Independent Auditors' Report

For the year ended October 31, 2006
(expressed in Jamaican dollars unless otherwise indicated)

To the Members of
FirstCaribbean International Bank (Jamaica) Limited

Report on the Consolidated Financial Statements
We have audited the accompanying financial statements of FirstCaribbean International Bank (Jamaica) Limited and its subsidiaries, set out on pages 1 to 60, which comprise the consolidated balance sheet as of 31 October 2006 and the consolidated statement of changes in stockholders' equity, consolidated statement of income and consolidated statement of cash flows for the year then ended, and the accompanying balance sheet of FirstCaribbean International Bank (Jamaica) Limited standing alone as of 31 October 2006 and the statement of changes in stockholders' equity, statement of income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as of 31 October 2006, and of financial performance and cash flows of the Group and the Bank for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act applicable to banking companies.

Report on Additional Requirements of the Jamaican Companies Act
As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required..

PricewaterhouseCoopers

Chartered Accountants

16 January 2007
Kingston, Jamaica

Consolidated Balance Sheet

For the year ended October 31, 2006
(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2006	Restated 2005
	$'000	$'000	
ASSETS			
Cash and balances with Central Bank	3	**3,059,962**	3,243,791
Loans and advances to banks	4	**2,097,051**	3,347,271
Other assets	5	**358,821**	429,673
Investment securities	6	**1,463,207**	1,503,634
Government securities purchased under resale agreements	7	**674,745**	135,357
Loans and advances to customers	8	**24,269,003**	13,872,301
Property, plant and equipment	9	**450,008**	378,436
Deferred tax assets	13	**3,105**	816
Retirement benefit asset	10	**722,141**	618,410
		33,098,043	23,529,689
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Customer deposits	11	**27,028,807**	19,863,646
Other liabilities	12	**704,535**	470,392
Taxation payable		**222,086**	17,147
Deferred tax liabilities	13	**132,105**	117,786
Retirement benefit obligations	10	**135,418**	135,400
		28,222,951	20,604,371
Stockholders' Equity			
Share capital and reserves	14	**4,144,393**	2,193,724
Retained earnings		**730,699**	731,594
		4,875,092	2,925,318
		33,098,043	23,529,689

Approved for issue by the Board of Directors on 16 January 2007 and signed on its behalf by:

M. C. Brady
Director

M. K. Mansoor
Director

A. J. A. Bell
Director

A. C. Rattray
Secretary

Consolidated Statement of Changes in Stockholders' Equity

For the year ended October 31, 2006
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 31 October 2004, as restated	38	96,667	1,687,821	687,769	2,472,257
Net income for the year, as restated	38	—	—	450,511	450,511
Transfer of realised reserves on sale of subsidiary		—	(6,625)	6,625	—
Gain on available-for-sale investment securities	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, as restated	38	96,667	2,097,057	731,594	2,925,318
Net income for the year		—	—	624,702	624,702
Issue of shares	14	1,300,000	—	—	1,300,000
Gain on available-for-sale investment securities	16	—	25,072	—	25,072
Transfer to statutory reserve fund	17	—	540,000	(540,000)	—
Transfer to loan loss reserve	19	—	85,597	(85,597)	—
Balance at 31 October 2006		1,396,667	2,747,726	730,699	4,875,092

Consolidated Statement of Income

For the year ended October 31, 2006
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	Restated 2005 $'000
Interest Income		**3,136,062**	2,381,655
Interest Expense		**(999,821)**	(818,989)
Net Interest Income	21	**2,136,241**	1,562,666
Non-Interest Income	22	**611,880**	490,762
Gain on Sale of Subsidiary	23	**—**	135,445
		2,748,121	2,188,873
Non-Interest Expenses	24	**(1,728,082)**	(1,542,480)
Loan Impairment Losses		**(98,417)**	(67,788)
		(1,826,499)	(1,610,268)
Income before Taxation	25	**921,622**	578,605
Taxation	26	**(296,920)**	(128,094)
NET INCOME FOR THE YEAR	27	**624,702**	450,511
EARNINGS PER STOCK UNIT	28	**$2.55**	$2.33

Consolidated Statement of Cash Flows

For the year ended October 31, 2006
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	Restated 2005 $'000
Cash Flows from Operating Activities			
Income before taxation		**921,622**	578,605
Adjustments to reconcile income to net cash used in operating activities:			
Loan loss impairment		**98,417**	67,788
Gain on disposal of property, plant and equipment		**(1,317)**	(1,253)
Gain on disposal of subsidiary		**—**	(135,445)
Depreciation		**97,773**	93,642
Interest income		**(3,136,062)**	(2,381,655)
Interest expense		**999,821**	818,989
Unrealised foreign exchange gains		**(18,868)**	(6,291)
		(1,038,614)	(965,620)
Changes in operating assets and liabilities:			
Loans and advances to customers		**(10,206,866)**	(5,328,065)
Customer deposits		**7,113,158**	3,154,397
Retirement benefit asset		**(103,731)**	(165,140)
Retirement benefit obligation		**18**	40,457
Other assets		**156,544**	(115,388)
Other liabilities		**28,690**	(2,902)
Statutory reserves with Bank of Jamaica		**(193,021)**	322,551
		(4,243,822)	(3,059,710)
Interest received		**2,760,324**	2,430,695
Interest paid		**(862,158)**	(813,066)
Income tax paid		**(79,951)**	(154,589)
Net cash used in operating activities		**(2,425,607)**	(1,596,670)
Cash Flows from Investing Activities			
Investment securities, net		**65,140**	773,352
Government securities purchased under resale agreements, net		**(536,948)**	92,728
Net cash inflow on sale of subsidiary		**—**	214,338
Additions to property, plant and equipment		**(173,035)**	(48,328)
Proceeds from disposal of property, plant and equipment		**5,007**	3,129
Net cash provided by investing activities		**(639,836)**	1,035,219
Cash Flows from Financing Activity			
Issue of share capital		**1,300,000**	—
Net cash provided by financing activity		**1,300,000**	—
Net decrease in cash and cash equivalents		**(1,765,443)**	(561,451)
Effect of exchange rate changes on cash and cash equivalents		**138,661**	123,997
Cash and cash equivalents at beginning of year		**5,046,573**	5,484,027
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3	**3,419,791**	5,046,573

Balance Sheet

For the year ended October 31, 2006
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	Restated 2005 $'000
ASSETS			
Cash and balances with Central Bank	3	**3,028,351**	3,226,846
Loans and advances to banks	4	**4,363,328**	4,502,616
Other assets	5	**338,808**	427,847
Investment securities	6	**1,463,207**	1,493,119
Investment in subsidiary		**364,000**	35,000
Government securities purchased under resale agreements	7	**506,085**	48,230
Loans and advances to customers	8	**20,282,535**	11,753,348
Property, plant and equipment	9	**446,807**	377,744
Retirement benefit asset	10	**699,419**	598,720
		31,492,540	22,463,470
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Customer deposits	11	**25,866,873**	19,147,368
Other liabilities	12	**647,226**	418,023
Taxation payable		**202,015**	6,272
Deferred tax liabilities	13	**132,105**	117,786
Retirement benefit obligations	10	**131,097**	131,080
		26,979,316	19,820,529
Stockholders' Equity			
Share capital and reserves	14	**3,852,519**	1,968,732
Retained earnings		**660,705**	674,209
		4,513,224	2,642,941
		31,492,540	22,463,470

Approved for issue by the Board of Directors on 16 January 2007 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, 2006
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 31 October 2004, as restated	38	96,667	1,526,866	531,617	2,155,150
Net income for the year, as restated	38	—	—	485,241	485,241
Gain on available-for-sale investment securities	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, as restated	38	96,667	1,872,065	674,209	2,642,941
Net income for the year		—	—	545,211	545,211
Issue of shares	14	1,300,000	—	—	1,300,000
Gain on available-for-sale investment securities	16	—	25,072	—	25,072
Transfer to statutory reserve fund	17	—	490,000	(490,000)	—
Transfer to loan loss reserve	19	—	68,715	(68,715)	—
Balance at 31 October 2006		1,396,667	2,455,852	660,705	4,513,224

Statement of Income

For the year ended October 31, 2006
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	Restated 2005 $'000
Interest Income		**2,861,618**	2,183,728
Interest Expense		**(909,916)**	(759,849)
Net Interest Income	21	**1,951,702**	1,423,879
Non-Interest Income	22	**600,645**	445,563
Gain on Sale of Subsidiary	23	**—**	228,255
		2,552,347	2,097,697
Non-Interest Expenses	24	**(1,650,962)**	(1,453,734)
Loan Impairment Losses		**(95,152)**	(57,113)
		(1,746,114)	(1,510,847)
Income before Taxation	25	**806,233**	586,850
Taxation	26	**(261,022)**	(101,609)
NET INCOME FOR THE YEAR		**545,211**	485,241

