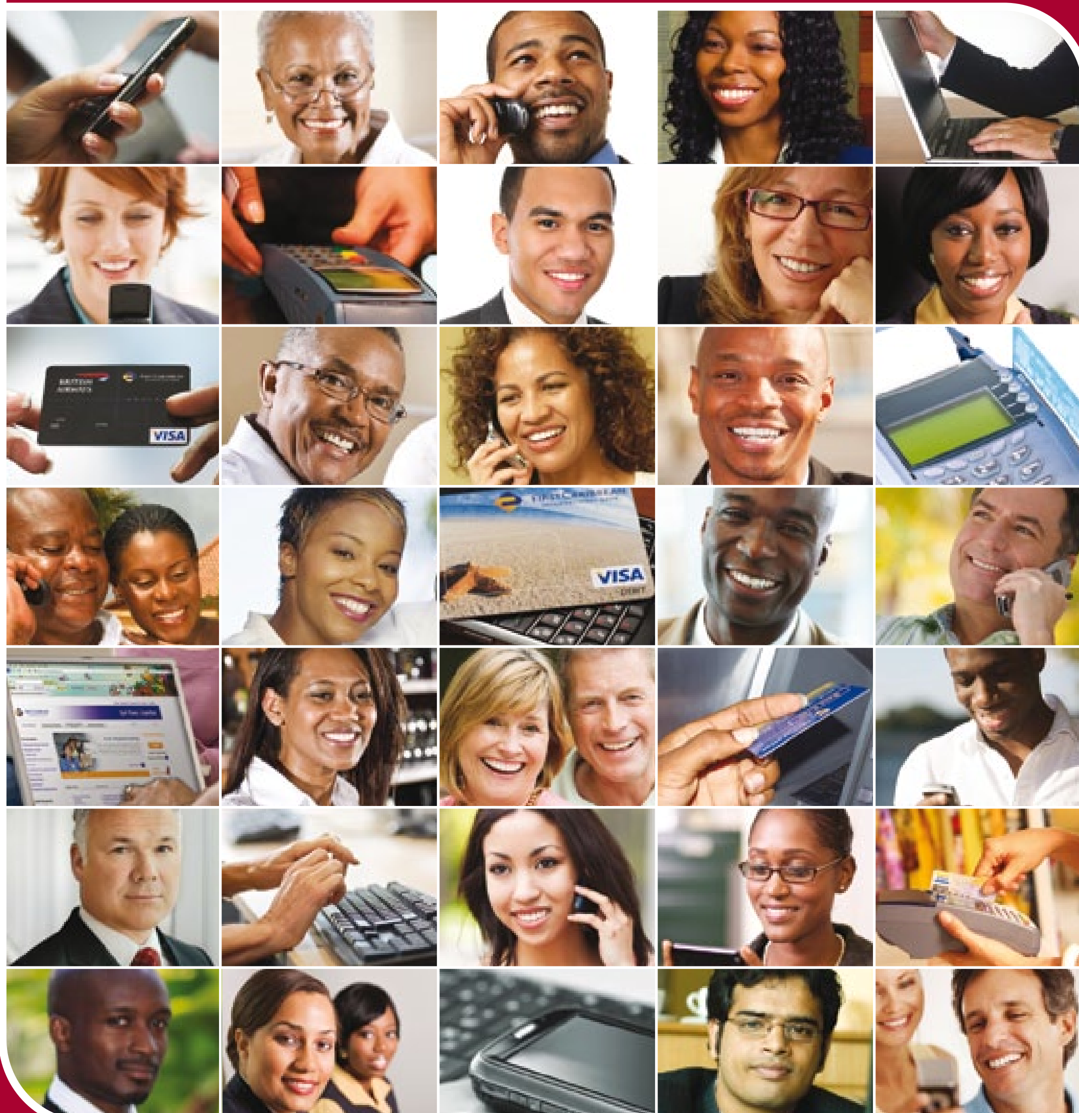
FIRSTCARIBBEAN
INTERNATIONAL BANK

Jamaica Annual Report 2010



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Getting there together

Corporate Profile

FirstCaribbean International Bank (Jamaica) Limited is a relationship bank offering a full range of market-leading financial services through our Corporate Investment Banking and Retail Banking segments. We provide banking services that matter to our clients through 496 employees in 13 branches island-wide. Our parent company (FirstCaribbean International Bank Limited) is the largest regionally-listed financial services institution in the English and Dutch speaking Caribbean, with over US $9.7 billion in assets and market capitalisation of US $2.1 billion.

Vision

To be the bank of first choice, leading the region in building quality relationships with our clients, by providing them with innovative banking solutions to suit their needs.

Mission

To achieve our vision by fulfilling the commitments we have made to each of our stakeholders:

- First for Clients – Help our clients achieve what matters to them
- First for Employees – Create an environment where all of our employees can excel
- First for our Communities – Make a real difference in communities in which we operate
- First for Shareholders – Generate strong total returns for our shareholders

Values

As a member of the CIBC Group of companies, we share an organisational culture based on core values of Trust, Teamwork, and Accountability.

Strategic Priorities

These five strategic priorities support our stated vision and mission:

- Enhancing Client Value by deepening relationships
- Diversification of our income streams
- Balance Sheet Management to optimise returns
- Improved Productivity & Control to improve the speed and quality of service to our clients
- Leveraging our relationship with our parent, CIBC, to bring new opportunities to benefit our stakeholders

These priorities are the cornerstone for delivering consistent and sustainable performance over the long term.

2010 HIGHLIGHTS

First for Clients

During 2010 we focused on improving our client experience through deployment of innovative product and service solutions to help achieve what matters to them.

Making banking easier and more accessible for all –

- First regional bank to launch Mobile Banking
- Launched Visa Debit card region-wide
- Enhanced usability at firstcaribbeanbank.com including adding more bill payment options

Providing tailored solutions to unique client groups –

- Introduced small business product suite
- Introduced wireless point of sale solution for our merchants
- Launched online payroll services

Providing advice and financial solutions for retail and wealth clients –

- Provided Financial Health Check service

Providing corporate clients with superior relationship management services –

- Enhanced senior coverage model
- Introduced new treasury products

First for Employees

Throughout the year we have focused on creating an environment in which all our employees can excel. The employee satisfaction index increased 3 percentage points to 82% - evidence of our continued progress.

Making personal development easy –

- Expanded the FirstCaribbean University curriculum
- Increased online training

Providing an inclusive, exciting environment in which to contribute –

- Launched !DEA – employee innovation blog
- Generated new products and services directly from employee feedback

Promoting a culture of excellence –

- Continued to celebrate exemplary performance
- Enhanced performance planning tools and metrics

Investing in leadership talent –

- Successfully attracted new leaders
- Introduced a more extensive leadership programme

First for Communities

In 2010, our commitment to making a difference in the communities in which we operate was continued with vigour and focus. We again contributed 1% of our profits and hundreds of hours of energy and enthusiasm to what matters in our communities.

Building strong communities –

- Renewed our partnership with the University of the West Indies

Recognising and encouraging volunteerism –

- Continued to recognise the Unsung Heroes in our communities
- Supported employee volunteerism through Adopt-a-Cause

First for Shareholders

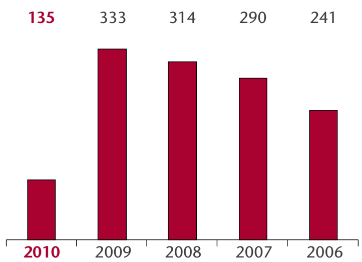
Despite economic conditions, the Bank remains as strong as it has ever been, by maintaining a solid financial position.

- Maintained our capital strength, increasing Tier 1 from 14% to 22%

enhancing client value through
innovative
products and services

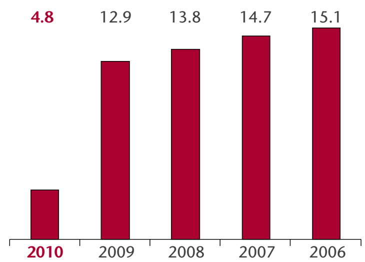
Financial Highlights

Earnings per share (basic) Cents



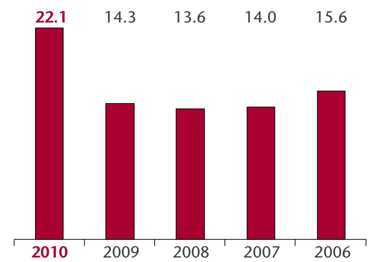
Basic EPS is a measure of net income attributable to the parent divided by the weighted-average number of common shares net of treasury shares.

Return on equity (%)



ROE is a key measure of profitability. It is calculated as net income expressed as a percentage of average common shareholders' equity.

Tier 1 capital ratio (%)



The Tier I capital ratio is calculated by dividing Tier I Capital by risk-weighted assets.

