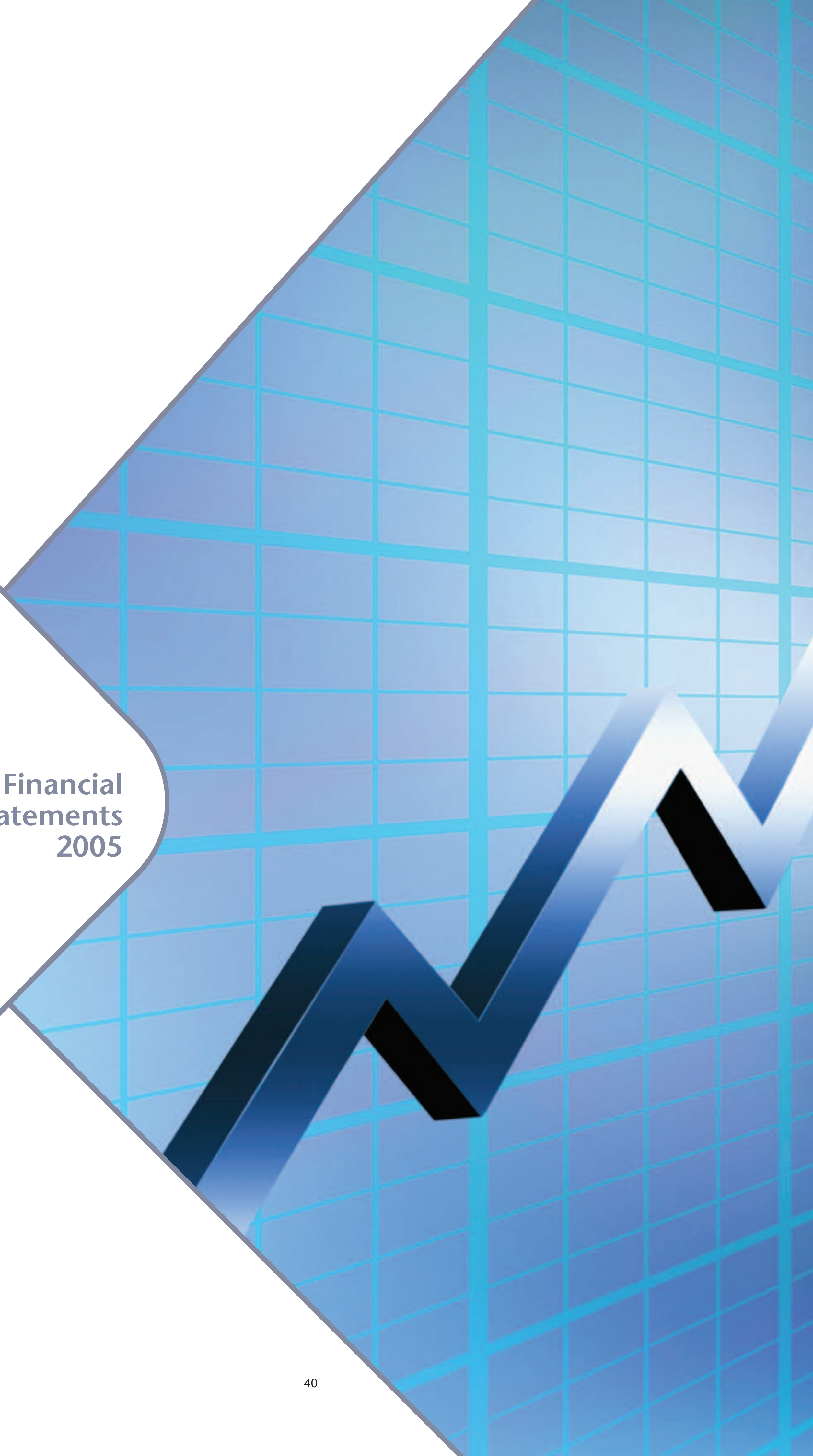
Financial Statements 2005



PRICEWATERHOUSECOOPERS

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To the Members of
FirstCaribbean International Bank (Jamaica) Limited

We have audited the financial statements set out on pages 43 to 93, 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 2005 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
26 January, 2006

Group Balance Sheet

As at October 31, 2005
(expressed in thousands of Jamaican dollars)

	Notes	2005 $'000	2004 $'000
ASSETS			
Cash resources	3	**6,591,062**	7,351,408
Investment securities	4	**1,503,634**	2,331,756
Government securities purchased under resale agreements	5	**135,357**	565,253
Loans, less provision for impairment	6	**13,863,062**	8,596,236
Net investment in leases	7	**9,239**	16,431
Other assets	8	**429,673**	322,694
Retirement benefit asset	9	**618,410**	493,600
Property, plant and equipment	10	**378,436**	427,083
Deferred taxation	13	**816**	—
		23,529,689	20,104,461
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Customers' deposits	11	**19,863,646**	16,702,965
Other liabilities	12	**308,129**	546,925
Taxation payable		**17,147**	78,071
Retirement benefit obligations	9	**135,400**	104,224
Deferred taxation	13	**171,874**	124,110
		20,496,196	17,556,295
Stockholders' Equity			
Share capital and reserves	14	**2,193,724**	1,784,488
Retained earnings		**839,769**	763,678
		3,033,493	2,548,166
		23,529,689	20,104,461

Approved by the Board of Directors on 26 January 2006 and signed on its behalf by:

M.C. Brady
Director

M.K. Mansoor
Director

A. J. A. Bell
Director

A. C. Rattray
Secretary

Group Statement of Changes in Stockholders' Equity

For the year ended October 31, 2005
(expressed in thousands of Jamaican dollars)

	Notes	Share capital $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 31 October 2003		96,667	1,177,810	892,512	2,166,989
Net profit		—	—	381,177	381,177
Transfer to retained earnings reserve	18	—	450,000	(450,000)	—
Transfer to loan loss reserve	19	—	60,011	(60,011)	—
Balance at 31 October 2004		96,667	1,687,821	763,678	2,548,166
Net profit		—	—	482,777	482,777
Transfer of realised reserves on sale of subsidiary		—	(6,625)	6,625	—
Fair value gains recognised directly in equity	16	—	2,550	—	2,550
Transfer to retained earnings reserve	18	—	370,000	(370,000)	—
Transfer to loan loss reserve	19	—	43,311	(43,311)	—
Balance at 31 October 2005		96,667	2,097,057	839,769	3,033,493

Group Statement of Revenue and Expenses

For the year ended October 31, 2005
(expressed in thousands of Jamaican dollars)

	Notes	2005 $'000	2004 $'000
Interest Income		**2,381,655**	2,375,021
Interest Expense		**(818,989)**	(830,122)
Net Interest Income	21	**1,562,666**	1,544,899
Non-Interest Income	22	**539,162**	517,814
Gain on Sale of Subsidiary	24	**135,445**	—
		2,237,273	2,062,713
Non-Interest Expenses	25	**(1,542,480)**	(1,459,664)
Impairment Losses on Loans		**(67,788)**	(17,281)
Integration/Restructuring Charges		**—**	(51,209)
		(1,610,268)	(1,528,154)
Profit before Taxation	27	**627,005**	534,559
Taxation	28	**(144,228)**	(153,382)
NET PROFIT		**482,777**	381,177
EARNINGS PER STOCK UNIT	30	**$2.50**	$1.97

Group Statement of Cash Flows

For the year ended October 31, 2005
(expressed in thousands of Jamaican dollars)

	Notes	2005 $'000	2004 $'000
Cash Flows from Operating Activities			
Profit before taxation		**627,005**	534,559
Adjustments to reconcile profit to net cash used in operating activities:			
Impairment losses on loans		**67,788**	17,281
Gain on disposal of property, plant and equipment		**(1,253)**	(1,330)
Gain on disposal of subsidiary		**(135,445)**	—
Depreciation		**93,642**	73,789
Interest income		**(2,381,655)**	(2,375,021)
Interest expense		**818,989**	830,122
Unrealised foreign exchange gains		**(6,291)**	(19,326)
		(917,220)	(939,926)
Changes in operating assets and liabilities:			
Loans		**(5,335,257)**	(1,404,307)
Customers' deposits		**3,154,397**	83,873
Net investment in leases		**7,192**	9,201
Retirement benefit asset		**(165,140)**	(84,330)
Retirement benefit obligation		**40,457**	22,413
Other assets		**(115,388)**	58,898
Other liabilities		**(51,302)**	140,253
Statutory reserves with Bank of Jamaica		**322,551**	(87,678)
		(3,059,710)	(2,201,603)
Interest received		**2,430,695**	2,406,834
Interest paid		**(813,066)**	(828,023)
Income tax paid		**(154,589)**	(167,906)
Net cash used in operating activities		**(1,596,670)**	(790,698)
Cash Flows from Investing Activities			
Investment securities, net		**773,352**	403,528
Government securities purchased under resale agreements, net		**92,728**	(138,432)
Net cash inflow on sale of subsidiary		**214,338**	—
Additions to property, plant and equipment		**(48,328)**	(215,144)
Proceeds from disposal of property, plant and equipment		**3,129**	1,914
Net cash provided by investing activities		**1,035,219**	51,866
Net decrease in cash and cash equivalents		**(561,451)**	(738,832)
Effect of exchange rate changes on cash and cash equivalents		**123,997**	136,839
Cash and cash equivalents at beginning of year		**5,484,027**	6,086,020
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3	**5,046,573**	5,484,027

