FIRSTCARIBBEAN INTERNATIONAL BANK (JAMAICA) LIMITED ANNUAL REPORT 2008

JAMAICA ANNUAL REPORT 2008

FORWARD. UNITED. TOGETHER.

FIRSTCARIBBEAN
INTERNATIONAL BANK
GET THERE. TOGETHER.

Vision/Mission

To create the Caribbean's number one financial services institution.

- **First for Customers**
- **First for Employees**
- **First for Communities**
- **First for Shareholders**

Contents

At FirstCaribbean, our seventh year of operation finds us and our partners continuing to reap the rewards of our strong governance framework which has empowered us to move forward and address whatever challenges may lie ahead. Accountability, efficiency and transparency have strengthened our position as a resilient, regionally integrated financial entity with Caribbean connections and an international pedigree.

FORWARD. UNITED. TOGETHER.

FIRSTCARIBBEAN
INTERNATIONAL BANK

GET THERE. TOGETHER.

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of FirstCaribbean International Bank (Jamaica) Limited will be held in the Belisario Suite at the Jamaica Pegasus Hotel on Monday, June 8, 2009 at 9:00 a.m. for the following purposes:-

1. To receive the audited accounts and the Report of the Auditors and the Directors for the year ended October 31, 2008 and to consider, if thought fit, the following resolution:

Resolution 1 – 2008 Directors' and Auditors' Report and Accounts

THAT the report of the Directors and the Auditors and the audited accounts for the year ended October 31, 2008 be received.

2. To re-elect Directors who will retire by rotation and be eligible for re-election and to re-elect Directors who have been appointed since the last Annual General Meeting. The Directors, namely Messrs. Milton and Gerard Borely being eligible, have offered themselves for re-election. The Director, Mr. Clovis Metcalfe was appointed on January 1, 2009 and is eligible for re-election. To consider and, if thought fit, pass the following resolutions:

Resolution 2 – Re-election of Directors

(a) **THAT** Milton Brady, a Director retiring by rotation, be re-elected a Director of the Company.
(b) **THAT** Gerard Borely, a Director retiring by rotation, be re-elected a Director of the Company.
(c) **THAT** Clovis Metcalfe, appointed on January 1, 2009, be re-elected as a Director.

3. To re-appoint the retiring Auditors and to authorise the Directors to determine their remuneration and to consider and, if thought fit, pass the following resolution:

Resolution 3 – Re-appointment of Auditors

THAT Ernst & Young, Chartered Accountants, having agreed to continue in office as Auditors of the Company, be and are hereby appointed to hold such office until the next Annual General Meeting of the Company and that their remuneration be fixed by the Directors.

4. To consider and, if thought fit, pass the following resolution:

Resolution 4 – Directors' Remuneration

THAT remuneration of the Directors be determined or that the Directors be authorised to determine their remuneration.

5. Any Other Business

To transact any other business that may be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

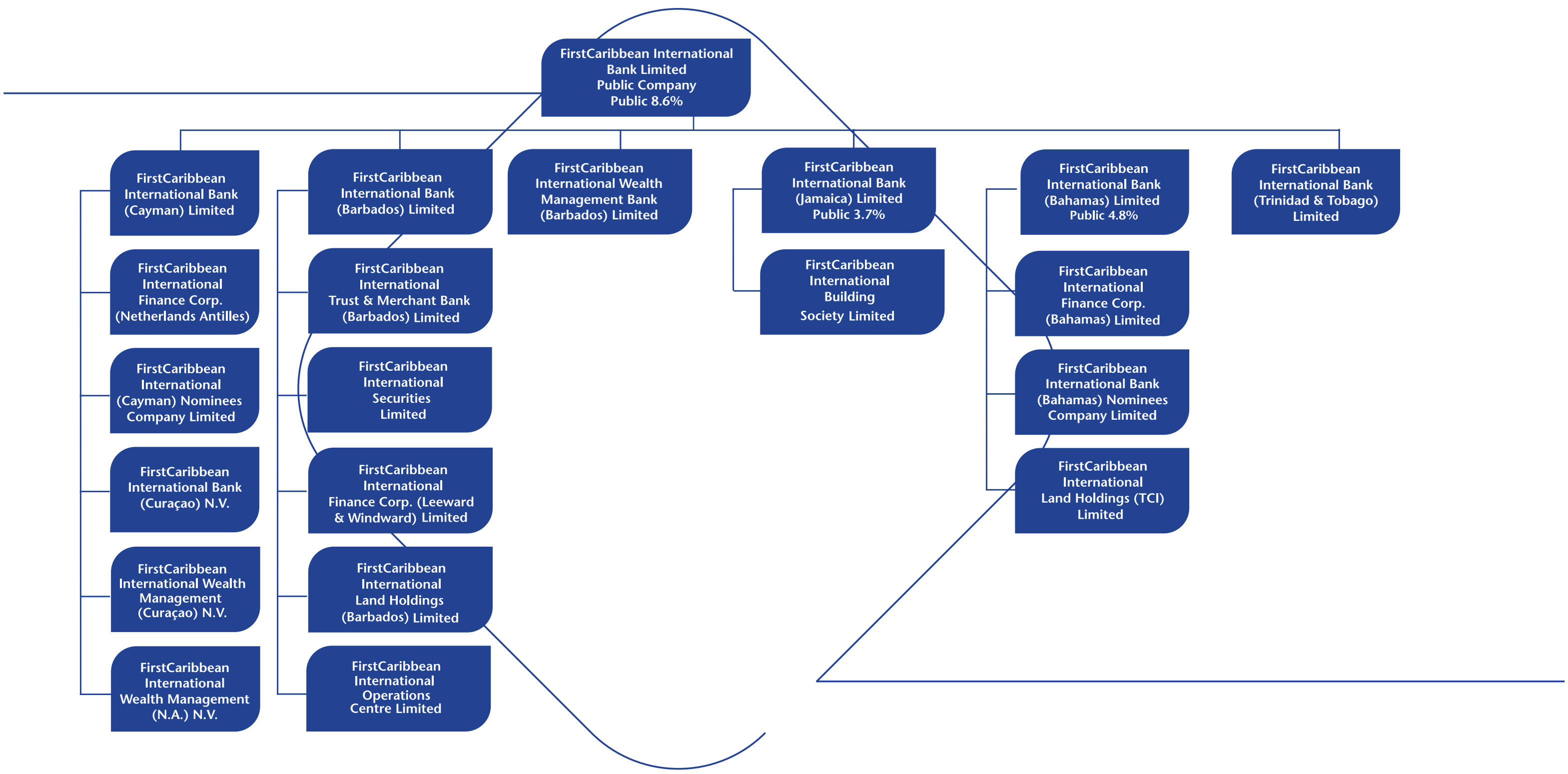
Allison Rattray
Secretary
Dated April 3, 2009

A shareholder entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote in his stead. A Proxy need not be a shareholder of the Company.

At the back of this report is a Proxy Form for your convenience which must be lodged at the Company's registered office at least 48 hours before the time appointed for the holding of the meeting.

The Proxy Form should bear the stamp duty of $100 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the Proxy.

Ownership Structure



Branch Network

Main Branches and Centres

Half Way Tree
PO Box 219
78 Half Way Tree Road
Kingston 10
Tel: (876) 926-7400
Fax: (876) 929-1413

King Street
PO Box 43
1 King Street
Kingston
Tel: (876) 922- 6120-9
Fax: (876) 922-5330

Liguanea
129 1/2 Old Hope Road
Kingston 6
Tel: (876) 977-2595
Fax: (876) 977-1574

Lluidas Vale Agency
Lluidas Vale
St. Catherine
Tel: (876) 903-6404

Mandeville
PO Box 57
Main Street
Mandeville
Tel: (876) 962-2619
Fax: (876) 962-9348

Manor Park
Manor Park Plaza
Constant Spring
Kingston 8
Tel: (876) 969-2708
Fax: (876) 969-6280

May Pen
50 Main Street
May Pen
Tel: (876) 986-2578
Fax: (876) 986-4940

Montego Bay
59 James Street
Montego Bay
Tel: (876) 929-4045/6
Fax: (876) 952-4815

New Kingston
PO Box 403
23-27 Knutsford Boulevard
Kingston 5
Tel: (876) 923- 9310
Fax: (876) 968-1969

Newport West
6-122 Newport West Centre
Kingston 11
Tel: (876) 923-4821
Fax: (876) 923-6757

Ocho Rios
PO Box 111
Ocean Village Shopping Centre
Ocho Rios
Tel: (876) 974-2824
Fax: (876) 974-5515

Port Antonio
4 West Street
Port Antonio
Tel: (876) 993-2708
Fax: (876) 993-2221

Savanna-la-Mar
33-35 Beckford Street
Savanna-la-Mar
Westmoreland
Tel: (876) 918-2054
Fax: (876) 955-4742

Twin Gates
Twin Gates Shopping Centre
Kingston 10
Tel: (876) 926-1288
Fax: (876) 926-3056

Financial Centres
Corporate Banking Centre
23-27 Knutsford Boulevard
Kingston 5
Tel: (876) 929-9310
Fax: (876) 929-7751

Wealth Management Centre
23-27 Knutsford Boulevard
Kingston 5
Tel: (876) 935-4619

FirstCaribbean International Building Society
PO Box 403
23-27 Knutsford Boulevard
Kingston 5
Tel: (876) 935-4714
Fax: (876) 929-9247

FirstCaribbean International Securities Limited
PO Box 162
23-27 Knutsford Boulevard
Kingston 5
Tel: (876) 935-4606
Fax: (876) 926-1025

Card Services Centre
1 King Street
Kingston
Tel: (876) 922-5331
Fax: (876) 228-3996

Board of Directors

From l-r: **Michael Mansoor**, Chairman; **Peter McConnell, Chris Bovell, Milton Brady** and **Anthony Bell.**

Absent: **Neville Ying, Albert Webb** and **Gerard Borely**

Country Management Committee

From l-r: **Lancelot Leslie, Clovis Metcalfe, Allison Rattray, Stacy Adams, Milton Brady, Berisford Grey, Debra Lopez, Nigel Holness** and **Christopher Denny.**

Absent: **Jennifer Brown, Michelle Campbell, Donna Walters** and **Henry Reid.**

Directors, Senior Management and Advisors

Legal Advisors

Dunn Cox
Myers Fletcher & Gordon

Corporate Secretary & Legal Counsel

Allison C. Rattray

Registrar and Transfer Agent

FirstCaribbean International Securities Ltd.

Audit & Governance Committee

Ronald Lalonde – Chairman
Allan Fields
Teresa Butler
Sir Fred Gollop
David Ritch
Christopher Bovell
John Eaton
J. Gonzalez-Robatto

Auditors

Ernst & Young

Board of Directors

Michael Mansoor – Chairman
Milton C. Brady – Managing Director
Anthony J. Bell
Gerard Borely
Christopher Bovell
Peter D. McConnell
Albert Webb
Professor Neville Ying

Country Management Committee

Milton Brady
Managing Director and Chairman of Country Management Committee

Lancelot Leslie
Chief Financial Officer

Stacy Adams
Administration & Marketing Manager

Jennifer Brown
Head of Operations Central Caribbean

Clovis Metcalfe
Director Corporate Banking

Christopher Denny
Director Retail Banking

Debra Lopez
Director Wealth Management

Berisford Grey
Director Capital Markets

Henry Reid
Human Resources Director Central Caribbean

Nigel Holness
Country Treasurer

Michelle Campbell
Head Technology Solutions

Donna Walters
Associate Director – Card Issuing Sales, Marketing & Product Management

Directors' Report

Allison C. Rattray

The Directors submit herewith the Group Statement of Revenue, Expenses and Retained Earnings of the Bank and its subsidiary for the year ended October 31, 2008 together with the Group Balance Sheet and Balance Sheet of the Bank and its subsidiary as at that date.

The Group Statement of Revenue and Expenses shows profit for the year of $1,246,477 million from which there was $411,424 million for taxation, leaving a balance of $835,053 million. No dividends were paid for the period November 1, 2007 to October 31, 2008.

During the year Mr. Albert Webb resigned as a Director effective November 26, 2007. Mr. Christopher Bovell, reaching the age limit as stated at Clause 100 of the Articles of Association, will retire from the Board of Directors. In accordance with the Articles of Association of the Company, the Directors who will retire by rotation at the Annual General Meeting are Messrs. Milton Brady and Gerard Borely.

The Auditors, Ernst & Young, have signified their willingness to continue in office and offer themselves for re-appointment until the conclusion of the next Annual General Meeting.

HOLDINGS OF DIRECTORS AND CONNECTED PARTIES

Milton Brady	NIL
Anthony Bell	NIL
Christopher.D.R. Bovell	NIL
Horace Cobham	NIL
Michael Mansoor	NIL
Peter D. McConnell	NIL
Worthy Park Estate Limited	NIL
Professor Neville Ying	NIL
Albert W. Webb	NIL

TEN LARGEST SHAREHOLDERS
As at October 31, 2008

		HOLDINGS	% HOLDING
1	FirstCaribbean International Bank	255,897,212	96.29
2	Ideal Group Corporation Limited	1,247,246	0.47
3	FirstCaribbean International Bank (Barbados) Limited A/C C1191	714,082	0.27
4	Ideal Portfolio Services	533,385	0.20
5	Albert Gordon	392,267	0.15
6	Fortress Mutual Fund Limited/FirstCaribbean International Bank #1191	332,779	0.13
7	Ferdinand Limited	283,939	0.11
8	NCB Insurance Co. Ltd. A/C WT 092	154,998	0.06
9	Donovan Wilson	100,000	0.04
10	Grace Kennedy Ltd – Pension trading A/C	99,655	0.04

By Order of the Board

Allison C. Rattray (Mrs.)
Corporate Secretary

Chairman's Report

Michael Mansoor

"We believe that as demonstrated in 2008 our approach to client service and the Bank's deep-seated culture of performance and risk management will serve us in good stead in 2009."

I am pleased to report that, in 2008 your Bank delivered acceptable results and achieved a satisfactory rate of shareholder return.

Net income for the Bank was $835 million, which when compared to the net income of $771 million for 2007 and includes one-time items in both years, reflects strong core financial performance. Excluding these one-off items, net income increased by J$176 million or 24.6% over the prior year.

In my 2007 report I alluded to the expected impact of the original subprime mortgage phenomenon which during 2008 morphed into a global financial meltdown and recession. The region has been impacted by these worsening conditions and the decline is reflected in reduction in tourist arrivals, remittances, public and private capital expenditure, prices of high-end residential real estate and concomitant rises in unemployment and debt levels.

It is in this context that the 2008 results are considered to be satisfactory.

Economic Decline

Clearly the developments in 2008 have been singular and historically extraordinary, so that forecasting macroeconomic conditions that may prevail in 2009 is very difficult.

With respect to your Bank, however, we believe that we are reaping the rewards of our risk management control and compliance policies on which I have reported in previous years.

We expect that both our individual and corporate clientele will be buffeted by slackening consumer demand and reductions in capital and recurrent expenditure. Your Bank will use its best efforts to deliver first class advisory and banking services and to support and foster long-term profitable and progressive client relationships.

We believe that as demonstrated in 2008 our approach to client service and the Bank's deep seated culture of performance and risk management will serve us in good stead in 2009.

We shall continue to enhance our risk management processes in 2009. As in the past we will be ever vigilant, protecting the Bank against reputational and regulatory risks.

Our People

Our people continue to be our most precious and valuable resource. Last year I alluded to the tremendous contribution over the first years 2002 to 2007 and the fact that in this period we successfully merged the operations of Barclays and CIBC, transitioned to majority ownership by CIBC, and created a profitable platform of growth and profitability.

The challenges in 2008 and beyond are more acute and it is clear that the need for professionalism, skill and competence will be the single defining determinant of success in 2009.

I am certain that our people are equal to these new demands and we can report that we have continued to invest significantly in delivering comprehensive technical training and leadership programmes. This investment will pay dividends as our people are challenged to serve our customers in the emerging circumstances.

Our Communities

FirstCaribbean Bank continues to fulfill its mission of being 'First for Communities', as identified by the ongoing success of the various initiatives under our Corporate Social Responsibility Policy. The Unsung Heroes Programme remains our Flagship project.

The Board

I am happy to report that the Board of Directors of your Bank and its operating subsidiary Building Society, and their various sub-committees, met quarterly to monitor performances and provide strategic leadership and guidance.

The Board's focus in all instances has to do with establishing accountability for the creation of shareholders' value and adherence to strong governance principles.

Appreciation

I wish to place on record my appreciation for the sterling contribution of all of our directors, managers and staff during the year.

I also thank all our important stakeholders, our loyal customers, our regulators, the government and our shareholders for their crucial support.

Your Board remains focused on the strategic oversight of the Jamaica business, which is targeted as a growth area for the Bank. We also remain committed to the creation of shareholder value and a culture of robust compliance and control and the provision of the best level of customer service.

All of us at the Bank are totally committed to achieving our 2009 objectives and rededicate ourselves to being first for customers, employees and shareholders.

M K Mansoor

Michael Mansoor
Chairman

CEO's Report

John D. Orr

"Our core franchise remains strong. Loan volumes grew by 12%; prudent expense management resulted in a respectable efficiency ratio of 57%; and our deposits remained steady. Net interest income was up 8% although the worsening economic environment did push up loan losses by $15.0 million to 0.46% of gross loans."

Our core financial performance this year was strong with many of our business units exceeding expectations. The loan portfolio achieved double-digit growth, prudent management of our Bank resulted in operating expenses being reduced compared to the prior year on a normalised basis, and our balance sheet remains strong.

As a testament to the strength of the Bank, our Standard & Poor's rating remains A-. FirstCaribbean also won several "Best Bank" awards from the likes of *The Banker* and *Global Finance*. Being an international bank, however, we were not immune to the turmoil in the global financial services markets and our investment portfolio did suffer some losses.

Group Financial Performance

Net income attributable to the equity holders of the parent was $175.3 million. Prior year income was higher, largely due to a one-time gain from the VISA restructuring of $52.4 million and the IAS19 release of $18.1 million.

The outsourced investment portfolio was negatively impacted by widening spreads resulting from the global credit crisis, with market values in the trading book decreasing by $16.3 million.

The Bank was unable to claim hedge accounting for certain interest rate hedges in the first quarter of the year. The impact was a one-time loss of $11.9 million.

The Bank recorded losses of $3.5 million on the disposal of the VISA shares.

Our core franchise remains strong. Loan volumes grew by 12%; prudent expense management resulted in a respectable efficiency ratio of 57%; and our deposits remained steady. Net interest income was up 8% although the worsening economic environment did push up loan losses by $15.0 million to 0.46% of gross loans. This percentage is low, reflecting our prudent and conservative approach to risk.

Figures are based on the results of the Parent Group FirstCaribbean International Bank Limited and are expressed in United States dollars.

Customer

With the recent systems integrations behind us and our Helpful Partner programme embedded, our staff now truly live our universal service standards. Consequently, 2008 saw FirstCaribbean's customer satisfaction ratings up 6% to 74%. We continued our branch network optimisation with the addition of a new branch in Liguanea, Jamaica. We also enhanced our web presence with a redesigned firstcaribbeanbank.com and made technical enhancements to our Internet Banking platform.

Risk and Control

The Bank upgraded three key elements of our control environment in 2008. First, with the deteriorating economic climate, attention was paid to early identification of problem situations and to working closely with customers on early remediation. Second, the Bank adopted improved Market Risk metrics to strengthen strategic investment decision-making, and to cushion the impact of the turmoil in the global financial markets. Third, we strengthened our Treasury function to enhance liquidity management across our operating currencies. The failure of some of the largest international banks in 2008 has highlighted the importance of liquidity management and I am pleased to report that our Bank remains well capitalised with ratios well in excess of statutory requirements.

People

To achieve continuous improvement in customer service we must have ongoing investment in our staff. This year the Bank continued its investment in the learning and development of staff. Our training efforts were focused on leadership development, core banking training and personal development. Employee satisfaction this year was up 4% to 73%. This is above regional and global benchmarks.

Community Partnership

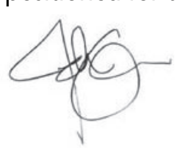
This year, we again invested 1% of our pre-tax profits in the FirstCaribbean Community Trust, the Bank's foundation for charitable causes. This $2.0 million investment continues to support our cornerstone programmes of Unsung Heroes and Adopt-a-Cause. These programmes have gained increasing recognition and continue to make significant impact at the community level.

Strategy

In 2008, the Group completed the review of its strategy. To enhance client value, we reorganised to form two business lines: 1) Corporate Investment Banking to serve our government and corporate clients, and 2) Retail Banking & Wealth Management to serve our personal clients. This move brings like parts of the business under focused leadership. Moving forward, we will continue to seek opportunities to diversify our income stream, strengthen the management of our multicurrency balance sheet and focus on productivity and control to enhance service quality to clients. We are working closely with CIBC to fully leverage all the advantages of our membership in the CIBC group.

Summary

Our core business is strong as indicated by growth in key profit drivers. This has been endorsed again by the capture of "Best Bank" awards from *The Banker* and from *Euromoney*. The 2009 outlook is for continued challenges and the economic climate could worsen. With our conservative policies and our commitment to delivering exceptional client value, the Bank is well positioned for the future.