$ millions, except per share amounts, as at or for the year ended October 31		2010	2009	2008	2007	2006
Common share information						
Per share (cents)	- basic and diluted earnings	135.0	333.0	314.0	290.0	241.0
Share price (cents)	- closing	13.28	12.75	21.80	23.50	21.50
Shares outstanding (thousands)	- end of period	265,757	265,757	265,757	265,757	265,757
Market capitalisation		3,529	3,388	5,794	6,245	5,714
Value measures						
Price to earnings multiple		9.84	3.82	6.94	8.10	8.94
Dividend yield		-	3.1%	-	-	-
Dividend payout ratio		-	12.0%	-	-	-
Financial results						
Total revenue		4,188	4,357	3,690	3,281	2,694
Loan loss impairment		298	449	131	122	98
Non-interest expenses		3,369	2,601	2,312	2,010	1,728
Net income		359	887	835	771	589
Financial measures						
Efficiency ratio		80.4%	59.7%	62.7%	61.2%	64.1%
Return on equity		4.8%	12.9%	13.8%	14.7%	15.1%
Net interest margin		6.4%	6.5%	6.8%	7.0%	7.9%
Balance sheet information						
Loans and advances to customers		31,346	34,385	34,937	31,410	23,975
Total assets		51,264	52,656	49,626	41,671	32,804
Deposits & other borrowed funds		41,925	43,900	41,369	33,523	27,029
Debt issued		-	-	500	1,502	-
Total equity		7,630	7,256	6,447	5,618	4,848
Balance sheet quality measures						
Common equity to risk weighted assets		26.88%	24.01%	20.70%	18.18%	19.53%
Risk weighted assets		28,392	30,219	31,140	30,894	24,818
Tier I capital ratio		22.05%	14.33%	13.61%	14.01%	15.59%
Tier I and II capital ratio		22.39%	15.24%	14.75%	14.88%	16.53%
Other information						
Full time equivalent employees		496	501	490	483	370

Chairman's Letter

I am happy to report that our Bank remains in a solid financial position and that our financial position remains as strong as it has ever been despite the fact that net income in 2010 was $359 million, compared to $887 million for the prior year.

Executive Chairman
Michael K. Mansoor

Conditions in several of our key markets have been adversely affected by the sluggish economic recovery and the stubbornly high unemployment levels affecting Jamaica and other significant trading partners. Generally speaking tourist arrivals, international trade and transactions, foreign direct investment and high end real estate activity have been negatively affected in 2009 and 2010 and several of our island economies, including Jamaica, struggled to show any meaningful growth in 2010. The Jamaican government attempted to fill the investment void by modest levels of stimulus spending but these efforts were limited because the debt to gross domestic product and debt service levels even prior to the current economic uncertainties were uncomfortably high.

Banking is a cyclical business and in a relatively small economy like Jamaica, banks' results tend to reflect almost immediately the deteriorating conditions of the clientele. We have consequently found that balance sheet growth has been difficult and we have also had to increase the level of provisioning. We have however taken the position that we will support our clientele through the current difficulties as long as we believe that their responses to the reduction in business volumes are likely to result in long term positive outcomes. This clearly is the most enlightened approach as we are committed to Jamaica as we fully expect that these customers will in time improve their results and prospects and be the source of meaningful growth in our own results.

It is difficult to forecast when conditions will improve materially but clearly Jamaica has had to adapt very quickly to the new normal and it would seem that even gradual improvements in the macroeconomics of our most significant trading partners and providers of capital will positively affect Jamaica. In the interim while we are determined to increase returns for our shareholders, we recognise our wider social and economic responsibilities and we will fulfill these in a manner consistent with the optimisation of returns.

Our people continue to contribute hugely to the progress of the Bank and they have worked hard to stay close to our customers who in these rather more challenging circumstances need us now more than ever. We have also continued to invest in their learning and professional development all with the purpose of creating a customer and people centred ethos that we have always characterised as first for customers and first for our people.

We have also made important improvements to our product offerings and have made significant enhancements to our operating technology platforms to improve efficiencies. It is our expectation that we will be able to convert these investments into sustainable sources of profitability in short order.

I am happy to report that the Board of Directors has met quarterly to provide strategic leadership and guidance and also to monitor the operating performance and the proper functioning of our systems of control and governance. The focus of the Board encompasses the definition of strategy for our Bank and the creation and optimisation of shareholder value, all within the risk control and governance framework. I feel confident that this mandate is being effectively executed and we have been able to maintain our strategic momentum.

I would like to place on record our appreciation for the sterling services of Mr. Christopher Bovell who retired from the Board at the end of 2009. I also wish to note that Mr. Clovis Metcalfe retired as Managing Director on August 31, 2010 having served the Bank in a variety of positions over a 38-year illustrious career. Mr. Metcalfe has agreed to serve as a Non-Executive director. I also welcome Mr. Nigel Holness as Managing Director.

I also would like to place on record our gratitude to all our regulators and the Government of Jamaica for their support of our enterprise.

I believe that 2010 has been on balance a difficult but successful year and I would like to thank our almost 500 employees who have taken the brunt of the hard work and challenges that are a feature of the current economic conditions. All of us enter the new period with a firm resolve to enhance our franchise and achieve better returns.

Michael K. Mansoor
Executive Chairman

Managing Director's Review

FirstCaribbean International Bank operates within a strategic model that is geared toward fostering growth, profitability, productivity and effective risk management. This model sustained our business, even in the face of a difficult global economic environment over the past year.

Managing Director
Mr. Nigel Holness

Some of the specific challenges presented included high levels of loan delinquencies; low appetite for loans; increased competition among industry players; and significant loan losses. We were able to respond positively through the strength and creativity of our staff and the robustness of our corporate governance framework, along with our decision to prioritise product innovation and service delivery.

Overall we have managed to deliver a satisfactory rate of shareholders' return while simultaneously recording considerable gains in operational efficiencies and staff development.

Retail, Wealth & Small Business

Over the past year the decision was made to restructure the Retail, Wealth and Small Business Banking divisions in order to improve the quality of our customer's experience and enhance our product offerings. As a result, all three strategic business units were merged creating greater harmonisation of these services throughout our branch network. This consolidation also enabled the introduction of a number of innovative products and services.

Our Small Business unit successfully rolled out a new suite of deposit products on April 30, 2010. These offerings have a strong competitive advantage on price points and on flexibility by allowing customers to choose products that best suit their needs.

The Wealth Management team placed greater emphasis on improving the value proposition to its customers through the launch of new offerings, the cross-selling of banking and investment products, and a commitment to the highest standard of customer service.

The Bank is also in the process of decentralising its Wealth Management offering, which will allow for a more efficient servicing of our customers throughout the branch network. Additionally, in 2011 the Securities Company will be implementing a new technology platform to further strengthen its advisory and reporting capabilities to clients. Throughout all of these innovative changes, we recognise the unwavering commitment and expertise of this team.

The Retail Banking unit, in response to our customers, implemented a quality improvement project to reduce our loan application turnaround times. Consequently, our loan processing time has now been reduced to a maximum of two working days and this has yielded significant improvements in customer satisfaction. We have also commenced a signature scanning project which, when complete, will reduce the time our customers spend at our teller wickets.

Consistent with our communications policy and in tandem with our legal obligations, we continue to take every precaution to ensure that our customers are duly advised of any changes in our fees and charges. In this regard, we have developed a fee-free electronic banking solution know as 'DIRECT BANKING', which enables our customers to avoid some charges.

Bearing in mind the present difficult economic times, we continue to work actively with those of our customers who are unable to adequately service their loans and other facilities to find mutually beneficial solutions. With the dedication and commitment of our staff, we will continue to respond to our customers' needs and improve our customer satisfaction levels.

Corporate Investment Banking

This aspect of our business underwent a strategic reorganisation at the regional level that sought to build upon the achievements of the last year and to realise the common goal of ensuring enhanced customer experience through innovation. As a result, the Corporate Banking and Investment Banking segments were combined to form Corporate Investment Banking (CIB). With this reorganisation the business has been realigned to work closely with the Bank's other strategic business units locally and regionally.

We continue to partner with our parent company, CIBC, to deliver new products and banking solutions to the ever-evolving needs of the Jamaican business community. As such we have given special attention to transaction banking solutions and the introduction of derivatives. The latter is expected to gain momentum in the future especially as the business sector seeks to better manage and hedge medium to long-term risks in a more structured fashion.

CIB, along with our Treasury Sales & Trading Team, has facilitated the execution of key transactions, locally and regionally. This includes acting as Arranger and Co-Arranger in Jamaica for over US $100 million in fundraising across the domestic power, distribution and hospitality industries. Innovative structures were also used that integrated subordinated debt participation and we commenced the introduction of a diversified set of derivative products, including commodity hedging to our corporate customers. Leveraging the expertise from our parent, CIBC, has placed us in an advantageous position to support further and create greater value for several corporate clients.

In addition, CIB has given increased focus to risk management, which has improved portfolio quality. This has resulted in CIB achieving its contribution plan for this financial year after taking into account loan loss provisions and inter-divisional non-cash charges. The CIB team continues to build a robust pipeline in Jamaica, despite the continued challenging economic environment. It will incorporate more innovative solutions through the development of our advisory capabilities while further leveraging the experience of CIBC.

Our People

The year 2010 brought great challenges that tested the resilience of our business. In response to the external environment, a regional implementation change strategy was created, consistent with our core values. In facilitating the realignment of the structure, deliberate efforts were made throughout this process to ensure that our employees remained engaged.

Our commitment to the creation of a learning culture, to improve productivity and enhance the organisation's ability to respond to change also called for greater engagement of the learning and development area. This saw the implementation of blended learning solutions that included web-based learning. Going forward will see increased focus on leadership excellence and technical training for our employees.

As part of our commitment to being "First for Employees" we remain committed to effectively supporting the team and empowering them to be innovative in delivering the highest level of customer service and ultimately building a customer-centric organisation.

Throughout these major changes and challenges, our employees have not only determined to rise to the occasion but continue to demonstrate unwavering dedication to ensuring that the Bank remains strong and viable. After providing 90 years of unsurpassed service to our customers, a culture of service excellence has become firmly ingrained in our committed, dedicated and experienced staff. Our employees' daily delivery of outstanding service quality and our commitment to innovation distinguish us from our competitors. Moreover, new generations of customers have come to anticipate the highest level of service and customised product solutions.

The management team and I wish to record our appreciation for this sterling contribution delivered by our resilient employees.