Statement of Cash Flows

For the year ended October 31, 2006
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	Restated 2005 $'000
Cash Flows from Operating Activities			
Income before taxation		**806,233**	586,850
Adjustment to reconcile income to net cash used in operating activities:			
Loan loss impairment		**95,152**	57,113
Gain on disposal of property, plant and equipment		**(1,317)**	(1,269)
Gain on sale of subsidiary		**—**	(228,255)
Depreciation		**97,392**	92,738
Interest income		**(2,861,618)**	(2,183,728)
Interest expense		**909,916**	759,849
Unrealised foreign exchange gains		**(18,834)**	(6,309)
		(973,076)	(923,011)
Changes in operating assets and liabilities:			
Loans to customers		**(8,344,467)**	(4,492,302)
Customer deposits		**6,672,189**	3,094,218
Retirement benefit asset		**(100,699)**	(156,580)
Retirement benefit obligations		**17**	38,151
Other assets		**174,732**	(117,807)
Other liabilities		**21,013**	(8,800)
Statutory reserves at Bank of Jamaica		**(178,356)**	330,196
		(2,728,647)	(2,235,935)
Interest received		**2,495,944**	2,232,529
Interest paid		**(776,940)**	(748,514)
Income tax paid		**(50,960)**	(122,466)
Cash used in operating activities		**(1,060,603)**	(874,386)
Cash Flows from Investing Activities			
Government securities purchased under resale agreements ,net		**(457,613)**	112,656
Investment securities, net		**55,139**	771,057
Investment in subsidiary		**(329,000)**	—
Proceeds from sale of subsidiary		**—**	230,000
Additions to property, plant and equipment		**(170,145)**	(47,996)
Proceeds from disposal of property, plant and equipment		**5,007**	2,939
Net cash (used in)/provided by investing activities		**(896,612)**	1,068,656
Cash Flows from Financing Activity			
Issue of share capital		**1,300,000**	—
Net cash provided by financing activity		**1,300,000**	—
Net (decrease)/increase in cash and cash equivalents		**(657,215)**	194,270
Effect of exchange rate changes on cash and cash equivalents		**141,365**	123,997
Cash and cash equivalents at beginning of year		**6,201,916**	5,883,649
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3	**5,686,066**	6,201,916

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

FirstCaribbean International Bank (Jamaica) Limited (the "Bank"), which was incorporated and is domiciled in Jamaica, is a 96.3% (2005 – 94.8%) 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 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 30 April 2005, the Bank sold its entire shareholding in FirstCaribbean International Securities Limited to FirstCaribbean International Bank (Barbados) Limited.

The consolidated financial statements include the financial statements of the Bank and its subsidiaries. The Bank and its subsidiaries are collectively referred to as the "Group".

2. Summary of Significant Accounting Policies

The principal financial accounting policies adopted in the preparation of these 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 available-for-sale investment securities.

The preparation of financial statements in conformity with IFRS requires management to make certain critical estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 36.

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in financial year 2006

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following IFRSs, which are relevant to its operations. The 2005 comparative figures have been amended as required, in accordance with the relevant requirements.

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 16 (revised 2003)	Property, Plant and Equipment
IAS 17 (revised 2003)	Leases
IAS 21 (revised 2003)	The Effects of Changes in Foreign Exchange Rates
IAS 24 (revised 2003)	Related Party Disclosures
IAS 27 (revised 2003)	Consolidated and Separate Financial Statements
IAS 32 (revised 2003)	Financial Instruments: Disclosure and Presentation
IAS 33 (revised 2003)	Earnings per Share
IAS 39 (revised 2003/2004)	Financial Instruments: Recognition and Measurement

The adoption of IAS 1, 8, 10, 16, 17, 21, 24, 27, 32 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

- IAS 1 (revised 2003) has affected the presentation of certain disclosures.
- IAS 8, 10, 16, 17, 21, 27, 32, 33, (all revised 2003) had no material effect on the Group's policies.
- IAS 24 (revised 2003) has affected the identification of related parties and some other related-party disclosures.

The adoption of IAS 39 (revised 2003/2004) has affected the classification of investment securities. Certain investment securities which were previously classified as Originated Debt are now classified as Held-to-Maturity.

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than IAS 39 – the de-recognition of financial assets is applied prospectively.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Standards, interpretations and amendments to published standards that are not yet effective
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective for the Group at balance sheet date, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

- **IAS 19 (Amendment), Employee Benefits** (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. The Group will apply this amendment from annual periods beginning 1 November 2006.
- **IAS 39 (Amendment), The Fair Value Option** (effective from 1 January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The Group will apply this amendment from annual periods beginning 1 November 2006
- **IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements — Capital Disclosures** (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 November 2007.

(b) Consolidation

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus cost directly attributable to the acquisition. The excess of the cost is recorded as goodwill. Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

2. Summary of significant accounting policies (continued)

(c) Segment reporting

A segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other segments. Segments with a majority of revenue earned from external customers, and whose revenue, results or assets are 10% or more of all the segments are reported separately.

(d) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, referred to as the functional currency. The functional currency of each entity is the same as its presentation currency. The consolidated financial statements are presented in Jamaican dollars, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from such transactions and from the translation of foreign currency monetary assets and liabilities at the year end exchange rates are recognised in the statement of revenue and expenses.

Translation differences resulting from changes in the amortised cost of foreign currency monetary assets classified as available-for-sale are recognised in the statement of revenue and expenses. Other changes in the fair value of these assets are recognised in equity. Translation differences on non-monetary financial assets classified as available-for-sale are reported as a component of the fair value gain or loss in stockholders' equity.

(e) Derivative financial instruments

Derivatives are initially recognised in the balance sheet at their fair value on trade date. Fair values are obtained from discounted cash flow models, using quoted market interest rates. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives 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.

(f) 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).

2. **Summary of significant accounting policies** (Continued)

(g) **Financial assets**

The Group classifies its financial assets into the following categories:
(i) Loans and receivables
(ii) Held-to-maturity
(iii) Available-for-sales

Management determines the classification of its investments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly or indirectly to a debtor with no intention of trading the receivable.

(ii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

(iii) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs. Loans and receivables are recognised when cash is advanced to borrowers.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Held-to-maturity investments are carried at amortised cost using the effective interest yield method, less any provision for impairment. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest yield method, less any provision for impairment. Third party expenses associated with loans and receivables, such as legal fees incurred in securing a loan are expensed as incurred.

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

2. Summary of significant accounting policies (Continued)

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(i) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the Group granting to a borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
— adverse changes in the payment status of borrowers in the group; or
— national or local economic conditions that correlate with default on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount and the recoverable amount, being the estimated present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the current effective interest rate.

(j) Investments in subsidiaries

Investments by the Bank in its subsidiaries are stated at cost.

(k) 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.

2. **Summary of significant accounting policies** (Continued)

(l) 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.

In circumstances where Central Bank guidelines and regulatory rules require provisions in excess of those calculated under IFRS, the difference is disclosed as an appropriation of retained earnings and is included in a non-distributable loan loss reserve.

(m) Leases

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 statement of revenue and expenses on a straight-line basis over the period of the lease.

As lessor

When assets are held subject to 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 using the net investment method, which reflects a constant periodic rate of return.

2. Summary of significant accounting policies (Continued)

(n) Property, plant and equipment

Land and buildings comprise mainly branches and offices and 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 is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is computed on the straight line method at rates considered adequate to write-off the cost of depreciable assets, less salvage, over their useful lives.

The annual rates used are:

Buildings	2½%
Leasehold improvements	10% or over the life of the lease
Equipment, furniture and vehicles	20 – 50%

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

Gains and losses on disposal of property, plant and equipment are determined by reference to its carrying amount and are taken into account in determining net income.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if it is more than likely 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.

2. Summary of Significant Accounting Policies (Continued)

(p) Income taxes

Taxation expense in the statement of revenue and expenses comprises current and deferred tax charges.

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

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

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

Deferred tax is charged or credited in the statement of revenue and expenses, except where it relates to items charged or credited to stockholders' equity, in which case deferred tax is also dealt with in stockholders' equity.

Deferred income tax liabilities are not recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries as such amounts are permanently reinvested.

(q) Retirement benefit obligations

Pension obligations

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

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The asset recognised in the balance sheet 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, together with adjustments for unrecognised actuarial gains and 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 of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the expected average service lives of the related employees. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period), in which case, past service costs are amortised on a straight-line basis over the vesting period.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs. The Group's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate.

2. **Summary of Significant Accounting Policies** (Continued)

(q) **Retirement benefit obligations** (continued)

Other post-retirement obligations
The Group provides post-retirement healthcare 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. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the expected average service lives of the related employees. These obligations are valued annually by independent qualified actuaries.

Annual leave and other benefits
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.

(r) **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. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

(s) **Fee and commission income**

Fees and commission are generally recognised on an accrual basis when the service has been provided. Fees and commission arising from origination, negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportioned basis. Asset management fees related to investment funds are recognised ratably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

(t) **Fiduciary activities**

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

(u) **Comparative information**

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to reflect the requirements of new IFRS, as well as amendments to and interpretations of existing IFRS.

3. Cash and Balances with Central Bank

	The Group		The Bank	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Cash	**322,353**	231,986	**322,351**	231,984
Deposit with Central Bank – interest bearing	**1,655,973**	2,042,235	**1,651,516**	2,042,235
Deposit with Central Bank – non-interest bearing	**1,060,302**	929,836	**1,033,150**	912,893
	3,038,628	3,204,057	**3,007,017**	3,187,112
Interest receivable	**21,334**	39,734	**21,334**	39,734
	3,059,962	3,243,791	**3,028,351**	3,226,846

Under section 14 (i) of both the Banking Act, 1992 and the Financial Institutions Act, 1992, 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 ratio of 9% (2005 - 9%) of the Group's and the Bank's prescribed liabilities.

Effective 15 January 2003 to 1 May 2006, 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% of the Bank's prescribed liabilities. At 31 October 2006, the special deposit maintained with the Central Bank was $Nil (2005 - $96,002,000). Interest at a rate of 6% per annum was earned on this deposit.

