,232
Personal	2,158,937	114,390	**2,273,327**	1,388,930
Professional and other services	677,514	18,491	**696,005**	703,598
Tourism and entertainment	8,133	19,741	**27,874**	460,579
Transport, storage and communication	725,273	9,205	**734,478**	701,227
Total	7,216,568	405,682	**7,622,250**	5,704,298
Provision for losses			**(129,355)**	(97,499)
			7,492,895	5,606,799

30. Financial Risk Management (continued)

(c) Credit exposures (continued)

	The Bank			
	Loans and Leases $'000	**Acceptances Guarantees and Letters of Credit $'000**	**Total 2003 $'000**	**Total 2002 $'000**
Agriculture, fishing and mining	77,995	3,633	**81,628**	74,421
Construction	588,857	92,009	**680,866**	98,501
Distribution	93,707	5,380	**99,087**	1,078,065
Electricity, gas and water	1,158,682	117,556	**1,276,238**	38,173
Financial institutions	31,853	6,485	**38,338**	8,765
Government and public utilities	837,413	–	**837,413**	288,136
Manufacturing and production	204,381	18,792	**223,173**	350,413
Personal	2,158,937	114,390	**2,273,327**	1,388,930
Professional and other services	667,855	18,491	**686,346**	691,675
Tourism and entertainment	7,151	19,741	**26,892**	459,597
Transport, storage and communication	724,547	9,205	**733,752**	693,749
Total	6,551,378	405,682	**6,957,060**	5,170,425
Provision for losses			**(123,875)**	(92,149)
			6,833,185	5,078,276

(d) Foreign exchange risk

The Group recognises foreign currency risk on transactions that are denominated in a currency other than the Jamaican dollar. The main currencies giving rise to this risk are the United States dollar, the Canadian dollar and the British Pound Sterling.

The Group ensures that the net exposure is kept to an acceptable level by matching foreign assets with liabilities as far as possible. Net current foreign currency assets were as follows:

	The Group		The Bank	
	2003 '000	**2002 '000**	**2003 '000**	**2002 '000**
United States dollar	**5,470**	3,099	**5,395**	2,293
Canadian dollar	**358**	319	**358**	319
Pound Sterling	**178**	155	**178**	155

(e) Liquidity risk

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

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

30. Financial Risk Management (continued)

(e) Liquidity risk

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Group and the Bank. It is unusual for banks 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 the Bank and its exposure to changes in interest rates and exchange rates.

	The Group						
	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific Maturity	Total
	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000
Cash resources	2,765,852	2,037,229	1,028,000	–	–	1,842,335	7,673,416
Investments							
– Held to maturity	–	298,168	533,086	1,477,017	325,500	–	2,633,771
– Available for sale	–	–	–	–	–	25,516	25,516
Government securities purchased under resale agreements	1,683	156,732	254,382	–	–	–	412,797
Loans	393,781	141,834	515,528	3,105,233	2,587,050	318,155	7,061,581
Net investment in leases	–	–	5,668	19,964	–	–	25,632
Other assets	–	–	–	–	–	1,252,632	1,252,632
Property, plant and equipment	–	–	–	–	–	286,313	286,313
Total assets	3,161,316	2,633,963	2,336,664	4,602,214	2,912,550	3,724,951	19,371,658
Customers' deposits	9,452,687	2,266,259	1,867,010	1,081,093	35,748	1,858,916	16,561,713
Other liabilities	–	–	–	–	–	490,776	490,776
Deferred taxation	–	–	–	–	–	152,180	152,180
Total liabilities	9,452,687	2,266,259	1,867,010	1,081,093	35,748	2,501,872	17,204,669
Net liquidity gap	(6,291,371)	367,704	469,654	3,521,121	2,876,802	1,223,079	2,166,989
As at 31 October 2002							
Total Assets	1,876,007	4,040,484	3,428,493	3,773,147	1,994,008	2,762,378	17,874,517
Total Liabilities	(8,232,178)	(3,144,998)	(1,744,846)	(1,008,398)	–	(2,060,638)	(16,191,058)
Net liquidity gap	(6,356,171)	895,486	1,683,647	2,764,749	1,994,008	701,740	1,683,459