John D. Orr
Chief Executive Officer

Figures are based on the results of the Parent Group FirstCaribbean International Bank Limited and are expressed in United States dollars.

Management's Discussion and Analysis

Management's Discussion and Analysis should be read in conjunction with the audited consolidated financial statements included in this Annual Report.

OVERVIEW

At a Glance $'000s, for the year ended October 31	2008	2007	2006
Net income before taxation	$1,246,477	$1,149,580	$867,733
Net income after taxation (NIAT)	$835,053	$771,123	$588,776
Earnings per share (cents)	314.2	290.2	240.6
Return on average equity	13.8%	14.7%	15.1%
Efficiency ratio	62.7%	61.2%	64.1%

FirstCaribbean International Bank Jamaica Limited reported net income after taxation of J$835 million for the financial year ended October 31, 2008 compared to J$771 million for the prior year. This year's income is stated net of a one-off loss of J$86 million (J$58 million net of tax) for amounts not recognised because of limit placed on the economic value of the surplus in the group's pension plan. The prior year's comparative included a one-off curtailment gain of J$82 million (J$55 million net of tax) in relation to policy changes in the group's post-retirement health benefit scheme. Excluding these one-off items, NIAT increased by J$176 million or 24.6% over the prior year.

Net interest income amounted to J$3,095 million for the year ended October 31, 2008 in comparison to J$2,600 million for the previous year. This performance mainly resulted from higher interest income from increased loan balances and cash placements, offset by increased interest expense associated with higher deposit balances and debt service costs.

Return on average stockholders' equity was 13.8% compared to 14.7% for the prior year. Earnings per share were J$3.14 compared to J$2.90 reported for year ended October 31, 2007.

FINANCIAL PERFORMANCE REVIEW

Net interest income and margin

$'000s, for the year ended October 31	2008	2007	2006
Average assets	45,648,626	37,237,808	28,167,061
Net interest income	3,095,453	2,599,934	2,231,159
Net interest margin	6.78%	6.98%	7.92%

Net interest income consists of interest on earning assets, less interest paid on customers' deposits and other debt obligations.

Loan interest income increased by J$271 million or 7.2% primarily due to the growth in loan balances by J$3,760 million or 11.9%. This was offset by increased interest expense of J$133 million or 7.6% resulting from higher deposits which grew by J$7,846 million or 23.4%.

Net interest margin, which represents the net interest spread earned on total assets, fell year over year by 20 basis points to 6.78% from 6.98% reflecting higher funding costs over the previous year.

Other operating income

$'000s, for the year ended October 31	2008	2007	2006
Net fees and commissions	334,339	427,068	343,956
Foreign exchange earnings	268,412	293,743	172,581
Trading securities net losses	(21,669)	(43,465)	(53,889)
Other	13,398	4,213	425
	594,480	681,559	463,073

Other operating income includes all revenues not classified as interest income. Other operating income decreased by 12.8% over the prior year. This reduction was mainly due to lower fees and commissions from core business, which fell by $93 million or 21.7%. In addition, lower foreign currency earnings of $268 million represented an 8.6% decline, contributing to the decrease in other operating income. Trading losses associated with securities includes unrealised fair value markdowns on derivatives that were not considered hedge effective. Other operating income represented 16.1% of total revenue, compared to 20.8% for 2007.

Operating expenses and efficiency ratio

$'000s, for the year ended October 31	2008	2007	2006
Staff costs	1,108,531	837,102	769,749
Depreciation	120,789	146,740	97,773
Occupancy costs	270,693	229,353	180,400
Other	812,482	796,425	680,160
	2,312,495	2,009,620	1,728,082

Operating expenses include all costs except interest expenses, provision for credit losses and income taxes.

Operating expenses for the year ended October 31, 2008 increased by J$303 million over the preceding year. Staff costs exceeded the previous year by J$271 million, due mainly to the J$86 million charge resulting from the economic value restriction placed on pension assets this year, as well as the J$82 million curtailment gain which is reflected in the prior year's comparative. Excluding these one-off items, operating expenses increased by only 6.4% over prior year, while staff costs increased by 11.2%.

Our reported efficiency ratio (non-interest expense as a percentage of gross revenue) is 62.7% in comparison to 61.2% reported in prior year. Cost containment measures implemented in recent years continue to be effective, as our efficiency ratio, when adjusted for the one-off items, is 60.3% compared to 63.8% in prior year and 64.1% in 2006.

BALANCE SHEET

J$(000)	2008	2007	Restated 2006
Assets			
Cash resources	10,149,136	6,287,522	5,157,013
Investment securities	1,101,528	924,855	1,463,207
Government securities purchased under resale agreements	262,066	212,077	674,745
Loans & advances to customers	34,936,630	31,409,506	23,975,393
Other assets	3,176,708	2,837,223	1,534,075
	49,626,068	41,671,183	32,804,433
Liabilities and stockholders' equity			
Customers' deposits	41,368,967	33,523,005	27,028,807
Debt securities in issue	499,950	1,502,217	-
Other liabilities	1,310,008	1,028,302	927,869
Stockholders' equity	6,447,143	5,617,659	4,847,757
	49,626,068	41,671,183	32,804,433

Asset growth and quality

Total assets stood at J$49.6 billion as at October 31, 2008, an increase of J$7.9 billion or 19.1%, driven by the growth in loans and advances to customers of J$3.5 billion or 11.2% and the J$3.9 billion (61.4%) increase in cash resources. The commercial bank's total assets increased by J$7.0 billion (17.8%) and stood at J$46.3 billion as at October 31, 2008. During the year we continued to grow the Building Society as evidenced by an increase in total assets of J$1.9 billion (31.6%) to $7.7 billion as at October 31, 2008.

Cash resources and investments

Cash resources increased by J$3.9 billion or 61.4%. This comprises cash, interest-bearing short-term deposits/investments with other banks and financial institutions, deposits with the Central Bank held for statutory reserve purposes as well as special short-term interest-bearing deposits/investments with the Central Bank.

The investment securities portfolio consists primarily of short-term investments including treasury bills and other government-guaranteed debt instruments. These are held to meet liquidity requirements and to take advantage of investment opportunities.

Management's Discussion and Analysis

Loans & advances to customers

Loans and advances to customers (net) stood at J$34.9 billion as at October 31, 2008. This reflects a growth of 11.2% or J$3.5 billion. Gross business loans increased by J$1.6 billion or 8.4%, followed by mortgages, which grew by J$1.6 billion or 28.6% and personal loans by $0.6 billion or 8.4%. We are satisfied with the quality of the loan portfolio as the ratio of non-performing loans to total loans, though increasing marginally over the prior year, is below industry benchmarks for commercial banks in Jamaica.

The commercial bank's loans and advances to customers (net) grew by J$2.0 billion or 7.6% with business loans responsible for 81.2% of the increase. The gross impaired loans were 2.1% of total gross loans as at October 31, 2008 compared to 1.8% for the prior year 2007.

The Building Society's mortgage loans and advances to customers (net) climbed by J$1.5 billion or 28.3%. Gross impaired loans represented 2.8% of gross loans compared to 2.7% as at October 31, 2007.

Deposits

Customers' deposits grew by J$7.8 billion or 23.4% to close the year at J$41.4 billion as at October 31, 2008 with the majority of the funds received from individuals and other banks which improved by J$4.9 billion (50.3%) and J$8.0 billion (98.0%), respectively, offset by a decline in deposits from businesses and government by J$5.1 billion or 32.9%.

The increase in customer deposits was used to fund the growth in the loan portfolio.

Capital Strength

Total prescribed statutory capital as at October 31, 2008 was J$5.3 billion compared to J$4.3 billion for the preceding year after the transfers of J$780 million and J$160 million from Retained Earnings to the Statutory Reserve Fund for the Commercial Bank and the Building Society, respectively. Capital strength provides protection to depositors and creditors, which allows the Bank to undertake profitable business opportunities as they arise and helps to maintain favourable credit ratings. The Bank's objective is to maintain a strong and efficient capital base. Internal policies require that marketplace and regulatory expectations for capital strength are met, as well as internal measures of required capital. Each policy has associated guidelines, and capital is monitored continuously for compliance.

Shareholders' Issues

Share price declined by J$1.70 or 7.2%, to close at the end of the year at J$21.80 compared to J$23.50 per share at the close of the previous year. The book value per share increased from J$21.14 to J$24.26 as at October 31, 2008. Given the Bank's decision to transfer J$940 million from Retained Earnings to Statutory Capital in order to support the continuing growth of the business, no dividend was paid for the year ended October 31, 2008.

Economic Environment

The Jamaican economy, which grew by an average of 2.01% per year over the five calendar years to 2007, began to show signs of decline in 2008. For the nine months ended September 2008 (calendar year), real Gross Domestic Product fell by approximately 0.4%, when compared to the equivalent period last year.

- Inflation continues to be a challenge for the Jamaican economy. Point-to-point inflation rate recorded for the 12 months to October 2008 was 24.0% relative to 10.8% for the corresponding period in the preceding year. The inflation rate for the government's fiscal year to October 2008 was 11.3% (2007 – 7.7%) and 17.2% for the calendar year to October 2008 (2007 – 10.4%).

- Interest rates are beginning to exhibit upward adjustments. The average loan rate for commercial banks was 22.58% at October 2008 compared to 20.9% for the similar period in 2007. Average savings rate has also increased, from 4.88% in October 2007 to 5.54% in October 2008.

- The Jamaican dollar depreciated by J$5.10 or 6.7% against its US dollar counterpart for the year ended October 31, 2008 compared to J$4.68 or 6.6% for the similar period in the previous year. The spot market weighted average selling rate traded at J$76.2872 as at October 31, 2008 (2007 – J$71.1839).

- Net International Reserves, which up to August 2008 was trending upwards on a monthly basis, stood at US$1,802.59 million as at October 31, 2008, a year over year decline of US$121.94 million or 6.3% and representing 10.63 weeks of imports of goods and services (2007 – US$1,924.53 million or 13.33 weeks).

- The current account trade deficit for the first eight months of 2008 stood at US$2,447.2 million, compared to US$893.6 million for the same period in 2007. This represents US$1,553.7 million deterioration in the current account trade balance when compared to the corresponding eight months of 2007.

There will be huge challenges facing the Jamaican economy during 2009 as the global economic slowdown begins to take root. The Jamaican macroeconomic environment will be put to the test, given stalled economic growth prospects, large current account deficit, and continued inflationary pressures. Given Jamaica's high public debt burden, rising domestic interest rates and a weakening exchange rate will add to the cost of servicing the nation's debt. FirstCaribbean International Bank is cognisant of the challenges ahead and will navigate these conditions by prudent risk management while taking advantage of opportunities as they arise. We are committed to guiding our clients through these uncertain times.

To achieve continuous improvement in customer service
we must have ongoing investment in our staff.
This year the Bank continued its investment
in the learning and development of staff.

John D. Orr, Chief Executive Officer

Strategic Business Units

Corporate Investment Banking

"Net Interest income was $1.6 billion, up $340 million when compared to last year. This is as a result of strong portfolio volume growth and a decrease in cost of funds."

Fiscal year 2008 proved to be another excellent year for the Corporate Banking Strategic Business Unit (SBU) as we continue to build on the solid foundation laid over the past six years.

The Unit has continued the growth started since the formation of FirstCaribbean while improving customer service and maintaining strong focus on risk management.

Our excellent results have again underscored the consistent strategy of diversification of our credit offerings, as we serve and support our customers in their business activities.

These strong results were delivered with an improved customer experience as measured by independent customer surveys. These results were delivered notwithstanding a market environment characterised by extensive competition, change and customers' increasing need for innovative and flexible financing solutions.

Financial Performance

Total assets increased year over year by $5.6 billion to $25.9 billion.

Loans disbursed were in excess of $7.5 billion for the second consecutive year. As a result, our gross loans grew by 15% to $23.2 billion. We maintained strict underwriting standards, continuing to focus on minimising credit risk through portfolio diversification and asset quality. Deposits also had good growth of over 23%, reaching $20.9 billion.

Net Interest income was $1.6 billion, up $340 million when compared to last year. This is as a result of strong portfolio volume growth and a decrease in cost of funds.

Total operating income comprising net interest and other operating income was $2.1 billion, an increase of $617 million or 43% over the prior year. Corporate Investment Banking contribution to Total Revenue moved from 44% in the Year 2007 to 56% in year under review.

The Segment continues to pay close attention to expense control and risk management. Our Efficiency ratio [Total operating expenses as a percentage of total revenue] – a key measure of cost control, was well within the international benchmarks.

Credit Quality

Non-performing Loans were $219 million, an increase of $51 million when compared to $168 million in Year 2007. This now represents 0.94% of total loans compared to 0.83% in the prior year.

Small Business Unit

For the year under review, the Business Banking (SME) unit made a credible contribution of $386 million (NII). The growing importance of SMEs to the economic prosperity (both in terms of GDP and direct employment) to the Caribbean and Jamaica in particular is recognised. In this vein, during the past year, we sought to streamline the operations of this business unit and will continue to do so in 2009. Part of our strategy is to ensure that FirstCaribbean Corporate Banking makes its contribution to the development of the Jamaican economy.

Capital Markets

The current financial contagion with roots in the US subprime market significantly impacted the capital markets environment globally. In Jamaica as in other jurisdictions, companies and financial institutions limited their investment in projects to those with high and secure rates of return. This resulted in private placements and bond issues becoming more difficult to arrange and more expensive. Nonetheless, the FirstCaribbean Jamaica Capital Markets team had one of its most successful years, by securing the most mandates since the Unit's inception in 2003.

Certain key deals were also executed by the team towards the end of the calendar year and the team continues to emerge as a leader in the local investment banking space.

In 2007/08 there was strong focus on business development across targeted industries; most notable was the development within the energy sector through the team's success in winning the debt refinancing mandate from the largest player in the local energy industry, the Jamaica Public Service.

As we look ahead to the coming year, the team intends to execute on existing mandates and to find innovative financing solutions for our clients in one of the most hostile credit environments in recent history. Within the new Corporate & Investment Banking structure, the team will be able to improve its execution capabilities as well as increase client focus.

Customer Experience

We have seen improvement in our key customer service measures. It is a continual effort to ensure that customers continue to enjoy the FirstCaribbean experience that they have come to know and cherish.

Our People

The talented and dedicated professionals that make up our corporate and capital markets teams were central to this year's success. They delivered quality service and highly competitive solutions that our customers truly valued. We are grateful for their outstanding contribution.

The Bank invested a considerable sum in Training and Development in 2008 and this undoubtedly contributed to the sterling performance of the Unit.

Looking Ahead – Getting There. Together.

FirstCaribbean will continue to live its vision of being First For Customers. We again commit to meeting their expectations through delivery of a full range of Corporate Investment Banking solutions.

Retail Banking & Wealth Management

"We ended the year with a net contribution of J$358 million – some 10.5% above last year (J$324 million), deposit growth of 9% to J$15,522 million and loan growth 8% to J$9,419 million."

The financial year, November 2007 through October 2008, was a year of significant and triumphant change for our Retail Banking business. The Retail Team put in a creditable performance in delivering on the four quadrants of our balanced performance scorecard: Financial Excellence, Risk & Control, Customer Experience and People & Culture.

Wealth Management Jamaica, which encompasses private banking, investment advisory and asset management services, completed its first full financial year in operation. The investment advisory and asset management services are offered through FirstCaribbean International Securities Limited, which is a wholly owned subsidiary of FirstCaribbean International (Barbados) Limited, and as such its financial performance will not be included here.

While the two areas are now merged as one business which will permit greater up take on the delivery of value to our clients and allow for greater efficiencies in our operation, our businesses operated separately during the past year hence this report is broken into two segments.

Retail

We ended the year with a net contribution of J$358 million – some 10.5% above last year (J$324 million), deposit growth of 9% to J$15,522 million and loan growth 8% to J$9,419 million. We ended the year with an average NPL of 5.51% and deposit growth comparable to industry.

High priority is placed on the delivery of excellent customer service. We train our teams to deliver excellent service. We also frequently measured our performance to ensure continuous improvement. For example, the retail branches were subject to two mystery shopper exercises this year, in February and September, improving their service delivery scores from 84% up to 90% respectively. We also expanded our network this year as we opened the Liguanea Branch on June 19. So far the response from customers and prospects in the area has been quite favourable.

We implemented a new customer-centric model which seeks to bring greater harmony between sales and service, raising the bar in particular on customer satisfaction.

In keeping with our theme of recognising extraordinary and/or exemplary performance, some 20 of the Retail Banking Unit's 330 staff members have received recognition and/or awards for demonstrating the right behaviours throughout the year.

Wealth

The performance of the Wealth Management segment was encouraging, given the challenging domestic and international markets experienced over the period under review. For the year ended October 31, 2008, total deposits grew by 20% totalling $2,064 million, and loans stood at $1,889 million, an increase of 58%. Total revenue for the period was $130 million, resulting primarily from loan earnings from the domestic and international mortgage products. Net income was $84 million.

Highlights for the period included the launch of new products through third party affiliations, including mutual funds, unit trusts, structured products and equities trading (local and global), and the increased accreditation and training of the team. Increased focus was placed on our international and domestic hard currency mortgage offerings; and the development of deposit and card products which will be launched in the coming financial year.

Overall, it was a reasonably good result given the difficult economic climate and can be attributed to high customer satisfaction (we received a rating of 81.7% in the most recent customer satisfaction survey); and the consistent performance of our knowledgeable and dedicated staff. With additional products to be unveiled and the heightened expertise of our team, Wealth Management Jamaica is poised for growth in 2009 and beyond.

Our Employees

"FirstCaribbean Jamaica continues to leverage the Partnership Principles, resulting in a harmonious industrial relations environment. These principles are the foundation of our FirstPartnership Agreement with our Trade Union, aimed at strengthening our Industrial Relations environment and engendering mutual trust."

The year saw us being challenged by the global economic conditions, requiring the resilience of our employees. The employees not only rose to the challenge but reported a higher level of satisfaction than the year before. The results of our annual independent employee survey E-Voice showed improvements in the following areas:

i) Satisfaction Index up to 73%, 2% below the 75% target;

ii) Level of employee participation was the highest ever with 134 more employees participating in 2008 than in 2007 for a 75% response rate;

iii) Helpful Partner, the support mechanism through which we will deliver on the Vision, Mission and Values of our Bank, positioning us as the market leader in customer service, sales, and profit, showed positive trend for both Managers and Colleagues by 2 and 4 points respectively.

Positive Work Environment

FirstCaribbean Jamaica continues to leverage the Partnership Principles, resulting in a harmonious industrial relations environment. These principles are the foundation of our FirstPartnership Agreement with our Trade Union, aimed at strengthening our Industrial Relations environment and engendering mutual trust. The level of engagement over the past year was remarkable, suggesting a maturing relationship, and note must be made of the role of the union leaders in this partnership process.

Learning & Development

Our commitment to creating a learning culture, to improving productivity and enhancing the organisation's ability to respond to change was reinforced through leadership development, core banking and personal development training courses. Approximately 85% of our people managers are currently completing leadership programmes, with the new leaders set to participate during fiscal 2008 - 2009. Twelve per cent

PLAYER OF THE SERIES GROUP FOR 2008

Executive Chairman Michael Mansoor, Edwin Morley, Jacqueline Boyce, Margaret (Peggie) Plamondon, Sherma Hercules, Enole Lawrence, Carla Hamilton, Gillian Charles-Gollop, Leslie McKenzie, Caryl Meighan and our Chief Executive Officer, John D. Orr.

of our people managers have successfully completed our Leadership Essentials Accreditation programme with two senior leaders completing studies in the Wharton Programme and have taken on more senior roles in the wider organisation.

As we approach the new financial year and note the global economic challenges, it will require continued focus on leadership excellence and careful attention as to how we continue to energise our team and impact customers.

Our Customers

> "The attractive product offer was designed to create a sense of exclusivity with benefits not offered by the competition, in addition to airline miles for use with the Oneworld Alliance and access to the full range of VISA Platinum services and benefits."

Since the launch of FirstCaribbean International Bank five years ago, the Bank's number one objective has always been to be "First for Customers", as articulated in our vision to be The Caribbean's Number One Financial Services Institution:

- First for Customers: Customer First
- First for Employees: Employer of Choice
- First for the Caribbean: Caribbean-centric
- First for Shareholders: Including Employees

Our successful brand development efforts continue to be strongly aligned with our Bank's customer-centric philosophy. Our Brand Promise has clearly reinforced how we all "Get There. Together." by creating prosperity for our customers. This message has been well established in the hearts and minds of our customers, and we have been rewarded with a high degree of brand recognition across the region.

Customer Research Encouraging

Results from our most recent customer satisfaction survey have revealed that our customer focus continued to strengthen during 2008. This was evidenced by the following areas of positive feedback: Customer Satisfaction has improved by 6% to 74% and more significantly, Customer Loyalty has increased by 10% to 81% over the past year. Another key performance indicator, Customer Advocacy or their willingness to recommend us, has also shown a strong upward trend, climbing 11% over the course of the year to 78%.