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	The Group		The Bank	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Cash and balances with Central Bank	**3,059,962**	3,243,791	**3,028,351**	3,226,846
Less: Mandatory reserve deposits with Central Bank (Note 32)	**(1,737,222)**	(1,544,489)	**(1,705,613)**	(1,527,546)
	1,322,740	1,699,302	**1,322,738**	1,699,300
Loans and advances to banks (Note 4)	**2,097,051**	3,347,271	**4,363,328**	4,502,616
	3,419,791	5,046,573	**5,686,066**	6,201,916

4. Loans and Advances to Banks

	The Group		The Bank	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Money market placements	**2,093,868**	3,345,172	**4,344,419**	4,492,172
Interest receivable	**3,183**	2,099	**18,909**	10,444
	2,097,051	3,347,271	**4,363,328**	4,502,616

Included in money market placements are deposits with ultimate parent company of $Nil (2005 – $3,069,000) for the Group.

5. Other Assets

	The Group		The Bank	
	2006 **$'000**	**2005** **$'000**	**2006** **$'000**	**2005** **$'000**
Cheques and other items in transit, net	**33,490**	270,834	**19,915**	271,638
Prepayments and deferred items	**7,178**	7,380	**6,940**	7,135
Due from parent company	**154,311**	65,820	**154,311**	65,820
Withholding tax	**48,071**	63,882	**48,071**	63,882
Other	**115,771**	21,757	**109,571**	19,372
	358,821	429,673	**338,808**	427,847

6. Investment Securities

	The Group		The Bank	
	2006 **$'000**	**2005** **$'000**	**2006** **$'000**	**2005** **$'000**
Securities available-for-sale:				
Equity securities – unquoted	**11,264**	16,904	**11,264**	16,904
Issued or guaranteed by Government –				
Treasury bills	**653,831**	—	**653,831**	—
	665,095	16,904	**665,095**	16,904
Securities held-to-maturity:				
Issued or guaranteed by Government –				
Treasury bills	—	288,501	—	288,501
Debt securities	**329,126**	475,785	**329,126**	475,785
Debentures	**117,342**	239,850	**117,342**	229,850
Local registered stocks	**315,743**	446,334	**315,743**	446,334
	762,211	1,450,470	**762,211**	1,440,470
Balance at end of year	**1,427,306**	1,467,374	**1,427,306**	1,457,374
Interest receivable	**35,901**	36,260	**35,901**	35,745
	1,463,207	1,503,634	**1,463,207**	1,493,119

6. Investment Securities (Continued)

The movement in investment securities during the year was as follows:

	The Group			The Bank		
	Available-for-sale $'000	Held-to maturity $'000	Total $'000	Available-for-sale $'000	Held-to-maturity $'000	Total $'000
Balance at beginning of year	16,904	1,450,470	1,467,374	16,904	1,440,470	1,457,374
Additions	2,240,376	2,325,565	4,565,941	2,240,376	2,325,565	4,565,941
Disposals – sale and redemption	(1,617,257)	(3,013,824)	(4,631,081)	(1,617,257)	(3,003,824)	(4,621,081)
Gains from changes in fair value	25,072	—	25,072	25,072	—	25,072
Balance at end of year	665,095	762,211	1,427,306	665,095	762,211	1,427,306

7. 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	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Government securities purchased under resale agreements	**667,212**	130,264	**503,724**	46,111
Interest receivable	**7,533**	5,093	**2,361**	2,119
	674,745	135,357	**506,085**	48,230

8. Loans and Advances to Customers

	The Group		The Bank	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Mortgages	**3,981,833**	2,119,411	**—**	—
Personal loans	**4,712,676**	3,809,947	**4,712,676**	3,809,947
Business loans	**15,399,981**	7,974,474	**15,399,981**	7,974,474
	24,094,490	13,903,832	**20,112,657**	11,784,421
Less: Provision for impairment	**(260,727)**	(178,517)	**(239,079)**	(160,157)
	23,833,763	13,725,315	**19,873,578**	11,624,264
Interest receivable	**435,240**	146,986	408,957	129,084
	24,269,003	13,872,301	**20,282,535**	11,753,348

The Bank entered into interest rate swap agreements with Barclays Capital as hedges for fixed rate loans. The notional amounts of these swaps as at 31 October 2006 was US$58,398,000 (2005 – US$5,987,000).

The combined fair value of these interest rate swaps at 31 October 2006 was negative US$435,000 (2005 – positive US$182,000).

8. Loans and Advances to Customers (Continued)

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

	The Group		The Bank	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of year	**178,517**	141,553	**160,157**	133,872
Identified impairment	**47,973**	56,882	**49,334**	49,486
Unidentified impairment	**50,444**	10,906	**45,818**	7,627
Recoveries of bad and doubtful debts	**22,313**	8,529	**22,290**	8,525
Bad debts written off	**(38,520)**	(39,353)	**(38,520)**	(39,353)
Balance at end of year	**260,727**	178,517	**239,079**	160,157

These comprise:

	The Group		The Bank	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Specific provision	**140,844**	109,076	**129,558**	96,454
General provision	**119,883**	69,441	**109,521**	63,703

As at 31 October 2006, loans with principal balances outstanding of $339,074,000 (2005 - $235,703,000) for the Group and $295,438,000 (2005 - $206,715,000) for the Bank were in non-performing status. Interest receivable on these loans amounted to $13,530,000 (2005 - $9,648,000) for the Group and $13,068,000 (2005 - $8,419,000) for the Bank, and interest taken to income amounted to $3,905,000 (2005 - $15,000) for the Group and $6,672,000 (2005 - $15,000) for the Bank.

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

	The Group		The Bank	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Specific provision	**215,313**	144,314	**204,027**	137,965
General provision	**234,333**	137,525	**198,116**	116,541
	449,646	281,839	**402,143**	254,506
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 19)	**188,919**	103,322	**163,064**	94,349

8. Loans and Advances to Customers (Continued)

Loans and advances to customers include finance lease receivables:

	The Group and the Bank	
	2006	**2005**
	$'000	**$'000**
No later than 1 year	**102**	1,044
Later than 1 year and no later than 5 years	**5,689**	11,892
Later than 5 years	**91,021**	—
Gross investment in finance leases	**96,812**	12,936
Unearned future finance income on finance leases	**(53,065)**	(3,617)
	43,747	9,319
Less: Provision for impairment	**(423)**	(80)
Net investment in finance leases	**43,324**	9,239

9. Property, Plant and Equipment

	The Group				
	Land $'000	Buildings $'000	Leasehold improvements $'000	Equipment furniture and vehicles $'000	Total $'000
			2006		
Cost —					
1 November 2005	3,900	47,815	86,246	758,942	896,903
Additions	—	754	3,438	168,843	173,035
Disposals	—	—	—	(11,834)	(11,834)
31 October 2006	3,900	48,569	89,684	915,951	1,058,104
Accumulated Depreciation —					
1 November 2005	—	14,832	66,023	437,612	518,467
Charge for the year	—	1,197	2,992	93,584	97,773
Relieved on disposals	—	—	—	(8,144)	(8,144)
31 October 2006	—	16,029	69,015	523,052	608,096
Net Book Value —					
31 October 2006	3,900	32,540	20,669	392,899	450,008
			2005		
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

9. Property, Plant and Equipment (continued)

	The Bank				
	Land $'000	**Buildings $'000**	**Leasehold improvements $'000**	**Equipment furniture and vehicles $'000**	**Total $'000**
			2006		
Cost —					
1 November 2005	3,900	47,815	86,201	756,744	894,660
Additions	—	754	3,438	165,953	170,145
Disposals	—	—	—	(11,717)	(11,717)
31 October 2006	3,900	48,569	89,639	910,980	1,053,088
Accumulated Depreciation —					
1 November 2005	—	14,832	66,023	436,061	516,916
Charge for the year	—	1,197	2,992	93,203	97,392
Relieved on disposals	—	—	—	(8,027)	(8,027)
31 October 2006	—	16,029	69,015	521,237	606,281
Net Book Value —					
31 October 2006	3,900	32,540	20,624	389,743	446,807
			2005		
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	—	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

Included in the table above are amounts totaling $14,430,000 (2005 – $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.

Equipment, furniture and vehicles include $95,311,000 (2005 — $6,641,000) for the Group and the Bank relating to work-in-progress on which no depreciation has been charged.

10. Retirement Benefit Obligations

Amounts recognised in the balance sheet:

	The Group		The Bank	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Defined benefit pension scheme	722,141	618,410	699,419	598,720
Other post retirement benefits	(135,418)	(135,400)	(131,097)	(131,080)

(a) Defined benefit 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 for IFRS purposes was carried out as at 31 October 2006.

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

	The Group		The Bank	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Fair value of plan assets	**1,449,736**	1,353,480	**1,407,364**	1,310,380
Present value of funded obligations	**(595,840)**	(502,410)	**(578,425)**	(486,410)
Unrecognised actuarial gains	**(131,755)**	(232,660)	**(129,520)**	(225,250)
Asset in the balance sheet	**722,141**	618,410	**699,419**	598,720

At 31 October 2006, pension plan assets include the parent company's ordinary stock units with a fair value of $22,404,000 (2005 – $17,655,000).