The Road Ahead

Our vision is underpinned and informed constantly by our five-pillar corporate strategy, which will provide the platform to face and overcome the uncertainties of the challenging economic times ahead. We are committed to achieving greater financial success by delivering on our promise to engage our employees toward the creation and implementation of innovative products solutions that can enhance customers' experience and thereby increase value for our shareholders.

Mr. Nigel Holness
Managing Director

BOARD OF DIRECTORS

Front Row (L-R): Allison Rattray, Legal Counsel/Corporate Secretary; Nigel Holness, Managing Director & Senior Coverage Officer, Jean Lowrie-Chin, Director.

Back Row (L-R): Lincoln Eatmon, Director; Anthony Bell, Director; Clovis Metcalfe, Director; Peter McConnell, Director.

Absent: Michael Mansoor, Chairman; Milton Brady, Director.

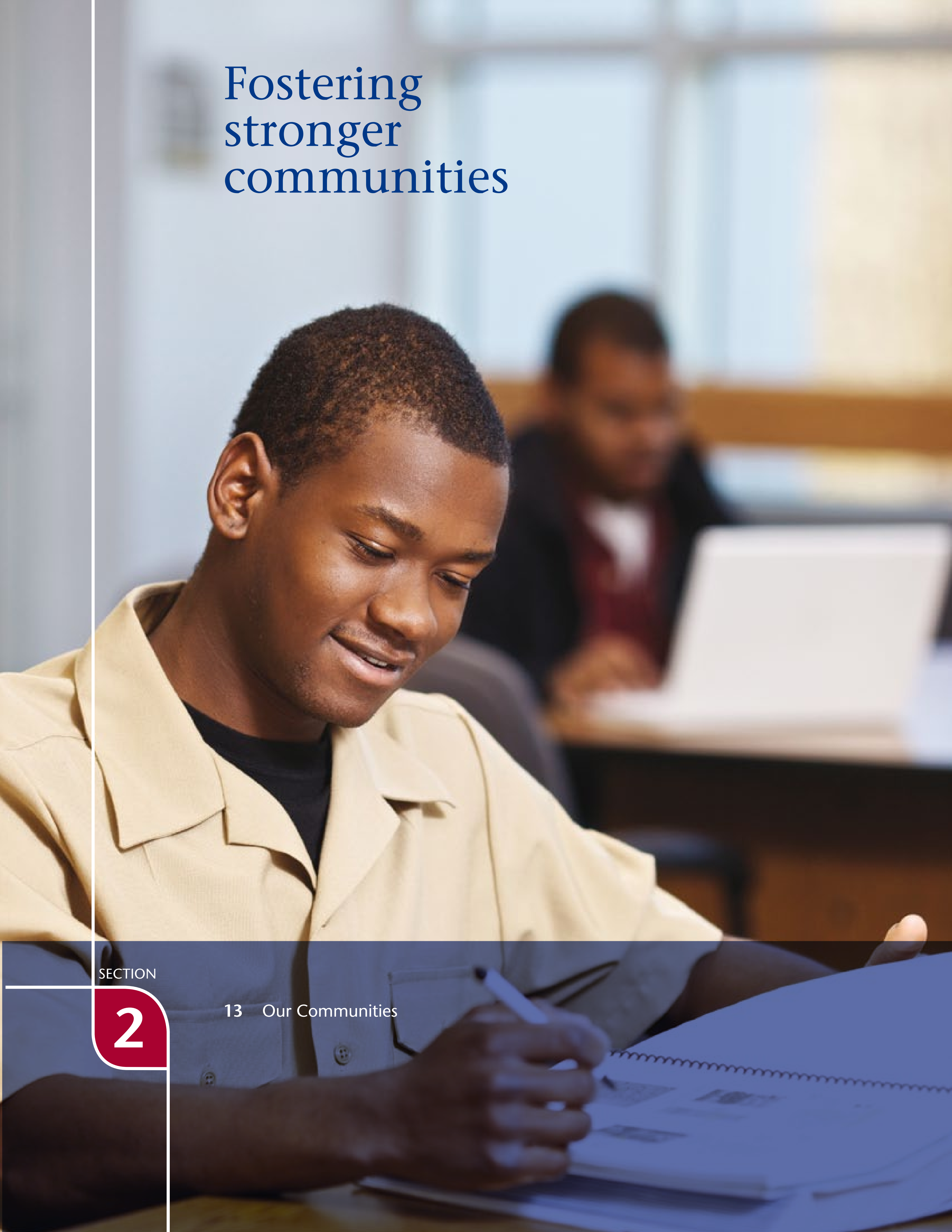
Audit & Governance Committee
Christine Kramer – Chairman
Lincoln Eatmon
Sir Allan Fields
Sir Fred Gollop
Michael Mansoor
Richard Nesbitt
Paula Rajkumarsingh
David Ritch
G. Diane Stewart

DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Front Row (L-R): Christopher Denny, Director Retail, Wealth and Small Business; Nigel Holness, Managing Director & Senior Coverage Officer; Jerome Griffiths, Head of Human Resources.

Second Row (L-R): Clovis Metcalfe, Director; Berisford Grey, Director, Capital Markets; Janet Pryce, Regional Operations Manager; Donna Walters, Associate Director, Cards Issuing Sales, Marketing & Product Mgmt.; Catherine Peart, Director Cards Acquiring; Jennifer Carty-Peart, Senior Financial Advisor; Mario Watts, Country Treasurer.

Last Row (L-R): Douglas Cupidon, Acting Director, Corporate; Lancelot Leslie, Chief Financial Officer.



Fostering stronger communities

SECTION

2

Our Communities

UNSUNG HEROES

Top left: Camille Daley
Co-founder of the Sickle Cell Support Club of Jamaica (SCSCJ), Kingston
Through the work of the SCSCJ which Camille co-founded in October 1992, she provides social and emotional support to thousands of persons in Kingston and St. Ann.

Top right: Joy Marilyn Baker "Mamma Joy", Kingston
Mamma Joy has been caring for poor and homeless children in her central Kingston inner city community of Southside/Tel Aviv and across Jamaica for over three decades.

Bottom left: Prof. Everard Barton
Dept. of Medicine, UWI Hospital, Mona, Kingston
Professor Barton has established two rural outreach clinics to provide care, free of cost, to over 300 persons with Renal Failure, who cannot afford paid services.

Community Relations

Top left: Mr. Robert Wright, Building Society Manager, presenting the assignment books to Mrs. Maxine Whittingham-Osborne, MAPCO director, accepting on behalf of the Happy Grove High School.

FirstCaribbean Boosts Community Policing in Portmore

Top right: Diana Warren-Robinson, Manager of FirstCaribbean Bank Portmore Branch, presenting office desks and chairs to Sgt. Rodney Matthews and DSP George McFarlane. The office desks and chairs will facilitate administrative functions carried out by police personnel.

May Pen Branch Adopts Power of Faith Basic School

Bottom left: Richard Samuels, Branch Manager and Keigan Stewart, Signature Officer, present a 21" television to Rev. Patrick Wilson of the Power of Faith Basic School.

FirstCaribbean Participates in Behaviour Modification Programme

For the second consecutive year, the Bank contributed to Ascot High School's Behaviour Modification Programme.

Bottom right: Nigel Holness, Managing Director gives a talk on developing good study skills. He emphasised to the troubled youth the need to make correct choices and the power of choice.
Chris-Ann Thomas, a summer worker in the Treasury Department also spoke on her experiences as a student.

SECTION

3

Management's Discussion and Analysis

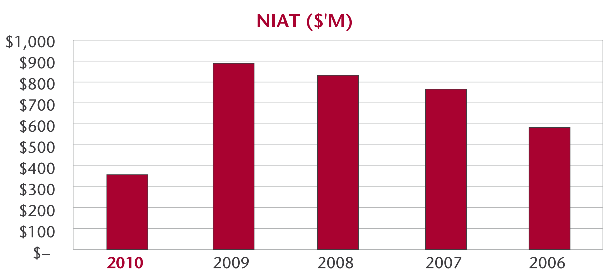
Management's discussion and analysis (MD&A) should be read in conjunction with the audited consolidated financial statements included in this Annual Report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are expressed in Jamaican dollars. Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year.

OVERVIEW

$'000s, for the year ended October 31

	2010	2009	2008
Net income before taxation	521,952	1,307,287	1,246,477
Net income after taxation (NIAT)	358,664	886,658	835,053
Earnings per share (cents)	134.96	333.63	314.22

FirstCaribbean International Bank (Jamaica) Limited reported net income after taxation of $359 million for the financial year ended October 31, 2010 compared to $887 million for the prior year. The decline was due primarily to lower hedge accounting and securities trading gains, as well as higher operating expenses. This was offset by lower loan loss expenses due mainly to lower levels of provisions in the mortgage and personal loan portfolio. Net interest income rose slightly over the prior year resulting from lower interest cost on deposits and sub-debt. The tax charge was significantly lower than prior year due to the lower level of profitability in the current year.



FINANCIAL PERFORMANCE REVIEW

Net interest income and margin

$'000s, for the year ended Oct 31

	2010	2009	2008
Average assets	51,960,096	51,140,959	45,648,626
Net interest income	3,335,125	3,300,173	3,095,453
Net interest margin	6.42%	6.45%	6.78%

Net interest income consists of interest on earning assets, less interest paid on customers' deposits and other debt obligations. Net interest income amounted to $3,335 million for the year ended October 31, 2010 in comparison to $3,300 million for the previous year.

Interest income fell due to lower average daily productive loan balances throughout the year, and was also down due to higher delinquencies in the loan portfolio. Interest income earned from placements and investment securities was down by 12% year over year, due to lower interest yields stemming from the Jamaica Debt Exchange programme which resulted in significant downward adjustments in interest rates in the local market.