New Initiatives

The year 2008 saw the development of a number of new initiatives that delivered significant benefits to our customers. Highlights included educational workshops for our Retail customers that provided them with a range of knowledge on topics such as starting a new business, investing wisely and owning their own home. These were followed with a promotion that rewarded customers who chose a wealth-building plan, and a loans campaign that provided a wide range of financing terms to suit their needs. Revised designs for Retail collateral were developed and these will give this segment a fresh, new look whilst also making it easier for customers to find the information they need on features, benefits and attributes of the Bank's products.

With the growing use of technology in the financial services environment we sought to enhance our customers' Internet Banking experience. The website layout and functionality was upgraded, making it easier for customers to conduct business with us. These enhancements included website usability improvements; infrastructure investments to increase the speed of transactions; and creation of an online loan application for Retail customers.

VISA and British Airways demonstrated their trust in the FirstCaribbean brand by partnering to offer a co-branded Platinum VISA card. Developed to support the needs of our more affluent client segments, this partnership will bring our customers a distinctly rewarding experience with excellent travel rewards from a trusted brand in the airline industry. The synergy created by this joint card will signal a new dimension of credit card activity in the region. The attractive product offer was designed to create a sense of exclusivity with benefits not offered by the competition, in addition to airline miles for use with the Oneworld Alliance and access to the full range of VISA Platinum services and benefits.

Brand Health Update

Focusing on our customers' needs, we have delivered a number of key initiatives designed to enhance the value proposition to our customer segments, elevate our brand in a competitive marketplace and create an employee experience that enhances customer delivery and satisfaction from the inside out.

Having reached this degree of brand maturity as a corporate entity, the last year has been spent on establishing clearly defined identities for our corporate and high net worth client segments. This required the creation of two sub-segments and new value propositions that clearly are aligned to our customers' needs.

The Wealth Management business saw the development of a new look and feel for this line supported with collateral, signage and custom-designed Wealth Management Centres. This high net worth business required specific material that would effectively convey their expertise in relationship banking and financial advice.

A sub-segment brand was also created for Corporate Banking, bringing greater definition of the FirstCaribbean Corporate Banking proposition. The essence of Corporate Banking revolves around "Partnering Prosperity". This saw the development of new collateral, radio and television to support the selling efforts of this line of business.

Helpful Partner – Cementing Our Vision and Values

"Respect, Appreciation, Professionalism ... every time ... everywhere ... every experience," embodies the customer-centric focus of FirstCaribbean's "Helpful Partner" business transformation, the greater part of which was implemented in 2008. Aimed at delivering the Bank's Vision, Mission and Values by positioning the organisation as market leader in customer service, sales and profit, this evolutionary transformation is being accomplished by creating a culture that delivers a Customer Experience that is uniquely differentiated through consistent service standards, building a unifying FirstCaribbean Culture – One Team, One Bank, and developing the internal brand to support and operationalise the new culture across the entire organisation.

During 2008 an internal programme was implemented to support the "living" of the "Helpful Partner" service standards through training and equipping our employees to deliver a world class customer experience.

We can confidently say that during this year our internal and external brand development efforts further enabled the delivery of our CustomerFirst vision!

Risk Management

> "Risk management's role through its various subject matter expert teams ensures that FirstCaribbean continues to take risk in a controlled way in order to enhance value and exploit opportunity."

Risk Management Approach

Prudent Risk Management is firmly embedded in FirstCaribbean's corporate culture. It provides a solid foundation for sustained growth in earnings and shareholder value even in the current times of heightened financial volatility. Risk-taking is inherent in banking and FirstCaribbean assumes a variety of risks in its ordinary business activities. Risk is defined as any event that could: damage the core earnings capacity of the Group; increase earnings or cash flow volatility; reduce capital; threaten business reputation or viability; and/or breach regulatory or legal obligations.

Primary responsibility for risk lies with the line management in our various individual businesses. To balance individual responsibility, risk is subject to independent oversight and analysis by six centrally based risk management teams reporting to the chief risk officer – credit risk, market risk, receivables management, compliance, risk and controls and operational risk.

Risk management's role, through its various subject matter expert teams, ensures that FirstCaribbean continues to take risk in a controlled way in order to enhance value and exploit opportunity. The Bank's risk management policies and procedures are designed to identify and analyse these risks, to set appropriate risk limits, and to monitor and enhance its risk management practices to reflect changes in markets, products and evolving best practice, drawing on international and regional expertise.

A robust risk and control governance structure is embedded within each strategic business unit. Representatives from the risk teams meet regularly with the senior leadership of each business unit in order to identify risks in the business and propose and/or track remediation. Through this process, the business has taken ownership of its risks and responsibility for remediation through solutions delivered in partnership with the specialist expertise in the risk management teams. This approach is supported by enterprise reporting enabling risks to be identified in a transparent and rational manner, thus facilitating speedy recognition, resolution and enhanced accountability. It similarly greatly enhances the ability of the organisation to set and monitor our risk tolerance and to allow these to play their proper role in determining and delivering on the strategy of the Bank.

The board and management view the Bank as having a prudent risk profile. The Bank's approach to risk management is based on sound banking principles backed by rules with a robust governance structure. The Board agrees detailed risk tolerances across the various risk disciplines whether credit, market, compliance, operational or liquidity.

Credit Risk

Credit risk is the risk that a customer or counterparty will be unable or unwilling to meet a commitment it has entered into and that the pledged security does not cover the customer's liabilities in the event of a default. The credit risks in FirstCaribbean arise primarily from lending activities to customers but also occur with bonds, guarantees and securities.

Credit risk is managed and controlled on the basis of established credit processes and within a framework of credit policy and delegated authorities based on skill, experience and, with Corporate clients, by risk grade. Credit grading, scoring and monitoring systems facilitate the early identification and management of deterioration in loan quality. The credit management process is underpinned by an independent system of credit review by credit conformance teams. Delinquent facilities are subject to separate and additional oversight by our receivables management teams. Classification is automated and operates strictly in line with regulatory and accounting standards. Credit provisions are independently calculated in accordance with International Financial Reporting Standards for statutory reporting, and in accordance with the Financial Institutions Act to meet regulatory requirements, by the central Risk and Control team, and is regularly reviewed by the Bank's auditors.

The board determines the credit authority for the credit committee and approves the Group's key credit policies. More detail on the credit risk within the Bank is given in Note 33 to the audited financial statements.

Market Risk

Market risk is the measurement of potential loss arising from adverse movements in interest rates, foreign exchange rates, equity and commodity prices, and credit spread risk in the Bank's investment portfolios. It arises in trading activities, as well as in the natural course of wholesale and retail business, for example in the advancing of fixed rate loans to customers.
The principal aim of FirstCaribbean's market risk management activities is to limit the adverse impact of interest rate and exchange rate movements on profitability and shareholder value and to enhance earnings within defined limits. There is no single risk measure that captures all aspects of market risk. FirstCaribbean uses several risk measures including Value at Risk ('VaR'), sensitivity measures and stress testing. Market risks are managed by setting limits based upon the specific markets and products where FirstCaribbean is involved, as well as the amount of the Group's capital at risk. These measurement methodologies utilise international best practice. There is a centralised, dedicated risk management team charged with the responsibility to ensure that the risk measurement methodologies used are appropriate for the risks being taken and that appropriate measurement, monitoring and control procedures are in place.

The Risk and Conduct Review Committee reviews market risk strategy and overall limits. It approves key policies and oversees the measurement, monitoring and control regime. More detail on the market risk within the Bank is given in Note 33 to the audited statements.

Compliance Risk

The compliance team within the risk function is tasked with identifying the compliance obligations in each country where the Bank operates and provides advice and guidance to the business line on compliance risks. Primary responsibility for compliance lies with territorial line management. Compliance risks are associated with failures to comply with laws, regulations, rules, and the codes of ethics and conduct applicable to our business activities. Such failures can give rise to legal or regulatory sanctions, material financial loss, or a loss of reputation to the Bank.

Compliance supports management in the development of appropriate policies and procedures to ensure compliance with all legislation and our own internal code of conduct and ethics. The compliance unit regularly makes on-site reviews to assess conformance with Group standards.

The compliance function assesses and monitors the compliance risks faced by our businesses, and independently reports to the Audit & Governance Committee on the compliance framework operating across the Group, and online management's attention to compliance issues.

Operational Risk

FirstCaribbean defines operational risk as the exposure to loss from failed or inadequate internal processes, people and systems or from external events. It is the risk of direct or indirect loss, or damaged reputation, due to deficiencies or errors in the Group's internal operations which may be attributable to fraud, human error, processes or technology failure, or due to external events.

Operational risks are inherent in all activities within the Bank, including in outsourced activities and in all interaction with external parties. Strong internal control and quality management, consisting of a fraud framework, leadership and trained staff, is the key to successful operational risk management. Each strategic business unit is primarily responsible for managing their own operational risks. Risk management develops and maintains the framework for identifying, monitoring and controlling operational risks and supports the business in implementing the framework and raising awareness of operational risks. The team sets policy, monitors compliance and promotes best practice.

An element of FirstCaribbean's operational risk management framework is ongoing monitoring through self-assessment of control deficiencies and weaknesses, the tracking of incidents and loss events to ensure that, once identified, control deficiencies are communicated and remedied in a timely fashion across the Group. FirstCaribbean has adopted the Sarbanes-Oxley Act in as far as its business activities are material.

Operational risk management activities across the Group are reported regularly to the Audit & Governance Committee.

Liquidity Risk

Liquidity risk is defined as the risk that the Group will experience difficulty in financing its assets and meeting its contractual payment obligations, or will only be able to do so at an unacceptably high cost. FirstCaribbean's exposure to liquidity risk is governed by a policy approved by the Board. The operation of the policy is delegated to management in the form of the Asset and Liabilities Committee (ALCO). The Group and individual operating company ALCOs are responsible for monitoring liquidity risk. Day-to-day management of liquidity is handled by the treasury team.

The Bank performs stress tests and scenario analysis to evaluate the impact of stresses on its liquidity position. These tests are at both a Group specific and systemic risk level. The results are reported to the Board quarterly and independently reviewed by the market risk function.

More detail on the liquidity risk within the Bank is given in Note 33 to the audited statements.

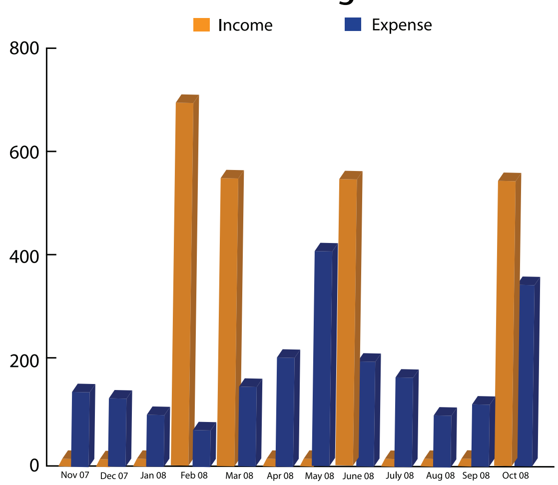
Our Communities

FirstCaribbean International Comtrust Foundation

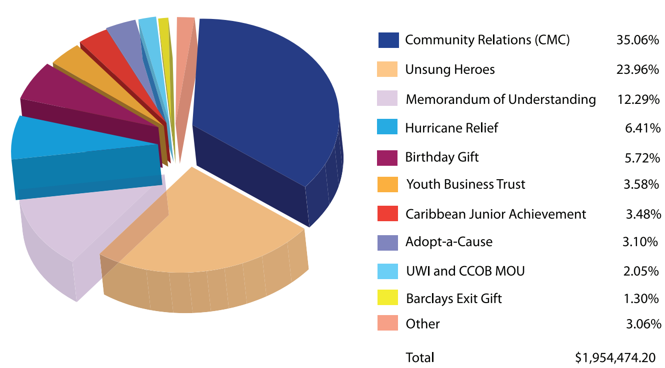
In 2008, FirstCaribbean's charitable foundation was again active supporting worthwhile causes in the region. Led by the Bank's employees, the Foundation spent more than US$1.9 million on its Unsung Heroes, Adopt-a-Cause and community relations programmes. Its partnership with regional educational institutions again formed a major part of its work during the year and funds continued to be directed towards these programmes.

FirstCaribbean is particularly excited about its new linkages with the Junior Achievement Programme and the Prince of Wales' Trust through the Caribbean Association of Youth Business Trusts. Through these projects FirstCaribbean will help with the development of sound business acumen among the region's youth and in combating youth poverty and unemployment.

Income and Expense by Month
November 2007 through October 2008



Expense Summary
November 2007 through October 2008



FirstCaribbean Assists in Developing Skills in Case Writing

The Case Study Development project, developed under FirstCaribbean's Memorandum of Understanding with the University of the West Indies, has entered a new phase with the launch in March of a case writing competition for UWI faculty. The goal is to develop case writing skills within the university, and increase the available regional case studies for use by the study population.

In 2008, the Bank provided a grant of US$87,000 towards the continuation and expansion of the project. This programme started with the first set of cases being written by faculty on the establishment of FirstCaribbean. The funds also support the annual hosting of a Case Analysis Competition for University students.

Over the next year, writing will begin on a new series of cases documenting the experience of several Caribbean companies.

Professor Paul Beamish provided valuable tips to the UWI Case Writers during a workshop at the Mona Campus.

Unstoppable Mona!

The Mona Campus of the University of the West Indies is building quite a reputation for itself in the field of public oratory and business case analysis.

Mona was chosen as undeniable champion when the curtain came down on the second UWI/FirstCaribbean International Bank Regional Case Analysis Competition, held in Trinidad at the UWI's St. Augustine Campus in May of 2008.

The annual competition was the culmination of a selection process which produced the best teams from Mona, Cave Hill and St. Augustine campuses. These teams met to put their skills to the test in presenting the case, "FirstCaribbean International Bank – Marketing & Branding Challenges of a Start-up."

An excited Mona team on hearing the final results!

More Scholarships Awarded

The FirstCaribbean scholarship programme continues to be an essential avenue through which young scholars attending the University of the West Indies receive much needed financial help to complete their studies.

In 2008, the Bank awarded one-year scholarships to 13 students, valued at US$2,500 each. FirstCaribbean has pledged over US$100,000 in scholarships for the period 2007-2009. Twenty-five scholarships have been awarded to UWI students on the three campuses since 2006.

Law student Shanna Stephens receives her scholarship from Director, Wealth Management, Mark St. Hill.

FirstCaribbean Jamaica Unsung Heroes finalists Percival Josephs (2nd left) and Andrea Hunt (right) with (l-r) Senator Norman Grant, President, Jamaica Agricultural Society; Milton Brady, Managing Director, Corporate Investment Banking, FirstCaribbean International Bank; and Glen Lee, Acting Chair, Unsung Heroes Local Committee.

Inset is the third finalist, Beulah Plowright-Buzzi, who lives in Italy and spends most of her time between Switzerland and Tanzania where she is building Basic Schools. She founded the Charlotte Home for Children which has been adopted by the FirstCaribbean Montego Bay Branch and Call Centre for several years.

Andrea Hunt R.N.

Mrs. Hunt is not simply an outstanding nurse but has voluntarily given her life, outside of her specific job commitments, to educating Jamaica and the Caribbean about diabetes. She founded and presides over the Diabetes Educators of the Caribbean Limited, a non-profit organisation, to promote the training of professionals in the region to become providers of diabetes education in Caribbean communities.

Beulah Plowright-Buzzi

Beulah Plowright-Buzzi has dedicated her life to providing care for underprivileged children in Montego Bay. In 1996 Beulah had registered in Jamaica a non-profit, non-governmental non-denominational organisation and established the “Home of Charlotte’s Children” to provide safe residential accommodation, medical assistance and education for underprivileged children.

Percival Josephs

This 78-year-old is an agriculturalist at heart and has dedicated his time and efforts to ensuring those in and out of his community appreciate the value of growing what they eat. An outstanding farmer himself and president of the St. Peter’s Branch of the Jamaica Agriculture Society for over 36 years, Mr. Josephs regularly arranges seminars with guest speakers on agricultural topics to introduce school children in grades 4 and 5 to farming.

The graduating class of Kencot Basic School. The small, 25-student school had its school leaving exercise at the St. Cements Mission Church. FirstCaribbean Securities has been working with the Kencot Basic School since 2007.

The FirstCaribbean Adopt-a-Cause programme was devised in an effort to cultivate a spirit of volunteerism among staff, while allowing the Bank to respond to some of the immediate needs of our communities. We are proud that the Jamaica Business has embraced this programme and that it enjoys 100% take-up among those Units and Branches which have traditionally received allocations to help needy causes.

In 2008, five new branches/units received allocations. They were the Liguanea Branch, Head Office, Treasury, Technology and Small Business Unit. Here we highlight three units which exemplified the true spirit of the Adopt-a-Cause programme in 2008.

FirstCaribbean Securities Ltd.
On July 2, 2008 the school adopted by FirstCaribbean Securities Ltd – the Kencot Basic School – held its school leaving exercise, saying farewell to seven of its 25 students.

The Securities' relationship with the school started in May 2007 when team members repainted the school as its Labour Day project. On that visit, the school's dire need for additional upgrading of its facilities didn't escape the attention of Managing Director Milton Brady, who saw to it that the roof was repaired in the months which followed.

In December, the Securities team, with additional funding from the CSR committee, hosted a Christmas treat for the students, ensuring that each student received a gift at the event.

The Bank's generosity over the past year did not go unnoticed by the staff and students of the school. Principal Mrs. Sonia Brown thanked FirstCaribbean for its keen interest in the school and while other sponsors were thanked and acknowledged for their support, FirstCaribbean was the only organisation to have several representatives attending the event.

Judith Montague (top) and Nicole Hogarth Subaran (left) present graduating students with their awards.

Four of the seven children currently residing at the Home smile for the cameras. The children were enjoying board games in a room, the ceiling of which was refurbished as part of the Adopt-a-Cause project.

Montego Bay Branch and Call Centre

For the past two years, the Montego Bay Branch and Call Centre have pooled human and financial resources to adopt the Home for Charlotte's Children. The home was established to provide safe residential accommodation, medical assistance and complete educational programmes for the children in its care. It was founded by Beulah Plowright-Buzzi in 1995 with a mission to improve the quality of life of orphaned, abandoned and needy children through health care, education and psychological rehabilitation.

In the first ten years of operation the home has given assistance to over 200 children from communities in western Jamaica. The home currently houses seven children, all referred to the home by the Child Development Agency. Mrs. Plowright-Buzzi was a finalist in the 2008 FirstCaribbean Unsung Heroes Programme.

Keisha Ormsby (centre), Customer Service Manager at FirstCaribbean's Newport West Branch, with students of the Chin Loy Basic School.

Newport West Branch

The Chin Loy Basic School in Tivoli Gardens was made better equipped for the new school term thanks to the Newport West Branch.

On September 15, the branch made an "Adopt-a-Cause" gift of a photocopier and scanner to the school, which Principal Veronica Sewell-Morgan said would be "a great help in improving the efficiency of the office."

According to Newport West Branch CSM Keisha Ormsby: "We have been working with Chin Loy Basic School for over six years. Back in 2002, the principal of the school, Mrs. Sewell, met a former manager of the branch at a hairdressing salon and she asked for sponsorship for the school. That's pretty much how the relationship started."

Over the years the branch has donated chairs, desks, fans and most recently the printer/scanner/photocopier. Staff are also very active at the basic school, and the students look forward to the annual Christmas treat.

His Royal Highness Prince Charles greets students who gathered to welcome him to Kingston on March 12, 2008. Some 60 students from four downtown schools – Chinloy's Basic School, Regent Street Basic School, Holy Family Infant & Primary School and First Missionary Basic School – which are beneficiaries of FirstCaribbean's Adopt-a-Cause programme, participated in the welcome.

The Royal Visit

The March visit of HRH Prince Charles and the Duchess of Cornwall proved a memorable experience for the scores of students from downtown schools adopted by FirstCaribbean Bank. Outfitted in their white FirstCaribbean branded T-shirts, the young students waved their Jamaican flags and greeted the Prince and the Duchess. In addition to FirstCaribbean's ongoing maintenance of the waterfront, the Bank contributed an additional $1 million to prepare the Ocean Boulevard site for the welcoming event.

FirstCaribbean Supports VOUCH

In April, FirstCaribbean donated $200,000 to assist in repairing the roof of the clinic at the Voluntary Organisation for the Upliftment of Children (VOUCH), which was damaged by Hurricane Dean the previous year.

The Bank's response came following an appeal from the Women's Leadership Initiative (WLI), which has for the past five years been working to upgrade and improve both the health clinic and basic school at VOUCH.

Situated at Heroes Circle, Kingston, VOUCH provides services for a number of downtown Kingston communities.

Noting his Bank's previous contribution of $5.6 million to victims of Hurricane Dean, including two St. Elizabeth schools, a home for mentally challenged children and several church initiatives, Mr. Brady said "we are happy to be in a position to help."

He explained that "the Bank has committed to donating 1% of pre-tax profit annually to community projects with a special emphasis on youth, the disadvantaged and the elderly." Mr. Brady said that "although the priority is to assist in building skills and technical capacity and empowering these groups to achieve self-sufficiency, we understand the importance of preserving health and providing a safe and secure environment for everyone, hence our support to VOUCH."

Lenworth Tracey, Associate Director Retail, helps a child get ready to greet Prince Charles.