The amounts recognised in the income statement are as follows:

	The Group		The Bank	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Current service cost, net of employee contributions	**26,523**	24,720	**25,748**	26,230
Interest cost	**56,410**	66,560	**54,761**	64,440
Expected return on plan assets	**(173,695)**	(178,460)	**(168,618)**	(172,780)
Actuarial gains recognised during the year	**(4,784)**	(77,960)	**(4,644)**	(74,470)
Included in staff costs (Note 24)	**(95,546)**	(165,140)	**(92,753)**	(156,580)

The actual return on plan assets for the Group was $95,047,000 (2005 – $244,000,000) and the Bank $95,810,000 (2005 – $227,000,000).

10. Retirement Benefit Obligations (Continued)

(a) Defined benefit pension scheme (continued)

Movement in the asset recognised in the balance sheet:

	The Group		The Bank	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
At 1 November	618,410	493,600	598,720	442,140
Credit for the year	95,546	165,140	92,753	156,580
Contributions paid	8,185	—	7,946	—
Elimination on sale of subsidiary	—	(40,330)	—	—
At 31 October	722,141	618,410	699,419	598,720

The principal actuarial assumptions used were as follows:

	The Group and The Bank	
	2006	**2005**
Discount rate	12.0%	12.0%
Expected return on plan assets	14.0%	13.5%
Future salary increases	10.0%	10.0%
Future pension increases	4.0%	4.0%

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

The last actuarial valuation to determine the adequacy of funding done as at 31 October 2003 revealed that the scheme was adequately funded at that date.

10. Retirement Benefit Obligations (Continued)

(b) Post-retirement medical and life insurance benefits

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% per year (2005 – 10%).

The amounts recognised in the balance sheet are as follows:

	The Group		The Bank	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Present value of unfunded obligations	**32,031**	32,210	**31,095**	31,180
Unrecognised actuarial gains	**103,387**	103,190	**100,002**	99,900
Liability in the balance sheet	**135,418**	135,400	**131,097**	131,080

The amounts recognised in the income statement are as follows:

	The Group		The Bank	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Current service cost	**1,826**	2,619	**1,773**	1,670
Interest cost	**3,693**	8,620	**3,585**	8,351
Actuarial losses recognised in year	**(4,782)**	30,360	**(4,643)**	29,240
Total included in staff costs (Note 24)	**737**	41,599	**715**	39,261

Movements in the amounts recognised in the balance sheet:

	The Group		The Bank	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Liability at beginning of year	**135,400**	104,224	**131,080**	92,929
Charge for the year	**737**	41,599	**715**	39,261
Contributions paid	**(719)**	(1,142)	**(698)**	(1,110)
Elimination on sale of subsidiary	**—**	(9,281)	**—**	—
Liability at end of year	**135,418**	135,400	**131,097**	131,080

11. Customer Deposits

	The Group		The Bank	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Individuals	**10,496,256**	10,676,014	**9,805,227**	10,077,874
Business and Government	**8,753,503**	8,700,575	**8,447,708**	8,584,176
Banks	**7,663,382**	423,393	**7,507,767**	426,463
	26,913,141	19,799,982	**25,760,702**	19,088,513
Interest payable	**115,666**	63,664	**106,171**	58,855
	27,028,807	19,863,646	**25,866,873**	19,147,368

12. Other Liabilities

	The Group		The Bank	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Accounts payable and accruals	**260,921**	258,786	**240,978**	214,534
Due to parent company	**—**	14,671	**—**	—
Withholding tax	**9,983**	5,905	**—**	—
Other	**433,631**	191,030	**406,248**	203,489
	704,535	470,392	**647,226**	418,023

13. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 33⅓% 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	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Deferred tax assets	**3,105**	816	**—**	—
Deferred tax liabilities	**(132,105)**	(117,786)	**(132,105)**	(117,786)
	(129,000)	(116,970)	**(132,105)**	(117,786)

13. Deferred Income Taxes (Continued)

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

	The Group		The Bank	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Balance as at 1 November	**116,970**	86,156	**117,786**	76,529
Charge to the income statement	**12,030**	39,850	**14,319**	41,257
Elimination on sale of subsidiary	—	(9,036)	—	—
Balance as at 31 October	**129,000**	116,970	**132,105**	117,786

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

	The Group		The Bank	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets				
Loan loss provisions	**3,109**	1,721	—	—
Post-retirement medical and insurance benefits	**44,995**	56,902	**43,699**	43,693
Other provisions	**95,428**	59,239	**89,651**	67,352
	143,532	117,862	**133,350**	111,045
Deferred tax liabilities				
Defined benefit pension scheme	**239,957**	205,480	**233,140**	199,573
Unrealised foreign exchange gains	**6,278**	2,103	**6,278**	2,103
Loan loss provisions	**4,494**	2,806	**4,356**	2,806
Accelerated tax depreciation	**21,803**	24,443	**21,681**	24,349
	272,532	234,832	**265,455**	228,831
Net deferred tax liability	**129,000**	116,970	**132,105**	117,786

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. At 31 October 2006, such earnings totaled $69,995,000 (2005 – $57,386,000).

14. Share Capital and Reserves

	The Group		The Bank	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Share Capital				
Authorised —				
300,000,000 (2005 – 200,000,000)				
Ordinary shares of J$0.50 each	**150,000**	100,000	**150,000**	100,000
Issued and fully paid —				
265,756,730 (2005 – 193,333,332)				
Ordinary stock units of J$0.50 each	**132,878**	96,667	**132,878**	96,667
Share premium	**1,263,789**	—	**1,263,789**	—
	1,396,667	96,667	**1,396,667**	96,667
Reserves				
Capital reserves (Note 15)	**12,833**	12,833	**12,833**	12,833
Fair value reserve – available-for-sale investment securities (Note 16)	**27,622**	2,550	**27,622**	2,550
Statutory reserve fund (Note 17)	**696,667**	156,667	**611,667**	121,667
Retained earnings reserve (Note 18)	**1,776,163**	1,776,163	**1,640,666**	1,640,666
Loan loss reserve (Note 19)	**188,919**	103,322	**163,064**	94,349
Building Society reserve (Note 20)	**45,522**	45,522	—	—
	2,747,726	2,097,057	2,455,852	1,872,065
Total share capital and reserves at end of the year	**4,144,393**	2,193,724	**3,852,519**	1,968,732

At an Extraordinary General Meeting held on 31 January 2006, the Bank's shareholders approved an increase of 100,000,000 shares at a par value of $0.50 in the authorised share capital of the Bank; such shares to rank pari passu with the existing ordinary shares. The shareholders then approved a proposal made by the parent company to inject US$20 million ($1.3 billion) in the equity of the Bank, comprising 72,423,398 shares at $0.50 each plus a premium of $1,263,789,000. The capital injection was done in February 2006.

The Bank has elected, under the Companies Act 2004, to maintain par value status for its ordinary stock units until the required conversion date of 1 January 2007.

15. Capital Reserves

	The Group		The Bank	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Comprised of:				
Unrealised —				
Surplus on revaluation of premises	**5,493**	5,493	**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**	12,833	**12,833**	12,833

16. Fair Value Reserves — Available For Sale Investment Securities

	The Group		The Bank	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Balance at beginning of year	**2,550**	—	**2,550**	—
Fair value gains on available for sale investments during the year	**25,072**	2,550	**25,072**	2,550
Balance at end of the year	**27,622**	2,550	**27,622**	2,550

17. Statutory Reserve Fund

	The Group		The Bank	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Balance at beginning of year	**156,667**	156,667	**121,667**	121,667
Transfer from retained earnings	**540,000**	—	**490,000**	—
Balance at end of the year	**696,667**	156,667	**611,667**	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	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of year	**1,776,163**	1,406,163	**1,640,666**	1,340,666
Transfer from retained earnings	—	370,000	—	300,000
Balance at end of the year	**1,776,163**	1,776,163	**1640,666**	1,640,666

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.

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 8).

20. Building Society Reserve

	The Group		The Bank	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'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	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Interest income —				
Cash and short term funds	**311,061**	309,403	**466,964**	386,841
Investment securities	**217,404**	279,653	**216,970**	275,096
Loans and advances	**2,583,711**	1,745,199	**2,170,947**	1,493,266
Repurchase agreements and other	**23,886**	47,400	**6,737**	28,525
	3,136,062	2,381,655	**2,861,618**	2,183,728
Interest expense –				
Banks and customers	**(999,821)**	(818,989)	**(909,916)**	(759,849)
Net interest income	**2,136,241**	1,562,666	**1,951,702**	1,423,879

22. Non-interest Income

	The Group		The Bank	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Net fees and commissions	**390,701**	302,921	**383,129**	257,704
Net foreign exchange trading income	**172,580**	138,009	**172,853**	138,027
Other	**48,599**	49,832	**44,663**	49,832
	611,880	490,762	**600,645**	445,563

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

23. 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	15,662
Other assets	9,021
Taxation recoverable	5,421
Investment securities	17,583
Government securities purchased under resale agreements	328,237
Property, plant and equipment	1,457
Retirement benefit asset	40,330
	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

24. Non-interest Expenses

	The Group		The Bank	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Staff costs	**769,749**	693,905	**728,521**	662,838
Depreciation	**97,773**	93,642	**97,392**	92,738
Occupancy costs	**180,350**	175,373	**175,768**	168,495
Other	**680,160**	579,560	**649,281**	529,663
	1,728,082	1,542,480	**1,650,962**	1,453,734

Analysis of staff costs:

	The Group		The Bank	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Wages and salaries	**663,167**	642,272	**627,674**	612,201
Statutory contributions	**80,696**	64,940	**74,962**	61,496
Pension costs —				
Defined benefit plan (Note 10)	**(95,546)**	(165,140)	**(92,753)**	(156,580)
Defined contribution plan	**11,216**	5,552	**11,018**	5,391
Other post retirement benefits (Note 10)	**737**	41,599	**715**	39,621
Staff welfare	**99,940**	90,315	**97,366**	86,342
Redundancy	**9,539**	14,367	**9,539**	14,367
	769,749	693,905	**728,521**	662,838

25. Income before Taxation

Income before taxation is stated after charging:

	The Group		The Bank	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Depreciation	**97,773**	93,642	**97,392**	92,738
Directors' emoluments —				
Fees	**1,959**	1,489	**1,566**	1,489
Management remuneration	**37,676**	23,754	**18,484**	15,394
Terminal gratuity	—	7,476	—	7,476
Management fees	**182,633**	131,589	**163,890**	108,668
Auditors' remuneration —				
Current year	**7,318**	7,249	**5,988**	5,576
Prior year	—	1,230	—	1,230

26. Taxation

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

	The Group		The Bank	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Current tax	**284,276**	87,806	**246,864**	59,907
Adjustment to prior year provision	**614**	438	**(161)**	445
	284,890	88,244	**246,703**	60,352
Deferred tax	**12,030**	39,850	**14,319**	41,257
	296,920	128,094	**261,022**	101,609

Income tax is calculated at the rate of 33⅓% for the Bank and FirstCaribbean International Securities Limited and at 30% for FirstCaribbean International Building Society.