Balance Sheet

For the year ended October 31, 2005
(expressed in thousands of Jamaican dollars)

	Notes	2005 $,000	2004 $'000
ASSETS			
Cash resources	3	**7,729,462**	7,741,731
Investment securities	4	**1,493,119**	2,300,542
Investments in subsidiaries		**35,000**	36,745
Government securities purchased under resale agreements	5	**48,230**	167,680
Loans, less provision for impairment	6	**11,744,109**	7,305,091
Net investment in leases	7	**9,239**	16,431
Other assets	8	**427,847**	309,428
Retirement benefit asset	9	**598,720**	442,140
Property, plant and equipment	10	**377,744**	424,156
		22,463,470	18,743,944
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Customers' deposits	11	**19,147,368**	16,041,454
Other liabilities	12	**255,760**	195,633
Taxation payable		**6,272**	68,386
Retirement benefit obligations	9	**131,080**	92,929
Deferred taxation	13	**171,874**	114,483
		19,712,354	16,512,885
Stockholders' Equity			
Share capital and reserves	14	**1,968,732**	1,623,533
Retained earnings		**782,384**	607,526
		2,751,116	2,231,059
		22,463,470	18,743,944

Approved by the Board of Directors on 26 January 2006 and signed on its behalf by:

M.C. Brady
Director

M.K. Mansoor
Director

A. J. A. Bell
Director

A.C. Rattray
Secretary

Statement of Changes in Stockholders' Equity

For the year ended October 31, 2005
(expressed in thousands of Jamaican dollars)

	Notes	Share capital $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 31 October 2003		96,667	1,025,166	785,395	1,907,228
Net profit		—	—	323,831	323,831
Transfer to retained earnings reserve	18	—	450,000	(450,000)	—
Transfer to loan loss reserve	19	—	51,700	(51,700)	—
Balance at 31 October 2004		96,667	1,526,866	607,526	2,231,059
Net profit		—	—	517,507	517,507
Fair value gains recognised directly in equity	16	—	2,550	—	2,550
Transfer to retained earnings reserve	18	—	300,000	(300,000)	—
Transfer to loan loss reserve	19	—	42,649	(42,649)	—
Balance at 31 October 2005		96,667	1,872,065	782,384	2,751,116

Statement of Revenue and Expenses

For the year ended October 31, 2005
(expressed in thousands of Jamaican dollars)

	Notes	2005 $'000	2004 $'000
Interest Income		**2,183,728**	2,206,989
Interest Expense		**(759,849)**	(767,249)
Net Interest Income	21	**1,423,879**	1,439,740
Non-Interest Income	22	**493,963**	409,394
Gain on Sale of Subsidiary	24	**228,255**	—
		2,146,097	1,849,134
Non-Interest Expenses	25	**(1,453,734)**	(1,327,501)
Impairment Losses on Loans		**(57,113)**	(15,267)
Integration/Restructuring Charges		—	(55,216)
		(1,510,847)	(1,397,984)
Profit before Taxation	27	**635,250**	451,150
Taxation	28	**(117,743)**	(127,319)
NET PROFIT		**517,507**	323,831

Statement of Cash Flows

For the year ended October 31, 2005
(expressed in thousands of Jamaican dollars)

	Notes	2005 $'000	2004 $'000
Cash Flows from Operating Activities			
Profit before taxation		**635,250**	451,150
Adjustment to reconcile profit to net cash (used in)/provided by operating activities:			
Impairment losses on loans		**57,113**	15,267
Gain on disposal of property, plant and equipment		**(1,269)**	(1,330)
Gain on sale of subsidiary		**(228,255)**	—
Depreciation		**92,738**	71,670
Interest income		**(2,183,728)**	(2,206,989)
Interest expense		**759,849**	767,249
Unrealised foreign exchange gains		**(6,309)**	(19,437)
		(874,611)	(922,420)
Changes in operating assets and liabilities:			
Loans		**(4,499,494)**	(786,040)
Customers' deposits		**3,094,218**	(64,179)
Net investment in leases		**7,192**	9,201
Retirement benefit asset		**(156,580)**	(77,690)
Retirement benefit obligations		**38,151**	20,073
Other assets		**(117,807)**	100,693
Other liabilities		**(57,200)**	(159,960)
Statutory reserves at Bank of Jamaica		**330,196**	(83,456)
		(2,235,935)	(1,963,778)
Interest received		**2,232,529**	2,246,068
Interest paid		**(748,514)**	(769,332)
Income tax paid		**(122,466)**	(145,208)
Cash used in operating activities		**(874,386)**	(632,250)
Cash Flows from Investing Activities			
Government securities purchased under resale agreements ,net		**112,656**	157,703
Investment securities, net		**771,057**	348,174
Proceeds from sale of subsidiary		**230,000**	—
Additions to property, plant and equipment		**(47,996)**	(214,794)
Proceeds from disposal of property, plant and equipment		**2,939**	1,915
Net cash provided by investing activities		**1,068,656**	292,998
Net increase/(decrease) in cash and cash equivalents		**194,270**	(339,252)
Effect of exchange rate changes on cash and cash equivalents		**123,997**	136,839
Cash and cash equivalents at beginning of year		**5,883,649**	6,086,062
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3	**6,201,916**	5,883,649

Notes to the Financial Statements

For the year ended October 31, 2005
(expressed in thousands of Jamaican dollars)

1. **Identification and Activities**

FirstCaribbean International Bank (Jamaica) Limited (the Bank), which was incorporated and is domiciled in Jamaica, is a 94.80% (2004 – 94.80%) 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 are incorporated and are domiciled in Jamaica, are as follows:

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

Effective April 30, 2005, the Bank sold its entire shareholding in FirstCaribbean International Securities Limited to FirstCaribbean International Bank (Barbados) Limited (Note 24).

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

2. **Summary of 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

These financial statements have been prepared in conformity with International Reporting Financial Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities held for trading and all derivative contracts.

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. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates.

(b) 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) 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.

(d) Investment in subsidiaries

Investments by the Bank in subsidiaries are stated at cost.

(e) 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.

(f) Derivatives

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

Changes in the fair value of derivatives held for trading are included in net trading income. Derivative transactions which, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules in IAS 39 are treated as derivatives held for trading with fair value gains and losses reported in income.

2. Significant Accounting Policies (continued)

(g) 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.

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

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 180 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. Jamaica banking regulations require that interest on non-performing loans be taken into account on the cash basis. IFRS requires the increase in the present value of impaired loans due to the passage of time to be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

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.

(h) 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.

2. Significant Accounting Policies (continued)

(i) Employee benefits

(i) Pension plans

The Group operates a defined contribution plan and a defined benefit plan, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by Group, taking into account the recommendations of independent qualified actuaries.

A defined contribution plan is a plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligation beyond paying these contributions. These contributions are charged to the statement of revenue and expenses in the period to which they relate.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. 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 their 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.

(iii) Employee entitlements

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

2. Significant Accounting Policies (continued)

(j) 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.

(k) Computer software developments

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as an asset are amortised using the straight line method over a period of five years.

(l) Property, plant and equipment

Land and buildings are shown at deemed cost, less subsequent depreciation for buildings. Under IFRS 1, a first time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment as its deemed cost. The Group elected to apply this provision on transition to IFRS on 1 November 2002. All other property, plant and equipment 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	Shorter of lease life or 10%
Furniture & fixtures	6.7%-14.29%
Computer equipment and software	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.

2. Significant Accounting Policies (continued)

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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 deferred together with related direct cost and recognised as an adjustment to the effective yield on the loan.

Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Asset management fees related to investment funds are recognised ratably over the period the service is provided.

2. Summary of Significant Accounting Policies (continued)

(r) 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.

Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the statement of revenue and expenses.