Milton Brady, Managing Director, presents the Bank's cheque for $200,000 to Pat Ramsay, Chair, Women's Leadership Initiative (WLI), to the delight of the group's Executive (l-r) Gene Wright, Sonia Hamilton and Marcia Erskine. The money will be used to repair the roof of the clinic at the Voluntary Organisation for the Upliftment of Children (VOUCH).

FirstCaribbean nominees smiling with their certificates: Warren Thompson, Programmes Director of Children & Community for Change (left) and Linton Smith, FirstCaribbean Small Business customer.

FirstCaribbean participates in National Corporate Social Responsibility (CSR) Seminar

The Courtleigh Hotel in Kingston was the venue for the May 5-7 seminar on Corporate Social Responsibility (CSR). The three-day event was held under the theme "Promoting Corporate Social Responsibility in Small and Medium enterprises in the Caribbean."

It focused on the benefits of implementing CSR policies in the workplace and the mutual rewards to be gained by the organisation and the communities with which it partners. Examining the global shift from philanthropy to the more sustainable 'CSR as investment', the seminar looked at the business case and benefits for small and medium enterprises to incorporate CSR policies into their workplace practices.

A major review of CSR in the English-Speaking Caribbean, by Richard Jones, found that improving CSR practice in the region begins with moving from philanthropy – the dominant practice – to CSR as a rational business investment. This shift, it is argued, is the most important to realising greater returns on business social engagement.

The wealth of information shared over the three days was of particular interest to Warren Thompson, Programmes Director at Children & Community for Change and Linton Smith, a long-standing FirstCaribbean Small Business customer. Both participants were nominated by FirstCaribbean to attend this seminar. They found the event a very useful one, which gave them ideas they could take back to their respective organisations to implement CSR policies.

Kingston Waterfront Beautification Project one year later…

In May 2008, the Bank observed the first anniversary of the unveiling of its very successful Kingston Waterfront Beautification project. On a breezy and sunny afternoon on May 16, 2007, former Prime Minister Portia Simpson-Miller unveiled a plaque which commemorates the Bank's refurbishment of the historic site.

According to Managing Director Milton Brady, FirstCaribbean had been motivated by a suggestion of the Governor of the Bank of Jamaica, Mr. Derrick Lattibeaudiere, as well as a suggestion that had been made by Seymour Young of the Centralised Securities Unit (CSU).

Since then, the space has been enjoyed by persons who pass by to simply relax or enjoy the view. The site even played host to the bicentennial celebrations of the abolition of slavery and mock burial at sea, which was carried on the BBC live from the refurbished site.

FirstCaribbean continues to maintain the venue, which has become a welcome oasis for the residents and workers in the downtown community.

The refurbished site provides clean and beautiful surroundings for the enjoyment and relaxation of those who live and work downtown.

Milton Brady (right), Managing Director, poses with members of the Calabar athletics team which went on to win the Boys' 4x100-metre relay at the 2008 Penn Relays in the USA, (l-r) Coach Michael Clarke, Oshane Bailey, Andrew Riley, Warren Weir and Ramone McKenzie.

FirstCaribbean continues to support Youth and Sport

The Calabar High Track & Field Team was one of four school teams that received financial assistance from FirstCaribbean for their participation in the Penn Relays, Pennsylvania, USA, April 25-28, 2008.

The four, Calabar High, Vere Technical, Alpha Girls and Ardenne High, were recipients of the Bank's $200,000 sponsorship package.

Milton Brady, former Managing Director, was on hand at the National Stadium to bid bon voyage and good luck to Coach Michael Clarke and the Calabar team just two days before the start of the prestigious relays.

Reiterating FirstCaribbean's commitment to advancing the development of youth in the region, Mr. Brady said that the role of sports, and in particular athletics, in building discipline and productivity has been proven again and again.

Mr. Brady said that FirstCaribbean International Bank "is totally committed to investing in our people and our communities, that's why we put so much of our resources behind providing support for sport, education and business development."

FirstCaribbean assists St. Joseph Hospital

FirstCaribbean provided a J$135,000 boost for the St. Joseph's Hospital to assist with the expansion of the Renal Unit at the hospital.

Making the presentation to Fabian Brown, Executive Director of the hospital, Clovis Metcalfe, Director Corporate Banking, said that the Bank will also be making a further contribution to assist in stocking the pharmacy at the hospital.

The St. Joseph's Hospital, one of Kingston's oldest health facilities has been experiencing tremendous challenges in recent years. Mr. Brown told FirstCaribbean that the hospital was seeking to expand its Renal Unit, which was opened in 2006 – the first of its kind to be established by a private hospital. He said that the eight-station unit, which offers services to 36 patients at the lowest rate per unit of any private facility, has had to be refusing entry to others due to limited capacity. The plan is to expand the unit to accommodate an additional eight machines, which have already been donated.

Annique Dawkins (left), Credit Officer, Corporate Banking, FirstCaribbean International Bank (Jamaica) Limited, presents a cheque to Sherlette Clarke-Bailey, pharmacist at St. Joseph's Hospital. Looking on are Clovis Metcalfe (right), Director Corporate Banking, FirstCaribbean and Fabian Brown (second from left), Executive Director, St. Joseph's Hospital.

Hurricane Relief 2008

FirstCaribbean Jamaica contributed US$60 million toward Hurricane relief in Jamaica in 2008. All funds were channelled through the United Way. On November 7, the United Way of Jamaica was presented with a cheque for J$4.25 million to benefit victims of Tropical Storm Gustav, which caused major damage in August the same year. FirstCaribbean International Bank specially designated J$2.25 million of these funds for the agricultural sector and the other J$2 million will benefit schools and institutions for the indigent across Jamaica.

Milton Brady (left), Managing Director, FirstCaribbean International Bank, presents a cheque for J$4.25 million to Winsome Wilkins (right), CEO of United Way of Jamaica (UWJ), for the benefit of victims of Tropical Storm Gustav. At centre are Senator Norman Grant, President, Jamaica Agricultural Society (JAS) and First VP St. Andrew JAS, Paul Burgess. $2.25 million of the funds donated by FirstCaribbean to the UWJ was designated for the agricultural sector.

Students from the Port Morant Junior High School accept their first prize trophy from FirstCaribbean Marketing Manager Stacy Adams.

FirstCaribbean Sponsors Schools' Environment Programme

Port Morant Primary and Junior High School was named the "Most Environmentally Aware" school for 2007/8 at the Jamaica Environment Trust's (JET) 11th Annual Schools' Environment Programme (SEP) National Awards Ceremony. The school emerged the winner from over 150 schools islandwide to walk away with the FirstCaribbean International Bank trophy. The awards ceremony took place on June 26 at the Terra Nova Hotel in Kingston.

FirstCaribbean is the longest serving sponsor of the SEP, having been associated with the programme since inception. The SEP is an environmental education programme implemented in more than 350 schools across Jamaica. SEP introduces environmental issues to students through hands-on activities and curriculum integration. It raises teacher awareness, works with local communities and involves stakeholders in annual evaluation exercises and subsequent improvements.

The SEP requires each school to carry out activities in four main areas: Managing Garbage, Greening of School Grounds, Environment Club and Environmental Research.

Port Morant Primary and Junior High also won national prizes for Best Record Keeping, Best Environmental Display and Best Whole School Approach, as well as the regional prizes for Garbage Management, Greening and Environmental Research for the parish of St. Thomas. This is the school's first placement among the top national schools in the programme.

Financial Statements 2008

ERNST & YOUNG

8 Oliver Road,
Kingston 8
Jamaica
Tel: (876) 925-2501
Fax: (876) 755-0413
www.ey.com

Independent Auditors' Report

To the Shareholders of FirstCaribbean International Bank (Jamaica) Limited

We have audited the accompanying financial statements of FirstCaribbean International Bank (Jamaica) Limited and its subsidiary ("the Group") and FirstCaribbean International Bank (Jamaica) Limited ("the Bank") which comprise the consolidated and bank balance sheets as at October 31, 2008 and the consolidated and bank statements of income, changes in shareholders' equity and 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.

Auditors' 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 judgement, 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 financial statements give a true and fair view of the financial positions of the Group and the Bank as at 31 October 2008, and of the Group's and the Bank's financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act.

Report on Additional Requirements of 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 maintained and the financial statements are in agreement with the accounting records, and give the information required by the Jamaican Companies Act in the manner so required.

Ernst & Young

CHARTERED ACCOUNTANTS

Kingston, Jamaica
28 January 2009

Consolidated Balance Sheet

As at 31 October 2008
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2008 $'000	2007 $'000
ASSETS			
Cash and balances with Central Bank	3	**8,283,849**	4,782,173
Due from other banks	4	**1,865,287**	1,505,349
Derivative financial instruments	5	**111,352**	44,797
Other assets	6	**1,681,097**	1,455,562
Investment securities	7	**1,101,528**	924,855
Government securities purchased under resale agreements	8	**262,066**	212,077
Loans and advances to customers	9	**34,936,630**	31,409,506
Property, plant and equipment	10	**549,935**	502,565
Deferred tax assets	11	**9,644**	4,499
Retirement benefit asset	12	**824,680**	829,800
TOTAL ASSETS		**49,626,068**	41,671,183
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Customer deposits	13	**41,368,967**	33,523,005
Derivative financial instruments	5	**210,858**	81,100
Other liabilities	14	**647,343**	571,001
Taxation payable		**211,871**	81,681
Deferred tax liabilities	11	**182,756**	218,430
Debt securities in issue	15	**499,950**	1,502,217
Retirement benefit obligation	12	**57,180**	76,090
TOTAL LIABILITIES		**43,178,925**	36,053,524
STOCKHOLDERS' EQUITY			
Share capital	16	**1,396,667**	1,396,667
Reserves	16	**4,312,247**	3,341,334
Retained earnings		**738,229**	879,658
TOTAL STOCKHOLDERS' EQUITY		**6,447,143**	5,617,659
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**49,626,068**	**41,671,183**

The accompanying notes form an integral part of these financial statements

Approved for issue by the Board of Directors on 28 January and signed on its behalf by:

Michael Mansoor   Milton Brady

Christopher Bovell   Allison Rattray

Consolidated Statement of Changes in Shareholders' Equity

Year ended 31 October 2008
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 31 October 2006		1,396,667	2,747,726	703,364	4,847,757
Net income for the year		-	-	771,123	771,123
Expense recognised directly in equity - Loss on available-for-sale investment securities	18	-	(1,221)	-	(1,221)
Transfer to statutory reserve fund	19	-	460,000	(460,000)	-
Transfer to loan loss reserve	21	-	134,829	(134,829)	-
Balance at 31 October 2007		1,396,667	3,341,334	879,658	5,617,659
Net income for the year		-	-	835,053	835,053
Expense recognised directly in equity - Loss on available-for-sale investment securities	18	-	(5,569)	-	(5,569)
Transfer to statutory reserve fund	19	-	940,000	(940,000)	-
Transfer to loan loss reserve	21	-	36,482	(36,482)	-
Balance at 31 October 2008		1,396,667	4,312,247	738,229	6,447,143

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Income

Year ended 31 October 2008
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2008 $'000	2007 $'000
Interest and similar income		4,977,464	4,348,608
Interest and similar expense		(1,882,011)	(1,748,674)
Net interest income	23	3,095,453	2,599,934
Other operating income	24	594,480	681,559
Total operating income		3,689,933	3,281,493
Loan loss impairment		(130,961)	(122,293)
Net operating income		3,558,972	3,159,200
Operating expenses	25	(2,312,495)	(2,009,620)
Income before taxation	26	1,246,477	1,149,580
Income tax expense	27	(411,424)	(378,457)
NET INCOME FOR THE YEAR	28	835,053	771,123
EARNINGS PER STOCK UNIT	29	$3.14	$2.90

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 October 2008
(Expressed in Jamaican dollars unless otherwise indicated)

	Note	2008	2007
Cash Flows from Operating Activities		**$'000**	**$'000**
Income before taxation		**1,246,477**	1,149,580
Adjustments to reconcile income to net cash used in operating activities:			
Loan loss impairment		**130,961**	122,293
Gain on disposal of property, plant and equipment		**(2,469)**	(4,244)
Depreciation		**120,789**	146,740
Interest income		**(4,977,464)**	(4,348,608)
Interest expense		**1,882,011**	1,748,674
Unrealised foreign exchange gains		**8,617**	(110,610)
		(1,591,078)	(1,296,175)
Changes in operating assets and liabilities:			
Loans and advances to customers		**(2,806,495)**	(6,819,765)
Customer deposits		**6,680,946**	6,436,285
Retirement benefit asset		**5,120**	(107,659)
Retirement benefit obligation		**(18,910)**	(59,328)
Other assets		**(251,444)**	(1,160,529)
Other liabilities		**190,155**	(209,977)
Statutory reserves with Bank of Jamaica		**(169,109)**	(940,293)
		2,039,185	(4,157,441)
Interest received		**5,113,595**	3,871,901
Interest paid		**(1,823,747)**	(1,706,407)
Income tax paid		**(322,053)**	(433,931)
Net cash provided by (used in) operating activities		**5,006,980**	(2,425,878)
Cash Flows from Investing Activities			
Investment securities, net		**(160,491)**	564,366
Government securities purchased under resale agreements, net		**(49,989)**	460,765
Additions to property, plant and equipment		**(172,992)**	(206,521)
Proceeds from disposal of property, plant and equipment		**7,302**	11,468
Net cash (used in) provided by investing activities		**(376,170)**	830,078
Cash Flows from Financing Activity			
(Repayment) issue of debt		**(1,000,050)**	1,500,000
Net cash (used in) provided by financing activity		**(1,000,050)**	1,500,000
Net increase (decrease) in cash and cash equivalents		**3,630,760**	(95,800)
Effect of exchange rate changes on cash and cash equivalents		**61,745**	286,016
Cash and cash equivalents at beginning of year		**3,610,007**	3,419,791
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	**7,302,512**	3,610,007

The accompanying notes form an integral part of these financial statements.

Balance Sheet

As at 31 October 2008
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2008 $'000	2007 $'000
ASSETS			
Cash and balances with Central Bank	3	**8,168,013**	4,720,252
Due from other banks	4	**5,876,065**	4,622,939
Derivative financial instruments	5	**111,352**	44,797
Other assets	6	**1,389,154**	1,390,498
Investment securities	7	**1,465,528**	1,288,855
Government securities purchased under resale agreements	8	**55,611**	25,272
Loans and advances to customers	9	**27,925,693**	25,945,982
Property, plant and equipment	10	**547,867**	499,815
Retirement benefit asset	12	**806,060**	804,470
TOTAL ASSETS		**46,345,343**	39,342,880
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Customer deposits	13	**38,742,578**	31,758,342
Derivative financial instruments	5	**210,858**	81,100
Other liabilities	14	**547,651**	488,817
Taxation payable		**204,479**	65,167
Deferred tax liabilities	11	**182,756**	218,430
Debt securities in issue	15	**499,950**	1,502,217
Retirement benefit obligation	12	**54,720**	73,200
TOTAL LIABILITIES		**40,442,992**	34,187,273
STOCKHOLDERS' EQUITY			
Share capital	16	**1,396,667**	1,396,667
Reserves	16	**3,770,024**	2,989,460
Retained earnings		**735,660**	769,480
TOTAL STOCKHOLDERS' EQUITY		**5,902,351**	5,155,607
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**46,345,343**	39,342,880

The accompanying notes form an integral part of these financial statements.

Approved for issue by the Board of Directors on 28 January and signed on its behalf by:

Michael Mansoor

Milton Brady

Christopher Bovell

Allison Rattray

Statement of Changes in Stockholders' Equity

Year ended 31 October 2008
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 31 October 2006		1,396,667	2,455,852	633,370	4,485,889
Net income for the year		-	-	670,939	670,939
Expense recognised directly in equity - Loss on available-for-sale investment securities	18	-	(1,221)	-	(1,221)
Transfer to statutory reserve fund	19	-	400,000	(400,000)	-
Transfer to loan loss reserve	21	-	134,829	(134,829)	-
Balance at 31 October 2007		1,396,667	2,989,460	769,480	5,155,607
Net income for the year		-	-	752,313	752,313
Expense recognised directly in equity - Loss on available-for-sale investment securities	18	-	(5,569)	-	(5,569)
Transfer to statutory reserve fund	19	-	780,000	(780,000)	-
Transfer to loan loss reserve	21	-	6,133	(6,133)	-
Balance at 31 October 2008		1,396,667	3,770,024	735,660	5,902,351

The accompanying notes form an integral part of these financial statements.

Statement of Income

Year ended 31 October 2008
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2008 $'000	2007 $'000
Interest and similar income		**4,619,264**	3,982,473
Interest and similar expense		**(1,721,504)**	(1,618,340)
Net interest income	23	**2,897,760**	2,364,133
Other operating income	24	**578,623**	670,766
Total operating income		**3,476,383**	3,034,899
Loan loss impairment		**(115,392)**	(93,365)
Net operating income		**3,360,991**	2,941,534
Operating expenses	25	**(2,232,913)**	(1,935,246)
Income before taxation	26	**1,128,078**	1,006,288
Income tax expense	27	**(375,765)**	(335,349)
NET INCOME FOR THE YEAR	28	**752,313**	670,939

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

Year ended 31 October 2008
(Expressed in Jamaican dollars unless otherwise indicated)

	Note	2008	2007
Cash Flows from Operating Activities		**$'000**	**$'000**
Income before taxation		**1,128,078**	1,006,288
Adjustments to reconcile income to net cash used in operating activities:			
Loan loss impairment		**115,392**	93,365
Gain on disposal of property, plant and equipment		**(2,469)**	(4,244)
Depreciation		**119,982**	145,931
Interest income		**(4,619,264)**	(3,982,473)
Interest expense		**1,721,504**	1,618,340
Unrealised foreign exchange gains		**12,201**	(110,610)
Changes in operating assets and liabilities:		**(1,524,576)**	(1,233,403)
Loans to customers		**(1,270,094)**	(5,726,633)
Customer deposits		**5,853,819**	5,836,168
Retirement benefit asset		**(1,590)**	(105,051)
Retirement benefit obligations		**(18,480)**	(57,897)
Other assets		**(30,481)**	(1,115,479)
Other liabilities		**172,425**	(232,693)
Statutory reserves with Bank of Jamaica		**(115,193)**	(909,982)
		3,065,830	(3,544,970)
Interest received		**4,762,259**	3,918,136
Interest paid		**(1,664,534)**	(1,578,685)
Income tax paid		**(272,127)**	(385,872)
Cash provided by (used in) operating activities		**5,891,428**	(1,591,391)
Cash Flows from Investing Activities			
Government securities purchased under resale agreements, net		**(30,339)**	479,391
Investment securities, net		**(167,031)**	564,367
Additions to property, plant and equipment		**(172,867)**	(206,163)
Proceeds from disposal of property, plant and equipment		**7,302**	11,468
Net cash (used in) provided by investing activities		**(362,935)**	849,063
Cash Flows from Financing Activity			
(Repayment) issue of debt		**(1,000,050)**	1,500,000
Net cash (used in) provided by financing activity		**(1,000,050)**	1,500,000
Net increase (decrease) in cash and cash equivalents		**4,528,443**	757,672
Effect of exchange rate changes on cash and cash equivalents		**57,251**	283,857
Cash and cash equivalents at beginning of year		**6,727,595**	5,686,066
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	**11,313,289**	6,727,595

The accompanying notes form an integral part of these financial statements.

1. Corporate Information

FirstCaribbean International Bank (Jamaica) Limited (the "Bank"), which was incorporated and is domiciled in Jamaica, is a 96.3% (2007 - 96.3%) subsidiary of FirstCaribbean International Bank Limited (the "Parent"), a bank incorporated and domiciled in Barbados. The ultimate parent is Canadian Imperial Bank of Commerce ("CIBC"), a company incorporated in Canada.

The registered office of the Bank is located at 23-27 Knutsford Boulevard, Kingston 5, Jamaica.

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 subsidiary, FirstCaribbean International Building Society is 100% owned and is incorporated and domiciled in Jamaica. Its principal activity is mortgage financing and its year end is October 31.

The consolidated financial statements include the financial statements of the Bank and its subsidiary. The Bank and its subsidiary 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

(i) Statement of compliance
These financial statements have been prepared in conformity with International Reporting Financial Standards (IFRS) and the requirements of the Jamaican Companies Act.

(ii) Basis of measurement
These financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities and the measurement at deemed cost of certain land and buildings. Deemed cost represents fair value at the date of transition to IFRS.

(iii) Judgements
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.

(iv) 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.

2. Summary of Significant Accounting Policies (Continued)

(iv) Consolidation (Continued)
The excess of the cost is recorded as goodwill. Inter-company transactions, balances and unrealised gains on transactions between the Group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

(b) Change in accounting policies

(i) Standards, interpretations and amendments to published standards that were adopted during the year.

The Group has adopted the following IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations during the year. Adoption of these new and revised standards, and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures:

- **IFRS 7 Financial Instruments: Disclosures**

  This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised when needed.

- **IAS 1 (Amendment) Presentation of Financial Statements**

  This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in Note 16.

- **IAS 39 (Amendment), Financial instruments: Recognition and measurement**

  An amendment to IAS 39 was issued in October 2008, which permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The Group did not exercise this option and as such IAS 39 (Amendment) had no impact on these financial statements.