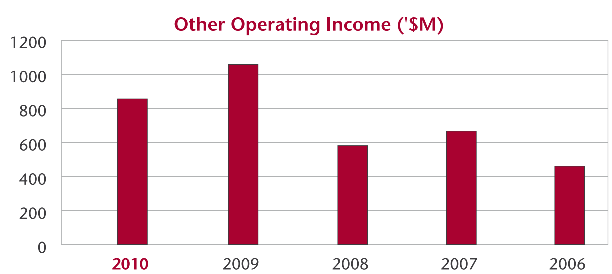
Interest expenses were $761 million lower than prior year. Deposit costs fell post the Jamaica Debt Exchange programme, as local interest rates adjusted downwards. Additionally, there were no interest charges associated with the sub-debt, as it was repaid during the prior year.

Net interest margin, which represents the net interest spread earned on total assets, fell slightly year over year by 3 basis points to 6.42% from 6.45%.

Other operating income

$'000s, for the year ended October 31

	2010	2009	2008
Net fees and commissions	573,350	603,008	498,771
Foreign exchange earnings	217,782	214,671	268,412
Trading securities net gains (losses)	33,501	239,027	(186,101)
Other income	28,492	-	13,398
	853,125	1,056,706	594,480



Other operating income includes all revenues not classified as interest income, and this decreased by 19% over the prior year. This decrease was mainly due to lower hedge accounting, securities trading and foreign exchange translation gains. Net fees and commissions fell due mainly to lower deposit and card services fees. Foreign exchange earnings increased marginally as foreign exchange translation losses due to the revaluation of the Jamaican dollar, were fully offset by increased commissions, as a result of higher trading volumes.

Other operating income represented 20.4% of total revenue, compared to 24.3% for 2009.

Operating expenses and efficiency ratio

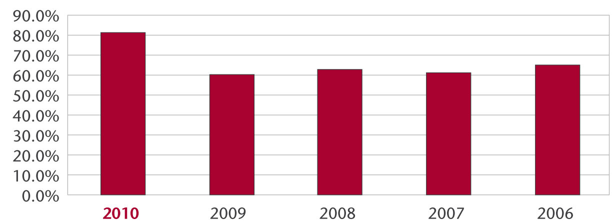
$'000s, for the year ended October 31

	2010	2009	2008
Staff Costs	1,205,879	1,209,516	1,108,531
Depreciation	140,142	109,264	120,797
Occupancy Costs	392,866	317,891	270,481
Other	1,629,851	964,062	812,686
	3,368,738	2,600,733	2,312,495

Operating expenses includes all costs except interest expenses, provision for credit losses and income taxes. For the year ended October 31, 2010, this increased by $768 million (30%) over the preceding year.

Staff costs were marginally below the prior year by $4 million, mainly due to lower pension costs associated with the defined benefit scheme. Other operating expenses increased by $666 million over the prior year primarily due to the reimbursement of the Bank's share of head office support costs.

Efficiency Ratio (%)



Loan loss impairment expense

$'000s, for the year ended October 31

	2010	2009	2008
Individual impairment expense			
Mortgages	(58,412)	40,882	12,295
Personal	156,655	164,042	68,582
Business & Government	186,742	215,852	18,365
	284,985	420,776	99,242
Collective impairment expense	12,575	28,083	31,719
	297,560	448,859	130,961

Loan loss expenses were down year on year for mortgage, personal and corporate loans. The ratio of loan loss expenses to gross loans was 1% at the end of this year, compared with 1.3% at the end of the prior year. The ratio of non-performing loans to gross loans increased to 7.7% this year from 5.6% last year end.

Statement of Financial Position

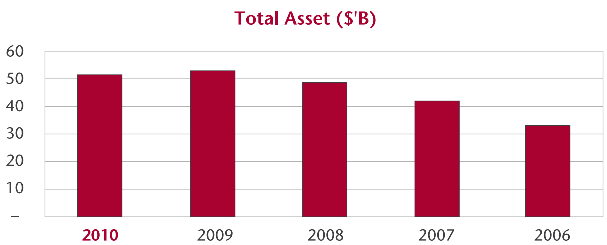
J$ (000)

	2010	2009	2008
Assets			
Cash resources	14,457,409	12,986,914	10,260,488
Investment securities	2,494,812	2,294,308	1,101,528
Government securities purchased under resale agreements	226,567	252,024	262,066
Loans & advances to customers	31,346,134	34,385,404	34,936,630
Other assets	2,739,420	2,737,200	3,065,356
	51,264,342	52,655,850	49,626,068
Liabilities and equity			
Customers' deposits	41,925,457	43,900,172	41,368,967
Debt securities in issue	-	-	499,950
Other liabilities	1,708,531	1,499,515	1,310,008
Equity	7,630,354	7,256,163	6,447,143
	51,264,342	52,655,850	49,626,068

Asset growth

Total assets stood at $51.3 billion as at October 31, 2010, a decrease of $1.4 billion or 3% over the prior year. This decline was due mainly to lower loan balances stemming from the run-off in the loan portfolio, in addition to higher provisions for loan losses during the year. This was partially offset by higher cash resources due mainly to increased holdings of Bank of Jamaica Certificate of Deposits. The commercial bank's total assets decreased by $1.3 billion (2.7%) and stood at $45.6 billion as at October 31, 2010. During the year the Building Society continued to grow its assets, increasing it by $518 million (5.8%) to $9.5 billion as at October 31, 2010.

Cash resources and investments



Cash resources increased by $1.5 billion or 11.3%. This comprises cash, interest bearing short-term deposits/investments with other financial institutions and statutory reserves and balances with the Central Bank.

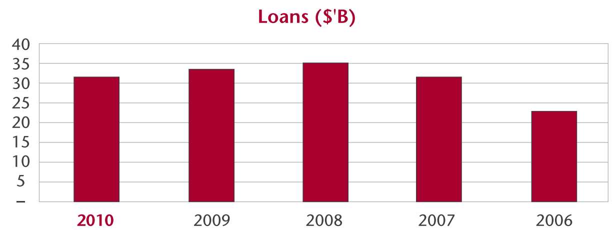
The investment securities portfolio which increased by $201 million over the prior year, consists primarily of Government of Jamaica instruments including bonds and debentures and treasury bills. This mainly constitutes the discretionary portfolio and is maintained to take advantage of investment opportunities as they arise.

Loans & advances to customers

Net loans and advances to customers stood at $31.3 billion as at October 31, 2010, which is significantly lower than last year by 8.8%. Gross business loans and personal loans declined by $2.5 billion and $595 million, respectively, while gross mortgage balances grew by $224 million. The credit quality of our loan portfolio was negatively impacted by the multiplier effect of the worldwide economic recession. The ratio of non-performing loans to total loans increased from 5.6% in the prior year to 7.7% this year.

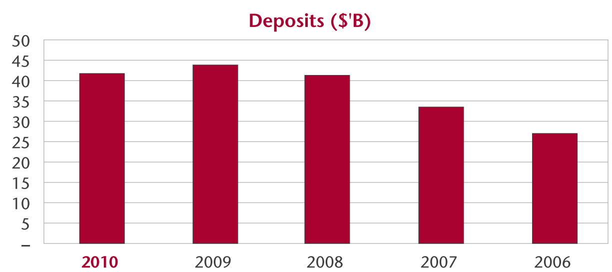
Net loans and advances to the commercial bank's customers declined by $3.3 billion. Gross business loans decreased by $2.5 billion, while gross personal loans declined by $595 million. The Bank's non-performing loans were 8.6% of gross loans as at October 31, 2010, compared to 6.0% for the prior year comparative.

Net mortgages advanced to the Building Society's customers climbed by $305 million. Non-performing loans represented 5% of gross loans compared to 4% as at October 31, 2009.



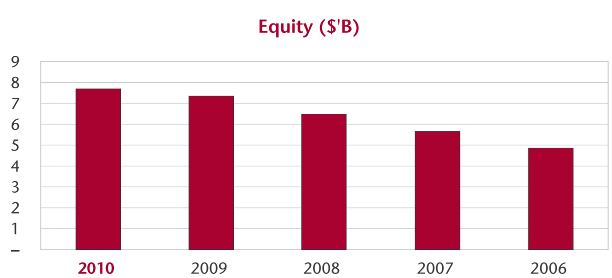
Deposits

Customer deposits fell by $2 billion, or 4.5%, to close the year at $41.9 billion. Funding from business and government declined by $1 billion (7.5%); other financial institutions by $991 million (7.7%); while individuals increased marginally by $158 million (0.9%).



Equity

Equity increased by 5.2% over the prior year. 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 and the Building Society are adequately capitalised.



Share price increased by $0.53 or 4.2%, to close at the end of the year at $13.28 compared to $12.75 per share at the close of the previous year. The book value per share increased year over year from $27.30 to $28.71 as at October 31, 2010. As at October 31, 2010 Equity stood at $7.6 billion, representing a 5.2% increase over the prior year's balance of $7.3 billion. No dividends were declared or paid during the year.

Economic Environment

The Jamaican economy which began to show signs of decline in 2009, significantly underperformed during 2010. This year was characterised by a selective default of the local debt by the Government, as well as a return to the IMF with borrowing rights under a standby agreement. The Planning Institute of Jamaica statistics shows real GDP contracting by 0.5% relative to the September 2010 quarter last year (Sep 2009 – 3.1%), signalling that the rate of decline in the Jamaican economy has slowed. Real GDP is projected to marginally contract or expand during the October to December 2010 quarter in the range of -0.5% to 0.5%. There is however some promising signs given the fairly stable macroeconomic conditions that followed the conclusion of the Jamaican Debt Exchange programme. The economy is however still very vulnerable to external shocks, such as catastrophic natural disasters.