(b) Tax on the Group's income before tax differs from the theoretical amount that would arise using the statutory tax rate for the Bank as follows:

	The Group		The Bank	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Income before taxation	**921,622**	578,605	**806,233**	586,850
Tax calculated at 33⅓%	**307,207**	192,868	**268,744**	195,616
Effect of :				
Different tax rate applicable to mortgage financing subsidiary	**(3,846)**	(2,316)	—	—
Prior year under provision	**614**	438	**(161)**	445
Gain on sale of subsidiary	—	(45,149)	—	(76,085)
Tax free investment income	**(13,864)**	(21,146)	**(13,864)**	(21,146)
Expenses not deductible for tax purposes	**99**	858	—	858
Other charges and allowances	**6,710**	2,541	**6,303**	1,921
	296,920	128,094	**261,022**	101,609

27. Net Income

	2006 $'000	2005 $'000
The net income is dealt with as follows in the financial statements of:		
The Bank	**545,211**	485,241
Subsidiaries	**79,491**	58,080
Post acquisition earnings of subsidiary sold during the year	**—**	(92,810)
	624,702	450,511

28. Earnings Per Stock Unit

Earnings per ordinary stock unit is calculated by dividing the net income for the year by the weighted average number of ordinary stock units in issue:

	2006	2005
Net income for the year ($'000)	**624,702**	450,511
Weighted average number of ordinary stock units in issue ('000)	**244,724**	193,333
Earnings per stock unit ($)	**2.55**	2.33

29. 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 FirstCaribbean entities and their associates

	The Group		The Bank	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
FirstCaribbean International Bank Limited:				
Management fees paid	**182,633**	131,500	**163,890**	108,669
Net receivable balance	**148,223**	51,296	**154,310**	65,967
Other FirstCaribbean entities:				
Interest expense	**218,493**	57,963	**218,493**	57,963
Deposits by other FirstCaribbean entities	**7,507,764**	2,964,375	**7,507,764**	2,964,375
Due from subsidiary	**—**	—	**2,250,552**	1,147,000
Associates:				
Due from CIBC entities	**—**	218,020	**—**	218,020
Deposits with Barclays entities	**1,604,257**	2,308,630	**1,604,257**	2,308,630

29. Related Party Transactions (Continued)

Transactions and balances with directors

	The Group		The Bank	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Loans outstanding	**49,676**	34,019	**7,097**	1,042
Deposits with FirstCaribbean entities	**19,144**	717	**19,144**	717
Interest income	**4,807**	1,471	**279**	226
Interest expense	**171**	—	**171**	—
Directors' fees	**1,959**	1,489	**1,566**	1,489
Management remuneration	**37,676**	23,754	**18,484**	15,394
Terminal gratuity	—	7,476	—	7,476

Key management remuneration

	The Group		The Bank	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Wages and salaries	**23,480**	27,112	**17,091**	22,796
Statutory contributions	**2,125**	1,647	**1,543**	1,281
Terminal gratuity	—	7,476	—	7,476

30. Commitments

(a) Future rental commitments under operating leases

At 31 October 2006, the Bank held leases on buildings for extended periods. The future rental commitments under these leases were as follows:

	2006 **$'000**	**2005** **$'000**
Not later than 1 year	**125,703**	124,424
Later than 1 year and less than 5 years	**576,015**	523,384
Later than 5 years	**51,650**	—
	753,368	647,808

(b) Other

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

	The Group		**The Bank**	
	2006 **$'000**	**2005** **$'000**	**2006** **$'000**	**2005** **$'000**
Guarantees and banker's acceptances	**589,492**	1,504,601	**589,492**	1,504,601
Letters of credit	**158,154**	174,904	**158,154**	174,904
Commitments to extend credit —				
Mortgages	**1,363,201**	729,428	—	—
Other loans	**3,031,704**	3,164,250	**3,031,704**	3,164,250
	5,142,551	5,573,183	**3,779,350**	4,843,755

31. Contingencies

The Group, because of the nature of its businesses, is subject to various threatened or filed legal actions. At 31 October 2006 material claims filed amounted to approximately $2,062,077,000 (2005 – $2,051,853,000). The majority of this amount relates to a specific counter claim of approximately $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 $315,738,000 (2005 – $302,681,000). 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.

32. 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			
	Assets		Related Liability	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Statutory reserves at Bank of Jamaica (Note 3)	**1,737,221**	1,544,200	—	—
Securities (see note below)	**130,000**	110,000	—	—
	1,867,221	1,654,200	—	—

	The Bank			
	Assets		Related Liability	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Statutory reserves at Bank of Jamaica (Note 3)	**1,705,613**	1,527,257	—	—
Securities (see note below)	**130,000**	110,000	—	—
	1,835,613	1,637,257	—	—

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

33. Business Segments

The Group operates four main lines of business organised along customer segments, but also includes treasury operations as a reportable segment.

Retail Banking is organised along four product lines: Premier Banking (dedicated relationship management), Home Finance (mortgages), Consumer Finance & Credit Cards and Asset Management & Insurance.

Corporate Banking comprises two customer sub-segments: Corporate Business and Small Business Banking. Corporate Banking offers deposit and investment products, borrowing and cash management products, merchant card services and trade finance.

International Wealth Management comprises International Mortgages. The International Mortgage group provides funding in U.S. dollars, Euros or Sterling to non-residents of the Caribbean seeking to purchase second homes in the Caribbean for personal use or as an investment.

Capital Markets and Other Financial Services comprises the Capital Markets segment and The Treasury Group. The Capital Markets segment provides issuers and investors with access to larger pools of capital and greater investment opportunities. It acts for and on behalf of large business and sovereign clients who seek both equity and debt capital instruments and facilitates the expansion of the existing secondary market capabilities in the region. The Treasury Group manages the interest rate, foreign exchange and liquidity risk of the Group. In addition, the Treasury Group conducts foreign exchange transactions on behalf of Bank clients and hedges fixed rate loans and investments with interest rate swaps.

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

Funds are ordinarily allocated between segments, resulting in funding costs transfers disclosed in operating income. Interest charged for these funds is based on the Group's funds transfer pricing. There are no other material items of income or expense between the segments.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet, but exclude items such as taxation and borrowings.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The Group's operations are located solely in Jamaica.

33. Business Segments (Continued)

31 October 2006	Retail Banking $'000	Corporate Banking $'000	International Banking $'000	Capital Markets and Other Financial Services $'000	Eliminations $'000	Group $'000
External revenues	1,383,290	1,593,843	6,815	763,994	—	3,747,942
Revenues from other segments	811,625	(164,670)	2,526	(487,730)	(161,751)	—
Total revenues	2,194,915	1,429,173	9,341	276,264	(161,751)	3,747,942
Income before Taxation	431,535	951,324	6,998	(468,235)	—	921,622
Taxation						(296,920)
Income for the year						624,702
Segment assets	20,020,915	14,087,102	157,612	1,493,009	(2,663,700)	33,094,938
Unallocated assets						3,105
Total assets						33,098,043
Segment liabilities	15,635,659	12,313,752	177,139	2,041,910	(2,299,700)	27,868,760
Unallocated liabilities						354,191
Total liabilities						28,222,951
Other segment items						
Capital expenditure	99,858	512	2,440	70,225	—	173,035
Depreciation	20,024	283	—	77,466	—	97,773
Loan impairment losses	59,043	39,374	—	—	—	98,417

33. Business Segments (Continued)

	Retail Banking $'000	Corporate Banking $'000	International Banking $'000	Capital Markets and Other Financial Services $'000	Eliminations $'000	Group $'000
31 October 2005						
External revenues	1,954,317	718,015	—	428,340	(92,810)	3,007,862
Revenues from other segments	271,765	49,062	—	(237,204)	(83,623)	—
Total revenues	2,226,082	767,077	—	191,136	(176,433)	3,007,862
Income before Taxation	303,383	301,047	—	66,985	(92,810)	578,605
Taxation						(128,094)
Income for the year						450,511
Segment assets	19,826,859	7,417,324	—	(2,521,092)	(1,194,218)	23,528,873
Unallocated assets						816
Total assets						23,529,689
Segment liabilities	15,551,984	6,983,639	—	(906,967)	(1,159,218)	20,469,438
Unallocated liabilities						134,933
Total liabilities						20,604,371
Other segment items						
Capital expenditure	46,186	2,118	—	24	—	48,328
Depreciation	91,954	957	—	731	—	93,642
Loan impairment losses	59,967	7,821	—	—	—	67,788