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

(b) **Change in accounting policies** (Continued)

(ii) ***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 adopted early as follows:

- **IAS 1 (Revised), Presentation of Financial Statements** (effective from annual periods beginning on or after January 1, 2009) will require the disclosure of all non-owner changes in equity either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income), will require additional disclosures about an entity's capital and will change the titles of financial statements.

- **IAS 23 (Revised), Borrowing Costs** (effective from annual periods beginning on or after January 1, 2009) will remove the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity will therefore now be required to capitalise borrowing costs as part of the cost of such assets. The capitalisation of borrowing costs relating to assets measured at fair value is not however required by IAS 23. The transitional provisions of the standard require prospective application from the effective date. This is not applicable to the Group.

- **IAS 27 (Revised), Consolidated and Separate Financial Statements** (effective from annual periods beginning on or after July 1, 2009) has resulted from amendments to IFRS 3 and changes the accounting for acquisitions and disposals that do not result in a change of control and the attribution of profit or loss to non-controlling interest. Additional amendments have been made relating to the cost of a subsidiary in the separate financial statements of a parent on first-time adoption of IFRSs. These amendments are not applicable to the Group.

- **IAS 28 (Revised), Investment in Associates** (effective from annual periods beginning on or after July 1, 2009) has resulted from amendments to IFRS 3. This is not applicable to the Group.

- **IAS 31 (Revised), Interests in Joint Ventures** (effective from annual periods beginning on or after July 1, 2009) has resulted from amendments to IFRS 3. This is not applicable to the Group.

- **IAS 32 (Revised), Financial Instruments Presentation** (effective from annual periods beginning on or after January 1, 2009) will require amendments regarding puttable instruments and obligations arising on liquidation. These amendments are not applicable to the Group.

- **IFRS 1 (Revised), First–time Adoption of International Financial Reporting Standards** (effective from annual periods beginning on or after January 1, 2009) requires amendments relating to the cost of an investment on first-time adoption. This is not applicable to the Group.

- **IFRS 2 (Revised), Share-based Payment** (effective from annual periods beginning on or after January 1, 2009) requires amendments relating to vesting conditions and cancellations, and clarifies that vesting conditions are service conditions and performance conditions only, while other features of a share-based payment are not vesting conditions. This is not applicable to the Group.

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

(b) **Change in accounting policies** (Continued)

(ii) ***Standards, interpretations and amendments to published standards that are not yet effective (continued)***

- **IFRS 3 (Revised), Business Combinations** (effective from annual periods beginning on or after July 1, 2009) has made a comprehensive revision on applying the acquisition method.

- **IFRS 8, Operating Segments** (effective from annual periods beginning on or after January 1, 2009) will replace IAS 14 Segments Reporting and increases the level of disclosure required, as well as, replace the requirement to determine primary (business) and secondary (geographical) reporting segments for the Group and extends the scope to include entities that meet certain requirements

- **IFRIC 12, Service Concession Arrangements** (effective from annual periods beginning on or after January 1, 2008), which is not applicable to the Group.

- **IFRIC 13, Customer Loyalty Programmes** (effective from annual periods beginning on or after July 1, 2008) specifically seeks to explain how entities should account for their obligations to provide free or discounted goods and services ('awards') to customers who redeem award credits. It requires that award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction.

- **IFRIC 14, The Limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction** (effective from annual periods beginning on or after January 1, 2008) addresses the interaction between minimum funding requirements and the limit placed by paragraph 58 of IAS 19 on the measurement of the defined benefit asset or liability.

- **IFRIC 15, Agreements for the Construction of Real Estate** (effective from annual periods beginning on or after January 1, 2008), which is not applicable to the Group.

- **IFRIC 16, Hedges of a Net Investment in a Foreign Operation** (effective from annual periods beginning on or after October 1, 2008) deals with the risks arising from foreign currency exposures associated with foreign operations, hedging such risk and accounting for both sides.

(expressed in Jamaican dollars unless otherwise indicated)

2 Summary of Significant Accounting Policies (Continued)

(b Change in accounting policies (Continued)

(ii) Standards, interpretations and amendments to published standards that are not yet effective (continued)

Additionally, in May 2008, the International Accounting Standards Board issued "Improvements to IFRSs", as part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily become effective for annual periods beginning on or after January 1, 2009. The following table shows the IFRSs and topics addressed by these amendments. Management has not yet assessed the impact of these changes.

Standard	**Subject of the Amendment**
IAS 1	Current/non-current classification of derivatives
IAS 8	Status of implementation guidance.
IAS 10	Dividends declared after the end of the reporting period.
IAS 16	Recoverable amounts
IAS 18	Costs of originating a loan.
IAS 19	Curtailments and negative past-service costs. Plan administration costs. Replacement of term "fall due". Guidance on contingent liabilities.
IAS 20	Government loans with a below market interest rate; Consistency of terminology with other IFRSs.
IAS 23	Components of borrowing costs.
IAS 27	Measurement of subsidiary held for sale in separate financial statements.
IAS 28	Required disclosures when investments in associates are accounted for at fair value through profit or loss.
IAS 29	Description of measurement basis in financial statements; Consistency of terminology with other IFRSs.
IAS 31	Required disclosures when investments in jointly controlled entities are accounted for at fair value through profit or loss.
IAS 34	Earnings per share disclosures in interim financial statements.
IAS 36	Disclosure of estimates used to determine recoverable amounts.
IAS 38	Advertising and promotional activities. Unit of production method of amortisation.
IAS 39	Reclassification of derivatives into or out of the classification at fair value through profit or loss. Designating and documenting hedges at segment level. Applicable effective interest rate on cessation of fair value hedge accounting.
IAS 40	Property under construction or development for future use as investment property; Consistency of terminology with IAS 8. Investment property held under lease.
IAS 41	Discount rate for fair value calculations; Examples of agricultural produce and products. Point-of-sale costs.
IFRS 5	Plan to sell the controlling interest in a subsidiary
IFRS 7	Presentation of finance costs.

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. Segment income, segment expenses and segment performance include transfers between business segments.

(d) Foreign currency translation

Items included in the financial statements of the Group and the Bank 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 income.

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 income. 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 the statement of 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 the statement of income.

(f) Cash and cash equivalents

For the purposes of the statement of cash flows, 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-sale

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 and fixed maturities 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. Where the Group sells 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.

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 statement of income 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) **Derecognition of financial assets and liabilities**

(i) ***Financial assets***
Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired, the right to receive cash flows from the asset have been transferred or there is an obligation to pay the received cash flows in full without material delay to a third party, and where the Group has transferred substantially all risks and rewards of ownership or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) ***Financial liabilities***
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income.

2. Summary of Significant Accounting Policies (Continued)

(k) Investments in subsidiary
Investments by the Bank in its subsidiary are stated at cost.

(l) 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.

(m) 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.

(n) Leases

(i) As lessee
Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

(ii) 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)

(o) 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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.

(p) 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. The expense relating to any provision is charged to the statement of income net of any reimbursement.

(q) Intangible assets

Intangible assets comprise computer software. These are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

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

(r) **Income taxes**

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

Current tax charges are based on taxable income for the year, which differs from the income before tax reported because taxable income excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted at 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 income will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited in the statement of income, 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 the subsidiary as such amounts are permanently reinvested.

(s) **Retirement benefit obligations**

(i) ***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.

2. Summary of Significant Accounting Policies (Continued)

(s) Retirement benefit obligations (Continued)

(i) Pension obligations *(Continued)*

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 statement of income in the year to which they relate.

(ii) Other post-retirement obligations

The Group provides post-retirement health care benefits to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. 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.

(iii) 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.

(t) Share-based payment transactions

The Group engages in equity settled share-based payment transactions in respect of services rendered from certain of its employees. The cost of the services received is measured by reference to the fair value of the shares or share options granted. The cost related to the shares or share options granted is recognised in the income statement over the period that the services of the employees are received, which is the vesting period, with a corresponding credit to equity.

(u) Recognition of income and expenses

(i) Interest and similar income and expense

Interest and similar income and expense are recognised in the statement of income 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.

2. Summary of Significant Accounting Policies (Continued)

(u) Recognition of income and expenses (Continued)

(ii) 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.

(iii) 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.

(w) Hedge accounting

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Bank assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

(i) Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in the statement of income. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of income.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of income.

2. Summary of Significant Accounting Policies (Continued)

(w) Hedge accounting (Continued)

(ii) Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the statement of income.

When the hedged cash flow affects the statement of income, the gain or loss on the hedging instrument is "recycled" in the corresponding income or expense line of the statement of income. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged forecast transaction is ultimately recognised in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

(x) 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 restated to reflect the requirements of new IFRS.

3. Cash and Balances with Central Bank

	The Group		The Bank	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Cash	**341,121**	287,428	**341,119**	287,426
Deposits with Central Bank – interest bearing	**998,926**	2,886,804	**5,922,777**	2,860,666
Deposits with Central Bank – non-interest bearing	**1,591,389**	1,600,988	**1,551,704**	1,565,207
	7,931,436	4,775,220	**7,815,600**	4,713,299
Interest receivable	**352,413**	6,953	**352,413**	6,953
	8,283,849	4,782,173	**8,168,013**	4,720,252

Under Section 14 (i) of both the Banking 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% (2007 - 9%) of the Group's and the Bank's prescribed liabilities.

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

	The Group		The Bank	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Cash and balances with Central Bank	**8,283,849**	4,782,173	**8,168,013**	4,720,252
Less: Mandatory reserve deposits with Central Bank (Note 33)	**(2,846,624)**	(2,677,515)	**(2,730,789)**	(2,615,596)
	5,437,225	2,104,658	**5,437,224**	2,104,656
Due from other banks (Note 4)	**1,865,287**	1,505,349	**5,876,065**	4,622,939
	7,302,512	3,610,007	**11,313,289**	6,727,595

4. Due From Other Banks

	The Group		The Bank	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Money market placements	**1,862,970**	1,499,865	**5,810,502**	4,595,123
Interest receivable	**2,317**	5,484	**65,563**	27,816
	1,865,287	1,505,349	**5,876,065**	4,622,939

Included in money market placements are deposits with ultimate parent company of $416,575,000 (2007 – $634,968,000) for the Group.

5. Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

		Fair Values	
	Contract Notional Amount $000	Assets $'000	Liabilities $'000
As at 31 October 2008			
Derivatives held for trading:			
Interest rate swaps	US$43,654	111,352	(210,858)
As at 31 October 2007			
Derivatives held for trading:			
Interest rate swaps	US$42,035	44,797	(81,100)

The combined fair value of these interest rate swaps at 31 October 2008 was negative US$2,784,000 (2007 – negative US$265,000).

As of October 31, 2008 the Bank has positions in the following types of derivatives:

Interest Rate Swaps
Interest rate swaps are contractual agreements between two parties to exchange movements in interest rates.

Derivative financial instruments held or issued for hedging purposes
As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to reduce its exposure to market risks. Fair value hedges are used by the Bank to protect it against changes in the fair value of specific financial assets due to movements in interest rates. The financial assets hedged for interest rate risk include fixed interest rate loans and available-for-sale debt securities, and are hedged by interest rate swaps.

During the year, the Bank recognised losses on hedging instruments of $160,100,000 (2007: NIL) and losses on hedged items attributable to the hedged risk of $21,700,000 (2007: NIL), which is included in operating income.

6. Other Assets

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Cheques and other items in transit, net	**753,619**	844,661	**522,312**	812,066
Prepayments and deferred items	**17,520**	11,644	**16,967**	11,295
Due from parent company	**713,069**	488,770	**713,069**	488,770
Withholding tax	**80,796**	61,508	**80,796**	61,508
Other	**116,093**	48,979	**56,010**	16,859
	1,681,097	1,455,562	**1,389,154**	1,390,498

7. Investment Securities

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Securities available-for-sale:				
Equity securities – unquoted	**11,264**	11,264	**375,264**	375,264
Issued or guaranteed by Government –				
Treasury bills	**107,917**	473,342	**107,917**	473,342
Local registered stock	**960,735**	324,700	**960,735**	324,700
Other	**-**	95,498	**-**	95,498
Balance at end of year	**1,079,916**	904,804	**1,443,916**	1,268,804
Interest receivable	**21,612**	20,051	**21,612**	20,051
	1,101,528	924,855	**1,465,528**	1,288,855

7. Investment Securities (Continued)

The movement in investment securities may be summarised 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 31 October 2006	665,095	762,211	1,427,306	1,029,095	762,211	1,791,306
Additions	3,447,777	-	3,447,777	3,447,777	-	3,447,777
Disposals – sale and redemption	(3,996,680)	-	(3,996,680)	(3,996,680)	-	(3,996,680)
Transfers	762,211	(762,211)	-	762,211	(762,211)	-
Gains from changes in fair value	26,401	-	26,401	26,401	-	26,401
Balance at 31 October 2007	904,804	-	904,804	1,268,804	-	1,268,804
Additions	3,691,254	-	3,691,254	3,691,254	-	3,691,254
Disposals – sale and redemption	(3,506,391)	-	(3,506,391)	(3,506,391)	-	(3,506,391)
Gains from changes in fair value	(9,751)	-	(9,751)	(9,751)	-	(9,751)
Balance at 31 October 2008	1,079,916	-	1,079,916	1,443,916	-	1,443,916

8. 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	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Government securities purchased under resale agreements	**254,081**	206,447	**54,455**	24,333
Interest receivable	**7,985**	5,630	**1,156**	939
	262,066	212,077	**55,611**	25,272

9. Loans and Advances to Customers

The Group

	2008				2007			
	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000
Performing loans	6,884,762	7,082,816	20,554,941	34,522,519	5,357,557	6,577,088	18,982,566	30,917,211
Impaired loans	195,395	394,950	188,152	778,497	149,370	321,176	153,007	623,553
Gross loans	7,080,157	7,477,766	20,743,093	35,301,016	5,506,927	6,898,264	19,135,573	31,540,764
Less: Provision for credit losses	(66,050)	(230,550)	(132,861)	(429,461)	(50,481)	(179,843)	(103,802)	(334,126)
	7,014,107	7,247,216	20,610,232	34,871,555	5,456,446	6,718,421	19,031,771	31,206,638
Add: Interest receivable				328,193				471,321
Add: Unearned fee income				(263,118)				(268,453)
				34,936,630				31,409,506

The Bank

	2008				2007			
	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000
Performing loans	-	7,082,816	20,554,941	27,637,757	-	6,577,088	18,982,566	25,559,654
Impaired loans	-	394,950	188,152	583,102	-	321,176	153,007	474,183
Gross loans	-	7,477,766	20,743,093	28,220,859	-	6,898,264	19,135,573	26,033,837
Less: provision for credit losses-		(230,550)	(132,861)	(363,411)	-	(179,843)	(103,802)	(283,645)
	-	7,247,216	20,610,232	27,857,448	-	6,718,421	19,031,771	25,750,192
Add: Interest receivable				293,424				436,586
Add: Unearned fee income				(225,179)				(240,796)
				27,925,693				25,945,982

9. Loans and Advances to Customers (Continued)

Ageing analysis of past due but not impaired loan is as follows:

	The Group			
As at 31 October 2008	**Mortgages $'000**	**Personal Loans $'000**	**Business & Government $'000**	**2008 $'000**
Less than 30 days	1,472,428	1,173,065	2,437,938	**5,083,431**
31 – 60 days	307,394	413,974	347,465	**1,068,833**
	1,779,822	1,587,039	2,785,403	6,152,264

			Personal	Business &
As at 31 October 2007	**Mortgages $'000**	**Loans $'000**	**Government $'000**	**2008 $'000**
Less than 30 days	1,194,291	870,531	3,007,205	**5,072,027**
31 – 60 days	257,304	289,041	54,954	**601,299**
61 – 90 days	-	568	2,414	**2,982**
	1,451,595	1,160,140	3,064,573	**5,676,308**

	The Bank			
As at 31 October 2008	**Mortgages $'000**	**Personal Loans $'000**	**Business & Government $'000**	**2008 $'000**
Less than 30 days	-	1,173,065	2,437,938	**3,611,003**
31 – 60 days	-	413,974	347,465	**761,439**
61 – 90 days	-	-	-	-
	-	1,587,039	2,785,403	**4,372,442**

As at 31 October 2007	**Mortgages $'000**	**Personal Loans $'000**	**Business & Government $'000**	**2008 $'000**
Less than 30 days	-	870,531	3,007,205	**3,877,736**
31 – 60 days	-	289,041	54,954	**343,995**
61 – 90 days	-	568	2,414	**2,982**
	-	1,160,140	3,064,573	**4,224,713**

9. **Loans and Advances to Customers** (Continued)

Provision for credit losses comprise:-

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Specific provision	**307,424**	243,388	**253,164**	202,066
General provision	**122,037**	90,738	**110,247**	81,579
	429,461	334,126	**363,411**	283,645

As at 31 October 2008, loans with principal balances outstanding of $778,497,000,(2007 - $623,553,000) for the Group and $583,102,000 (2007 - $474,183,000) for the Bank were in non-performing status. Interest receivable on these loans amounted to $18,950,000 (2007 - $14,839,000) for the Group and $18,496,000 (2007 - $14,129,000) for the Bank, and interest taken to income amounted to $4,111,000 (2007 - $1,309,000) for the Group and $4,367,000 (2007 - $1,061,000) for the Bank.

The movement in the provision for credit losses during the year is as follows:

		The Group		
	Mortgages	**Personal Loans**	**Business & Government**	**2008**
As at 31 October 2008	**$'000**	**$'000**	**$'000**	**$'000**
Balance, beginning of year	50,481	181,695	101,950	**334,126**
Identified impairment	12,295	68,582	18,365	**99,242**
Unidentified impairment	3,274	17,751	10,694	**31,719**
Recoveries of bad and doubtful debts	-	25,339	-	**25,339**
Bad debts written off	-	(60,965)	-	**(60,965)**
Balance, end of year	66,050	232,402	131,009	**429,461**

	Mortgages	**Personal Loans**	**Business & Government**	**2008**
As at 31 October 2007	**$'000**	**$'000**	**$'000**	**$'000**
Balance, beginning of year	21,648	119,705	119,374	**260,727**
Identified impairment	30,131	112,510	8,797	**151,438**
Unidentified impairment	(1,203)	(5,766)	(22,176)	**(29,145)**
Recoveries of bad and doubtful debts	1	17,629	-	**17,630**
Bad debts written off	(96)	(62,383)	(4,045)	**(66,524)**
Balance, end of year	50,481	181,695	101,950	**334,126**

9. **Loans and Advances to Customers** (Continued)

The movement in the provision for credit losses during the year is as follows:

	The Bank			
As at 31 October 2008	**Mortgages $'000**	**Personal Loans $'000**	**Business & Government $'000**	**2008 $'000**
Balance, beginning of year	-	181,695	101,950	**283,645**
Identified impairment	-	68,582	18,365	**86,947**
Unidentified impairment	-	17,751	10,694	**28,445**
Recoveries of bad and doubtful debts	-	25,339	-	**25,339**
Bad debts written off	-	(60,965)	-	**(60,965)**
Balance, end of year	-	232,402	131,009	**363,411**

As at 31 October 2007	**Mortgages $'000**	**Personal Loans $'000**	**Business & Government $'000**	**2007 $'000**
As at 31 October 2007				
Balance, beginning of year	-	119,705	119,374	239,079
Identified impairment	-	112,510	8,797	121,307
Unidentified impairment	-	(5,766)	(22,176)	(27,942)
Recoveries of bad and doubtful debts	-	17,629	-	17,629
Bad debts written off	-	(62,383)	(4,045)	(66,428)
Balance, end of year	-	181,695	101,950	283,645

9. Loans and Advances to Customers (Continued)

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

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Specific provision	**477,318**	384,524	**391,141**	334,529
General provision	**312,373**	273,350	**276,296**	247,009
	789,691	657,874	**667,437**	581,538
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 21)	360,230	323,748	304,026	297,893

Loans and advances to customers include finance lease receivables:

	The Group and the Bank	
	2008	**2007**
	$'000	**$'000**
No later than 1 year	**1,593**	-
Later than 1 year and no later than 5 years	**98,810**	3,683
Later than 5 years	**75,326**	151,168
Gross investment in finance leases	**175,729**	154,851
Unearned future finance income on finance leases	**(81,595)**	(76,917)
Net investment in finance leases	**94,134**	77,934

10. Property, Plant and Equipment

	The Group				
	Land $'000	Buildings $'000	Leasehold Improvements $'000	Equipment, Furniture and Vehicles $'000	Total $'000
			2008		
Cost					
1 November 2007	3,900	48,569	101,441	1,086,129	1,240,039
Additions	-	28,375	2,781	141,836	172,992
Disposals	(150)	-	(125)	(11,365)	(11,640)
Transfers	51,250	47,021	24,901	(123,172)	-
31 October 2008	55,000	123,965	128,998	1,093,428	1,401,391
Accumulated depreciation					
1 November 2007	-	17,243	72,983	647,248	737,474
Charge for the year	-	1,814	7,893	111,082	120,789
Relieved on disposals	-	-	(15)	(6,792)	(6,807)
31 October 2008	-	19,057	80,861	751,538	851,456
Net book value					
31 October 2008	55,000	104,908	48,137	341,890	549,935
			2007		
Cost					
1 November 2006	3,900	48,569	89,684	915,951	1,058,104
Additions	-	-	11,757	194,764	206,521
Disposals	-	-	-	(24,586)	(24,586)
31 October 2007	3,900	48,569	101,441	1,086,129	1,240,039
Accumulated depreciation					
1 November 2006	-	16,029	69,015	523,052	608,096
Charge for the year	-	1,214	3,968	141,558	146,740
Relieved on disposals	-	-	-	(17,362)	(17,362)
31 October 2007	-	17,243	72,983	647,248	737,474
Net book value					
31 October 2007	3,900	31,326	28,458	438,881	502,565

10. Property, Plant and Equipment (Continued)

	The Bank				
	Land $'000	Buildings $'000	Leasehold Improvements $'000	Equipment, Furniture and Vehicles $'000	Total $'000
			2008		
Cost					
1 November 2007	3,900	48,569	101,396	1,080,800	1,234,665
Additions	-	28,375	2,781	141,711	172,867
Disposals	(150)	-	(125)	(11,365)	(11,640)
Transfers	51,250	47,021	24,901	(123,172)	
31 October 2008	55,000	123,965	128,953	1,087,974	1,395,892
Accumulated depreciation					
1 November 2007	-	17,243	72,983	644,624	734,850
Charge for the year	-	1,814	7,893	110,275	119,982
Relieved on disposals	-	-	(15)	(6,792)	(6,807)
31 October 2008	-	19,057	80,861	748,107	848,025
Net book value					
31 October 2008	55,000	104,908	48,092	339,867	547,867
			2007		
Cost					
1 November 2006	3,900	48,569	89,639	910,980	1,053,088
Additions	-	-	11,757	194,406	206,163
Disposals	-	-	-	(24,586)	(24,586)
31 October 2007	3,900	48,569	101,396	1,080,800	1,234,665
Accumulated depreciation					
1 November 2006	-	16,029	69,015	521,237	606,281
Charge for the year	-	1,214	3,968	140,749	145,931
Relieved on disposals	-	-	-	(17,362)	(17,362)
31 October 2007	-	17,243	72,983	644,624	734,850
Net book value					
31 October 2007	3,900	31,326	28,413	436,176	499,815

Included in the table above are amounts totaling $14,430,000 (2007 – $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 $106,744,000 (2007 - $196,052,000) for the Group and the Bank relating to work-in-progress on which no depreciation has been charged.

11. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 33 1/3% for the Bank and 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	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets	**9,644**	4,499	**-**	-
Deferred tax liabilities	**(182,756)**	(218,430)	**(182,756)**	(218,430)
	(173,112)	(213,931)	**(182,756)**	(218,430)

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

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Balance as at 1 November	**213,931**	129,000	**218,430**	132,105
(Credit)/charge to the income statement	**(40,819)**	84,931	**(35,674)**	86,325
Balance as at 31 October	**173,112**	213,931	**182,756**	218,430

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

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets				
Loan loss provisions	**3,771**	2,748	**-**	-
Unrealised foreign exchange losses	**4,067**	-	**4,067**	-
Post-retirement medical and insurance benefits18,978	**25,267**	18,240	**24,400**	
Other provisions	**98,302**	99,361	**86,306**	90,254
	125,118	127,376	**108,613**	114,654
Deferred tax liabilities				
Defined benefit pension scheme	**274,273**	275,755	**268,687**	268,156
Unrealised foreign exchange gains	**1,075**	37,177	**-**	36,870
Loan loss provisions	**6,165**	4,710	**6,165**	4,710
Accelerated tax depreciation	**16,581**	23,452	**16,517**	23,348
Other	**136**	213	**-**	-
	298,230	341,307	**291,369**	333,084
Net deferred tax liability	**173,112**	213,931	**182,756**	218,430

11. Deferred Income Taxes (Continued)

Deferred income tax liabilities have not been provided for on the withholding and other taxes that would be payable on the undistributed earnings of the subsidiary to the extent that such earnings are permanently reinvested. At 31 October 2008, such earnings totaled $550,000 (2007 - $110,179,000).

12. Retirement Benefit Asset/(Obligation)

Amounts recognised in the balance sheet:

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Defined benefit pension scheme	**824,680**	829,800	**806,060**	804,470
Other post retirement benefits	**(57,180)**	(76,090)	**(54,720)**	(73,200)

(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 2008.

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

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Fair value of plan asset	**2,128,070**	1,768,020	**2,080,020**	1,725,420
Present value of funded obligation	**(1,080,630)**	(797,090)	(1,056,230)	(777,880)
Unrecognised actuarial gains	**(222,760)**	(141,130)	**(217,730)**	(143,070)
Asset in the balance sheet	**824,680**	829,800	806,060	804,470

At 31 October 2008, pension plan assets include the Parent's ordinary stock units with a fair value of$40,640,000 (2007 – $47,414,000).

Movements in the asset recognised in the balance sheet:

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
At 1 November	**829,800**	722,141	**804,470**	699,419
Credit for the year	**(6,730)**	91,150	**20**	88,940
Contributions paid	**1,610**	16,509	**1,570**	16,111
At 31 October	**824,680**	829,800	**806,060**	804,470

12. Retirement Benefit Asset/(Obligation) (Continued)

(a) Defined benefit pension scheme (Continued)

Changes in the fair value of plan asset are as follows:

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Fair value of plan asset at start of year	**1,768,020**	1,449,736	**1,725,420**	1,407,360
Expected return on plan asset	**233,510**	214,474	**228,240**	209,320
Contributions	**1,610**	16,510	**1,570**	16,110
Benefits paid during year	**(38,370)**	(16,230)	**(37,500)**	(15,840)
Actuarial gain (loss) on plan asset	**163,300**	103,530	**162,290**	108,470
Fair value of plant asset at end of year	**2,128,070**	1,768,020	**2,080,020**	1,725,420

Changes in the present value of obligation are as follows:

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Present value of obligation at start of year	**797,090**	595,840	**777,880**	578,430
Interest cost	**109,520**	88,260	**107,050**	86,140
Current service cost	**44,830**	38,450	**43,820**	37,510
Benefits paid during year	**(38,370)**	(16,230)	**(37,500)**	(15,840)
Actuarial loss on plan obligation	**167,560**	90,770	**164,980**	91,640
Present value of obligation at end of year	**1,080,630**	797,090	**1,056,230**	777,880

The amounts recognised in the statement of income are as follows:

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Current service cost, net of employee contributions	**44,830**	38,450	**43,820**	37,510
Interest cost	**109,520**	88,260	**107,050**	86,140
Expected return on plan assets	**(233,510)**	(214,480)	**(228,240)**	(209,310)
Amount not recognised – Economic value of surplus	**85,890**	-	**77,350**	-
Actuarial gains recognised during the year	**-**	(3,380)	**-**	(3,280)
Included in staff costs (Note 25)	**6,730**	(91,150)	**(20)**	(88,940)
Actual return on plan asset	**396,800**	318,010	**390,520**	317,790

12. Retirement Benefit Asset/(Obligation) (Continued)

The principal actuarial assumptions used were as follows:

	The Group and The Bank	
	2008	**2007**
Discount rate	**13.0%**	12.5%
Expected return on plan assets	**12.5%**	12.5%
Future salary increases	**12.0%**	11.0%
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.

The last actuarial valuation to determine the adequacy of funding done as at 31 October 2008 revealed that the scheme was adequately funded at that date.

(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 5% per year (2007 – 5%).

The amounts recognised in the balance sheet are as follows:

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Present value of unfunded obligations	**11,360**	9,420	**11,100**	9,190
Unrecognised actuarial gains	**45,820**	66,670	**43,620**	64,010
Liability in the balance sheet	**57,180**	76,090	**54,720**	73,200

Movements in the obligation recognised in the balance sheet:

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Obligation at beginning of year	**76,090**	135,418	**73,200**	131,097
Charge for the year	**(17,920)**	(58,510)	**(17,520)**	(57,100)
Contributions paid	**(990)**	(818)	**(960)**	(797)
Obligation at end of year	**57,180**	76,090	**54,720**	73,200

12. Retirement Benefit Asset/(Obligation) (Continued)

The amounts recognised in the statement of income are as follows:

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Current service cost	**80**	2,460	**80**	2,400
Interest cost	**1,210**	4,800	**1,180**	4,680
Curtailment gains	**-**	(5,480)	**-**	(5,350)
Actuarial gains recognised in year	**(19,210)**	(60,290)	**(18,780)**	(58,830)
Total included in staff costs (Note 25)	**(17,920)**	(58,510)	**(17,520)**	(57,100)

13. Customer Deposits

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Individuals	**14,568,518**	9,690,350	**12,656,876**	8,929,722
Business and Government	**10,424,046**	15,537,248	**10,306,610**	14,659,763
Banks	**16,079,097**	8,121,829	**15,558,433**	8,007,385
	41,071,661	33,349,427	**38,521,919**	31,596,870
Interest payable	**297,306**	173,578	**220,659**	161,472
	41,368,967	33,523,005	**38,742,578**	31,758,342

14. Other Liabilities

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Accounts payable and accruals	**559,259**	461,700	**472,355**	401,033
Withholding tax	**8,395**	20,557	**-**	2,801
Other	**79,689**	88,744	**75,296**	84,983
	647,343	571,001	**547, 651**	488,817

15. Debt Securities In Issue

	The Group and Bank	
	2008	**2007**
	$'000	**$'000**
Floating rate notes due 2012	**499,950**	1,500,000
Interest payable	-	2,217
	499,950	1,502,217

In April 2007, the Group issued redeemable floating rate notes with a face value of $1,500,000 due April 2012. During the year the Group redeemed $1,000,050 of these notes. The interest on the notes will be payable at a rate of weighted average Government Growth Treasury Bill of 11.65% plus 1.65% per annum. The average effective interest rate during 2008 was 15.85% (2007:13.30%).

16. Share Capital and Reserves

	The Group and Bank	
	2008	**2007**
	No. of shares	**No. of shares**
	(000)	(000)
Share Capital		
Authorised -		
Ordinary shares	**300,000**	300,000

	The Group and Bank	
Issued and fully paid -	**2008**	**2007**
	$'000	**$'000**
265,756,730 Ordinary stock units	**1,396,667**	1,396,667

Objectives, policies and procedures

Capital strength provides protection for depositors and creditors, allows the Bank to undertake profitable business opportunities as they arise and helps maintain favourable credit ratings. In December 2007, the International Credit Agency, Standard & Poors, reconfirmed our A- Stable credit rating, which the Bank has held since it was first issued in October 2002.

The Bank's objective is to employ a strong and efficient capital base. It manages capital in accordance with policies established by the Board. These policies relate to capital strength, capital mix, dividends and return of capital, and the unconsolidated capital adequacy of regulated entities. Each policy has associated guidelines, and capital is monitored continuously for compliance.

16. Share Capital and Reserves (Continued)

Objectives, policies and procedures (Continued)

Each year a capital plan and three-year outlook are established, which encompass all the associated elements of capital: forecasts of sources and uses, maturities, redemptions, new issuance, corporate initiatives, and business growth. The capital plan is stress-tested in various ways to ensure that it is sufficiently robust under all reasonable scenarios. All of the elements of capital are monitored throughout the year, and the capital plan is adjusted as appropriate.

There were no significant changes made in the objectives, policies and procedures during the year.

Regulatory requirements

The Bank's regulatory capital requirements are determined in accordance with guidelines issued by the Central Bank of Jamaica. These guidelines evolve from the framework of risk-based capital standards developed by the Basel Committee, Bank of International Settlement.

Capital standards require that banks maintain minimum Tier 1 and Total capital ratios of 4% and 8% respectively. The Central Bank of Jamaica has established that Jamaican deposit-taking financial institutions maintain Tier 1 and Total capital ratios of 5% and 10%, respectively. During the year, the Bank complied in full with all of its regulatory capital requirements.

Regulatory capital

Regulatory capital consists of Tier 1 and Tier 2 capital, less certain deductions. Tier 1 Capital is comprised of common stock, less goodwill and other deductions. Tier 2 Capital principally comprises hybrid capital instruments.

In 2008, both Tier 1 and Total Capital ratios were 19.7% and 20.9%, respectively (2007 – 21.3% and 22.5%, respectively).

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Capital reserves (Note 17)	12,833	12,833	12,833	12,833
Fair value reserve – available-for-sale investment securities (Note 18)	20,832	26,401	20,832	26,401
Statutory reserve fund (Note 19)	2,096,667	1,156,667	1,791,667	1,011,667
Retained earnings reserve (Note 20)	1,776,163	1,776,163	1,640,666	1,640,666
Loan loss reserve (Note 21)	360,230	323,748	304,026	297,893
Building Society reserve (Note 22)	45,522	45,522	-	-
Total share capital and reserves at end of the year	4,312,247	3,341,334	3,770,024	2,989,460

17. Capital Reserves

	The Group		The Bank	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Comprised:				
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

18. Fair Value Reserves – Available For Sale Investment Securities

	The Group		The Bank	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Balance at beginning of year	26,401	27,622	26,401	27,622
Fair value (losses)/gains on available for sale investments during the year	(5,569)	(1,221)	(5,569)	(1,221)
Balance at end of the year	20,832	26,401	20,832	26,401

19. Statutory Reserve Fund

	The Group		The Bank	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Balance at beginning of year	1,156,667	696,667	1,011,667	611,667
Transfer from retained earnings	940,000	460,000	780,000	400,000
Balance at end of the year	2,096,667	1,156,667	1,791,667	1,011,667

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.

20. Retained Earnings Reserve

	The Group		The Bank	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Balance at beginning of year	1,776,163	1,776,163	1,640,666	1,640,666
Transfer from retained earnings	-	-	-	-
Balance at end of the year	1,776,163	1,776,163	1,640,666	1,640,666

Sections 2 of the Banking Act 1992 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.

21. Loan Loss Reserve

	The Group		The Bank	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Balance at beginning of year	323,748	188,919	297,893	163,064
Transfer from retained earnings	36,482	134,829	6,133	134,829
Balance at end of the year	360,230	323,748	304,026	297,893

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 9).

22. Building Society Reserve

	The Group		The Bank	
	2008	2007	2008	2007
	$'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.

23. Net Interest Income

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Interest and similar income:				
Cash & short term funds and due from banks	747,074	372,602	1,135,859	618,155
Investment securities	166,541	175,032	166,541	175,032
Loans and advances	4,028,487	3,757,851	3,306,991	3,166,543
Repurchase agreements and other	35,362	43,123	9,873	22,743
	4,977,464	4,348,608	4,619,264	3,982,473
Interest and similar expense:				
Customer deposits	(1,650,838)	(1,628,154)	(1,490,331)	(1,497,820)
Debt securities in issue	(231,173)	(120,520)	(231,173)	(120,520)
	(1,882,011)	(1,748,674)	(1,721,504)	(1,618,340)
Net interest income	3,095,453	2,599,934	2,897,760	2,364,133

24. Other Operating Income

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Net fees and commissions	334,339	427,068	333,693	421,990
Foreign exchange transactional net gains	277,029	182,111	278,800	182,111
Foreign exchange revaluation net gains	(8,617)	111,632	(12,201)	110,610
Trading securities net losses	(21,669)	(43,465)	(21,669)	(43,945)
Other operating income	13,398	4,213	-	-
	594,480	681,559	578,623	670,766

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

25. Operating Expenses

	The Group		The Bank	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Staff costs	1,108,531	837,102	1,065,509	798,513
Depreciation	120,789	146,740	119,982	145,931
Occupancy costs	270,693	229,353	265,121	224,810
Other operating expenses	812,482	796,425	782,301	765,992
	2,312,495	2,009,620	2,232,913	1,935,246

Analysis of staff costs:

	The Group		The Bank	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Wages and salaries	876,442	799,303	845,645	763,878
Pension costs –				
Defined benefit plan (Note 12)	6,730	(91,150)	(20)	(88,940)
Defined contribution plan	46,599	9,180	46,433	8,942
Other post retirement benefits (Note 12)	(17,920)	(58,510)	(17,520)	(57,100)
Share-based payments	17,167	7,368	17,167	6,865
Other staff-related costs	179,513	170,911	173,804	164,868
	1,108,531	837,102	1,065,509	798,513

26. Income Before Taxation

Income before taxation is stated after charging:

	The Group		The Bank	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Depreciation	120,789	146,740	119,982	145,931
Directors' emoluments –				
Fees	3,127	2,737	2,869	2,316
Management remuneration	42,509	27,745	33,279	27,745
Management fees	78,272	134,237	63,632	119,749
Auditors' remuneration –				
Current year	9,602	7,682	7,857	6,251
Prior year	-	197	-	197

27. Taxation

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

	The Group		The Bank	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current year income tax	452,776	302,095	411,975	257,552
Adjustment to prior year provision	(533)	(8,569)	(536)	(8,528)
	452,243	293,526	411,439	249,024
Deferred tax	(40,819)	84,931	(35,674)	86,325
	411,424	378,457	375,765	335,349

Income tax is calculated at the rate of 33 1/3% for the Bank 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	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Income before taxation	1,246,477	1,149,580	1,128,078	1,006,288
Tax calculated at 33 1/3%	415,492	383,193	376,026	335,429
Effect of:				
Different tax rate applicable to mortgage financing subsidiary	(3,946)	(4,777)	-	-
Prior year under provision	(533)	12,047	(536)	8,505
Tax free investment income	(1,976)	(13,393)	(1,976)	(13,405)
Expenses not deductible for tax purposes	3,313	287	3,313	273
Other charges and allowances	(926)	1,100	(1,062)	4,547
	411,424	378,457	375,765	335,349

28. Net Income For The Year

	2008 $'000	2007 $'000
The net income for the year is dealt with as follows in the financial statements of:		
The Bank	752,313	670,939
Subsidiary	82,740	100,184
	835,053	771,123

29. Earnings Per Stock Unit

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

	2008	2007
Net income for the year ($'000)	**835,053**	771,123
Weighted average number of ordinary stock units in issue ('000)	**265,757**	265,757
Earnings per stock unit ($)	**3.14**	2.90

30. 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.

(a) Transactions and balances with FirstCaribbean entities and their associates

	The Group		The Bank	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
FirstCaribbean International Bank Limited:				
Management fees payable	**266,804**	188,532	**231,589**	167,957
Net receivable	**446,265**	488,721	**481,480**	488,770
Other FirstCaribbean entities:				
Interest expense	**480,684**	550,272	**477,100**	531,802
Deposits by other FirstCaribbean entities	**13,555,944**	8,172,709	**13,038,833**	8,011,956
Due from subsidiary	-	-	**4,010,778**	3,163,900
Affiliates:				
CIBC:				
Interest income	**20,239**	20,239	-	
Interest expense	**1,170**	7,646	**1,170**	7,646
Due to CIBC entities	-	647,210	-	647,210
Customer deposits	**1,347**	-	**1,347**	-
Cash & Due from banks	**416,575**	-	**416,575**	-
Loans and advances to customers	**95**	-	**95**	-

30. Related Party Transactions (Continued)

(b) Transactions and balances with directors

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Loans outstanding	51,543	69,739	21,237	26,982
Deposits with FirstCaribbean entities	14,418	8,064	14,418	7,821
Interest income	4,718	4,815	2,184	960
Interest expense	299	509	299	238
Directors' fees	3,127	2,737	2,869	2,316
Management remuneration paid (included below)	42,509	27,745	33,279	27,745

(c) Key management remuneration paid during the year

	The Group		The Bank	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Wages and salaries	113,037	84,354	106,981	76,579
Statutory contributions	9,625	5,832	9,097	5,315

31. Commitments

(a) Future rental commitments under operating leases

At 31 October 2008, the Bank held leases on buildings for extended periods. The future rental commitments under these leases were as follows:

	2008	2007
	$'000	$'000
Not later than 1 year	**166,352**	125,800
Later than 1 year and less than 5 years	**305,339**	819,903
Later than 5 years	**-**	54,206
	471,691	999,909

(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	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Guarantees and indemnities	**678,156**	535,993	**678,156**	535,993
Letters of credit	**950,915**	325,651	**950,915**	325,651
Loan commitments	**5,503,030**	5,507,001	**3,785,440**	4,075,222
	7,132,101	6,368,645	**5,414,511**	4,936,866

32. Contingencies

The Group, because of the nature of its businesses, is subject to various threatened or filed legal actions. At 31 October 2008 material claims filed amounted to approximately $2,140,392,000 (2007 - $2,011,652,000). The majority of this amount relates to a specific counter claim of approximately $1,993,155,000 (2007 - $1,992,259,000), 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 $359,656,000 (2007 – $315,738,000). 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.

33. Pledged Assets

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

	The Group			
	Asset		Related Liability	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Statutory reserves at Bank of Jamaica (Note 3)	2,846,624	2,677,515	-	-
Securities (see note below)	285,000	375,000	-	-
	3,131,624	3,052,515	-	-

	The Bank			
	Asset		Related Liability	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Statutory reserves at Bank of Jamaica (Note 3)	2,730,789	2,615,596	-	-
Securities (see note below)	260,000	350,000	-	-
	2,990,789	2,965,596	-	-

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

34. Business Segments

The Group operates five main lines of business organised along customer segments, but also includes Treasury, Sales and Trading (TST) as a reportable segment.