- Inflation was contained to single digits during the period, partly owing to the fact that the exchange rate remained relatively stable, as well as the influence of the deflationary effects of the recession. The inflation rate for the government's fiscal year to October 2010 was 4.7% (2009 – 6.7%) and 9% for the calendar year to October 2010 (2009 – 8.1%).
- Interest rates fell appreciably compared to last year. The average domestic currency loan rate for commercial banks was 19.2% at October 2010 compared to 21.98% for the similar period in 2009. Average domestic currency savings rates fell, from 5.6% in October 2009 to 2.63% in October 2010.
- The Jamaican dollar appreciated by J$3.62, or 4%, against its US dollar counterpart for the year ended October 31, 2010 compared to a depreciation of J$12.95, or 17% for the similar period in the previous year. The spot market weighted average selling rate traded at J$85.62 as at October 31, 2010 (2009 – J$89.24).
- Net International Reserves stood at US$1,983.47 million as at October 31, 2010, a year over year increase of US$74.1 million, or 3.9% and representing 21.7 weeks of imports of goods and services (2009 – US$1,909.36 million or 14.8 weeks).
- The current account trade deficit for the first six months of calendar 2010 stood at US$300.2 million, compared to US$363.5 million for the same period in 2009. This represents a US$63.3 million improvement in the current account trade balance when compared to the corresponding six (6) months of 2009. This resulted directly from reduction in imports.

The Jamaican economy continued to contract during 2010 as the global economic recession took root. The Government's fiscal deficit for the first six months was $44.2 billion, which was some $5.03 billion lower than budgeted. Given Jamaica's onerous public debt burden and contracting revenue streams, the current fiscal imbalance will make it difficult for the government to spur growth in the local economy in the short term. FirstCaribbean International Bank is aware of all these challenges and will continue to carefully navigate these conditions by prudent risk management while taking advantage of opportunities as they arise. The Bank is well positioned to capture growth opportunities when the economy rebounds from an improved macroeconomic climate.

Risk management approach

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.

The Bank's approach to risk management is based on sound banking principles and a robust governance structure. Risk is managed within tolerance levels established by our management committees and approved by the Board of Directors and its committees (the Board). This is achieved through a comprehensive framework of measurement, monitoring and control policies, procedures and processes.

Further information on credit, market and liquidity risks within the Bank can be found in note 35 of the consolidated financial statements section.

Primary responsibility for the management of risk lies with line management in our various individual businesses. The risk management department, which reports to the Chief Risk Officer, develops risk policies and procedures and provides independent oversight and analysis through its five centrally based teams – credit risk, market risk, receivables management, compliance and operational risk management and controls.

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 risk management practices to reflect changes in markets, products and evolving best practice.

A robust risk and control governance structure is embedded within each strategic business unit. Representatives from the risk teams interact with the senior leadership of each business unit in order to identify and manage risks in the respective businesses. This approach is supported by comprehensive enterprise reporting.

Credit Risk

Credit risk is the risk that a customer or counterparty will be unable or unwilling to meet a commitment that it has entered into and that any security pledged in support of the credit does not cover the customer's liabilities to the Bank in the event of a repayment 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 policies operating within a framework of delegated authorities. In addition to approving the Group's key credit policies and setting credit risk appetites and tolerances, the Risk and Conduct Review Committee of the Board also delegates credit approval limits to the Credit Committee of the Bank. The Credit Committee is chaired by the Chief Risk Officer who also delegates lending authority to individual members of the Credit Risk Management Department and also to front line lenders. There is appropriate segregation of duties between customer facing functions responsible for originating and managing exposures, the Credit Risk Management function responsible for credit adjudication and oversight and the Operations function responsible for disbursing loans and safekeeping security.

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 the receivables management team. 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 Banking Act to meet regulatory requirements by the central risk and financial controls teams.

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.

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.

The Risk and Conduct Review Committee of the Board reviews market risk strategy and overall limits. It approves key policies and oversees the measurement, monitoring and control regime.

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 practices. 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.

Compliance Risk

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.

Primary responsibility for compliance lies with line management. The compliance team is tasked with identifying the compliance obligations of the Bank. It also provides advice and guidance to the business lines on compliance risks and the development of appropriate policies and procedures to ensure compliance with all legislation and internal code of conduct and ethics policies.

It independently assesses and monitors compliance and reports to the Audit & Governance Committee of the Board.

Operational risk management and controls

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 its outsourced activities and in all interactions with external parties.

Strong internal control and quality management, consisting of a fraud framework, leadership and trained staff, are 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 and monitors compliance. Operational risk management activities across the Group are reported regularly to the Audit & Governance Committee and Risk and Conduct Review Committee.

FirstCaribbean's operational risk management framework includes ongoing monitoring through self-assessment of control deficiencies and weaknesses and 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.

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 is exposed to liquidity risk through our general funding activities and in the management of our assets and liabilities.

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 Liability Committee (ALCO). The Group ALCO is responsible for monitoring liquidity risk. Day-to-day management of liquidity is handled by the treasury team.

The Bank performs stress tests and scenario analyses to evaluate the impact of stresses on its liquidity position. These tests are conducted 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.

FirstCaribbean International Bank (Jamaica) Limited

Financial Statements

For The Year Ended 31 October 2010
(Expressed in Jamaican dollars unless otherwise indicated)

Contents

ERNST & YOUNG
8 Olivier Road,
Kingston 8
Jamaica

Tel: 876 925 2501
Fax: 876 755 0413
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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 statements of financial position as at 31 October 2010 and the consolidated and bank statements of income, comprehensive income, changes in 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 2010, 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
December 16, 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
ASSETS			
Cash and balances with Central Bank	3	10,952,478	7,814,217
Due from other banks	4	3,504,931	5,172,697
Derivative financial instruments	5	-	14,521
Other assets	6	894,133	1,187,465
Investment securities	7	2,494,812	2,294,308
Government securities under reverse repurchase agreements	8	226,567	252,024
Loans and advances to customers	9	31,346,134	34,385,404
Property and equipment	10	693,991	654,000
Deferred tax assets	11	16,075	7,090
Retirement benefit asset	12	1,012,125	874,124
Taxation recoverable		123,096	-
TOTAL ASSETS		51,264,342	52,655,850

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
LIABILITIES AND EQUITY			
LIABILITIES			
Customer deposits	13	41,925,457	43,900,172
Derivative financial instruments	5	445,392	400,343
Other liabilities	14	919,181	757,628
Taxation payable		95,215	85,938
Deferred tax liabilities	11	211,478	216,276
Retirement benefit obligation	12	37,265	39,330
TOTAL LIABILITIES		43,633,988	45,399,687
EQUITY			
Share capital	15	1,396,667	1,396,667
Reserves	15	5,636,585	5,473,571
Retained earnings		597,102	385,925
TOTAL EQUITY		7,630,354	7,256,163
TOTAL LIABILITIES AND EQUITY		51,264,342	52,655,850

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

Approved for issue by the Board of Directors on 16 December 2010 and signed on its behalf by:

Michael Mansoor

Anthony Bell

Nigel Holness

Allison Rattray

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 October 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Notes	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 31 October 2008		1,396,667	4,312,247	738,229	6,447,143
Total comprehensive income for the year	17 &27	-	28,665	886,658	915,323
Transfer to statutory reserve fund	18	-	50,000	(50,000)	-
Transfer to retained earnings reserve	19	-	840,000	(840,000)	-
Transfer to loan loss reserve	20	-	242,659	(242,659)	-
Dividends paid (40 cents per stock unit)		-	-	(106,303)	(106,303)
Balance at 31 October 2009		1,396,667	5,473,571	385,925	7,256,163
Total comprehensive income for the year	17 & 27	-	15,527	358,664	374,191
Transfer to statutory reserve fund	18	-	100,000	(100,000)	-
Transfer to loan loss reserve	20	-	47,487	(47,487)	-
Balance at 31 October 2010		1,396,667	5,636,585	597,102	7,630,354

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

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 October 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
Interest and similar income		4,493,857	5,220,049
Interest and similar expense		(1,158,732)	(1,919,876)
Net interest income	22	3,335,125	3,300,173
Other operating income	23	853,125	1,056,706
Total operating income		4,188,250	4,356,879
Loan loss impairment	9	(297,560)	(448,859)
Net operating income		3,890,690	3,908,020
Operating expenses	24	(3,368,738)	(2,600,733)
Income before taxation	25	521,952	1,307,287
Income tax expense	26	(163,288)	(420,629)
NET INCOME FOR THE YEAR	27	358,664	886,658
EARNINGS PER STOCK UNIT	28	$1.35	$3.33

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 October 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
Net income for the year	27	358,664	886,658
Other comprehensive income:			
Net gains on available-for-sale investment securities, net of tax	29	15,527	28,665
Total comprehensive income for the year, net of tax		374,191	915,323