30. Financial Risk Management (continued)

(e) Liquidity risk (continued)

	The Bank						
	Up to 1 Month 2003 $'000	1 to 3 Months 2003 $'000	3 to 12 Months 2003 $'000	1 to 5 Years 2003 $'000	Over 5 Years 2003 $'000	No specific Maturity 2003 $'000	Total 2003 $'000
Cash resources	2,765,852	2,037,229	1,028,000	–	–	1,837,258	7,668,339
Investments							
– Held to maturity	–	298,168	477,419	1,447,452	325,501	–	2,548,540
– Available for sale	–	–	–	–	–	25,516	25,516
Investment in subsidiary	–	–	–	–	–	36,745	36,745
Government securities purchased under resale agreements							
– Originated debts	1,683	119,201	195,586	–	–	–	316,470
Loans	393,781	141,827	514,031	3,074,676	1,959,768	317,788	6,401,871
Net investment in leases	–	–	5,668	19,964	–	–	25,632
Other assets	–	–	–	–	–	1,222,020	1,222,020
Property, plant and equipment	–	–	–	–	–	281,617	281,617
Total assets	3,161,316	2,596,425	2,220,704	4,542,092	2,285,269	3,720,944	18,526,750
Customers' deposits	9,249,175	2,079,808	1,803,049	1,067,426	–	1,859,016	16,058,474
Other liabilities	–	–	–	–	–	424,596	424,596
Deferred taxation	–	–	–	–	–	136,452	136,452
Total liabilities	9,249,175	2,079,808	1,803,049	1,067,426	–	2,420,064	16,619,522
Net liquidity gap	(6,087,859)	516,617	417,655	3,474,666	2,285,269	1,300,880	1,907,228
As at 31 October 2002							
Total Assets	1,849,888	3,197,253	2,822,890	3,291,552	1,255,951	2,427,471	14,845,005
Total Liabilities	(7,972,755)	(1,901,210)	(1,113,463)	(829,778)	–	(1,926,203)	(13,743,409)
Net liquidity gap	(6,122,867)	1,296,043	1,709,427	2,461,774	1,255,951	501,268	1,101,596

(f) Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. The Group and the Bank manages its risk through the Assets and Liabilities Committee which carries out extensive research and monitors the price movement of securities on the local and international market.

(g) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

The Group and the Bank manages this risk by ensuring, as far as possible, that financial assets and liabilities are matched to mitigate any significant adverse cash flows.

31. Related Party Transactions

In the ordinary course of business, the Group provides to its connected persons normal banking services on terms similar to those offered to persons not connected to the Group.

Transactions with connected parties are as follows:

	The Group		The Bank	
	2003 $'000	**2002 $'000**	**2003 $'000**	**2002 $'000**
Transactions and balances with FirstCaribbean International Bank Limited:				
Management fees paid	**125,810**	107,236	**91,861**	78,300
Dividend paid	**15,834**	–	**15,834**	–
Net (payable)/receivable balance	**(91,582)**	23,309	**(71,846)**	23,539
Transactions and balances with other FirstCaribbean entities:				
Interest income	**–**	8,781	**–**	8,781
Interest expense	**16,938**	69,309	**23,607**	69,309
Deposits by other FirstCaribbean entities	**1,406,475**	781,200	**1,439,116**	636,580
Due from Subsidiary	**–**	–	**40,000**	–
Transactions and balances with associated entities:				
Due from CIBC entities	**5,800**	5,800	**5,800**	5,800
Deposits with CIBC entities	**205,500**	301,240	**205,500**	301,240
Transactions and balances with directors:				
Loans outstanding	**27,264**	10,292	**6,018**	7,634
Deposits with FirstCaribbean entities	**3,527**	2,828	**3,527**	2,735
Interest income	**1,469**	519	**728**	359
Interest expense	**153**	142	**153**	134

32. 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 the balance sheet date, the Group had investment custody accounts amounting to approximately J$21,860,872,000 (2002 – J$14,651,626,000).