Retail Banking (Retail) is organised along three product lines: Home Finance (mortgages), Consumer Finance and Insurance.

Corporate Banking (Corporate) comprises two customer sub-segments: Corporate Business and Small Business Banking. Corporate Banking offers deposit and investment products, borrowing and cash management products, point of sale and on demand services, foreign exchange and trade finance products and services.

Wealth Management (WM) comprises Premier Banking and International Mortgages. The Premier Banking segment offers each client a personal relationship manager. The International Mortgage group provides funding in U.S. dollars, Euros or Sterling to residents and non-residents of Jamaica seeking to purchase second homes in Jamaica for personal use or as an investment.

Capital Markets (CM) provide issuers and investors with access to larger pools of capital resources and greater investment opportunities. It acts for, and on behalf of, large business, institutions and sovereign clients who seek both equity and debt capital instruments and facilitates the development and expansion of available investment banking products.

Credit Card (Cards) is responsible for both the issuance and acceptance of credit cards. The issuing side of Cards offers four (4) key product types, namely VISA Classic, VISA Gold, VISA Platinum and MasterCard and the acceptance side of Cards accepts/acquires on behalf of the global leading credit card associations, namely VISA, MasterCard, American Express and Discover. All customer segments are served with a range of Commercial and Consumer Cards, including Co-Branded Cards.

Treasury, Sales and Trading (TST) manages the interest rate, foreign exchange and liquidity risks of the Bank. In addition, TST 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. 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 intangible assets.

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

The Group's operations are located solely in Jamaica.

34. Business Segments (Continued)

	2008					
	Retail Banking $'000	**Corporate Banking $'000**	**Others $'000**	**Unallocated Support Units $'000**	**Eliminations $'000**	**Group $'000**
External revenues	1,463,660	2,751,212	1,461,749	(104,677)	-	5,571,944
Revenues from other segments	622,991	103,195	(336,384)	-	(389,802)	-
Total revenues	2,086,651	2,854,407	1,125,365	(104,677)	(389,802)	5,571,944
Income before taxation	303,679	1,910,587	126,278	(1,094,067)	-	1, 246,477
Taxation						(411,424)
Income for the year					-	835,053
Segment assets	21,815,712	25,935,277	6,294,658	-	(4,429,223)	49,616,424
Unallocated assets						9,644
Total assets						49,626,068
Segment liabilities	15,753,741	21,885,663	9,203,017	-	(4,058,125)	42,784,296
Unallocated liabilities						394,629
Total liabilities						43,178,925
Other segment information						
Capital expenditure	102,418	416	70,158	-	-	172,992
Depreciation	47,314	600	72,875	-	-	120,789
Loan impairment losses	54,939	39,391	36,631	-	-	130,961

34. Business Segments (Continued)

	2007					
	Retail Banking $'000	**Corporate Banking $'000**	**Others $'000**	**Unallocated Support Units $'000**	**Eliminations $'000**	**Group $'000**
31 October 2007						
External revenues	1,428,698	2,286,024	1,302,802	12,643	-	5,030,167
Revenues from other segments	521,365	(132,652)	(128,905)	-	(259,808)	-
Total revenues	1,950,063	2,153,372	1,173,897	12,643	(259,808)	5,030,167
Income before taxation	242,755	1,300,727	406,463	(800,365)	-	1,149,580
Taxation						(378,457)
Income for the year						771,123
Segment assets	19,968,096	20,341,565	4,884,923	-	(3,527,900)	41,666,684
Unallocated assets						4,499
Total assets						41,671,183
Segment liabilities	13,932,194	17,847,177	7,137,942	-	(3,163,900)	35,753,413
Unallocated liabilities						300,111
Total liabilities						36,053,524
Other segment information						
Capital expenditure	156,137	657	49,727	-	-	206,521
Depreciation	33,191	408	113,141	-	-	146,740
Loan impairment losses	81,951	50,686	(10,344)	-	-	122,293

The Wealth Management, Capital Markets, Cards, Treasury, Sales and Trading segments have been consolidated and represented in Others. Individually the contribution of these segments is less than 10% of total revenue, and profits and does not exceed more than 10% of the total assets of all segments.

35. Financial Risk Management

(a) Strategy in using financial instruments

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

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

(b) Credit risk

Credit risk primarily arises from direct lending activities, as well as from trading, investment and hedging activities. Credit risk is defined as the risk of financial loss due to a borrower or counter party failing to meet its obligations in accordance with agreed terms.

<u>Process and Control</u>

The Credit Risk Management Department (CRMD) is responsible for the provision of the Group's adjudication, oversight and management of credit risk within its portfolios, including the measurement, monitoring and control of credit risk.

The CRMD's credit risk approval authority flows from the Board of Directors and are further delegated to the Chairman and the Chief Risk Officer (CRO). The department is guided by the Group's Delegation of Authority Policy. Delegation is based on exposure and risk level; where the credit decision relates to larger and or higher risk transactions the Credit Committee (CC) is responsible for the final decision.

The Risk and Conduct Review Committee (R&CRC) is responsible for approving policy requirements and key risk limits.

<u>Credit Risk Limits</u>

Credit limits are established for all loans (mortgages, personal and business & government) for the purposes of diversification and managing concentration. These include limits for individual borrowers, groups of related borrowers, industry sectors, and products or portfolios. The Group does not have excessive concentration in any single borrower, or related group of borrowers, or industry sector.

<u>Collateral</u>

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances to customers are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

35. Financial Risk Management (Continued)

(b) Credit risk (continued)

The Group's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Group's credit exposure.

Exposures by Industry Groups

The following table provides an industry-wide break down of total exposures by industry groups:

	The Group					
	2008			2007		
	Loans and Leases $'000	Acceptances, Guarantees and Letters of Credit $'000	Total 2008 $'000	Loans and Leases $'000	Acceptances, Guarantees and Letters of Credit $'000	Total 2007 $'000
Agriculture, fishing and mining	76,341	6,275	82,616	145,883	6,275	152,158
Construction	347,278	-	347,278	344,842	107,398	452,240
Distribution	5,507,607	41,270	5,548,877	6,520,829	36,534	6,557,363
Electricity, gas and water	1,766,747	394,900	2,161,647	716,469	711,000	1,427,469
Financial institutions	716,382	500	716,882	392,604	500	393,104
Government and public entities	1,301,121	10,853	1,311,974	2,643,590	10,172	2,653,762
Manufacturing and production	2,346,993	33,005	2,379,998	573,374	132,587	705,961
Personal	13,255,927	3,215,508	16,471,435	10,789,644	2,799,159	13,588,803
Professional and other services	1,296,574	2,515,559	3,812,133	1,010,414	1,654,441	2,664,855
Tourism and entertainment	5,836,237	41,645	5,877,882	5,637,623	188,421	5,826,044
Transport, storage and communication	2,849,809	872,586	3,722,395	2,765,492	722,158	3,487,650
Total	35,301,016	7,132,101	42,433,117	31,540,764	6,368,645	37,909,409
Provision for credit losses			(429,461)			(334,126)
			42,003,656			37,575,283

35. Financial Risk Management (Continued)

(b) Credit risk (Continued)

Exposures by Industry Groups (Continued)

The Group	The Bank 2008 Loans and Leases $'000	2008 Acceptances, Guarantees and Letters of Credit $'000	Total 2008 $'000	2007 Loans and Leases $'000	2007 Acceptances, Guarantees and Letters of Credit $'000	Total 2007 $'000
Agriculture, fishing and mining	76,341	6,275	82,616	145,883	6,275	152,158
Construction	347,278	-	347,278	344,842	107,398	452,240
Distribution	5,507,607	41,270	5,548,877	6,514,041	36,534	6,550,575
Electricity, gas and water	1,766,747	394,900	2,161,647	716,469	711,000	1,427,469
Financial institutions	716,382	500	716,882	392,604	500	393,104
Government and public entities	1,301,121	10,853	1,311,974	2,643,590	10,172	2,653,762
Manufacturing and production	2,340,892	33,006	2,373,898	566,977	132,587	699,564
Personal	6,238,352	1,497,917	7,736,269	5,404,744	1,367,380	6,772,124
Professional and other services	1,240,093	2,515,559	3,755,652	966,934	1,654,441	2,621,375
Tourism and entertainment	5,836,237	41,645	5,877,882	5,572,261	188,421	5,760,682
Transport, storage and communication	2,849,809	872,586	3,722,395	2,765,492	722,158	3,487,650
Total	28,220,859	5,414,511	33,635,370	26,033,837	4,936,866	30,973,703
Provision for credit losses			(363,411)			(283,645)
			33,271,959			30,690,058

Impaired Financial Assets and Provision for Credit Losses

The Group takes on exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one counter party, borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The exposure to any one counter party including banks and brokers is further restricted by sub-limits covering on and off balance sheet exposures. Actual exposures against limits are monitored daily.

35. Financial Risk Management (Continued)

(b) Credit risk (Continued)

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

Derivatives

The Group maintains strict control limits on net open derivative positions, that is, the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Master Netting Arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period since it is affected by each transaction subject to the arrangement.

Credit Related Commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Maximum Exposure to Credit Risk

The maximum exposure to credit risk would be all balance sheet carrying values of all financial assets plus the off-balance sheet contingent liabilities and commitments [these disclosures are shown in note 31(b)]. The gross maximum exposure would be before allowance for credit losses and the effect of mitigation through the use of master netting and collateral arrangements.

35. **Financial Risk Management** (Continued)

(b) **Credit risk** (Continued)

The maximum exposure to credit risk within the customer loan portfolio would be all the balance sheet carrying values plus the off-balance sheet loan commitment amounts [these disclosures are shown in Note 35(b)]. The gross maximum exposure within the customer loan portfolio would be before provision for credit losses and the effect of mitigation through the use of master netting and collateral arrangements, plus the off-balance sheet loan commitments amount.

(c) **Geographical concentration of assets, liabilities, off-balance sheet items, revenues and capital expenditure**

The Group operates in only the Jamaican geographical market.

(d) **Credit rating system and credit quality per class of financial assets**

Credit Quality
A mapping between the Group's internal ratings and the ratings used by external agencies is shown in the table below. As part of the Group's risk-rating methodology, the risk assessed includes a review of external ratings of the obligor. The obligor rating assessment takes into consideration the Group's financial assessment of the obligor, the industry, and the economic environment of the country in which the obligor operates. In certain circumstances, where a guarantee from a third party exists, both the obligor and the guarantor will be assessed.

Quality per FCIB	**Standard & Poor's equivalent**	**Moody's Investor Services**
High grade	AAA to BBB-	Aaa to Baa3
Standard	BB+ to B-	Ba to B3
Substandard	CCC+ to CC	Caa1 to Ca
Impaired	D	C

A credit scoring methodology is used to assess personal customers and a grading model is used for Corporate clients. As well, an ageing analysis of the portfolio assists in the development of a consistent internal-risk rating system. This risk rating system is used for portfolio management, risk limit setting, product pricing, and in the determination of economic capital.

The effectiveness of the risk rating system and the parameters associated with the risk ratings are monitored within Credit Risk Management and are subject to an annual review.

The credit quality of financial assets is managed using internal credit ratings.

35. Financial Risk Management (Continued)

(d) Credit rating system and credit quality per class of financial assets (Continued)

Credit Quality (Continued)

The table below shows the credit quality by class of asset for gross loans and advances to customers, based on our internal credit rating system. Amounts provided are before allowance for credit losses, and after credit risk mitigation, valuation adjustments related to the financial guarantors, and collateral on agreements.

	The Group 2008				
	Performing				
Grade Description	**High Grade $'000**	**Standard Grade $'000**	**Sub Standard Grade $'000**	**Impaired $'000**	**2008 Total $'000**
Loans and advances to customers:					
Mortgages	5,550,964	1,333,798	-	195,395	7,080,157
Personal loans	4,510,148	2,572,668	-	394,950	7,477,766
Business & government loans	14,443,169	6,111,772	-	188,152	20,743,093
Total	24,504,281	10,018,238	-	778,497	35,301,016

	The Group 2007				
	Performing				
Grade Description	**High Grade $'000**	**Standard Grade $'000**	**Sub Standard Grade $'000**	**Impaired $'000**	**2007 Total $'000**
Loans and advances to customers:					
Mortgages	4,317,524	1,040,033	-	149,370	5,506,927
Personal loans	4,160,627	2,416,461	-	321,176	6,898,264
Business & government loans	13,323,872	5,658,694	-	153,007	19,135,573
Total	21,802,023	9,115,188	-	623,553	31,540,764

35. **Financial Risk Management (Continued)**

(d) **Credit rating system and credit quality per class of financial assets (Continued)**

Credit Quality (Continued)

	The Bank				
	2008				
	Performing				
Grade description	**High Grade $'000**	**Standard Grade $'000**	**Sub Standard Grade $'000**	**Impaired $'000**	**2008 Total $'000**
Loans and advances to customers:					
Mortgages	-	-	-	-	-
Personal loans	4,510,148	2,572,668	-	394,950	7,477,766
Business & government loans	14,443,169	6,111,772	-	188,152	20,743,093
Total	18,953,317	8,684,440	-	583,102	28,220,859

	The Bank				
	2007				
	Performing				
Grade description	**High Grade $'000**	**Standard Grade $'000**	**Sub Standard Grade $'000**	**Impaired $'000**	**2008 Total $'000**
Loans and advances to customers					
Mortgages	-	-	-	-	-
Personal loans	4,160,626	2,416,462	-	321,176	6,898,264
Business & government loans	13,323,872	5,658,694	-	153,007	19,135,573
Total	17,484,498	8,075,156	-	474,183	26,033,837

(e) **Market Risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables. Market risk arises from positions in securities and derivatives as well as from the core retail, wealth and corporate businesses. The key risks to the Group are foreign exchange, interest rate and credit spread. Management of market risk within the Group is centralised at the FirstCairbbean International Bank Limited (Parent Group) level which mirrors the way that the hard currencies are managed by Treasury Sales and Trading and although the local currency exposures are managed in their respective geographic regions, these exposures are still monitored, measured and controlled centrally from a market risk perspective.

35. **Financial Risk Management** (Continued)

(e) **Market Risk** (Continued)

Policies and Standards:
The Parent Group has a comprehensive policy for market risk management related to its identification and to the measurement monitoring and control of those risks. This policy is reviewed and approved annually by the Risk and Conduct Review Committee. The policy includes the annual approval of the Board limits which is used by the Parent Group to establish explicit risk tolerances expressed in term of the four main risk measures mentioned below. There is a three tiered approach to limits at the Parent Group. The highest level are those set at the Board level, and the second level which includes a "haircut" from the Board limits are the Chief Risk Officer limits. The third level of limit is for the Treasury Sales and Trading Group, which limits traders to specific size of deal, documented through a formal delegation letter and these are monitored.

Process & Control:
Market risk measures are monitored with differing degrees of frequency dependent upon the relative risk and speed with which the risk changes. FX positions, Value at risk (VaR) and certain profit & loss measures are all measured daily whereas others such as stress tests and credit spread sensitivity are performed on either a weekly or monthly basis. Detailed market risk compliance reports are produced and circulated to senior management on a monthly basis and a summary version is reported quarterly to the Parent Group Board.

Risk Measurement:
The Group has four main measures of market risk:
- Outright position, used predominantly for FX,
- Sensitivity to a 1 basis point move in a curve, used for both interest rate and credit spread risk,
- Value at Risk (VaR) measures for both interest rate risk and for non pegged currencies
- Stress scenarios based upon a combination of theoretical situations and historical events.

Position:
This risk measurement is used predominantly for the bank's foreign exchange business. The measure produced and reported daily focuses upon the outright long or short position in each currency from both a pre-structural and post structural basis. Any forward contracts or FX swaps are also incorporated.

Sensitivity:
The main two measures utilised by the Group are the DV01 (delta value of a 1 basis point move, also known as the PV01 or Present value of a 1 basis point move) and the CSDV01 (Credit Spread Delta of a 1 basis point move). The DV01 measure is calculated for a 1 basis point move down in the yield curve. This generates the effect on earnings by individual currency of a parallel shift down in the related yield curve. As curves rarely move in a parallel fashion it is measured across different tenors to ensure that there is not further curve risk of having for example a long position in the short end of the curve offset by a short position in the longer tenors. This is then utilised within the scenario analysis. The sensitivities are calculated using two different approaches a pre structural basis that focuses upon predominantly contractual date positions and also a post structural basis that considers core balances for non contractual maturities as well as assigning risk to capital and non product general ledger accounts as well as considering market specific pricing situations that exist in the region. The post structural methodology although calculated and reported at the Group for a number of years was significantly enhanced during 2008 and has been used as the input into the stress tests and the VaR models from August 2008.

35. Financial Risk Management (Continued)

(e) Market Risk (Continued)

Value at Risk:
The Group's Value at Risk ("VaR") methodology utilises the tested and validated CIBC parent models. It is a statistically and probability based approach that uses volatilities and correlations to quantify risk into dollar terms. VaR measures the potential loss from the adverse market movements that can occur overnight with a less than one percent probability of occurring under normal market conditions, based on equally weighted historical data. VaR uses numerous risk factors as inputs and is computed through the use of historical volatility of each risk factor and the associated correlations among them, evaluated over a one year period and updated on a regular basis. The use of these historical measures do cause a degree of limitation to its accuracy as it assumes that future price movements will follow a statistical distribution and thus may not clearly predict the future impact. The fact that VaR is an end of day measure and thus does not take into account intra moves is not a significant issue for the Group as neither the trading nor non trading portfolios are that active and the FX is controlled via trade and volume size limits. A further weakness of the VaR measure is that it does not estimate the effects of market variable moves outside of the ninety-nine percent parameter and hence may underestimate losses. To counter this, the Group has various stress measures to calculate potential tail event losses.

Stress testing & scenario analysis:
Stress testing and scenario analysis are designed to add insight to possible outcomes of abnormal (or tail event) market conditions and to highlight where risk concentrations could be a concern.

The Group has two distinct approaches to this. For the hard currency testing it sends its position sensitivity to CIBC and utilises the suite of measures that the parent company has developed. The stress testing measures the effect on our hard currency portfolio values over a wide range of extreme moves in market prices. The stress testing methodology assumes no actions are taken or are able to be taken during the event to mitigate the risk, reflecting the decreased liquidity that frequently accompanies market shocks. The scenario analysis approach again for the Group's hard currency exposures simulate an impact on earnings of extreme market events up to a period of one quarter. Scenarios are developed using actual historical data during periods of market disruption, or are based upon hypothetical occurrence of economic or political events or natural disasters and are designed by the parent company's economists, business leaders and risk managers. Examples of these would include the 1998 Russian led crisis, Fed Reserve tightening of 1994 and potential effects of revaluation of the Chinese currency. These tests are run on our behalf on a weekly basis.

The local currency stress tests are designed on a similar but smaller scale. For interest rate stresses, Market Risk in conjunction with Treasury Sales & Trading consider the market data over approximately the last ten years and identify the greatest curve or data point moves over both sixty day and single day periods. These are then applied to the existing positions/sensitivities of the Group. This is performed and reported on a monthly basis as they do not tend to change rapidly. For foreign exchange stresses the Group considers what the effect of a currency coming off a peg would have on the earnings of the Group. This is largely judgmental as it has happened so infrequently in the region and it is supplemented by some historical reviews both within the region and in other areas where pegged currency regimes have or do exist.

(expressed in Jamaican dollars unless otherwise indicated)

35. **Financial Risk Management** (Continued)

(e) **Market Risk** (Continued)

Foreign Exchange Risk
Foreign exchange (or currency) risk is defined as the risk that the value of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

Foreign exchange risk is measured, managed and monitored centrally from a Parent Group perspective and the results and analysis is disclosed in the Parent Group's financial statements. Notwithstanding this fact, foreign exchange risk analysis was prepared for Jamaica based on what was disclosed at the Parent Group level. As Parent Group's functional and presentation currency is in USD, the following analysis are all done in USD terms and the foreign exchange exposure and risk would be to currencies other than USD.

The following table highlights the currencies that Jamaica had significant exposures to at each year end in USD equivalent. It also highlights the measures used to monitor, measure and control that risk.

Foreign exchange exposure and risk

Position Long (Short) 2008	VaR 2008	Stressed Loss 2008	Average Position 2008	Average VaR 2008	Position Long (Short) 2007	VaR 2007	Stressed Loss 2007
$,000	$,000	$,000	$,000	$,000	$,000	$,000	$,000
6,886	88	2,746	(1,189)	31	(1,022)	1	82

During 2008 the Parent Group introduced a measure to quantify non trading foreign exchange risk, also referred to as post structural foreign exchange risk. This considers the effect of currency changes on investment in foreign operations, retained earnings and profit derived throughout the year in currencies other than the Parent Group's presentation currency of USD.

New capital policies were also introduced during the year to ensure that both foreign currency retained earnings and current year earnings are converted promptly to reduce the risk.

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

Analysis was conducted to determine the sensitivity to reasonable possible movements of selected currencies against the Jamaican dollar to which the Group had significant exposure at October 31, 2008 in respect of its assets and liabilities holding all other variables constant. The results revealed that as of October 31, 2008, if the Jamaican dollar had depreciated by 1% against foreign currencies, profit before tax for the year would have been $3,898,000 lower (2007 $4,347,000 higher) and shareholders equity would have been $3,898,000 lower (2007 - $8,152,000 higher).