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 October 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
Cash Flows from Operating Activities			
Income before taxation		521,952	1,307,287
Adjustments to reconcile income to net cash used in operating activities:			
Loan loss impairment		297,560	448,859
Gain on disposal of property and equipment		(1,649)	(10,108)
Depreciation	10	140,142	109,264
Interest income	22	(4,493,857)	(5,220,049)
Interest expense	22	1,158,732	1,919,876
Fair value gains on derivative financial instruments		(32,308)	(103,999)
Unrealised foreign exchange losses/(gains)		50,943	(1,502)
		(2,358,485)	(1,550,372)
Changes in operating assets and liabilities:			
Loans and advances to customers		2,000,258	3,460,926
Customer deposits		(867,964)	(1,802,661)
Retirement benefit asset		(138,001)	(49,444)
Retirement benefit obligation		(2,065)	(17,850)
Other assets		98,184	389,910
Other liabilities		258,274	402,016
Statutory reserves with Bank of Jamaica		651,723	(794,717)
		(358,076)	37,808
Interest received		4,732,302	5,244,978
Interest paid		(1,302,644)	(1,952,045)
Income tax paid		(298,555)	(535,335)
Net cash provided by operating activities		2,773,027	2,795,406
Cash Flows from Investing Activities			
Investment securities, net		(161,603)	(1,141,923)
Government securities under reverse repurchase agreements, net		26,218	7,493
Money market placements		(1,296,509)	(1,407,287)
Additions to property and equipment	10	(200,816)	(217,827)
Proceeds from disposal of property and equipment		22,332	14,606
Net cash used in investing activities		(1,610,378)	(2,744,938)
Cash Flows from Financing Activities			
Dividends paid		-	(106,303)
Repayment of debt		-	(499,950)
Net cash used in financing activities		-	(606,253)
Net (increase) decrease in cash and cash equivalents		1,162,649	(555,785)
Effect of exchange rate changes on cash and cash equivalents		(336,940)	1,080,208
Cash and cash equivalents at beginning of year		7,938,287	7,413,864
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	8,763,996	7,938,287

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

STATEMENT OF FINANCIAL POSITION

Year ended 31 October 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
Assets			
Cash and balances with Central Bank	3	10,742,393	7,627,172
Due from other banks	4	6,234,723	7,837,584
Derivative financial instruments	5	-	14,521
Other assets	6	499,700	431,620
Investment securities	7	2,977,712	2,777,208
Government securities under reverse repurchase agreements	8	21,727	27,392
Loans and advances to customers	9	23,336,272	26,680,963
Property and equipment	10	691,291	650,441
Retirement benefit asset	12	1,005,903	854,390
Taxation recoverable		123,096	-
TOTAL ASSETS		45,632,817	46,901,291

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

STATEMENT OF FINANCIAL POSITION

As at 31 October 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
LIABILITIES AND EQUITY			
LIABILITIES			
Customer deposits	13	36,970,221	38,966,195
Derivative financial instruments	5	445,392	400,343
Other liabilities	14	1,287,446	618,807
Taxation payable		-	68,023
Deferred tax liabilities	11	211,478	216,276
Retirement benefit obligation	12	37,265	37,270
TOTAL LIABILITIES		38,951,802	40,306,914
EQUITY			
Share capital	15	1,396,667	1,396,667
Reserves	15	4,763,028	4,818,923
Retained earnings		521,320	378,787
TOTAL EQUITY		6,681,015	6,594,377
TOTAL LIABILITIES AND EQUITY		45,632,817	46,901,291

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

Approved for issue by the Board of Directors on 16 December 2010 and signed on its behalf by:

Michael Mansoor

Anthony Bell

Nigel Holness

Allison Rattray

STATEMENT OF CHANGES IN EQUITY

Year ended 31 October 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Notes	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 31 October 2008		1,396,667	3,770,024	735,660	5,902,351
Total comprehensive income for the year	17 & 27	-	28,665	769,664	798,329
Transfer to retained earnings reserve	19	-	840,000	(840,000)	-
Transfer to loan loss reserve	20	-	180,234	(180,234)	-
Dividends paid (40 cents per stock unit)		-	-	(106,303)	(106,303)
Balance at 31 October 2009		1,396,667	4,818,923	378,787	6,594,377
Total comprehensive income for the year	17 & 27	-	15,527	71,111	86,638
Transfer to loan loss reserve	20	-	(71,422)	71,422	-
Balance at 31 October 2010		1,396,667	4,763,028	521,320	6,681,015

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

STATEMENT OF INCOME

Year ended 31 October 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
Interest and similar income		3,751,313	4,624,193
Interest and similar expense		(844,376)	(1,568,760)
Net interest income	22	2,906,937	3,055,433
Other operating income	23	824,327	1,030,200
Total operating income		3,731,264	4,085,633
Loan loss impairment	9	(350,428)	(407,154)
Net operating income		3,380,836	3,678,479
Operating expenses	24	(3,269,348)	(2,538,563)
Income before taxation	25	111,488	1,139,916
Income tax expense	26	(40,377)	(370,252)
NET INCOME FOR THE YEAR	27	71,111	769,664

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

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 October 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
Net income for the year	27	71,111	769,664
Other comprehensive income:			
Net gains on available-for-sale investment securities, net of tax	29	15,527	28,665
Total comprehensive income for the year, net of tax		86,638	798,329

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

STATEMENT OF CASH FLOWS

Year ended 31 October 2010 (expressed in Jamaican dollars unless otherwise indicated)

	Notes	2010 $'000	2009 $'000
Cash Flows from Operating Activities			
Income before taxation		111,488	1,139,916
Adjustments to reconcile income to net cash used in operating activities:			
Loan loss impairment		350,428	407,154
Gain on disposal of property and equipment		(833)	(10,108)
Depreciation	10	139,151	108,310
Interest income	22	(3,751,313)	(4,624,193)
Interest expense	22	844,376	1,568,760
Fair value gains on derivative financial instruments		(32,308)	(103,999)
Unrealised foreign exchange gains		49,691	11,215
Changes in operating assets and liabilities:		(2,289,320)	(1,502,945)
Loans to customers		2,314,106	3,861,132
Customer deposits		(1,043,162)	(3,683,502)
Retirement benefit asset		(151,513)	(48,330)
Retirement benefit obligations		(5)	(17,450)
Other assets		(52,416)	912,684
Other liabilities		792,368	232,268
Statutory reserves at Bank of Jamaica		528,763	(723,508)
		98,821	(969,651)
Interest received		3,799,270	4,616,787
Interest paid		(953,648)	(1,595,650)
Income tax paid		(236,294)	(503,035)
Cash provided by operating activities		2,708,149	1,548,451
Cash Flows from Investing Activities			
Government securities purchased under resale agreements, net		4,806	28,016
Investment securities, net		(161,535)	(1,242,616)
Money market placements		(2,654,681)	(2,338,327)
Additions to property and equipment	10	(180,639)	(215,382)
Proceeds from disposal of property and equipment		1,471	14,606
Net cash used in investing activities		(2,990,578)	(3,753,703)
Cash Flows from Financing Activities			
Repayment of debt		-	(499,950)
Dividends paid		-	(106,303)
Net cash used in financing activities		-	(606,253)
Net decrease in cash and cash equivalents		(282,429)	(2,811,505)
Effect of exchange rate changes on cash and cash equivalents		(331,129)	1,058,996
Cash and cash equivalents at beginning of year		9,672,132	11,424,641
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	9,058,574	9,672,132

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% (2008 - 96.3%) subsidiary of FirstCaribbean International Bank Limited (the "Parent"), a bank incorporated and domiciled in Barbados. The ultimate parent company and controlling party 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 Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

(ii) Basis of measurement

These financial statements have been prepared under the historical cost basis, except for available-for-sale investment securities, and derivative financial instruments, which have all been measured at fair value. The carrying value of recognised assets that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. Additionally, certain land and buildings are measured at deemed cost. Deemed cost represents fair value at the date of transition to IFRS.

(iii) Judgement and estimates

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) Basis of consolidation

Subsidiaries, which are those entities in which the Bank, directly or indirectly holds the majority of the voting rights and where it determines their financial and business policies and is able to exercise control them in order to benefit from their activities, have been fully consolidated.

Subsidiaries are consolidated from the date on which the effective control is transferred to the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The result of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal.

All inter-company transactions, balances and unrealised surpluses and deficits on transactions and balances have been eliminated.

(b) Changes in accounting policies

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

The accounting policies adopted are consistent with those used in the previous financial year except for the adoption of the following standards, amendments and interpretations:

- IFRS 3: Business Combinations (Revised)
- IFRS 7: Financial Instruments: Disclosures (Amendments)
- IFRS 8: Operating Segments
- IAS 1: Presentation of Financial Statements (Revised)
- IAS 39: Financial Instruments: Recognition and Measurement — Eligible Hedged Items (Amendment)
- IFRIC 9: Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and

Measurement - Embedded Derivatives (Amendments)
- IFRIC 17: Distributions of Non-cash Assets to Owners
- IFRIC 18: Transfers of Assets from Customers
- Improvements to International Financial Reporting Standards (issued 2008)

In addition, the Bank has adopted the elements of improvements to International Financial Reporting Standards (issued 2009 and 2009) which were either required as a result of the Group's adoption of IFRS 3 (Revised) Business Combinations, or were required for annual periods beginning after July 1, 2009.

Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did, however, give rise to revised or additional disclosures in the new statement of comprehensive income of total recognised gains and losses (IAS1 Presentation of Financial Statements (Revised)), Note 34 (IFRS 8 Operating Segments) and Note 35 (IFRS 7 Financial Instruments: Disclosures (amendment)).

Other amended standards and interpretations that were issued during the year but are not considered relevant to the Group's operations are:

- IFRS 1: First-time Adoption of International Financial Reporting Standards — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments).
- IFRS 2: Share-based Payment — Vesting Conditions and Cancellations (Amendment).
- IAS 23: Borrowing Costs (Revised).
- IAS 27: Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments).
- IAS 32: Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments).
- IFRIC 15: Agreements for the Construction of Real Estate.

(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 statement of financial position date, and which the Group has not adopted early as follows:

- IAS 24 (Revised): Related Party Transactions
- IFRS 1 (Amendment): First Time Adoption of International Financial Reporting Standards
- IFRS 2 (Amendment): Share Based Payment
- IFRS 9: Financial instruments part 1: Classification and Measurement
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

IFRS 1 (Amendment) and IFRS 2 (Amendment) are not relevant for the Group's operations.