34. 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
	2006 $'000	2006 $'000	2006 $'000	2006 $'000	2006 $'000	2006 $'000	2006 $'000
Cash and balances with Central Bank	4,458	2,046,253	—	—	—	1,009,251	3,059,962
Loans and advances to banks	—	2,097,051	—	—	—	—	2,097,051
Other assets	—	—	—	—	—	358,821 (4)	358,821
Investments(2)							
– Available-for-sale	—	618,640	47,111	—	—	11,264	677,015
– Held-to-maturity	—	23,981	370,004	392,207	—	—	786,192
Government securities purchased under resale agreements	—	617,121	57,624	—	—	—	674,745
Loans and advances to customers	625,666	484,840	3,353,162	6,979,868	12,502,220	323,247 (3)	24,269,003
Property, plant and equipment	—	—	—	—	—	450,008	450,008
Deferred tax assets	—	—	—	—	—	3,105	3,105
Retirement benefit asset	—	—	—	—	—	722,141	722,141
Total assets	630,124	5,887,886	3,827,901	7,372,075	12,502,220	2,877,837	33,098,043
Customer deposits	13,170,002	4,355,318	5,685,100	146,243	569,235	3,102,909	27,028,807
Other liabilities	—	—	—	—	—	704,535	704,535
Taxation payable	—	—	—	—	—	222,086	222,086
Deferred tax liabilities	—	—	—	—	—	132,105	132,105
Retirement benefit obligation	—	—	—	—	—	135,418	135,418
Total liabilities	13,170,002	4,355,318	5,685,100	146,243	569,235	4,297,053	28,222,951
Total interest rate sensitivity gap	(12,539,878)	1,532,568	(1,857,199)	7,225,832	11,932,985	(1,419,216)	4,875,092
Cumulative gap	(12,539,878)	(11,807,310)	(12,864,509)	(5,638,677)	6,294,308	4,875,092	—
As at 31 October 2005							
Total interest rate sensitivity gap	(9,203,262)	3,637,004	131,970	2,823,571	6,561,184	(1,025,149)	2,925,318
Cumulative gap	(9,203,262)	(5,566,258)	(5,434,288)	(2,610,717)	3,950,467	2,925,318	—

34. Financial Risk Management (Continued)

(a) Interest rate risk (continued)

	The Bank						
	Immedaitely Rate Sensitive(1) 2006 $'000	Within 3 Months 2006 $'000	3 to 12 Months 2006 $'000	1 to 5 Years 2006 $'000	Over 5 Years 2006 $'000	Non—Rate Sensitive 2006 $'000	Total 2006 $'000
Cash and balances with Central Bank	—	2,046,253	—	—	—	982,098	3,028,351
Loans and advances to banks	—	4,363,328	—	—	—	—	4,363,328
Other assets	—	—	—	—	—	338,808 (4)	338,808
Investments(2)							
— Available-for-sale	—	618,640	47,111	—	—	11,264	677,015
— Held-to-maturity	—	23,981	370,004	392,307	—	—	786,192
Investments in subsidiaries	—	—	—	—	—	364,000	364,000
Government securities purchased under resale agreements	—	496,657	9,428	—	—	—	586,085
Loans and advances to customers	625,666	458,509	3,351,377	6,930,748	8,592,988	323,247 (3)	20,282,535
Property, plant and equipment	—	—	—	—	—	446,807	446,807
Retirement benefit asset	—	—	—	—	—	699,419	699,419
Total assets	625,666	8,007,368	3,177,920	7,322,955	8,592,988	3,165,643	31,492,540
Customer deposits	12,688,416	4,146,794	5,532,630	125,816	270,308	3,102,909	25,866,873
Other liabilities	—	—	—	—	—	647,226	647,226
Taxation payable	—	—	—	—	—	202,015	202,015
Deferred tax liabilities	—	—	—	—	—	132,105	132,105
Retirement benefit obligation	—	—	—	—	—	131,097	131,097
Total liabilities	12,688,416	4,146,794	5,532,630	125,816	270,308	4,215,352	26,979,316
Total interest rate sensitivity gap	(12,062,750)	3,860,574	(1,754,710)	7,197,139	8,322,680	(1,049,709)	4,513,224
Cumulative gap	(12,062,750)	(8,202,176)	(9,956,886)	(2,759,747)	5,562,933	4,513,224	—
As at 31 October 2005							
Total interest rate sensitivity gap	(8,782,258)	4,863,775	162,338	2,788,219	4,573,421	(962,554)	2,642,941
Cumulative gap	(8,782,258)	(3,918,483)	(3,756,145)	(967,926)	3,605,495	2,642,941	—

(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 Jamaican dollars unless otherwise indicated)

34. 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					
	2006					
	Immediately Rate Sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash and balances with Central Bank	—	4.87	—	—	—	4.87
Loans and advances to banks	—	5.77	—	—	—	5.77
Investments[1] — available-for-sale	—	12.44	12.30	—	—	12.43
Investments[1] — held to maturity	—	14.15	11.95	14.21	—	13.14
Government securities purchased under resale agreements	—	12.19	12.99	—	—	12.25
Loans to customers[2]	23.80	13.01	11.81	14.75	11.72	13.49
Customer deposits[3]	20.47	7.48	6.33	9.21	7.54	14.31

	The Bank					
	2006					
	Immediately Rate Sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash and balances with Central Bank	—	4.87	—	—	—	4.87
Loans and advances to banks	—	5.77	—	—	—	5.77
Investments[1] — available-for-ssale	—	12.44	12.30	—	—	12.43
Investments[1] — held to maturity	—	14.15	11.95	14.21	—	13.14
Government securities purchased under resale agreements	—	12.11	13.38	—	—	12.14
Loans to customers[2]	23.80	13.06	11.80	14.75	11.00	13.54
Customer deposits[3]	20.81	7.26	6.27	9.20	9.89	14.55

(expressed in Jamaican dollars unless otherwise indicated)

34. 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 and balances with Central Bank	3.13	1.69	1.88	—	—	1.79
Loans and advances to banks	—	5.23	—	—	—	5.23
Investments[(1)] — held-to-maturity	—	20.53	15.12	16.03	14.48	16.02
Government securities purchased under resale agreements	12.45	13.03	14.07	—	—	13.21
Loans to customers[(2)]	36.88	10.23	11.55	15.68	17.16	17.88
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 and balances with Central Bank	3.13	1.69	1.88	—	—	1.79
Loans and advances to banks	—	5.23	—	—	—	5.23
Investments[(1)] — held-to-maturity	—	20.53	15.12	16.03	14.48	16.02
Government securities purchased under resale agreements	—	13.13	14.13	—	—	13.51
Loans to customers[(2)]	36.88	10.04	11.48	15.68	18.54	18.54
Customer deposits[(3)]	2.09	9.07	8.52	5.20	10.00	3.56

(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.

34. Financial Risk Management (Continued)

(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 2006 $'000	Total 2005 $'000
Agriculture, fishing and mining	191,988	3,633	**195,621**	219,752
Construction and real estate	1,552,745	16,720	**1,569,465**	2,654,072
Distribution	2,397,895	92,870	**2,490,765**	1,963,134
Electricity, gas and water	2,736	1,000	**3,736**	4,548
Financial institutions	1,068,043	500	**1,068,543**	299,124
Government and public entities	1,049,122	—	**1,049,122**	837,796
Manufacturing and production	2,216,202	9,947	**2,226,149**	507,672
Personal	8,595,527	230,714	**8,826,241**	3,993,387
Professional and other services	873,845	302,450	**1,176,295**	1,938,807
Tourism and entertainment	4,562,990	21,824	**4,584,814**	2,645,359
Transport, storage and communication	1,583,398	67,988	**1,651,386**	519,686
Total	24,094,491	747,646	**24,842,137**	15,583,337
Provision for losses			**(260,727)**	(178,517)
			24,581,410	15,404,820

34. Financial Risk Management (Continued)

(b) Credit exposures (continued)

	The Bank			
	Loans and Leases $'000	**Acceptances, Guarantees and Letters of Credit $'000**	**Total 2006 $'000**	**Total 2005 $'000**
Agriculture, fishing and mining	191,988	3,633	**195,621**	219,752
Construction	1,498,163	16,720	**1,514,883**	557,680
Distribution	2,390,475	92,870	**2,483,345**	1,955,241
Electricity, gas and water	2,736	1,000	**3,736**	4,548
Financial institutions	1,068,043	500	**1,068,543**	299,124
Government and public entities	1,049,122	—	**1,049,122**	837,796
Manufacturing and production	2,209,514	9,947	**2,219,461**	500,763
Personal	4,714,335	230,714	**4,945,049**	3,993,387
Professional and other services	841,894	302,450	**1,144,344**	1,930,825
Tourism and entertainment	4,562,990	21,824	**4,584,814**	2,645,359
Transport, storage and communication	1,583,397	67,988	**1,651,385**	519,451
Total	20,112,657	747,646	**20,860,303**	13,463,926
Provision for losses			**(239,079)**	(160,157)
			20,621,224	13,303,769

34. 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	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
United States dollar	**20,465**	12,595	**20,388**	12,595
Canadian dollar	**430**	380	**430**	380
Pound Sterling	**420**	321	**420**	321

(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.