33. Commitments

i. Lease

The Bank has obligations under long-term non-cancellable leases for buildings. Future minimum lease payments for such commitments for each of the five succeeding years and thereafter are as follows:

	2003 $'000	2002 $'000
Year ending October 31:		
2003	**–**	85,535
2004	**93,817**	93,818
2005	**99,208**	99,908
2006	**105,419**	105,419
2007 and thereafter	**402,972**	402,974

ii. Capital

	2003 $'000	2002 $'000
Capital expenditure:		
Authorised and contracted for	**–**	39,060

iii. Other

The following table indicates the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers.

	2003 $'000	2002 $'000
Guarantees and banker's acceptances	**247,172**	243,004
Letters of credit	**158,510**	162,766
Commitments to extend credit:		
Mortgages	**280,020**	63,911
Other loans	**577,603**	470,183
	1,263,305	939,864

iv. The Bank's contractual amounts of off-balance sheet instruments that commit it to extend credit to customers are as follows:

	2003 $'000	2002 $'000
Guarantees and banker's acceptances	**247,172**	243,004
Letters of credit	**158,510**	162,766
Commitments to extend credit	**577,603**	470,183
	983,285	875,953

34. Pledged Assets

Mandatory reserve deposits are held by the Bank of Jamaica in accordance with statutory requirements. These deposits are not available to finance the Group's and the Bank's day-to-day operations and are as follows:

	The Group			
	Asset		Related Liability	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Statutory reserves at Bank of Jamaica (Note 4)	**1,779,074**	1,364,499	**–**	–
Securities (see note below)	**60,000**	25,000	**–**	–
	1,839,074	1,389,499	**–**	–

	The Bank			
	Asset		Related Liability	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Statutory reserves at Bank of Jamaica (Note 4)	**1,773,997**	1,224,397	**–**	–
Securities (see note below)	**60,000**	25,000	**–**	–
	1,833,997	1,249,397	**–**	–

The Bank of Jamaica hold as security certificate of deposit and treasury bills against possible shortfalls in the operating account.

35. Contingencies

The Bank and its Subsidiaries, because of the nature of their businesses, are subject to various threatened or filed legal actions. At 31 October 2003 material claims filed amounted to approximately J$2,051,208,000 (2002 – J$2,038,079,000). The majority of this amount relates to a specific counterclaim of approximately J$1,988,073,000, filed by a former customer against the Bank. This counterclaim is as a result of an action brought against the former customer by the Bank for approximately J$231,818,000. The directors have been advised that the counterclaim is totally without merit. Although the amount of the ultimate exposure, if any, cannot be determined at this time, the directors are of the opinion, based upon the advice of counsel, that the final outcome of threatened or filed suits will not have a material adverse effect on the financial position of the Group.

36. Financial Effects of Adopting International Accounting Standards

The Group adopted IFRS effective 1 November 2002. Prior to that date, the financial statements of the Group and the Bank were prepared in accordance with Jamaican Generally Accepted Accounting Principles (JGAAP). The financial statements for the year ended 31 October 2002 (the immediately preceding comparative period) have been restated to reflect the financial position and results under IFRS. The financial effects of conversion from JGAAP to IFRS are set out as follows:

(i) Effect on stockholders' equity as at 1 November 2001:

	The Group		
	Previous JGAAP $'000	Effect of Transition to IFRSs $'000	IFRS $'000
ASSETS			
Cash resources	8,503,267	-	8,503,267
Investments securities – held to maturity	2,045,050	-	2,045,050
Government securities purchased under resale agreements — originated loans	1,562,388	-	1,562,388
Loans, after allowance for impairment losses	5,844,641	-	5,844,641
Net investment in leases	22,623	-	22,623
Customers' liabilities under acceptances, guarantees and letters of credit	419,728	-	419,728
Other assets	772,562	302,969	1,075,531
Property, plant and equipment	395,622	-	395,622
	19,565,881	302,969	19,868,850
LIABILITIES			
Customers' deposits	17,395,795	–	17,395,795
Other liabilities	382,917	136,362	519,279
Acceptance, guarantees and letters of credit, as per contra	419,728	–	419,728
	18,198,440	136,362	18,334,802
STOCKHOLDERS' EQUITY			
Share capital	96,667	–	96,667
Capital reserves	19,458	–	19,458
Reserve fund	156,667	–	156,667
Retained earnings reserve	932,163	–	932,163
Building society reserve	45,522	–	45,522
Retained earnings	116,964	166,607	283,571
	1,367,441	166,607	1,534,048
	19,565,881	302,969	19,868,850

36. Financial Effects of Adopting International Accounting Standards (continued)

(i) Effect on stockholders' equity as at 1 November 2001:

	The Bank		
	Previous JGAAP $'000	Effect of Transition to IFRSs $'000	IFRS $'000
ASSETS			
Cash resources	8,226,906	–	8,226,906
Investments securities – held-to-maturity	1,260,231	–	1,260,231
Government securities purchased under resale agreements — originated loans	7,500	–	7,500
Loans, after allowance for impairment losses	5,392,823	–	5,392,823
Customers' liabilities under acceptances, guarantees and letters of credit	418,147	–	418,147
Other assets	658,095	269,520	927,615
Property, plant and equipment	369,323	–	369,323
	16,333,025	269,520	16,602,545
LIABILITIES			
Customer deposits	14,665,044	–	14,665,044
Other liabilities	314,036	121,523	435,559
Acceptances, guarantees and letters of credit, as per contra	418,147	–	418,147
	15,397,227	121,523	15,518,750
STOCKHOLDERS' EQUITY			
Share capital	96,667	–	96,667
Capital reserves	12,833	–	12,833
Reserve fund	96,667	–	96,667
Retained earnings reserve	722,863	–	722,863
Retained earnings	6,768	147,997	154,765
	935,798	147,997	1,083,795
	16,333,025	269,520	16,602,545

36. Financial Effects of Adopting International Accounting Standards (continued)

(ii) Effect on stockholders' equity as at 31 October 2002:

	The Group		
	Previous JGAAP $'000	Effect of Transition to IFRSs $'000	IFRS $'000
ASSETS			
Cash resources	7,930,259	–	7,930,259
Investments securities held-to-maturity	2,135,521	–	2,135,521
Government securities purchased under resale agreements — originated debt	1,385,790	–	1,385,790
Loans, after allowance for impairment losses	5,159,805	–	5,159,805
Net investment in leases	41,223	–	41,223
Other assets	643,702	344,356	988,058
Property, plant and equipment	233,861	–	233,861
	17,530,161	344,356	17,874,517
LIABILITIES			
Customer deposits	15,742,973	–	15,742,973
Other liabilities	283,108	164,977	448,085
	16,026,081	164,977	16,191,058
STOCKHOLDERS' EQUITY			
Share capital	96,667	–	96,667
Capital reserves	19,458	–	19,458
Reserve fund	156,667	–	156,667
Retained earnings reserve	932,163	–	932,163
Building Society reserve	45,522	–	45,522
Retained earnings	253,603	179,379	432,982
	1,504,080	179,379	1,683,459
	17,530,161	344,356	17,874,517

36. Financial Effects of Adopting International Accounting Standards (continued)

(ii) Effect on stockholders' equity as at 31 October 2002 (continued):

	The Bank		
	Previous JGAAP $'000	Effect of Transition to IFRSs $'000	IFRS $'000
ASSETS			
Cash resources	7,770,623	–	7,770,623
Investments — held-to-maturity	1,120,551	–	1,120,551
Investment in subsidiaries	36,745	–	36,745
Government securities purchased under resale agreements — originated loans	260,759	–	260,759
Loans, after allowance for impairment losses	4,672,505		4,672,505
Other assets	453,822	303,733	757,555
Property, plant and equipment	226,267	–	226,267
	14,541,272	303,733	14,845,005
LIABILITIES			
Customers' deposits	13,428,580	–	13,428,580
Other liabilities	171,157	143,672	314,829
	13,599,737	143,672	13,743,409
STOCKHOLDERS' EQUITY			
Share capital	96,667	–	96,667
Capital reserves	12,833	–	12,833
Reserve fund	96,667	–	96,667
Retained earnings reserve	722,863	–	722,863
Retained earnings	12,505	160,061	172,566
	941,535	160,061	1,101,596
	14,541,272	303,733	14,845,005