The adoption of IFRIC 19 and IAS 24 (revised) is not expected to impact the Group's financial performance or position, but IAS 24 (revised) may result in amended disclosures within the related party note.

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. Management is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Additionally, in April 2009 and May 2010, 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 will primarily become effective for annual periods beginning on or after January 1, 2010 and 2011, respectively. Management has decided not to early adopt the amendments and does not expect their application to have a significant effect on the Group's operations.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group's Executive Management Committee as its chief operating decision maker.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

(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 equity.

(e) Derivative financial instruments and hedge accounting.

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to manage its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the statement of income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk)
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed at inception and on a monthly basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the Group's strict criteria for hedge accounting are accounted for as follows:

(i) Fair value hedge
For hedging relationships which are designated and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk, changes in the fair value of the derivatives are recorded in the statement of income, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

If the hedge no longer meets the criteria for hedge accounting, an adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised to net profit or loss over the remaining period to maturity.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow

hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income.

Amounts accumulated in other comprehensive income are recycled to the statement of income in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the 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 other comprehensive income is immediately transferred to the statement of income.

Certain derivative instruments do not qualify for hedge accounting or are not so designated, and changes in the fair value of these derivatives are included in net trading income or losses 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).

(g) Financial assets

The Group classifies its financial assets into the following categories:
(i) Loans and receivables
(ii) 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) Available-for-sale
Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

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

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

Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. 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 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.

All gains and losses from disposals of investment securities available for sale are included in operating income as net investment securities gains or losses. Where certain financial assets are hedged and there is ineffectiveness, this is included in operating income as net hedge relationship losses. Dividends are recorded on the accrual basis when declared and are included in investment securities interest and similar income.

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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 reporting 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 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 rights 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.

(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 statement of financial position 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 deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. As required by statutory regulations, if a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such. Any credit card loan that has a payment that is contractually 180 days in arrears is written-off.

When a loan is uncollectable, it is written off against the related provision for impairment; subsequent recoveries are credited to the statement of income and included in loan loss impairment. If the amount of impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the statement of income and included in loan loss impairment.

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.

(o) Property 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 and equipment as its deemed cost. The Group elected to apply this provision on transition to IFRS on 1 November 2002.

All other property 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 statement of income 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 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) 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 reporting 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 other comprehensive income, in which case deferred tax is also dealt with in the statement of comprehensive income.

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.

(r) 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 statement of financial position in respect of the defined benefit pension plan is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the expected average service lives of the related employees.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period), in which case, past service costs are amortised on a straight-line basis over the vesting period.

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

(s) 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 statement of income over the period that the services of the employees are received, which is the vesting period, with a corresponding credit to equity.

(t) 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.

(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.

(u) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or restated to reflect the requirements of new and amended IFRSs.

3. Cash and Balances with Central Bank

	The Group		The Bank	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cash	449,792	416,603	449,790	416,601
Deposits with Central Bank – interest bearing	8,560,833	5,115,553	8,380,141	4,964,514
Deposits with Central Bank – non-interest bearing	1,913,669	2,130,322	1,884,278	2,094,318
	10,924,294	7,662,478	10,714,209	7,475,433
Interest receivable	28,184	151,739	28,184	151,739
	10,952,478	7,814,217	10,742,393	7,627,172

Under Section 14 (i) of both the Banking Act, 1992 and section 13 of the Bank of Jamaica (Building Societies) Regulations, 1995, the Bank and its subsidiary 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 Bank and its subsidiary. These reserves represent the required ratio of the Bank's and its subsidiary's prescribed liabilities as follows:

	The Bank		The Subsidiary	
	2010	2009	2010	2009
Jamaica dollar denominated cash reserves	12%	14%	1%	1%
Foreign currency denominated reserves	9%	11%	1%	1%

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

	The Group		The Bank	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cash and balances with Central Bank	10,952,478	7,814,217	10,742,393	7,627,172
Less: Mandatory reserve deposits with Central Bank (Note 33)	(2,989,617)	(3,641,340)	(2,925,534)	(3,454,297)
	7,962,861	4,172,877	7,816,859	4,172,875
Due from other banks (Note 4)	3,504,931	5,172,697	6,234,723	7,837,584
	11,467,792	9,345,574	14,051,582	12,010,459
Less: Balances with maturity dates over 90 days	(2,703,796)	(1,407,287)	(4,993,008)	(2,338,327)
	8,763,996	7,938,287	9,058,574	9,672,132

4. Due From Other Banks

	The Group		The Bank	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Money market placements	3,500,852	5,168,895	6,218,461	7,811,485
Interest receivable	4,079	3,802	16,262	26,099
	3,504,931	5,172,697	6,234,723	7,837,584

Included in money market placements are deposits with the ultimate parent company of $98,900,000 (2009 - $719,136,000) 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.

The Group and the Bank	Contract /Notional Amount $000	Fair Values Assets $'000	Fair Values Liabilities $'000
As at 31 October 2010			
Interest rate swaps	US$34,955	-	(445,392)
As at 31 October 2009			
Interest rate swaps	US$38,302	-	(400,343)
Foreign exchange forwards	US$1,068	14,521	-

As of October 31, 2010 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.

Foreign Exchange Forward Contracts
Forward exchange forward contracts are contractual agreements to buy and sell a specified amount of foreign currency at a future date at an exchange rate fixed at inception of the contract.

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 $87,512,000 (2009: loss of $144,414,000) and gains on hedged items attributable to the hedged risk of $101,130,000 (2009: $219,272,000), which is included in operating income. The Bank also recognised gains of $18,690,000 (2009: $31,623,000) as a result of failed hedges and this is included within operating income as these derivatives are classified as trading derivatives upon failure.

6. Other Assets

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Cheques and other items in transit, net	679,394	841,990	296,346	117,707
Prepayments and deferred items	49,356	19,057	46,163	18,335
Due from related parties	25,527	77,684	56,678	77,684
Withholding tax	31,096	161,303	31,096	161,303
Other	108,760	87,431	69,417	56,591
	894,133	1,187,465	499,700	431,620

7. Investment Securities

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Investment in subsidiary	-	-	482,900	482,900
Securities available-for-sale:				
Equity securities – unquoted	11,264	11,264	11,264	11,264
Issued or guaranteed by Government –				
Treasury bills	226,748	-	226,748	-
Local registered stock	-	252,115	-	252,115
Bonds & debentures	2,210,477	1,934,618	2,210,477	1,934,618
Index bonds	-	69,369	-	69,369
	2,448,489	2,267,366	2,448,489	2,267,366
Interest receivable	46,323	26,942	46,323	26,942
	2,494,812	2,294,308	2,494,812	2,294,308
Total	2,494,812	2,294,308	2,977,712	2,777,208

The movement in investment securities may be summarised as follows:

Securities available-for-sale:

	The Group and The Bank
	$'000
Balance at 31 October 2008	1,079,916
Additions	3,567,739
Disposals – sale and redemption	(2,437,865)
Gains from changes in fair value	57,576
Balance at 31 October 2009	2,267,366
Additions	2,926,971
Transfers	491
Disposals – sale and redemption	(2,769,323)
Gains from changes in fair value	22,984
Balance at 31 October 2010	2,448,489

8. Government Securities Under Reverse Repurchase 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	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Government securities under reverse repurchase agreements	225,806	234,797	21,633	26,439
Interest receivable	761	17,227	94	953
	226,567	252,024	21,727	27,392

9. Loans and Advances to Customers

	The Group							
	2010				2009			
	Mortgages	Personal Loans	Business & Government	Total	Mortgages	Personal Loans	Business & Government	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Performing loans	7,625,182	4,313,611	17,839,597	29,778,390	7,491,481	4,905,908	20,771,151	33,168,540
Impaired loans	404,759	632,788	1,451,928	2,489,475	314,071	635,049	1,006,197	1,955,317
Gross loans	8,029,941	4,946,399	19,291,525	32,267,865	7,805,552	5,540,957	21,777,348	35,123,857
Less: Provision for credit losses	(54,873)	(429,297)	(516,415)	(1,000,585)	(107,755)	(357,747)	(359,288)	(824,790)
	7,975,068	4,517,102	18,775,110	31,267,280	7,697,797	5,183,210	21,418,060	34,299,067
Add: Interest receivable				328,262				375,991
Less: Unearned fee income				(249,408)				(289,654)
				31,346,134				34,385,404

	The Bank							
	2010				2009			
	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000
Performing loans	-	4,313,611	17,839,597	22,153,208	-	4,905,908	20,771,151	25,677,059
Impaired loans	-	632,788	1,451,928	2,084,716	-	635,049	1,006,197	1,641,246
Gross loans	-	4,946,399	19,291,525	24,237,924	-	5,540,957	21,777,348	27,318,305
Less: Provision for credit losses	-	(429,297)	(516,415)	(945,712)	-	(357,747)	(359,288)	(717,035)
	-	4,517,102	18,775,110	23,292,212	-	5,183,210	21,418,060	26,601,270
Add: Interest receivable				254,110				327,162
Less: Unearned fee income				(210,050)				(247,469)
				23,336,272				26,680,963

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

The Group				
As at 31 October 2010	Mortgages $'000	Personal Loans $'000	Business & Government $'000	2010 $'000
Less than 30 days	2,035,495	387,175	1,160,420	3,583,090
31 – 60 days	253,895	114,240	2,772,955	3,141,090
61 – 90 days	235,960	46,580	218,875	501,415
	2,525,350	547,995	4,152,250	7,225,595

As at 31 October 2009	Mortgages $'000	Personal Loans $'000	Business & Government $'000	2009 $'000
Less than 30 days	2,663,641	540,834	1,846,986	5,051,461
31 – 60 days	579,224	240,644	1,910,918	2,730,786
61 – 90 days	-	703	176	879
	3,242,865	782,181	3,758,080	7,783,126