34. Financial Risk Management (Continued)

(d) Liquidity risk (continued)

	The Group						
	Up to 1 Month 2006 $'000	1 to 3 Months 2006 $'000	3 t o12 Months 2006 $'000	1 t o5 Years 2006 $'000	Over 5 Years 2006 $'000	No specific Maturity 2006 $'000	Total 2006 $'000
Cash and balances with Central Bank	1,288,254	758,000	—	—	—	1,013,708	3,059,962
Loans and advances to banks	2,097,051	—	—	—	—	—	2,097,051
Other assets	—	—	—	—		358,821 (4)	358,821
Investments(2)							
– Available for sale	165,260	453,380	47,111	—	—	11,264	677,015
– Held to maturity	23,981	—	370,004	392,207	—	—	786,192
Government securities purchased under resale agreements	104,796	512,325	57,624	—	—	—	674,745
Loans and advances to customers	651,996	458,509	3,353,164	6,979,868	12,502,219	323,247 (3)	24,269,003
Property, plant and equipment	—	—	—	—	—	450,008	450,008
Deferred tax assets	—	—	—	—	—	3,105	3,105
Retirement benefit asset	—	—	—	—	—	722,141	722,141
Total assets	4,331,338	2,182,214	3,827,903	7,372,075	12,502,219	2,882,294	33,098,043
Customer deposits	13,218,259	4,148,509	5,843,652	146,243	569,235	3,102,909	27,028,807
Other liabilities	—	—	—	—	—	704,535	704,535
Taxation payable	—	—	—	—	—	222,086	222,086
Deferred tax liabilities	—	—	—	—	—	132,105	132,105
Retirement benefit obligation	—	—	—	—	—	135,418	135,418
Total liabilities	13,218,259	4,148,509	5,843,652	146,243	569,235	4,297,053	28,222,951
Net liquidity gap	(8,886,921)	(1,966,295)	(2,015,749)	7,225,832	11,932,984	(1,414,759)	4,875,092
As at 31 October 2005							
Total Assets	1,446,821	6,119,830	1,175,568	5,561,866	6,900,191	2,325,413	23,529,689
Total Liabilities	10,650,083	2,482,826	1,043,598	2,738,295	339,007	3,350,562	20,604,371
Net liquidity gap	(9,203,262)	3,637,004	131,970	2,823,571	6,561,184	(1,025,149)	2,925,318

34. Financial Risk Management (Continued)

(d) Liquidity risk (continued)

	The Bank						
	Up to 1 Month 2006 $'000	**1 to 3 Months 2006 $'000**	**3 t o12 Months 2006 $'000**	**1 t o5 Years 2006 $'000**	**Over 5 Years 2006 $'000**	**No specific Maturity 2006 $'000**	**Total 2006 $'000**
Cash and balances with Central Bank	1,288,253	758,000	—	—	—	982,098	3,028,351
Loans and advances to banks	4,204,776	158,552	—	—	—	—	4,363,328
Other assets	—	—	—	—	—	338,808 (4)	338,808
Investments(2)							
– Available for sale	165,260	453,380	47,111	—	—	11,264	677,015
– Held to maturity	23,981	—	370,004	392,207	—	—	786,192
Investments in subsidiaries	—	—	—	—	—	364,000	364,000
Government securities purchased under resale agreements	55,486	441,171	9,428	—	—	—	506,085
Loans and advances to customers	625,666	458,509	3,351,377	6,930,748	8,592,988	323,247 (3)	20,282,535
Property, plant and equipment	—	—	—	—	—	446,807	446,807
Retirement benefit asset	—	—	—	—	—	699,419	699,419
Total assets	6,363,423	2,269,612	3,777,920	7,322,955	8,592,988	3,165,642	31,492,540
Customer deposits	12,688,416	4,146,794	5,532,630	125,816	270,308	3,102,909	25,866,873
Other liabilities	—	—	—	—	—	647,226	647,226
Taxation payable	—	—	—	—	—	202,015	202,015
Deferred tax liabilities	—	—	—	—	—	132,105	132,105
Retirement benefit obligation	—	—	—	—	—	131,097	131,097
Total liabilities	12,688,416	4,146,794	5,532,630	125,816	270,308	4,218,352	26,979,316
Net liquidity gap	(6,324,993)	(1,877,182)	(1,754,710)	7,197,139	8,322,680	(1,052,710)	4,513,224
As at 31 October 2005							
Total Assets	2,553,164	6,074,752	1,127,079	5,524,714	4,863,317	2,320,444	22,463,470
Total Liabilities	10,180,077	2,366,322	964,741	2,736,495	289,896	3,282,998	19,820,529
Net liquidity gap	(7,626,913)	3,708,430	162,338	2,788,219	4,573,421	(962,554)	2,642,941

34. 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.

35. 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. 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 tables set out the fair values of the financial instruments of the Group and the Bank not shown on the balance sheet at fair value:

	The Group			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2006 $'000	2006 $'000	2005 $'000	2005 $'000
Financial Assets				
Investments — held to maturity	**762,211**	**793,597**	1,450,470	1,499,141
Government securities purchased under resale agreements	**674,745**	**667,506**	135,357	135,255

	The Bank			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2006 $'000	2006 $'000	2005 $'000	2005 $'000
Financial Assets				
Investments — held to maturity	**762,211**	**793,597**	1,440,470	1,489,024
Investments in subsidiaries	**364,000**	**725,868**	35,000	317,377
Government securities purchased under resale agreements	**506,805**	**503,836**	48,230	48,024

35. Fair Value of Financial Instruments (Continued)

The following methods and assumptions have been used:

(a) Loans and advances to banks

Loans and advances to banks include inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity. Their carrying values approximate their fair values.

(b) Loans and advances to customers

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. The balances are net of specific and other provisions for impairment and their net carrying amounts reflect their fair values.

(c) Investment securities

Fair values for held-to-maturity investments are based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. Where fair values still cannot be measured reliably, these securities are carried at cost less impairment. Available-for-sale securities are measured at fair value.

(d) Investments in subsidiaries

The fair value of the Bank's investment in subsidiaries has been determined based on the carrying value of the subsidiaries' equity.

(e) Customer deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

36. Critical Accounting Judgements and Estimates in Applying Accounting Policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Retirement benefit obligations

Accounting for some retirement benefit obligations requires the use of actuarial techniques to make a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods. These actuarial assumptions are based on managements' best estimates of the variables that will determine the ultimate cost of providing post-employment benefits and comprise both demographic and financial assumptions. Variations in the financial assumptions can cause material adjustments in the next financial year, if it is determined that the actual experience differed from the estimate.

(c) Loan fee recognition estimate

The Group's current processes and information technology systems do not support the treatment of loan fee income and the related direct costs as an adjustment to the effective interest rate and deferred. As a consequence, management has to estimate the effect of this treatment.

(d) Held-to-maturity investments

The Group classifies certain investments with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances, such as selling an insignificant amount close to maturity, it will be required to reclassify the entire class as available-for-sale and record the investments at their fair value.

37. Post Balance Sheet Event

On 28 June 2006, Barclays and CIBC entered into a purchase and sale agreement with respect to the sale by Barclays of its 43.7% interest in FirstCaribbean International Bank Limited. On 22 December 2006, CIBC purchased 599.4 million FirstCaribbean International Bank Limited shares from Barclays. The purchase price paid to Barclays represents US$1.62 for each FirstCaribbean share, plus accrued but unpaid dividends.

CIBC has now moved forward with its planned mandatory offer to all shareholders in FirstCaribbean International Bank Limited at a price of US$1.62 per share, plus accrued but unpaid dividends. Under its agreement with CIBC, Barclays will have the option to tender all or a portion of its remaining 66.6 million FirstCaribbean International Bank Limited shares under that offer.

38. Restatement

Management has revised its estimate of the amount of deferred loan fee income and the related direct costs. The effect of the restatement on equity as at 31 October 2004 and 2005, and on the income statement for the year ended 31 October 2005 for the Group and the Bank is as follows:

Effect on equity as at 31 October 2004

	The Group			The Bank		
	As previously stated $'000	Adjustments $'000	As restated $'000	As previously stated $'000	Adjustments $'000	As restated $'000
Total assets	20,104,461	—	20,104,461	18,743,944	—	18,743,944
Liabilities						
Customer deposits	16,702,965	—	16,702,965	16,041,454	—	16,041,454
Other liabilities	546,925	113,863	660,788	195,633	113,863	309,496
Taxation payable	78,071	—	78,071	68,386	—	68,386
Deferred tax liabilities	124,110	(37,954)	86,156	114,483	(37,954)	76,529
Retirement benefit obligations	104,224	—	104,224	92,929	—	92,929
Total liabilities	17,556,295	75,909	17,632,204	16,512,885	75,909	16,588,794
Stockholders' equity						
Share capital and reserves	1,784,488	—	1,784,488	1,623,533	—	1,623,533
Retained earnings	763,678	(75,909)	687,769	607,526	(75,909)	531,617
Total equity	2,548,166	(75,909)	2,472,257	2,231,059	(75,909)	2,155,150
Total liabilities and equity	20,104,461	—	20,104,461	18,743,944	—	18,743,944