(s) 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.

(t) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and balances with Bank of Jamaica (excluding statutory reserves) and accounts with other banks (Note 3).

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services which is subject to risks and rewards that are different from those of other segments. The group is organised into two main segments:

(i) Financial services – This incorporates retail and corporate banking services.

(ii) Investment management services – This incorporates investment management, pension fund management and trustee.

Segments with a majority of revenue earned from external customers and whose revenue, result or assets are 10% or more of all the segments are reported separately.

(v) Comparative information

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

(expressed in thousands of Jamaican dollars)

3. Cash Resources

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Cash	**231,986**	185,339	**231,984**	185,337
Deposit with Central Bank — interest bearing	**2,042,235**	2,547,672	**2,042,235**	2,547,672
Deposit with Central Bank — non-interest bearing	**929,836**	866,004	**912,893**	856,706
Other money market placements	**3,345,172**	3,647,177	**4,492,172**	4,044,177
Cash resources	**6,549,229**	7,246,192	**7,679,284**	7,633,892
Interest receivable	**41,833**	105,216	**50,178**	107,839
	6,591,062	7,351,408	**7,729,462**	7,741,731
Mandatory reserve deposits with Central Bank (Note 36)	**(1,544,489)**	(1,867,381)	**(1,527,546)**	(1,858,082)
Cash and cash equivalents	**5,046,573**	5,484,027	**6,201,916**	5,883,649

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, the Group and the Bank are required to place deposits with The Bank of Jamaica ("Central Bank") which are held substantially on a non-interest-bearing basis as a cash reserve; accordingly, these amounts are not available for investment or other use by the Group and the Bank. These reserves represent the required rates 9% (2004 - 9%) 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 Central Bank, a special deposit wholly in the form of cash, representing 1% (2004 – 5%) of the Bank's prescribed liabilities. The special deposit maintained with the Central Bank at year end was $96,002,000 (2004 – $466,378,000). Interest at a rate of 6% per annum is earned on this deposit.

Included in other money market placements are deposits with ultimate parent company of J$3,069,000 (2004 – $160,228,000) for the Group and Nil (2004 – J$127,632,000) for the Bank.

4. Investment Securities

(i) Held to Maturity Securities — at Amortised Cost

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Securities issued or guaranteed by Government				
Debentures	**154,850**	220,378	**144,850**	199,378
Debt securities	**475,785**	909,707	**475,785**	909,707
Local registered stocks	**412,778**	651,912	**412,778**	643,034
	1,043,413	1,781,997	**1,033,413**	1,752,119

(expressed in thousands of Jamaican dollars)

4. Investment Securities (continued)

(ii) Originated Loans — at Amortised Cost

	The Group		The Bank	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Securities issued or guaranteed by Government				
Treasury bills	**288,501**	315,865	**288,501**	315,865
Debentures	**85,000**	110,000	**85,000**	110,000
Local registered stocks	**33,556**	33,561	**33,556**	33,561
	407,057	459,426	**407,057**	459,426

(iii) Available for Sale Securities — at Fair Value

	The Group		The Bank	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Balance at beginning of year	**14,336**	22,630	**14,336**	22,630
Disposals	—	(8,373)	—	(8,373)
Fair value and foreign exchange gains	**2,568**	79	**2,568**	79
	16,904	14,336	**16,904**	14,336
Balance at end of year	**1,467,374**	2,255,759	**1,457,374**	2,225,881
Interest receivable	**36,260**	75,997	**35,745**	74,661
	1,503,634	2,331,756	**1,493,119**	2,300,542

5. Government Securities Purchased Under Resale Agreements

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	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Government securities purchased under resale agreements	**130,264**	551,229	**46,111**	158,767
Interest receivable	**5,093**	14,024	**2,119**	8,913
	135,357	565,253	**48,230**	167,680

(expressed in thousands of Jamaican dollars)

6. Loans, Less Provision for Impairment

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Mortgages	**2,119,411**	1,283,644	—	—
Personal loans	**3,809,947**	2,996,323	**3,809,947**	2,996,323
Business loans	**7,965,155**	4,310,160	**7,965,155**	4,310,160
	13,894,513	8,590,127	**11,775,102**	7,306,483
Less: Provision for impairment	**(178,437)**	(141,520)	**(160,077)**	(133,839)
	13,716,076	8,448,607	**11,615,025**	7,172,644
Interest receivable	**146,986**	147,629	**129,084**	132,447
	13,863,062	8,596,236	**11,744,109**	7,305,091

In 2004 the Bank entered into two interest rate swap agreements for loans effective September 2004 and October 2004, respectively, with Barclays Capital as follows:

Swap 1 — The Bank pays 6.5% per annum fixed and receives 3.17% plus three month US dollar LIBOR on a notional amount of US$3,760,000 (2004 – US$4,700,000) every quarter commencing September 2004 and ending September 2009.

Swap 2 — The Bank pays 7.75% per annum fixed and receives 4.18% plus US dollar LIBOR on a notional amount of US$2,227,000 (2004 – US$2,370,000) monthly commencing October 2004 and ending October 2011.

The combined fair value of these interest rate swaps at 31 October 2005 is positive US$182,000 (2004 – negative US$25,000).

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

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Balance at beginning of year	141,520	128,485	133,839	123,005
Provided during the year	67,741	17,281	57,066	15,267
Amounts recovered	8,529	6,517	8,525	6,330
Amounts written off	(39,353)	(10,763)	(39,353)	(10,763)
Balance at end of year	178,437	141,520	160,077	133,839
These comprise:-				
Specific provision	109,076	83,018	96,454	77,795
General provision	69,361	58,502	63,623	56,044

As at 31 October 2005, loans with principal balances outstanding of J$235,703,000 (2004 – J$224,712,000) for the Group and J$206,715,000 (2004 – J$212,760,000) for the Bank were in non-performing status.

(expressed in thousands of Jamaican dollars)

6. Loans, Less Provision for Impairment (continued)

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

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Specific provision	**144,314**	113,845	**137,965**	110,631
General provision	**137,445**	87,686	**116,461**	74,908
	281,759	201,531	**254,426**	185,539
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 19)	**103,322**	60,011	**94,349**	51,700

7. Net Investment in Leases

	The Group and the Bank	
	2005 $'000	**2004 $'000**
Total minimum lease payments receivable	**12,936**	19,025
Unearned income	**(3,617)**	(2,561)
	9,319	16,464
Less: Provision for impairment losses	**(80)**	(33)
	9,239	16,431

Future minimum lease payments are receivable as follows:

	2005 $'000	**2004 $'000**
2005	—	7,947
2006	**7,229**	2,818
2007	**2,108**	8,260
2008	**2,006**	—
2009	**1,593**	—
	12,936	19,025

(expressed in thousands of Jamaican dollars)

8. Other Assets

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Cheques and other items in transit, net	**270,834**	157,268	**271,638**	170,775
Prepayments and deferred items	**7,380**	27,549	**7,135**	27,101
Due from parent company	**65,820**	—	**65,820**	—
Due from affiliates	—	5,800	—	5,800
Withholding tax	**63,882**	71,391	**63,882**	71,391
Other	**21,757**	60,686	**19,372**	34,361
	429,673	322,694	**427,847**	309,428

9. Retirement Benefits

Amounts recognised in the balance sheet:

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Pension scheme	**618,410**	493,600	**598,720**	442,140
Other post retirement benefits	**(135,400)**	(104,224)	**(131,080)**	(92,929)

(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 ten 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 2005.

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

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Fair value of plan assets	**1,353,480**	1,187,050	**1,310,380**	1,093,680
Present value of funded obligations	**(502,410)**	(561,250)	**(486,410)**	(517,110)
Unrecognised actuarial gains	**(232,660)**	(132,200)	**(225,250)**	(134,430)
Asset in the balance sheet	**618,410**	493,600	**598,720**	442,140

At 31 October 2005, pension plan assets include the parent company's ordinary stock units with a fair value of $7,622,000. At 31 October 2004, pension plan assets included the Bank's and its parent company's ordinary stock units with a fair value of $10,000,000.

(expressed in thousands of Jamaican dollars)

9. Retirement Benefits (continued)

(a) Pension Scheme (continued)

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

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Current service cost, net of employee contributions	**24,720**	25,100	**26,230**	23,130
Interest cost	**66,560**	69,010	**64,440**	63,580
Expected return on plan assets	**(178,460)**	(171,710)	**(172,780)**	(158,200)
Actuarial gains recognised during the year	**(77,960)**	—	**(74,470)**	—
Included in staff costs (Note 26)	**(165,140)**	(77,600)	**(156,580)**	(71,490)

The actual return on plan assets for the Group was $244,000,000 (2004: $261,770,000) and the Bank $227,000,000 (2004 – $264,850,000).