The table below summarises the Group's exposure to foreign currency exchange rate risk at October 31.

35. Financial Risk Management (Continued)

(e) Market Risk (Continued)

Foreign Exchange Risk (Continued)

Concentrations of assets, liabilities and credit commitments:

	The Group							
	2008							
	EC	BDS	CAY	BAH	US	JA	Other	Total
As at 31 October 2008	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets								
Cash resources	97	3,162	426	-	1,286,822	6,875,088	118,254	8,283,849
Due from banks	(438)	(1,618)	2,058	68	2,662,874	(1,654,504)	856,847	1,865,287
Other assets	-	-	-	-	971,407	1,416,839	(707,149)	1,681,097
Investment securities	-	-	-	-	-	1,121,696	(20,168)	1,101,528
Deferred tax assets	-	-	-	-	-	9,644	-	9,644
Retirement benefit assets	-	-	-	-	-	824,680	-	824,680
Government securities purchased under resale agreements	-	-	-	-	-	262,066	-	262,066
Loans and advances to customers	-	-	-		19,495,442	15,065,822	375,366	34,936,630
Property, plant and equipment	-	-	-	-	306	549,629	-	549,935
Derivative financial instruments	-	-	-	-	-	111,352	-	111,352
Total assets	(341)	1,544	2,484	68	24,416,851	24,582,312	623,150	49,626,068
Deposits	-	-	-	-	23,838,702	16,079,310	1,450,955	41,368,967
Derivative financial instruments	-	-	-	-	210,858	-	-	210,858
Debt securities in issue	-	-	-	-	499,950	-	499,950	
Other borrowed funds	-	-	-	-	451,757	707,274	(511,688)	647,343
Other liabilities	-	-	-	-	-	211,871	-	211,871
Taxation payable	-	-	-	-	-	182,756	-	182,756
Deferred tax liabilities	-	-	-	-	-	57,180	-	57,180
Total liabilities	-	-	-	-	24,501,317	17,738,341	939,267	43,178,925
Net on balance sheet position	(341)	1,544	2,484	68	(84,466)	6,843,971	(316,117)	6,447,143
Credit commitments	-	-	-	-	2,262,493	4,869,117	491	7,132,101

35. Financial Risk Management (Continued)

(e) Market Risk (Continued)

Foreign Exchange Risk (Continued)

Concentrations of assets, liabilities and credit commitments:

	The Group							
	2007							
	EC	BDS	CAY	BAH	US	JA	Other	Total
As at 31 October 2007	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets								
Cash resources	55	325	151	55	759,185	3,367,674	654,728	4,782,173
Due from banks	2,753	7,119	182	1,622	890,739	(122,342)	724,276	1,505,349
Other assets	-	-	161	-	225,979	21,842	1,207,580	1,455,562
Investment securities	-	-	-	-	380,460	544,395	-	924,855
Deferred tax assets	-	-	-	-	-	4,499	-	4,499
Retirement benefit assets	-	-	-	-	-	829,800	-	829,800
Loans and advances to customers	-	-	-	-	11,585,641	19,823,865	-	31,409,506
Government securities purchased under resale agreements	-	-	-	-	-	212,077	-	212,077
Property, plant and equipment						502,565	-	502,565
Derivative financial instruments	-	-	-	-	-	44,797	-	44,797
Total assets	2,808	7,444	1,494	1,677	13,842,004	25,229,172	2,586,584	41,671,183
Liabilities								
Deposits	-	-	-	-	13,113,489	16,221,938	4,187,578	33,523,005
Derivative financial instruments	-	-	-	-	-	1,502,217	-	1,502,217
Other liabilities	-	-	-	-	598	570,403	-	571,001
Taxation payable	-	-	-	-	-	81,681	-	81,681
Deferred tax liabilities	-	-	-	-	-	218,430	-	218,430
Retirement benefit obligations						76,090	-	76,090
Total liabilities	-	-	-	-	13,195,187	18,670,759	4,187,578	36,053,524
Net on balance sheet position	2,808	7,444	494	1,677	646,817	6,558,413	(1,600,994)	5,617,659
Credit commitments	-	-	-	-	2,149,794	4,058,166	160,685	6,368,645

35. Financial Risk Management (Continued)

(e) Market Risk (Continued)

Foreign Exchange Risk (Continued)

(f) Liquidity risk

Liquidity risk arises from the Group's general funding activities in the course of managing assets and liabilities. It is the risk of having insufficient cash resources to meet current financial obligations without raising funds at unfavourable rates or selling assets on a forced basis.

The Group's liquidity management strategies seek to maintain sufficient liquid financial resources to continually fund the balance sheet under both normal and stressed market environments.

Process and Control

Actual and anticipated inflows and outflows of funds generated from on and off balance sheet exposures are managed on a daily basis within specific short term asset/liability mismatch limits by operational entity.

Potential cash flows under various stress scenarios are modelled using balance sheet positions. On a consolidated basis, prescribed liquidity levels under a selected benchmark stress scenario are maintained for a minimum time horizon.

Risk Measurement

The Group's liquidity measurement system provides daily liquidity risk exposure reports for monitoring and review by the Treasury department. The Group's Assets and Liabilities Committee – ALCO is responsible for recommending the liquidity ratio targets, the stress scenarios and the contingency funding plans. The Group's Board of Directors is ultimately responsible for the Group's liquidity.

The Group manages liquidity risk by maintaining a significant base of core customer deposits, liquid assets and access to contingent funding as part of its management of risk. Each operational entity has internally established specific liquidity requirements that are approved by the Group ALCO and reviewed annually.

The table below analyses assets, liabilities and off balance sheet positions of the Group and the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

35. Financial Risk Management (Continued)

(f) Liquidity risk (Continued)

	The Group					
	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 October 2008						
Cash and balances with Central Bank	8,283,849	-	-	-	-	8,283,849
Due from other banks	1,865,287	-	-	-	-	1,865,287
Derivative Financial Instruments	111,352	-	-	-	-	111,352
Other assets	1,681,097	-	-	-	-	1,681,097
Investment securities	107,836	70,728	500,000	422,964	-	1,101,528
Government securities purchased under resale agreements	121,105	140,961	-	-	-	262,066
Loans and advances to customers	4,226,639	4,632,587	6,918,303	19,159,101	-	34,936,630
Property, plant and equipment	-	-	549,935	-	-	549,935
Deferred tax assets	-	-	9,644	-	-	9,644
Retirement benefit asset	-	-	-	824,680	-	824,680
Total assets	16,397,165	4,844,276	7,977,882	20,406,745	-	49,626,068
Customer deposits	28,743,253	11,075,506	1,299,132	251,076	-	41,368,967
Derivative financial instruments	210,858	-	-	-	-	210,858
Other liabilities	647,343	-	-	-	-	647,343
Taxation payable	211,871	-	-	-	-	211,871
Deferred tax liabilities	-	-	-	182,756	-	182,756
Debt securities in issue	-	-	499,950	-	-	499,950
Retirement benefit obligation	-	-	-	57,180	-	57,180
Total liabilities	29,813,325	11,075,506	1,799,082	491,012	-	43,178,925
Net on balance sheet position	(13,416,160)	(6,231,230)	6,178,800	19,915,733	-	6,447,143
Off balance sheet position	5,820,739	1,133,055	41,660	136,647	-	7,132,101
As at 31 October 2007						
Total assets	14,307,774	3,714,678	7,064,074	16,584,657	-	41,671,183
Total liabilities	27,022,220	8,228,853	96,755	705,696	-	36,053,524
Net on balance sheet position	(12,714,446)	(4,514,175)	6,967,319	15,878,961	-	5,617,659
Off balance sheet position	4,249,984	1,241,002	737,316	140,343	-	6,368,645

35. Financial Risk Management (Continued)

(f) Liquidity risk (Continued)

	The Group					
	1 to 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**No Specific Maturity**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
As at 31 October 2008						
Cash and balances with Central Bank	8,168,013	-	-	-	-	8,168,013
Due from other banks	5,876,065	-	-	-	-	5,876,065
Derivative financial instruments	111,352	-	-	-	-	111,352
Other assets	1,389,154	-	-	-	-	1,389,154
Investment securities	107,836	70,728	500,000	786,964	-	1,465,528
Government securities purchased under resale agreements	43,285	12,326	-	-	-	55,611
Loans and advances to customers	4,035,707	4,537,566	6,807,579	12,544,841	-	27,925,693
Property, plant and equipment	-	-	547,867	-	-	547,867
Retirement benefit asset	-	-	-	806,060	-	806,060
Total assets	19,731,412	4,620,620	7,855,446	14,137,865	-	46,345,343
Customer deposits	29,259,213	9,071,481	163,284	248,600	-	38,742,578
Derivative financial instruments	210,858	-	-	-	-	210,858
Other liabilities	547,651	-	-	-	-	547,651
Taxation payable	204,479	-	-	-	-	204,479
Deferred tax liabilities	-	-	-	182,756	-	182,756
Debt securities in issue	-	-	499,950	-	-	499,950
Retirement benefit obligation	-	-	-	54,720	-	54,720
Total liabilities	30,222,201	9,071,481	663,234	486,076	-	40,442,992
Net on balance sheet position	(10,490,789)	(4,450,861)	7,192,212	13,651,789	-	5,902,351
Off balance sheet position	4,103,149	1,133,055	41,660	136,647	-	5,414,511
As at 31 October 2007						
Total assets	16,890,840	3,479,151	6,980,672	11,992,217	-	39,342,880
Total liabilities	25,332,519	8,057,260	94,688	702,806	-	34,187,273
Net on balance sheet position	(8,441,679)	(4,578,109)	6,885,984	11,289,411	-	5,155,607
Off balance sheet position	2,818,205	1,241,002	737,316	140,343	-	4,936,866

35. Financial Risk Management (Continued)

(g) Interest rate risk

Interest rate risk in the trading book arises from the changes in interest rate affecting the future cash flows of the financial instruments in the outsourced investment portfolio. The investment manager hedges most of this risk as the particular strategy that they follow is a relative value approach as opposed to an outright interest rate call. Non-trading interest rate risk consists primarily of a combination of the risks inherent in asset and liability management activities and the activities of the core retail, wealth and corporate businesses. Interest rate risk results from differences in the maturities or re-pricing dates of assets both on and off balance sheet.

Interest rate risk is measured, managed and monitored centrally from a Parent Group perspective and the results and analysis is disclosed in the Parent Group's financial statements. Notwithstanding this fact, interest rate risk analysis was prepared for Jamaica based on what was disclosed at the Parent Group level. As Parent Group's functional and presentational currency is in USD, the following analysis are all done in USD terms and the foreign exposure and risk would be to currencies other than the USD.

The following table shows the potential impact of an immediate 100 basis point increase or decrease in interest rates over the next 12 months in USD equivalent.

100 bp increase in interest rates	2008	2007
	$'000	$'000
Impact on net interest income	(400)	(810)
Impact on shareholders' equity	(1,120)	50
100 bp decrease in interest rates		
Impact on net interest income	400	810
Impact on shareholders' equity	1,120	(50)

<u>Derivatives held for ALM purposes</u>

Where derivatives are held as hedges against either sizeable loans from core businesses or to reduce interest risk exposure to USD denominated local bond issues and the transactions meet the accounting criteria then the Group applies hedge accounting. Derivative hedges that do not qualify for hedge accounting treatment are considered to be economic hedges and are recorded at fair value on the balance sheet with changes in the fair value recognised through profit or loss. It should be noted that these are only interest rate risk hedges and other risks such as credit spread on the underlying still exist and are measured separately.

35. Financial Risk Management (Continued)

(g) Interest rate risk (Continued)

The Parent Group approved a post structural interest rate assumption approach as at September 30, 2008 and as a result, the measurement, limit monitoring and control were transferred to this approach. This is shown in the following table in USD equivalent.

	Post Structural DV01	Contractual DV01	VaR	60 day Stressed Loss
	$'000	$'000	$'000	$'000
2008	(11)	4	47	2,118
2007	(18)	481	12	663

(h) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which are monitored on an ongoing basis.

Expected repricing and maturity dates do not differ significantly from the contract dates, except for the maturity of deposits up to 1 month, which represent balances on current accounts considered by the Group as a relatively stable core source of funding of its operations.

35. Financial Risk Management (Continued)

(h) Cash flow and fair value 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
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 October 2008							
Cash and balances with Central Bank	834,153	1,937,776	3,525,000	-	-	1,986,920	8,283,849
Due from other banks	54,410	497,613	806,738	-	-	506,526	1,865,287
Derivative financial instruments	-	111,352	-	-	-	-	111,352
Other assets	-	-	-	-	-	1,681,097	1,681,097
Investments	-	857,836	50,728	20,000	161,700	11,264	1,101,528
Government securities purchased under resale agreements		122,260	139,806				262,066
Loans and advances to customers	2,249,827	9,191,986	3,937,652	6,120,078	13,402,318	34,769	34,936,630
Property, plant and equipment	-	-	-	-	-	549,935	549,935
Deferred tax assets						9,644	9,644
Retirement benefit asset						824,680	824,680
Total assets	3,138,390	12,718,823	8,459,924	6,140,078	13,564,018	5,604,835	49,626,068
Customer deposits	8,016,944	23,169,136	9,761,780	173,923	247,184	-	41,368,967
Derivative financial instruments	-	210,858	-	-	-	-	210,858
Other liabilities		-	-	-	-	647,343	647,343
Taxation payable						211,871	211,871
Deferred tax liabilities						182,756	182,756
Debt securities in issue	-	-	499,950				499,950
Retirement benefit obligation						57,180	57,180
Total liabilities	8,016,944	23,379,994	10,261,730	173,923	247,184	1,099,150	43,178,925
Total interest rate sensitivity gap	(4,878,554)	(10,661,171)	(1,801,806)	5,966,155	13,316,834	4,505,685	6,447,143
Cumulative gap	(4,878,554)	(15,539,725)	(17,341,531)	(11,375,376)	1,941,458	6,447,143	-
As at 31 October 2007							
Total interest rate sensitivity gap	(1,237,020)	(14,782,155)	(4,422,387)	6,460,340	15,336,385	4,262,496	5,617,659
Cumulative gap	(1,237,020)	(16,019,175)	(20,441,562)	(13,981,222)	1,355,163	5,617,659	-

35. Financial Risk Management (Continued)

(h) Cash flow and fair value interest rate risk (Continued)

The Bank

	Immediately Rate Sensitive[1]	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 October 2008							
Cash and balances with Central Bank	812,413	1,937,776	3,525,000	-	-	1,892,824	8,168,013
Due from other banks	-	4,562,801	806,738			506,526	5,876,065
Derivative financial instruments	-	111,352	-	-	-	-	111,352
Other assets	-	-	-	-	-	1,389,154	1,389,154
Investments	-	857,836	50,728	20,000	161,700	375,264	1,465,528
Government securities purchased under resale agreements	-	44,441	11,170	-	-	-	55,611
Loans and advances to customers	2,249,827	2,215,818	3,937,652	6,120,078	13,402,318	-	27,925,693
Property, plant and equipment						547,867	547,867
Retirement benefit asset					806,060	806,060	
Total assets	3,062,240	9,730,024	8,331,288	6,140,078	13,564,018	5,517,695	46,345,343
Customer deposits	7,342,855	22,355,158	8,625,932	171,448	247,185		38,742,578
Debt securities in issue			499,950				499,950
Other liabilities	-	-	-	-	-	547,651	547,651
Taxation payable	-	-	-	-	-	204,479	204,479
Derivative financial instruments			210,858	-	-	-	210,858
Deferred tax liabilities						182,756	182,756
Retirement benefit obligation						54,720	54,720
Total liabilities	7,342,855	22,566,016	9,125,882	171,448	247,185	989,606	40,442,992
Total interest rate sensitivity gap	(4,280,615)	(12,835,992)	(794,594)	5,968,630	13,316,833	4,528,089	5,902,351
Cumulative gap	(4,280,615)	(17,116,607)	(17,911,201)	(11,942,571)	1,374,262	5,902,351	-
As at 31 October 2007							
Total interest rate sensitivity gap	(69,149)	(11,594,065)	(4,486,321)	6,386,254	10,405,275	4,513,613	5,155,607
Cumulative gap	(69,149)	(11,663,214)	(16,149,535)	(9,763,281)	641,994	5,155,607	-

(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)

35. **Financial Risk Management** (Continued)

(h) **Cash flow and fair value Interest rate risk** (Continued)

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

	The Group 2008					
	Immediately Rate Sensitive[1] %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash and balances with Central Bank	8.29	8.22	19.21	-	-	11.08
Due from other banks	-	5.12	3.03	-	-	5.57
Investments[1]	-	17.35	15.54	14.88	14.63	16.80
Government securities purchased under resale agreements	-	14.52	14.70	-	-	14.64
Loans to customers[2]	33.29	10.37	8.13	14.69	10.33	12.62
Customer deposits[3]	0.94	4.47	5.58	10.92	9.60	10.01

	The Group 2007					
	Immediately Rate Sensitive[1] %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash and balances with Central Bank	3.98	12.08	14.00	-	-	5.08
Due from other banks	0.13	-	-	-	-	0.13
Investments[1]						
- available-for-sale	-	11.83	14.06	14.26	14.63	13.11
Government securities purchased under resale agreements	-	11.97	12.00	-	-	11.99
Loans to customers[2]	24.36	9.72	13.28	14.82	10.33	9.25
Customer deposits[3]	5.97	12.79	6.90	18.67	9.95	11.08

[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.

(expressed in Jamaican dollars unless otherwise indicated)

35. Financial Risk Management (Continued)

(h) Cash flow and fair value Interest rate risk (Continued)

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

	The Bank					
	2008					
	Immediately Rate Sensitive[1] %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash and balances with Central Bank	9.00	8.22	19.21	-	-	11.23
Due from other banks	-	5.12	3.03	-	-	5.57
Investments(1)	-	17.35	15.54	14.88	14.63	16.80
Government securities purchased under resale agreements	-	14.57	14.75	-	-	14.60
Loans to customers[2]	33.29	8.21	8.13	14.69	10.33	12.87
Customer deposits[3]	1.03	3.50	4.80	10.94	9.60	9.93

	The Bank					
	2007					
	Immediately Rate Sensitive[1] %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash and balances with Central Bank	3.98	11.71	14.00	-	-	5.05
Due from other banks	0.09	11.29	-	-	-	6.23
Investments[1] - available-for-sale -	11.83	14.06	14.26	14.63	13.18	
Government securities purchased under resale agreements	-	11.98	12.00	-	-	11.98
Loans to customers[2]	24.36	9.56	13.37	14.83	9.51	8.66
Customer deposits[3]	5.49	11.62	6.82	18.90	9.95	10.29

(i) 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.

35. Financial Risk Management (Continued)

(i) Fair value of financial instruments (Continued)

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**
	2008	**2008**	**2007**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Financial Assets				
Investments – held to maturity	-	-	-	-
Government securities purchased under resale agreements	262,066	261,670	212,077	275,704

	The Bank			
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
	2008	**2008**	**2007**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Financial Assets				
Investments – held to maturity	-	-	-	-
Investments in subsidiaries	364,000	908,792	364,000	826,051
Government securities purchased under resale agreements	55,611	55,575	25,272	25,220

The following methods and assumptions have been used:

(i) 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.

(ii) 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.

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

35. Financial Risk Management (Continued)

(iv) Investments in subsidiary
The fair value of the Bank's investment in the subsidiary has been determined based on the carrying value of the subsidiary's equity.

(v) 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 statement of income, 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) 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.

36. Critical Accounting Judgements and Estimates in Applying Accounting Policies (Continued)

(d) Property, plant and equipment

Management exercises judgment in determining whether costs incurred can accrue significant future economic benefits to the Group to enable the value to be treated as a capital expense.

Further judgment is applied in the annual review of the useful lives of all categories of property, plant and equipment and the resulting depreciation determined thereon.

Proxy Form

To: FIRSTCARIBBEAN INTERNATIONAL BANK (JAMAICA) LIMITED

I/We ....

of ....

being a member of the above-named company, hereby appoint ....

of ....

or failing him/her .... 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 8th day of June, 2009, and at any adjournment thereof.

Dated this .... day of .... 2009.

Name of shareholder(s) of the Company ....

Signature(s) ....

Name(s) of signatory(ies) 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 – Directors and Auditors Report and Accounts		
Resolution 2 – Re-election of Directors a. Milton Brady b. Gerard Borely c. Clovis Metcalfe		
Resolution 3 – Re-appointment of Auditors and		
Resolution 4 – Directors' Remuneration		

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.

Design: Lonsdale Saatchi and Saatchi Advertising Ltd.

FirstCaribbean
INTERNATIONAL BANK

Anguilla

Antigua & Barbuda

The Bahamas

Barbados

Belize

British Virgin Islands

The Cayman Islands

Curaçao

Dominica

Grenada & Carriacou

Jamaica

St Kitts & Nevis

St Lucia

St Maarten

St Vincent &
the Grenadines

Trinidad & Tobago

Turks & Caicos Islands

www.firstcaribbeanbank.com