36. Financial Effects of Adopting International Accounting Standards (continued)

(iii) Reconciliation of net profit for the year ended 31 October 2002:

	The Group		
	Previous JGAAP $'000	Effect of Transition to IFRSs $'000	IFRS $'000
Interest income	2,210,867	–	2,210,867
Interest expense	(1,124,141)	–	(1,124,141)
Impairment losses on loans	(49,634)	–	(49,634)
Non-Interest income and other	481,444	–	481,444
Net revenues	1,518,536	–	1,518,536
Non-interest expenses	1,332,722	(19,913)	1,312,809
Profit before taxation	185,814	19,913	205,727
Taxation	(29,842)	(7,141)	(36,983)
Net profit	155,972	12,772	168,744

	The Bank		
	Previous JGAAP $'000	Effect of Transition to IFRSs $'000	IFRS $'000
Interest income	1,729,877	–	1,729,877
Interest expense	(821,308)	–	(821,308)
Impairment losses on loans	(54,052)	–	(54,052)
Non-Interest income and other	346,905	–	346,905
Net Revenues	1,201,422	–	1,201,422
Non-Interest expenses	1,192,280	(18,096)	1,174,184
Profit before taxation	9,142	18,096	27,238
Taxation	15,928	(6,032)	9,896
Net profit	25,070	12,064	37,134

Brief descriptions of each item of difference are:

(a) Provision for deferred tax is now made in full using the liability method. Deferred tax was recognised as a result of provision of pension and post-retirement benefits, which amounted to $90,078,000 for the Group (2001– $82,938,000) and $80,030,000 (2001 – $73,998,000) for the Bank.

(b) Provisions for post-retirement health obligations and pension obligations, which were not required under previous Jamaican GAAP, are now made in full. These provisions are determined by independent actuaries using the Projected Unit Credit Method. The amounts recognised in the balance sheet for the Group's and the Bank's pension and post-retirement obligations based on the latest actuarial valuation were $280,531,000 (2001 – $249,546,000) and $249,565,000 (2001 – $221,995,000) respectively for the Group and the Bank.

(c) Companies are required to recognise outstanding vacation leave under a defined benefit plan. As a result, $11,072,000 (2001 – $nil) and $9,474,000 (2001 – $nil) were accrued in other liabilities for the Group and the Bank respectively.

For the year ended October 31, 2003
(expressed in thousands of Jamaican dollars)

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEAR ENDED OCTOBER 31, 2003

	2003 $'000	Restated 2002 $'000	2001 $'000	2000 $'000	1999 $'000
Interest income	2,242,306	2,210,867	2,206,269	1,889,296	1,849,364
Interest expense	(886,998)	(1,124,141)	(1,128,316)	(879,871)	(875,130)
Net interest income	1,355,308	1,086,726	1,077,953	1,009,425	974,234
Provision for credit losses	(14,049)	(49,634)	(23,852)	(116,204)	(76,630)
Non-interest income	635,727	481,444	482,922	531,283	454,152
Non-interest expenses	(1,280,437)	(1,312,809)	(1,187,513)	(1,107,069)	(1,115,261)
Net income (loss) before income taxes	696,549	205,727	349,510	317,435	236,495
Exceptional Items	0	0	0	0	(71,795)
Income taxes	(193,686)	(36,983)	(97,721)	(88,640)	(53,410)
Net income before extraordinary items and minority interests	502,863	168,744	251,789	228,795	111,290
Extraordinary items					
Minority interests					
NET INCOME	502,863	168,744	251,789	228,795	111,290