Movement in the asset recognised in the balance sheet:

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
At 1 November	**493,600**	409,270	**442,140**	364,450
Total income	**165,140**	77,600	**156,580**	71,490
Contributions paid	—	6,730	—	6,200
Elimination on sale of subsidiary	**(40,330)**	—	—	—
At 31 October	**618,410**	493,600	**598,720**	442,140

The principal actuarial assumptions used were as follows:

	The Group and The Bank	
	2005	**2004**
Discount rate	12.0%	12.5%
Expected return on plan assets	13.5%	13.0%
Future salary increases	10.0%	10.0%
Future pension increases	4.0%	4.5%

For the year ended 31 October 2005, plan assets, pension obligations and actuarial gains and losses were allocated to each entity based on the number of permanent employees. In prior years, plan assets, pension obligations and actuarial gains and losses were allocated to each entity based on contributions paid.

(expressed in thousands of Jamaican dollars)

9. Retirement Benefits (continued)

(b) Retirement Benefit Obligation

In addition to pension benefits, the Group offers 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 10.0% per year (2004 – 11.5%).

The amounts recognised in the balance sheet are as follows:

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Present value of unfunded obligations	**32,210**	105,221	**31,180**	94,210
Unrecognised actuarial losses/(gains)	**103,190**	(997)	**99,900**	(1,281)
Liability in the balance sheet	**135,400**	104,224	**131,080**	92,929

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

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Current service cost	**2,619**	10,186	**1,670**	9,120
Interest cost	**8,620**	12,805	**8,351**	11,470
Actuarial losses recognised in year	**30,360**	—	**29,240**	—
Total included in staff costs (Note 26)	**41,599**	22,991	**39,261**	20,590
Movements in the amounts recognised in the balance sheet:				
Liability at beginning of year	**104,224**	81,811	**92,929**	72,856
Total expense, as above	**41,599**	22,991	**39,261**	20,590
Contributions paid	**(1,142)**	(578)	**(1,110)**	(517)
Elimination on sale of subsidiary	**(9,281)**	—	—	—
Liability at end of year	**135,400**	104,224	**131,080**	92,929

(expressed in thousands of Jamaican dollars)

10. 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 2004	3,900	46,106	79,002	747,344	876,352
Additions	—	1,709	7,376	39,243	48,328
Disposals	—	—	—	(9,290)	(9,290)
Elimination on sale of subsidiary	—	—	(132)	(18,355)	(18,487)
31 October 2005	3,900	47,815	86,246	758,942	896,903
Accumulated Depreciation —					
1 November 2004	—	13,661	61,766	373,842	449,269
Charge for the year	—	1,171	4,257	88,214	93,642
Relieved on disposals	—	—	—	(7,414)	(7,414)
Elimination on sale of subsidiary	—	—	—	(17,030)	(17,030)
31 October 2005	—	14,832	66,023	437,612	518,467
Net Book Value —					
31 October 2005	3,900	32,983	20,223	321,330	378,436
31 October 2004	3,900	32,445	17,236	373,502	427,083

(expressed in thousands of Jamaican dollars)

10. 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 2004	3,900	46,106	78,825	725,516	854,347
Additions	—	1,709	7,376	38,911	47,996
Disposals	—	—	—	(7,683)	(7,683)
31 October 2005	3,900	47,815	86,201	756,744	894,660
Accumulated Depreciation —					
1 November 2004	—	13,661	61,766	354,764	430,191
Charge for the year	—	1,171	4,257	87,310	92,738
Relieved on disposals	—	—	—	(6,013)	(6,013)
31 October 2005	—	14,832	66,023	436,061	516,916
Net Book Value —					
31 October 2005	3,900	32,983	20,178	320,683	377,744
31 October 2004	3,900	32,445	17,059	370,752	424,156

Included in the table above are amounts totaling $14,430,000 (2004— $14,430,000) for the Group and the Bank representing the revalued amount of land and buildings which has been used as the deemed cost of these assets under the provision of IFRS 1 on transition to IFRS on 1 November 2002.

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

11. Customers' Deposits

	The Group		The Bank	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Individuals	**10,676,014**	9,317,841	**10,077,874**	8,726,494
Business and Government	**8,700,575**	7,141,319	**8,584,176**	7,048,780
Banks	**423,393**	186,426	**426,463**	219,021
	19,799,982	16,645,586	**19,088,513**	15,994,295
Interest payable	**63,664**	57,379	**58,855**	47,159
	19,863,646	16,702,965	**19,147,368**	16,041,454

(expressed in thousands of Jamaican dollars)

12. Other Liabilities

	The Group		The Bank	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Due to parent company	**14,671**	329,993	**—**	17,197
Withholding tax	**5,905**	5,061	**—**	—
Other	**287,553**	211,871	**255,760**	178,436
	308,129	546,925	**255,760**	195,633

13. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 33 1/3% for the Bank and FirstCaribbean International Securities Limited, and 30% for FirstCaribbean International Building Society.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate setting off are as follows:

	The Group		The Bank	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Deferred tax assets	**816**	—	**—**	—
Deferred tax liabilities	**(171,874)**	(124,110)	**(171,874)**	(114,483)
	(171,058)	(124,110)	**(171,874)**	(114,483)

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

	The Group		The Bank	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Balance as at 1 November	**124,110**	152,180	**114,483**	136,452
Charge/(credit) to statement of revenue and expenses	**55,984**	(28,070)	**57,391**	(21,969)
Elimination on sale of subsidiary	**(9,036)**	—	**—**	—
Balance as at 31 October	**171,058**	124,110	**171,874**	114,483

(expressed in thousands of Jamaican dollars)

13. Deferred Taxation (continued)

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

	The Group		The Bank	
	2005 **$'000**	**2004** **$'000**	**2005** **$'000**	**2004** **$'000**
Deferred income tax assets				
Accelerated depreciation	—	140	—	—
Impairment loan losses	**1,721**	737	—	—
Employee benefits and restructuring costs	**56,902**	65,557	**54,957**	60,714
Other temporary differences	**5,151**	9,494	**2,000**	8,002
	63,774	75,928	**56,957**	68,716
Deferred income tax liabilities				
Pensions	**205,480**	164,083	**199,573**	147,380
Unrealised exchange gain	**2,103**	6,479	**2,103**	6,479
Allowance for loan impairment	**2,806**	2,806	**2,806**	2,806
Accelerated tax depreciation	**24,443**	26,670	**24,349**	26,534
	234,832	200,038	**228,831**	183,199
Net deferred tax liability	**171,058**	124,110	**171,874**	114,483

Deferred income tax liabilities have not been provided for on the withholding and other taxes that would be payable on the undistributed earnings of subsidiaries to the extent that such earnings are permanently reinvested. Such earnings totaled $57,386,000 at 31 October 2005 (2004 — $155,024,000).

(expressed in thousands of Jamaican dollars)

14. Share Capital and Reserves

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Share Capital				
Authorised — 200,000,000 Ordinary shares of J$0.50 each	**100,000**	100,000	**100,000**	100,000
Issued and fully paid — 193,333,332 Ordinary stock units of J$0.50 each	**96,667**	96,667	**96,667**	96,667
Reserves				
Capital reserves (Note 15)	**12,833**	19,458	**12,833**	12,833
Fair value reserve – available for sale investments (Note 16)	**2,550**	—	**2,550**	—
Statutory reserve fund (Note 17)	**156,667**	156,667	**121,667**	121,667
Retained earnings reserves (Note 18)	**1,776,163**	1,406,163	**1,640,666**	1,340,666
Loan loss reserve (Note 19)	**103,322**	60,011	**94,349**	51,700
Building Society reserve (Note 20)	**45,522**	45,522	—	—
	2,097,057	1,687,821	**1,872,065**	1,526,866
Total share capital and reserves at end of the year	**2,193,724**	1,784,488	**1,968,732**	1,623,533

15. Capital Reserves

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Comprised of:				
Unrealised —				
Capitalisation of earnings in subsidiary	—	5,000	—	—
Surplus on revaluation of premises	**5,493**	6,188	**5,493**	5,493
Arising on consolidation	—	930	—	—
	5,493	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	**12,833**	19,458	**12,833**	12,833

(expressed in thousands of Jamaican dollars)

16. Fair Value Reserves — Available For Sale Investments

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Balance at beginning of year	—	—	—	—
Fair value gains on available for sale investments during the year	**2,550**	—	**2,550**	—
Balance at end of the year	**2,550**	—	**2,550**	—

17. Statutory Reserve Fund

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Balance at end of the year	**156,667**	156,667	**121,667**	121,667

The fund is maintained in accordance with the Banking Act 1992, 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 not less than paid up share capital.