38. Restatement (Continued)

Effect on equity as at 31 October 2005

	The Group			The Bank		
	As previously stated $'000	Adjustments $'000	As restated $'000	As previously stated $'000	Adjustments $'000	As restated $'000
Total assets	23,529,689	—	23,529,689	22,463,470	—	22,463,470
Liabilities						
Customer deposits	19,863,646	—	19,863,646	19,147,368	—	19,147,368
Other liabilities	308,129	162,263	470,392	255,760	162,263	418,023
Taxation payable	17,147	—	17,147	6,272	—	6,272
Deferred tax liabilities	171,874	(54,088)	117,786	171,874	(54,088)	117,786
Retirement benefit obligations	135,400	—	135,400	131,080	—	131,080
Total liabilities	20,496,196	108,175	20,604,371	19,712,354	108,175	19,820,529
Stockholders' equity						
Share capital and reserves	2,193,724	—	2,193,724	1,968,732	—	1,968,732
Retained earnings	839,769	(108,175)	731,594	782,384	(108,175)	674,209
Total equity	3,033,493	(108,175)	2,925,318	2,751,116	(108,175)	2,642,941
Total liabilities and equity	23,529,689	—	23,529,689	22,463,470	—	22,463,470

38. Restatement (Continued)

Effect on statement of income for the year ended 31 October 2005

	The Group			The Bank		
	As previously stated $'000	Adjustments $'000	As restated $'000	As previously stated $'000	Adjustments $'000	As restated $'000
Net interest income	1,562,666	—	1,562,666	1,423,879	—	1,423,879
Non-interest income	539,162	(48,400)	490,762	493,963	(48,400)	445,563
Gain on sale of subsidiary	135,445	—	135,445	228,255	—	228,255
	2,237,273	(48,400)	2,188,873	2,146,097	(48,400)	2,097,697
Non-interest expenses	(1,542,480)	—	(1,542,480)	(1,453,734)	—	(1,453,734)
Loan loss impairment	(67,788)	—	(67,788)	(57,113)	—	(57,113)
	(1,610,268)	—	(1,610,268)	(1,510,847)	—	(1,510,847)
Income before taxation	627,005	(48,400)	578,605	635,250	(48,400)	586,850
Taxation	(144,228)	16,134	(128,094)	(117,743)	16,134	(101,609)
Net income for the year	482,777	(32,266)	450,511	517,507	(32,266)	485,241
Earnings per stock unit ($)	2.50	(0.17)	2.33			

Five-Year Statistical Report
Consolidated Statements of Income

For the Year Ended October 31, 2006

J $(000)	2006	RESTATED 2005	2004	2003	2002
Interest income	3,136,062	2,381,655	2,375,021	2,242,306	2,210,867
Interest expense	(999,821)	(818,989)	(830,122)	(886,998)	(1,124,141)
Net interest income	2,136,241	1,562,666	1,544,899	1,355,308	1,086,726
Non-interest income	611,880	490,762	517,814	635,727	481,444
Gain on sale of subsidiary	0	135,445			
Non-interest expenses	(1,728,082)	(1,542,480)	(1,459,664)	(1,290,900)	(1,189,858)
Provision for credit losses	(98,417)	(67,788)	(17,281)	(14,049)	(49,634)
Integration/restructuring charges	0	0	(51,209)	10,463	(122,951)
Net income (loss) before income taxes	921,622	578,605	534,559	696,549	205,727
Income taxes	(296,920)	(128,094)	(153,382)	(193,686)	(36,983)
Net income before extraordinary items and minority interests	624,702	450,511	381,177	502,863	168,744
NET INCOME	624,702	450,511	381,177	502,863	168,744

Five-Year Statistical Report
Condensed Consolidated Balance Sheets

As at October 31, 2006

J $(000)	2006	Restated 2005	Restated 2004	2003	2002
ASSETS					
Cash Resources	5,157,013	6,591,062	7,351,408	7,673,416	7,930,259
Investments	1,463,207	1,503,634	2,331,756	2,659,287	2,135,521
Government securities purchased under resale agreements	674,745	135,357	565,253	412,797	1,385,790
Loans					
Mortgages	3,981,833	2,119,411	1,283,644	665,190	492,400
Personal	4,712,676	3,809,947	2,996,323	2,131,776	1,348,073
Business	15,356,657	7,965,155	4,310,160	4,393,100	3,416,581
Less: Allowance for Credit Losses	(260,727)	(178,437)	(141,520)	(128,485)	(97,249)
Interest receivable (1)	435,240	146,986	147,629		
Net investment in leases	43,324	9,239	16,431	25,632	41,223
Other Assets	1,084,067	1,048,899	816,294	1,252,632	988,058
Property, plant and equipment	450,008	378,436	427,083	286,313	233,861
	33,098,043	23,529,689	20,104,461	19,371,658	17,874,517
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits					
Individuals	10,496,256	10,676,014	9,317,841	7,922,289	10,252,998
Businesses and governments	8,753,503	8,700,575	7,141,319	8,392,635	5,247,839
Banks	7,663,382	423,393	186,426	246,789	242,136
Interest payable (1)	115,666	63,664	57,379		
Other liabilities	1,194,144	632,550	929,239	642,956	448,085
Share Capital & Reserves	4,144,393	2,193,724	1,784,488	1,274,477	1,250,477
Retained Earnings	730,699	839,769	687,769	892,512	432,982
	33,098,043	23,529,689	20,104,461	19,371,658	17,874,517

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Five-Year Statistical Report
Condensed Consolidated Statement of Changes in Shareholders' Equity

For the Year Ended October 31, 2006

J $(000)	2006	2005	2004	2003	2002
STOCKHOLDERS' EQUITY					
Balance at beginning of year	2,925,318	2,472,257	2,166,989	1,683,459	1,534,048
Net income (loss)	624,702	450,511	381,177	502,863	168,744
Prior year adjustment	–	–	(75,909)	–	–
Capital injection	1,300,000	–	–	–	–
Fair value of equity investment	25,072	2,550	–	–	–
Dividends	–	–	–	(19,333)	(19,333)
Balance at end of year	4,875,092	2,925,318	2,472,257	2,166,989	1,683,459
PROFITABILITY	**2006**	**2005**	**2004**	**2003**	**2002**
Return on common equity	15.8%	16.4%	16.4%	26.1%	10.5%
Tax rate	32.2%	22.1%	28.7%	27.8%	18.0%
REVENUE AND EXPENSES AS A PERCENTAGE OF AVERAGE ASSETS					
Net interest income	7.54%	7.16%	7.83%	7.28%	5.82%
Provision for credit losses	0.35%	0.31%	0.09%	0.08%	0.27%
Non-interest income	2.16%	2.25%	2.62%	3.41%	2.58%
Non-interest expenses	6.10%	7.07%	7.40%	6.93%	6.38%
Income taxes	1.05%	0.59%	0.78%	1.04%	0.20%
Net income before minority interests – return on assets	2.21%	2.06%	1.93%	2.70%	0.90%
CREDIT QUALITY	**2006**	**2005**	**2004**	**2003**	**2002**
Allowance for credit losses to gross impaired loans	76.9%	75.7%	63.0%	29.5%	45.7%
Gross impaired loans ($'000s)	339,074	235,703	224,712	435,920	212,605
Net impaired loans ($'000s)	78,347	57,266	83,192	307,435	115,356
Net impaired loans to total net loans & leases	0.3%	0.4%	1.0%	4.3%	2.2%
LIQUIDITY	**2006**	**2005**	**2004**	**2003**	**2002**
Cash resources to total assets	15.6%	28.0%	36.6%	39.6%	44.4%
Securities to total assets	6.5%	7.0%	14.4%	15.9%	19.7%
CAPITAL AND RELATED	**2006**	**2005**	**2004**	**2003**	**2002**
Average common shareholders' equity ($'000s)	3,954,293	2,752,875	2,319,623	1,925,224	1,608,754
Average assets ($'000s)	28,313,866	21,817,075	19,738,060	18,623,088	18,661,820
Average assets to average common equity	7.2	7.9	8.5	9.7	11.6
PRODUCTIVITY AND RELATED					
Non-interest expenses to revenue ratio	62.9%	75.1%	73.2%	64.3%	83.7%
Full-time equivalent employees	475	455	474	485	467
Number of branches	11	11	12	12	12
Number of automated banking machines	13	11	11	11	11
COMMON SHARES	**2006**	**2005**	**2004**	**2003**	**2002**
Number of outstanding ('000s)	265,757	193,333	193,333	193,333	193,333
Weighted average number outstanding ('000s)					
basic	244,724	193,333	193,333	193,333	193,333
fully diluted	244,724	193,333	193,333	193,333	193,333
PER COMMON SHARE INFORMATION					
Net income					
basic	$2.55	$2.33	$1.97	$2.60	$0.87
fully diluted	$2.55	$2.33	$1.97	$2.60	$0.87
Price					
high	–	–	–	–	–
low	–	–	–	–	–
close	$21.50	$17.39	$21.50	$8.00	$8.49
Dividends					
per share	$0.00	$0.00	$0.00	$0.10	$0.10
yield	0.0%	0.0%	0.0%	1.2%	1.2%
payout ratio	0.0%	0.0%	0.0%	3.8%	11.5%
Price to earnings ratio	8.42	7.46	10.90	3.08	9.73
Book value	$19.92	$15.13	$12.79	$11.21	$8.71
Price to book value	$1.08	$1.15	$1.68	$0.71	$0.98

Proxy Form

I/We, 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 3rd day of, April 2007, and at any adjournment thereof.

Dated this .... day of .... 2007.

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. Horace Cobham b. Professor Neville Ying		
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$100.00) must be affixed to the form and cancelled by the Appointer at the time of the signing.