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT OCTOBER 31, 2003

	2003 $'000	Restated 2002 $'000	Restated 2001 $'000	2000 $'000	1999 $'000
ASSETS					
Cash Resources	7,673,416	7,930,259	8,503,267	7,230,999	5,340,129
Investments	2,659,287	2,135,521	2,045,050	1,843,730	1,721,852
Government securities purchased under resale agreements	412,797	1,385,790	1,562,388	639,502	987,770
Loans					
Mortgages	665,190	492,400	461,317	415,880	351,767
Personal	2,131,776	1,348,073	798,236	1,057,912	1,462,062
Business	4,393,100	3,416,581	4,659,180	3,346,888	2,433,723
Less: Allowance for Credit Losses	(128,485)	(97,249)	(74,092)	(80,847)	(152,316)
Net investment in leases	25,632	41,223	22,623	31,512	39,714
Fixed assets	286,313	233,861	395,622	476,214	525,490
Other assets	1,252,632	988,058	1,075,531	488,979	381,200
	19,371,658	17,874,517	19,449,122	15,450,769	13,091,391

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For the year ended October 31, 2003
(expressed in thousands of Jamaican dollars)

CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

	2003 $'000	Restated 2002 $'000	Restated 2001 $'000	2000 $'000	1999 $'000
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits					
Individuals	7,922,289	10,252,998	11,042,883	8,388,057	8,032,995
Businesses and governments	8,392,635	5,247,839	6,119,531	5,496,198	3,632,440
Banks	246,789	242,136	233,381		
Other liabilities	642,956	448,085	519,279	398,662	442,432
Shareholders' equity					
Share Capital	96,667	96,667	96,667	96,667	96,667
Capital Reserves	19,458	19,458	19,458	19,458	19,458
Reserve Fund	156,667	156,667	156,667	156,667	130,163
Retained Earning Reserve	956,163	932,163	932,163	804,163	570,667
Building Society Reserve	45,522	45,522	45,522	45,522	43,430
Retained Earnings	892,512	432,982	283,571	45,375	123,139
	19,371,658	17,874,517	19,449,122	15,450,769	13,091,391

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED OCTOBER 31, 2003

	2003 $'000	Restated 2002 $'000	Restated 2001 $'000	2000 $'000	1999 $'000
SHAREHOLDERS' EQUITY					
Balance at beginning of year	1,683,459	1,534,048	1,167,852	983,524	910,901
Net Income (loss)	502,863	168,744	251,789	228,795	111,290
Effect of Transition to IFRS	-	-	166,607	-	-
Dividends	(19,333)	(19,333)	(52,200)	(44,467)	(38,667)
Balance at end of year	2,166,989	1,683,459	1,534,048	1,167,852	983,524

PROFITABILITY	**2003**	**2002**	**2001**	**2000**	**1999**
Return on common equity	26.1%	10.5%	18.6%	21.3%	11.7%
Tax rate	27.8%	18.0%	28.0%	27.9%	32.4%
REVENUE AND EXPENSES AS A PERCENTAGE OF AVERAGE ASSETS					
Net interest income	7.28%	5.82%	6.18%	7.07%	8.36%
Provision for credit losses	0.08%	0.27%	0.14%	0.81%	0.66%
Non-interest income	3.41%	2.58%	2.77%	3.72%	3.90%
Non-interest expenses	6.88%	7.03%	6.81%	7.76%	9.57%
Income taxes	1.04%	0.20%	0.56%	0.62%	0.46%
Exceptional items	0.00%	0.00%	0.00%	0.00%	-0.62%
Net income before minority interests – return on assets	2.70%	0.90%	1.44%	1.60%	0.96%

For the year ended October 31, 2003
(expressed in thousands of Jamaican dollars)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

CREDIT QUALITY	**2003**	**2002**	**2001**	**2000**	**1999**
Allowance for credit losses					
to gross impaired loans	29.5%	45.7%	34.4%	21.6%	43.4%
Gross impaired loans ($000's)	435,920	212,605	215,140	373,676	351,255
Net impaired loans ($000's)	307,435	115,356	141,048	292,829	198,939
Net impaired loans to total net loans	4.3%	2.2%	2.4%	6.1%	4.8%