18. Retained Earnings Reserve

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Balance at beginning of year	**1,406,163**	956,163	**1,340,666**	890,666
Transfer from retained earnings	**370,000**	450,000	**300,000**	450,000
Balance at end of the year	**1,776,163**	1,406,163	**1,640,666**	1,340,666

Sections 2 of the Banking Act 1992, 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.

(expressed in thousands of Jamaican dollars)

19. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 6).

20. Building Society Reserve

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Balance at end of the year	**45,522**	45,522	—	—

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.

21. Net Interest Income

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Loans	**1,745,199**	1,398,222	**1,493,266**	1,243,433
Securities	**327,053**	498,575	**303,621**	464,529
Other	**309,403**	478,224	**386,841**	499,027
	2,381,655	2,375,021	**2,183,728**	2,206,989
Interest expense	**(818,989)**	(830,122)	**(759,849)**	(767,249)
	1,562,666	1,544,899	**1,423,879**	1,439,740

22. Non-interest Income

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Net fees and commissions	**351,321**	324,058	**306,104**	215,527
Net foreign exchange trading income	**138,009**	146,805	**138,027**	146,916
Other	**49,832**	46,951	**49,832**	46,951
	539,162	517,814	**493,963**	409,394

(expressed in thousands of Jamaican dollars)

23. Net Foreign Exchange Trading Income

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

24. Gain on Sale of Subsidiary

Effective 30 April 2005, the Bank sold its entire shareholding in FirstCaribbean International Securities Limited to FirstCaribbean International Bank (Barbados) Limited.

Assets and liabilities sold were as follows:

	The Group
	$'000
Assets	
Cash resources	15,662
Investment securities	17,583
Government securities purchased under resale agreements	328,237
Other assets	9,021
Taxation recoverable	5,421
Retirement benefit asset	40,330
Property, plant and equipment	1,457
	417,711
Liabilities	
Other liabilities	304,839
Deferred taxation	9,036
Retirement benefit obligation	9,281
	323,156
Net Assets	94,555
Sales proceeds, net	(230,000)
Gain on Sale of Subsidiary	(135,445)
Sales proceeds, net	230,000
Less: Cash and cash equivalents in subsidiary sold	15,662
Net cash inflow on sale of subsidiary	214,338

	The Bank
	$'000
Sales proceeds, net	230,000
Cost of investment in subsidiary	(1,745)
Gain on Sale of Subsidiary	228,255

(expressed in thousands of Jamaican dollars)

25. Non-interest Expenses

	The Group		The Bank	
	2005 **$'000**	**2004** **$'000**	**2005** **$'000**	**2004** **$'000**
Employee compensation and benefits (Note 26)	**693,905**	673,280	**662,838**	626,289
Depreciation	**93,642**	73,789	**92,738**	71,671
Occupancy costs	**175,373**	166,638	**168,495**	157,507
Other	**579,560**	545,957	**529,663**	472,034
	1,542,480	1,459,664	**1,453,734**	1,327,501

26. Employee Compensation and Benefits

	The Group		The Bank	
	2005 **$'000**	**2004** **$'000**	**2005** **$'000**	**2004** **$'000**
Wages and salaries	**642,272**	617,785	**612,201**	578,281
Statutory contributions	**64,940**	59,403	**61,496**	57,930
Pension costs —				
Defined benefit plan (Note 9)	**(165,140)**	(77,600)	**(156,580)**	(71,490)
Defined contribution plan	**5,552**	956	**5,391**	858
Other post retirement benefits (Note 9)	**41,599**	22,991	**39,621**	20,590
Staff welfare	**90,315**	49,745	**86,342**	40,120
Redundancy	**14,367**	—	**14,367**	—
	693,905	673,280	**662,838**	626,289

Number of persons employed at end of the year:

	The Group		The Bank	
	2005 **No**	**2004** **No**	**2005** **No**	**2004** **No**
Full-time	397	359	382	337
Part-time	74	115	74	112
	471	474	456	449

(expressed in thousands of Jamaican dollars)

27. Profit before Taxation

Profit before taxation is stated after charging:

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Depreciation and amortisation	**93,642**	73,789	**92,738**	71,670
Directors' emoluments –				
Fees	**1,489**	2,232	**1,489**	1,488
Management remuneration	**23,754**	23,210	**15,394**	14,957
Terminal gratuity	**7,476**	—	**7,476**	—
Management fees	**131,589**	139,752	**108,668**	106,546
Restructuring costs	—	51,209	—	55,216
Auditors' remuneration —				
Current year	**7,249**	5,223	**5,576**	3,687
Prior year	**1,230**	—	**1,230**	—

28. Taxation

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

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Current income tax	**87,806**	178,569	**59,907**	147,838
Prior year under provision	**438**	2,883	**445**	1,450
Deferred income tax	**55,984**	(28,070)	**57,391**	(21,969)
	144,228	153,382	**117,743**	127,319

Income tax is calculated at the rate of 33 1/3% for the Bank and FirstCaribbean International Securities Limited and at 30% for FirstCaribbean International Building Society.

(expressed in thousands of Jamaican dollars)

28. Taxation (continued)

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

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Profit before taxation	**627,005**	534,559	**635,250**	451,150
Tax calculated at 33 1/3%	**209,002**	178,186	**211,750**	150,383
Effect of:				
Different tax rate applicable to mortgage financing subsidiary	**(2,316)**	(1,699)	**—**	—
Prior year under provision	**438**	2,883	**445**	1,450
Gain on sale of subsidiary	**(45,149)**	—	**(76,085)**	—
Tax free investment income	**(21,146)**	(34,328)	**(21,146)**	(34,328)
Expenses not deductible for tax purposes	**858**	1,062	**858**	1,010
Other charges and allowances	**2,541**	7,278	**1,921**	8,804
Income tax expense	**144,228**	153,382	**117,743**	127,319

29. Net Profit

	2005 $'000	**2004 $'000**
The net profit is dealt with as follows in the financial statements of:		
The Bank	**517,507**	323,831
Subsidiaries	**58,080**	57,346
Post acquisition earnings of subsidiary sold during the year	**(92,810)**	—
	482,777	381,177

30. Earnings Per Stock Unit

The calculation of earnings per ordinary stock unit is based on the net profit for the year of J$482,777,000 (2004 – J$381,177,000) and 193,333,000 ordinary stock units in issue for both years.

31. Fair Value of Financial Instruments

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

(expressed in thousands of Jamaican dollars)

31. Fair Value of Financial Instruments (continued)

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 deposits which are payable on demand or notice are 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.

(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**
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Financial Assets				
Cash resources	**6,591,062**	6,591,062	**7,351,408**	7,351,408
Investments	**1,503,634**	1,552,305	**2,331,756**	2,406,757
Government securities purchased under resale agreements	**135,357**	135,255	**565,253**	568,828
Loans	**13,863,062**	13,863,062	**8,596,236**	8,596,236
Net investment in leases	**9,239**	9,239	**16,431**	16,431
Other assets	**429,673**	429,673	**322,694**	322,694
Financial Liabilities				
Customer deposits	**19,863,646**	19,863,646	**16,702,965**	16,702,965
Other liabilities	**308,129**	308,129	**546,925**	546,925

(expressed in thousands of Jamaican dollars)

31. Fair Value of Financial Instruments (continued)

	The Bank			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Financial Assets				
Cash resources	**7,729,462**	7,729,462	**7,741,731**	7,741,731
Investments	**1,493,119**	1,541,673	**2,300,542**	2,370,986
Investments in subsidiaries	**35,000**	317,377	**36,745**	1,834,676
Government securities purchased under resale agreements	**48,230**	48,024	**167,680**	168,201
Loans	**11,744,109**	11,744,109	**7,305,091**	7,305,091
Net investment in leases	**9,239**	9,239	**16,431**	16,431
Other assets	**427,847**	427,847	**309,428**	309,428
Financial Liabilities				
Customer deposits	**19,147,368**	19,147,368	**16,041,454**	16,041,454
Other liabilities	**255,760**	255,760	**195,633**	195,633

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management

(a) 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 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
	2005 $'000	2005 $'000	2005 $'000	2005 $'000	2005 $'000	2005 $'000	2005 $'000
Cash resources	176,800	5,224,296	309,000	—	—	880,966	6,591,062
Investments(2)							
– Held to maturity	—	93,341	215,684	225,123	541,084	—	1,075,232
– Originated debt	—	241,948	144,550	25,000	—	—	411,498
– Available for sale	—	—	—	—	—	16,904	16,904
Government securities purchased under resale agreements							
– Originated debts	49,002	35,039	51,316	—	—	—	135,357
Loans	1,221,019	525,206	450,289	5,307,233	6,359,107	208 (3)	13,863,062
Net investment in leases	—	—	4,729	4,510	—	—	9,239
Other assets	—	—	—	—	—	429,673 (4)	429,673
Retirement benefit asset	—	—	—	—	—	618,410	618,410
Property, plant and equipment	—	—	—	—	—	378,436	378,436
Deferred taxation	—	—	—	—	—	816	816
Total assets	1,446,821	6,119,830	1,175,568	5,561,866	6,900,191	2,325,413	23,529,689
Customers' deposits	10,650,083	2,482,826	1,043,598	2,738,295	339,007	2,609,837	19,863,646
Other liabilities	—	—	—	—	—	308,129	308,129
Taxation payable	—	—	—	—	—	17,147	17,147
Retirement benefit obligation	—	—	—	—	—	135,400	135,400
Deferred taxation	—	—	—	—	—	171,874	171,874
Total liabilities	10,650,083	2,482,826	1,043,598	2,738,295	339,007	3,242,387	20,496,196
Total interest rate sensitivity gap	(9,203,262)	3,637,004	131,970	2,823,571	6,561,184	—	—
Cumulative gap	(9,203,262)	(5,566,258)	(5,434,288)	(2,610,717)	3,950,467	—	—
As at 31 October 2004							
Total interest rate sensitivity gap	(8,641,391)	2,110,510	509,519	4,594,240	3,799,145	—	—
Cumulative gap	(8,641,391)	(6,530,881)	(6,021,362)	(1,427,122)	2,372,023	—	—

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management (continued)

(a) 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
	2005 $'000	2005 $'000	2005 $'000	2005 $'000	2005 $'000	2005 $'000	2005 $'000
Cash resources	176,800	6,379,641	309,000	—	—	864,021	7,729,462
Investments (2)							
– Held to maturity	—	82,826	215,684	225,123	541,084	—	1,064,717
– Originated debt	—	241,948	144,550	25,000	—	—	411,498
– Available for sale	—	—	—	—	—	16,904	16,904
Investment in subsidiaries	—	—	—	—	—	35,000	35,000
Government securities purchased under resale agreements							
– Originated debts	—	30,065	18,165	—	—	—	48,230
Loans	1,221,019	495,617	434,951	5,270,081	4,322,233	208 (3)	11,744,109
Net investment in leases	—	—	4,729	4,510	—	—	9,239
Other assets	—	—	—	—	—	427,847 (4)	427,847
Retirement benefit asset	—	—	—	—	—	598,720	598,720
Property, plant and equipment	—	—	—	—	—	377,744	377,744
Total assets	1,397,819	7,230,097	1,127,079	5,524,714	4,863,317	2,320,444	22,463,470
Customers' deposits	10,180,077	2,366,322	964,741	2,736,495	289,896	2,609,837	19,147,368
Other liabilities	—	—	—	—	—	255,760	255,760
Taxation payable	—	—	—	—	—	6,272	6,272
Retirement benefit obligation	—	—	—	—	—	131,080	131,080
Deferred taxation	—	—	—	—	—	171,874	171,874
Total liabilities	10,180,077	2,366,322	964,741	2,736,495	289,896	3,174,823	19,712,354
Total interest rate sensitivity gap	(8,782,258)	4,863,775	162,338	2,788,219	4,573,421	—	—
Cumulative gap	(8,782,258)	(3,918,483)	(3,756,145)	(967,926)	3,605,495	—	—
As at 31 October 2004							
Total interest rate sensitivity gap	(8,265,228)	2,542,543	260,545	4,388,248	2,795,903	—	—
Cumulative gap	(8,265,228)	(5,722,685)	(5,462,140)	(1,073,892)	1,722,011	—	—

(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.

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management (continued)

(a) Interest rate risk (continued)

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

	The Group					
	2005					
	Immediately Rate Sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash resources	—	6.91	13.86	—	—	7.29
Investments[(1)] — held to maturity	—	17.31	20.42	12.55	14.63	14.88
Investments[(1)] — originated loans	—	14.99	14.62	14.93	—	14.85
Government securities purchased under resale agreements	12.45	13.03	14.07	—	—	13.21
Loans[(2)]	36.88	10.23	11.55	15.68	17.16	17.88
Net investment in leases	—	—	24.61	25.48	—	25.38
Customer deposits[(3)]	2.46	9.12	8.66	5.20	10.09	4.39

	The Bank					
	2005					
	Immediately Rate Sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash resources	—	6.91	13.86	—	—	7.29
Investments[(1)] — held to maturity	—	17.31	20.42	12.55	14.63	14.88
Investments[(1)] — originated loans	—	14.99	14.62	14.93	—	14.85
Government securities purchased under resale agreements	—	13.13	14.13	—	—	13.51
Loans[(2)]	36.88	10.04	11.48	15.68	18.54	18.54
Net investment in leases	—	—	24.61	25.48	—	25.38
Customer deposits[(3)]	2.09	9.07	8.52	5.20	10.00	3.56

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management (continued)

(a) Interest rate risk (continued)

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

	The Group					
	2004					
	Immediately Rate Sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash resources	—	6.23	17.50	—	—	7.16
Investments(1)	—	20.53	15.12	16.03	14.48	16.02
Government securities purchased under resale agreements	—	12.97	8.24	—	—	9.56
Loans(2)	39.95	19.71	17.57	15.53	22.06	19.88
Net investment in leases	—	—	32.94	24.78	—	26.61
Customer deposits(3)	4.88	8.85	8.92	3.28	11.78	8.72

	The Bank					
	2004					
	Immediately Rate Sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash resources	—	6.23	17.50	—	—	7.16
Investments(1) — held to maturity	—	35.10	14.85	15.10	14.68	15.77
Investments(1) — originated loans	—	14.49	16.06	20.34	—	14.89
Government securities purchased under resale agreements						
— held to maturity	—	15.33	16.20	—	—	15.80
— originated loans	—	18.13	19.62	—	—	19.22
Loans(2)	39.95	19.70	17.37	15.43	24.91	20.68
Net investment in leases	—	—	32.94	24.78	—	26.61
Customer deposits(3)	4.88	7.62	8.79	3.19	10.0	4.70

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management (continued)

(a) Interest rate risk (continued)

(1) Yields are based on book values and contractual interest rates adjusted for amortisation of premiums and discounts.
(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.

(b) Credit exposures

The Group and the Bank take 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 businesses and government by sector:

	The Group			
	Loans and Leases $'000	Acceptances Guarantees and Letters of Credit $'000	Total 2005 $'000	Total 2004 $'000
Agriculture, fishing and mining	216,119	3,633	**219,752**	214,891
Construction and real estate	2,653,915	157	**2,654,072**	1,444,440
Distribution	1,923,952	39,282	**1,963,134**	1,350,659
Electricity, gas and water	3,513	1,035	**4,548**	5,339
Financial institutions	298,624	500	**299,124**	308,057
Government and public entities	837,796	—	**837,796**	623,395
Manufacturing and production	500,827	6,845	**507,672**	297,915
Personal	3,712,025	281,362	**3,993,387**	3,045,296
Professional and other services	774,917	1,163,890	**1,938,807**	735,578
Tourism and entertainment	2,597,692	47,667	**2,645,359**	815,083
Transport, storage and communication	384,452	135,134	**519,686**	291,925
Total	13,903,832	1,679,505	**15,583,337**	9,132,578
Provision for losses			**(178,517)**	(141,553)
			15,404,820	8,991,025

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management (continued)

(b) Credit exposures (continued)

	The Bank			
	Loans and Leases $'000	**Acceptances Guarantees and Letters of Credit $'000**	**Total 2005 $'000**	**Total 2004 $'000**
Agriculture, fishing and mining	216,119	3,633	**219,752**	214,891
Construction	557,523	157	**557,680**	185,585
Distribution	1,915,959	39,282	**1,955,241**	1,342,219
Electricity, gas and water	3,513	1,035	**4,548**	5,339
Financial institutions	298,624	500	**299,124**	308,057
Government and public entities	837,796	—	**837,796**	623,395
Manufacturing and production	493,918	6,845	**500,763**	290,822
Personal	3,712,025	281,362	**3,993,387**	3,045,296
Professional and other services	766,935	1,163,890	**1,930,825**	726,585
Tourism and entertainment	2,597,692	47,667	**2,645,359**	815,083
Transport, storage and communication	384,317	135,134	**519,451**	291,662
Total	11,784,421	1,679,505	**13,463,926**	7,848,934
Provision for losses			**(160,157)**	(133,872)
			13,303,769	7,715,062