LIQUIDITY	**2003**	**2002**	**2001**	**2000**	**1999**
Cash resources to total assets	39.6%	44.4%	43.7%	46.8%	40.8%
Securities to total assets	15.9%	19.7%	18.5%	16.1%	20.7%

CAPITAL AND RELATED	**2003**	**2002**	**2001**	**2000**	**1999**
Average common					
shareholders' equity ($000's)	1,925,224	1,608,754	1,350,950	1,075,688	947,213
Average assets ($000's)	18,623,088	18,661,820	17,449,946	14,271,080	11,651,560
Average assets to					
average common equity	9.7	11.6	12.9	13.3	12.3

PRODUCTIVITY AND RELATED					
Non-interest expenses to revenue ratio	64.3%	83.7%	76.1%	71.9%	83.1%
Full-time equivalent employees	485	467	467	470	545
Number of branches	12	12	12	12	12
Number of automated banking machines	11	11	10	10	10

COMMON SHARES	**2003**	**2002**	**2001**	**2000**	**1999**
Number of outstanding (000's)	193,333	193,333	193,333	193,333	193,333
Average number outstanding (000's)					
basic	193,333	193,333	193,333	193,333	193,333
fully diluted	193,333	193,333	193,333	193,333	193,333

PER COMMON SHARE INFORMATION					
Net income					
basic	$2.60	$0.87	$1.30	$1.18	$0.58
fully diluted	$2.60	$0.87	$1.30	$1.18	$0.58
Price					
high					
low					
close	$8.00	$8.49	$7.50	$8.05	$4.10
Dividends					
per share	$0.10	$0.10	$0.27	$0.23	$0.20
yield	1.2%	1.2%	3.6%	2.9%	4.9%
payout ratio	3.8%	11.5%	20.7%	19.4%	34.7%
Price to earnings ratio	3.1	9.7	5.8	6.8	7.1
Book value	$ 11.21	$ 8.71	$ 7.93	$ 6.04	$ 5.09
Price to book value	0.3	1.1	0.7	1.1	1.4

I/We ____

In the parish of ______________________________________

Being a member/members of the above-named company, hereby appoint

______________________ of ______________________

or failing him ______________________ of ______________________

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 4th day of May, 2004, and at any adjournment thereof.

Signed this ________ day of _______ 2004.

Please indicate with an "X" in the spaces below how you wish your proxy to vote on the Resolutions referred to. Unless otherwise instructed, the proxy will vote as he thinks fit.

RESOLUTION 1		
RESOLUTION 2 a. R.O. Campbell b. A.C. Watson		
RESOLUTION 3		
RESOLUTION 4		
RESOLUTION 5		

Notes:

1. A member is entitled to appoint a proxy of his choice.
2. If the appointer is a Corporation, this form must be under its Common Seal and under the hand of an officer of the Corporation duly authorised on its behalf.
3. In the case of joint holders, the signature of any holder is sufficient, but the names of all joint holders should be stated.
4. To be valid, this form must be completed and deposited with the Secretary, FirstCaribbean International Bank (Jamaica) Limited, 23-27 Knutsford Boulevard, Kingston 5, at least 48 hours before the time appointed for the Meeting or adjourned Meeting.
5. An adhesive stamp of One Hundred Dollars ($100.00) must be affixed to the form and cancelled by the Appointer at the time of the signing.

www.firstcaribbeanbank.com

FIRSTCARIBBEAN
INTERNATIONAL BANK

Caribbean Pride. International Strength. Your Financial Partner.

FirstCaribbean International Bank is an Associated Company of Barclays Bank PLC and CIBC

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Grenada & Carriacou • Jamaica • St. Kitts & Nevis • St. Lucia • St. Maarten • St. Vincent & the Grenadines • Turks & Caicos Islands

FirstCaribbean International Bank (Jamaica) Limited

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