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management (continued)

(d) Liquidity risk (continued)

	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
	2005 $'000	2005 $'000	2005 $'000	2005 $'000	2005 $'000	2005 $'000	2005 $'000
Cash resources	176,800	5,224,296	309,000	—	—	880,966	6,591,062
Investments							
– Held to maturity	—	93,341	215,684	225,123	541,084	—	1,075,232
– Originated debt	—	241,948	144,550	25,000	—	—	411,498
– Available for sale	—	—	—	—	—	16,904	16,904
Government securities purchased under resale agreements	49,002	35,039	51,316	—	—	—	135,357
Loans	1,221,019	525,206	450,289	5,307,233	6,359,107	208	13,863,062
Net investment in leases	—	—	4,729	4,510	—	—	9,239
Other assets	—	—	—	—	—	429,673	429,673
Retirement benefit asset	—	—	—	—	—	618,410	618,410
Property, plant and equipment	—	—	—	—	—	378,436	378,436
Deferred taxation	—	—	—	—	—	816	816
Total assets	1,446,821	6,119,830	1,175,568	5,561,866	6,900,191	2,325,413	23,529,689
Customers' deposits	10,650,083	2,482,826	1,043,598	2,738,295	339,007	2,609,837	19,863,646
Other liabilities	—	—	—	—	—	308,129	308,129
Taxation payable	—	—	—	—	—	17,147	17,147
Retirement benefit obligation	—	—	—	—	—	135,400	135,400
Deferred taxation	—	—	—	—	—	171,874	171,874
Total liabilities	10,650,083	2,482,826	1,043,598	2,738,295	339,007	3,242,387	20,496,196
Net liquidity gap	(9,203,262)	3,637,004	131,970	2,823,571	6,561,184	(916,974)	3,033,493
As at 31 October 2004							
Total Assets	1,216,920	4,621,125	1,876,204	4,766,411	3,916,256	3,707,545	20,104,461
Total Liabilities	10,281,264	2,087,661	1,366,685	172,171	117,112	3,531,402	17,556,295
Net liquidity gap	(9,064,344)	2,533,464	509,519	4,594,240	3,799,144	176,143	2,548,166

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management (continued)

(c) 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, 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	
	2005	**2004**	**2005**	**2004**
	$'000	**$'000**	**$'000**	**$'000**
United States dollar	**12,595**	8,353	**12,595**	8,159
Canadian dollar	**380**	361	**380**	361
Pound Sterling	**321**	211	**321**	211

(d) 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.

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.

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management (continued)

(d) Liquidity risk (continued)

	The Bank						
	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	2005 $'000	2005 $'000	2005 $'000	2005 $'000	2005 $'000	2005 $'000	2005 $'000
Cash resources	1,332,145	5,224,296	309,000	—	—	864,021	7,729,462
Investments							
– Held to maturity	—	82,826	215,684	225,123	541,084	—	1,064,717
– Originated debt	—	241,948	144,550	25,000	—	—	411,498
– Available for sale	—	—	—	—	—	16,904	16,904
Investment in subsidiary	—	—	—	—	—	35,000	35,000
Government securities purchased under resale agreements							
– Originated debts	—	30,065	18,165	—	—	—	48,230
Loans	1,221,019	495,617	434,951	5,270,081	4,322,233	208	11,744,109
Net investment in leases	—	—	4,729	4,510	—	—	9,239
Other assets	—	—	—	—	—	427,847	427,847
Retirement benefit asset	—	—	—	—	—	598,720	598,720
Property, plant and equipment	—	—	—	—	—	377,74	377,744
Total assets	2,553,164	6,074,752	1,127,079	5,524,714	4,863,317	2,320,444	22,463,470
Customers' deposits	10,180,077	2,366,322	964,741	2,736,495	289,896	2,609,837	19,147,368
Other liabilities	—	—	—	—	—	255,760	255,760
Taxation payable	—	—	—	—	—	6,272	6,272
Retirement benefit obligation	—	—	—	—	—	131,080	131,080
Deferred taxation	—	—	—	—	—	171,874	171,874
Total liabilities	10,180,077	2,366,322	964,741	2,736,495	289,896	3,174,823	19,712,354
Net liquidity gap	(7,626,913)	3,708,430	162,338	2,788,219	4,573,421	(854,379)	2,751,116
As at 31 October 2004							
Total Assets	1,593,083	4,529,832	1,534,692	4,558,619	2,879,387	3,648,331	18,743,944
Total Liabilities	9,858,311	1,987,289	1,274,147	170,371	83,484	3,139,283	16,512,885
Net liquidity gap	(8,265,228)	2,542,543	260,545	4,388,248	2,795,903	509,048	2,231,059

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management (continued)

(e) 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.

(f) 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.

33. 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 and balances with connected parties are as follows:

	The Group		The Bank	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Transactions and balances with FirstCaribbean International Bank Limited:				
Management fees paid	**131,500**	139,752	**108,669**	106,546
Net (payable)/receivable balance	**51,296**	(329,993)	**65,967**	(17,197)
Transactions and balances with other FirstCaribbean entities:				
Interest expense	**57,963**	26,977	**57,963**	58,548
Deposits by other FirstCaribbean entities	**2,964,375**	983,200	**2,964,375**	1,015,796
Due from subsidiary	—	—	**1,147,000**	397,000
Transactions and balances with Associated entities:				
Due from CIBC entities	**218,020**	5,800	**218,020**	5,800
Deposits with CIBC entities	—	744,588	—	744,588
Deposits with Barclays entities	**2,308,630**	—	**2,308,630**	—
Transactions and balances with directors:				
Loans outstanding	**34,019**	32,754	**1,042**	10,900
Deposits with FirstCaribbean entities	**717**	13,477	**717**	13,369
Interest income	**1,471**	2,931	**226**	801
Interest expense	—	—	—	—

(expressed in thousands of Jamaican dollars)

34. 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$Nil (2004 - J$27,768,396,000).

35. 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:

	2005 $'000	**2004 $'000**
Year ending October 31:		
2005	—	105,557
2006	**124,424**	112,569
2007	**139,835**	127,631
2008	**117,670**	371,612
2009 and thereafter	**265,879**	—

(ii) 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.

	2005 $'000	**2004 $'000**
Guarantees and banker's acceptances	**1,504,601**	271,271
Letters of credit	**174,904**	254,716
Commitments to extend credit:		
Mortgages	**729,428**	422,764
Other loans	**3,164,250**	1,345,130
	5,573,183	2,293,881

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

	2005 $'000	**2004 $'000**
Guarantees and banker's acceptances	**1,504,601**	271,271
Letters of credit	**174,904**	254,716
Commitments to extend credit	**3,164,250**	1,345,130
	4,843,755	1,871,117

(expressed in thousands of Jamaican dollars)

36. 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	
	2005	**2004**	**2005**	**2004**
	$'000	**$'000**	**$'000**	**$'000**
Statutory reserves at Bank of Jamaica (Note 3)	**1,544,200**	1,866,752	—	—
Securities (see note below)	**110,000**	110,000	—	—
	1,654,200	1,976,752	—	—

	The Bank			
	Asset		Related Liability	
	2005	**2004**	**2005**	**2004**
	$'000	**$'000**	**$'000**	**$'000**
Statutory reserves at Bank of Jamaica (Note 3)	**1,527,257**	1,857,453	—	—
Securities (see note below)	**110,000**	110,000	—	—
	1,637,257	1,967,453	—	—

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

37. Contingencies

The Bank and its subsidiary, because of the nature of their businesses, are subject to various threatened or filed legal actions. At 31 October 2005 material claims filed amounted to approximately J$2,051,853,000 (2004 — J$2,052,068,000). The majority of this amount relates to a specific counter claim of approximately J$1,990,890,000, filed by a former customer against the Bank. This counter claim is as a result of an action brought against the former customer by the Bank for approximately J$302,681,000 (2004 – J$291,761,000). The directors have been advised that the counter claim 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.

(expressed in thousands of Jamaican dollars)

38. 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.

Following the sale of FirstCaribbean International Securities Limited (Note 25), effective 30 April 2005 the Group discontinued its provision of investment management services.

The Group's operations are located solely in Jamaica.

	2005			
	Continuing Segment —	Discontinued Segment —		
	Financial Services	Investment Management Services	Consolidation Elimination	Group
Net revenues	2,274,289	55,793	(92,809)	2,237,273
Operating expenses	(1,569,551)	(40,717)	—	(1,610,268)
Profit before taxation	704,738	15,076	(92,809)	627,005
Income tax expense				(144,228)
Net profit				482,777
Segment assets	24,723,906	—	(1,194,217)	23,529,689
Segment liabilities	21,655,413	—	(1,159,217)	20,496,196
Other segment items:				
Capital expenditure	48,304	24	—	48,328
Depreciation	92,911	731	—	93,642

(expressed in thousands of Jamaican dollars)

38. Segment Financial Information (continued)

	2004			
	Continuing Segment — Financial Services	Discontinued Segment — Investment Management Services	Consolidation Elimination	Group
Net revenues	1,943,077	119,636	—	2,062,713
Operating expenses	(1,440,965)	(87,189)	—	(1,528,154)
Profit before taxation	502,112	32,447		534,559
Income tax expense				(153,382)
Net profit				381,177
Segment assets	20,146,196	440,735	(482,470)	20,104,461
Segment liabilities	17,645,236	356,784	(445,725)	17,556,295
Other segment items:				
Capital expenditure	214,874	270	—	215,144
Depreciation	71,750	2,039	—	73,789

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CONSOLIDATED STATEMENTS OF INCOME

J$(000)	**2005**	**2004**	**2003**	**2002**	**2001**
Interest income	2,381,655	2,375,021	2,242,306	2,210,867	2,206,269
Interest expense	(818,989)	(830,122)	(886,998)	(1,124,141)	(1,128,316)
Net interest income	1,562,666	1,544,899	1,355,308	1,086,726	1,077,953
Non-interest income	539,162	517,814	635,727	481,444	482,922
Gain on sale of subsidiary	135,445	—	—	—	—
Non-interest expenses	(1,542,480)	(1,459,664)	(1,290,900)	(1,189,858)	(1,187,513)
Provision for credit losses	(67,788)	(17,281)	(14,049)	(49,634)	(23,852)
Integration/restructuring charges	—	(51,209)	10,463	(122,951)	—
Net income before income taxes	627,005	534,559	696,549	205,727	349,510
Income taxes	(144,228)	(153,382)	(193,686)	(36,983)	(97,721)
NET INCOME	**482,777**	**381,177**	**502,863**	**168,744**	251,789

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CONDENSED CONSOLIDATED BALANCE SHEETS

J$(000)	2005	2004	2003	2002	2001
ASSETS					
Cash Resources	6,591,062	7,351,408	7,673,416	7,930,259	8,503,267
Investments	1,503,634	2,331,756	2,659,287	2,135,521	2,045,050
Government securities purchased under resale agreements	135,357	565,253	412,797	1,385,790	1,562,388
Loans					
Mortgages	2,119,411	1,283,644	665,190	492,400	461,317
Personal	3,809,947	2,996,323	2,131,776	1,348,073	798,236
Business	7,965,155	4,310,160	4,393,100	3,416,581	4,659,180
Less: Allowance for Credit Losses	(178,437)	(141,520)	(128,485)	(97,249)	(74,092)
Interest receivable (1)	146,986	147,629	—	—	—
Net investment in leases	9,239	16,431	25,632	41,223	22,623
Other Assets	1,048,899	816,294	1,252,632	988,058	1,075,531
Property, plant and equipment	378,436	427,083	286,313	233,861	395,622
	23,529,689	**20,104,461**	**19,371,658**	**17,874,517**	**19,449,122**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits Individuals	10,676,014	9,317,841	7,922,289	10,252,998	11,042,883
Businesses and governments	8,700,575	7,141,319	8,392,635	5,247,839	6,119,531
Banks	423,393	186,426	246,789	242,136	233,381
Interest payable (1)	63,664	57,379	—	—	—
Other liabilities	632,550	853,330	642,956	448,085	519,279
Shareholders' equity					
Share Capital & Reserves	2,193,724	1,784,488	1,274,477	1,250,477	1,250,477
Retained Earnings	839,769	763,678	892,512	432,982	283,571
	23,529,689	**20,104,461**	**19,371,658**	**17,874,517**	**19,449,122**

(1) For years 2001 to 2003 interest receivable and interest payable are included in Other Assets and Other Liabilities respectively.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

J$(000)	2005	2004	2003	2002	2001
Balance at beginning of year	2,548,166	2,166,989	1,683,459	1,534,048	1,167,852
Net Income	482,777	381,177	502,863	168,744	251,789
Fair value of equity investment	2,550				
Effect of Transition to IFRS	-	-	-	-	166,607
Dividends	-	-	(19,333)	(19,333)	(52,200)
Balance at end of year	3,033,493	2,548,166	2,166,989	1,683,459	1,534,048

PROFITABILITY	2005	2004	2003	2002	2001
Return on common equity	17.3%	16.2%	26.1%	10.5%	18.6%
Tax rate	23.0%	28.7%	27.8%	18.0%	28.0%

REVENUE AND EXPENSES AS A PERCENTAGE OF AVERAGE ASSETS

Net interest income	7.16%	7.83%	7.28%	5.82%	6.18%
Provision for credit losses	0.31%	0.09%	0.08%	0.27%	0.14%
Non-interest income	2.47%	2.62%	3.41%	2.58%	2.77%
Non-interest expenses	7.07%	7.40%	6.93%	6.38%	6.81%
Income taxes	0.66%	0.78%	1.04%	0.20%	0.56%
Net income – return on assets	2.21%	1.93%	2.70%	0.90%	1.44%

CREDIT QUALITY	2005	2004	2003	2002	2001
Allowance for credit losses to gross impaired loans	75.7%	63.0%	29.5%	45.7%	34.4%
Gross impaired loans ($'000s)	235,703	224,712	435,920	212,605	215,140
Net impaired loans ($'000s)	57,266	83,192	307,435	115,356	141,048
Net impaired loans to total net loans & leases	0.4%	1.0%	4.3%	2.2%	2.4%

LIQUIDITY	2005	2004	2003	2002	2001
Cash resources to total assets	28.0%	36.6%	39.6%	44.4%	43.7%
Securities to total assets	7.0%	14.4%	15.9%	19.7%	18.5%

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CAPITAL AND RELATED	2005	2004	2003	2002	2001
Average common shareholders' equity ($000's)	2,790,830	2,357,578	1,925,224	1,608,754	1,350,950
Average assets ($000's)	21,817,075	19,738,060	18,623,088	18,661,820	17,449,946
Average assets to average common equity	7.8	8.4	9.7	11.6	12.9
PRODUCTIVITY AND RELATED					
Non-interest expenses to revenue ratio	73.4%	73.2%	64.3%	83.7%	76.1%
Full-time equivalent employees	455	474	485	467	467
Number of branches	11	12	12	12	12
Number of automated banking machines	11	11	11	11	10

COMMON SHARES	2005	2004	2003	2002	2001
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	$2.50	$1.97	$2.60	$0.87	$1.30
fully diluted	$2.50	$1.97	$2.60	$0.87	$1.30
Price					
close	$17.39	$21.50	$8.00	$8.49	$7.50
Dividends					
per share	$0.00	$0.00	$0.10	$0.10	$0.27
yield	0.0%	0.0%	1.2%	1.2%	3.6%
payout ratio	0.0%	0.0%	3.8%	11.5%	20.7%
Price to earnings ratio	$6.96	$10.90	$3.08	$9.73	$5.76
Book value	$15.69	$13.18	$11.21	$8.71	$7.93
Price to book value	$1.11	$1.63	$0.71	$0.98	$0.95

Proxy Form

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 31st day of May, 2006 and at any adjournment thereof.

Dated this __________day of ______________________2006.

Name of shareholder(s) of the Company_____________________________________

Signature____

Name(s) of signatory in block capitals_______________________________________

Please indicate with an "X" in the spaces below how you wish your proxy to vote on the Resolutions referred to. If no indication is given the proxy will exercise his or her discretion as to how he or she votes or whether he or she abstains from voting.

	FOR	AGAINST
Resolution 1		
Resolution 2 a. Milton Brady b. Peter McConnell		
Resolution 3		
Resolution 4		
Resolution 5		

Notes:
1. A member is entitled to appoint a proxy of his choice.
2. In the case of joint holders, the signature of any holder is sufficient, but the name of all joint holders should be stated.
3. If the appointer is a Corporation, this form must be under its Common Seal or under the name of an officer of the Corporation duly authorised in this behalf.
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 holding the Meeting or adjourned Meeting.
5. An adhesive stamp of One Hundred Dollars (J$100) must be affixed to the form and cancelled by the Appointer at the time of the signing.