	The Bank			
As at 31 October 2010	**Mortgages $'000**	**Personal Loans $'000**	**Business & Government $'000**	**2010 $'000**
Less than 30 days	-	387,175	1,160,420	1,547,595
31 – 60 days	-	114,240	2,772,955	2,887,195
61 – 90 days	-	46,580	218,875	265,455
	-	547,995	4,152,250	4,700,245

As at 31 October 2009	**Mortgages $'000**	**Personal Loans $'000**	**Business & Government $'000**	**2009 $'000**
Less than 30 days	-	540,834	1,846,986	2,387,820
31 – 60 days	-	240,644	1,910,918	2,151,562
61 – 90 days	-	703	176	879
	-	782,181	3,758,080	4,540,261

Provision for credit losses comprise:-

	The Group		The Bank	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
Specific provision	837,890	674,670	801,174	579,528
General provision	162,695	150,120	144,538	137,507
	1,000,585	824,790	945,712	717,035

As at 31 October 2010, loans with principal balances outstanding of $2,489,475,000 (2009 - $1,955,317,000) for the Group and $2,084,716,000 (2009 - $1,641,246,000) for the Bank were in non-performing status. Interest receivable on these loans amounted to $47,126,000 (2009 - $41,184,000) for the Group and $44,126,000 (2009 - $39,688,000) for the Bank, and interest taken to income amounted to $5,942,000 (2009 - $23,918,000) for the Group and $4,548,000 (2009 - $22,876,000) for the Bank.

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

	The Group			
As at 31 October 2010	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000
Balance, beginning of year	107,755	357,747	359,288	824,790
Individual impairment	(58,412)	156,655	186,742	284,985
Collective impairment	5,544	5,485	1,546	12,575
Recoveries	-	26,655	-	26,655
Write offs	(14)	(117,245)	(31,161)	(148,420)
Balance, end of year	54,873	429,297	516,415	1,000,585

As at 31 October 2009	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000
Balance, beginning of year	66,050	232,402	131,009	429,461
Individual impairment	40,882	164,042	215,852	420,776
Collective impairment	823	13,249	14,011	28,083
Recoveries	-	31,666	-	31,666
Write offs	-	(83,612)	(1,584)	(85,196)
Balance, end of year	107,755	357,747	359,288	824,790

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

	The Bank			
	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000
As at 31 October 2010				
Balance, beginning of year	-	357,747	359,288	717,035
Individual impairment	-	156,655	186,742	343,397
Collective impairment	-	5,485	1,546	7,031
Recoveries	-	26,655	-	26,655
Write offs	-	(117,245)	(31,161)	(148,406)
Balance, end of year	-	429,297	516,415	945,712

	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000
As at 31 October 2009				
Balance, beginning of year	-	232,402	131,009	363,411
Individual impairment	-	164,042	215,852	379,894
Collective impairment	-	13,249	14,011	27,260
Recoveries	-	31,666	-	31,666
Write offs	-	(83,612)	(1,584)	(85,196)
Balance, end of year	-	357,747	359,288	717,035

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

	The Group		The Bank	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Specific provision	1,390,466	1,128,584	1,136,942	934,140
General provision	260,495	299,095	221,608	267,155
	1,650,961	1,427,679	1,358,550	1,201,295
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 20)	650,376	602,889	412,838	484,260

Loans and advances to customers include finance lease receivables:

	The Group and The Bank	
	2010 $'000	2009 $'000
No later than 1 year	37,550	38,275
Later than 1 year and no later than 5 years	66,710	99,334
Later than 5 years	-	5,009
Gross investment in finance leases	104,260	142,618
Unearned future finance income on finance leases	(35,643)	(57,855)
Net investment in finance leases	68,617	84,763

10. Property and Equipment

	The Group				
	Land $'000	Buildings $'000	Leasehold Improvements $'000	Equipment, Furniture and Vehicles $'000	Total $'000
			2010		
Cost					
1 November 2009	55,000	123,965	142,188	1,269,500	1,590,653
Additions	-	5,017	4,257	191,542	200,816
Disposals	-	-	-	(25,721)	(25,721)
Transfers	-	2,097	69,687	(71,784)	-
31 October 2010	55,000	131,079	216,132	1,363,537	1,765,748
Accumulated depreciation					
1 November 2009	-	22,156	88,772	825,725	936,653
Charge for the year	-	-	3,195	136,947	140,142
Relieved on disposals	-	-	-	(5,038)	(5,038)
31 October 2010	-	22,156	91,967	957,634	1,071,757
Net book value					
31 October 2010	55,000	108,923	124,165	405,903	693,991
			2009		
Cost					
1 November 2008	55,000	123,965	128,998	1,093,428	1,401,391
Additions	-	-	5,442	212,385	217,827
Disposals	-	-	(73)	(28,492)	(28,565)
Transfers	-	-	7,821	(7,821)	-
31 October 2009	55,000	123,965	142,188	1,269,500	1,590,653
Accumulated depreciation					
1 November 2008	-	19,057	80,861	751,538	851,456
Charge for the year	-	3,099	7,941	98,224	109,264
Relieved on disposals	-	-	(30)	(24,037)	(24,067)
31 October 2009	-	22,156	88,772	825,725	936,653
Net book value					
31 October 2009	55,000	101,809	53,416	443,775	654,000

	The Bank				
	Land	Buildings	Leasehold Improvements	Equipment, Furniture and Vehicles	Total
	$'000	$'000	$'000	$'000	$'000
			2010		
Cost					
1 November 2009	55,000	123,965	142,143	1,261,601	1,582,709
Additions	-	5,017	4,257	171,365	180,639
Disposals	-	-	-	(4,116)	(4,116)
Transfers	-	2,097	69,687	(71,784)	-
31 October 2010	55,000	131,079	216,087	1,357,066	1,759,232
Accumulated depreciation					
1 November 2009	-	22,156	88,772	821,340	932,268
Charge for the year	-	-	3,195	135,956	139,151
Relieved on disposals	-	-	-	(3,478)	(3,478)
31 October 2010	-	22,156	91,967	953,818	1,067,941
Net book value					
31 October 2010	55,000	108,923	124,120	403,248	691,291
			2009		
Cost					
1 November 2008	55,000	123,965	128,953	1,087,974	1,395,892
Additions	-	-	5,442	209,940	215,382
Disposals	-	-	(73)	(28,492)	(28,565)
Transfers	-	-	7,821	(7,821)	-
31 October 2009	55,000	123,965	142,143	1,261,601	1,582,709
Accumulated depreciation					
1 November 2008	-	19,057	80,861	748,107	848,025
Charge for the year	-	3,099	7,941	97,270	108,310
Relieved on disposals	-	-	(30)	(24,037)	(24,067)
31 October 2009	-	22,156	88,772	821,340	932,268
Net book value					
31 October 2009	55,000	101,809	53,371	440,261	650,441

Included in the table above are amounts totalling $14,430,000 (2009 - $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 and equipment are shown at cost. Equipment, furniture and vehicles include $111,672,000 (2009 - $210,433,000) 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 33⅓% 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	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Deferred tax assets	16,075	7,090	-	-
Deferred tax liabilities	(211,478)	(216,276)	(211,478)	(216,276)
	(195,403)	(209,186)	(211,478)	(216,276)

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

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Balance as at 1 November	209,186	173,112	216,276	182,756
Charge (credit) to the statement of income (Note 26)	(21,449)	11,227	(12,464)	8,673
Charge to other comprehensive income	7,666	24,847	7,666	24,847
Balance as at 31 October	195,403	209,186	211,478	216,276

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

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Deferred tax assets				
Accelerated tax depreciation	5,670	-	5,670	-
Loan loss provisions	53,626	3,784	48,179	-
Unrealised foreign exchange losses	-	3,731	-	3,731
Post-retirement medical and insurance benefits	12,422	13,041	12,422	12,423
Other provisions	111,927	106,622	99,280	93,546
	183,645	127,178	165,551	109,700
Deferred tax liabilities				
Defined benefit pension scheme	337,168	290,716	335,301	284,796
Unrealised foreign exchange gains	-	3,807	-	-
Loan loss provisions	-	7,513	-	7,064
Accelerated tax depreciation	152	9,481	-	9,269
Available for sale investments	41,728	24,847	41,728	24,847
	379,048	336,364	377,029	325,976
Net deferred tax liability	195,403	209,186	211,478	216,276

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 2010, such earnings totalled $75,783,000 (2009 - $7,139,000).

12. Retirement Benefit Asset (Obligation)

Amounts recognised in the statement of financial position:

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Defined benefit pension scheme	1,012,125	874,124	1,005,903	854,390
Other post retirement benefits	(37,265)	(39,330)	(37,265)	(37,270)

(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 2010.

The amounts recognised in the statement of financial position are determined as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Fair value of plan asset	2,556,688	2,358,200	2,540,926	2,304,950
Present value of funded obligation	(1,731,954)	(1,355,200)	(1,721,276)	(1,324,600)
Unrecognised actuarial gains	187,391	(128,876)	186,253	(125,960)
Asset in the statement of financial position	1,012,125	874,124	1,005,903	854,390

At 31 October 2010, pension plan assets include the Parent's ordinary stock units with a fair value of $38,608,000 (2009 – $39,962,000).

Movements in the asset recognised in the statement of financial position:

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
At 1 November	874,124	824,680	854,390	806,060
Credit for the year (Note 24)	137,947	49,660	151,459	48,540
Contributions paid	54	(216)	54	(210)
At 31 October	1,012,125	874,124	1,005,903	854,390

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

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Fair value of plan asset at start of year	2,358,200	2,128,070	2,304,950	2,080,020
Asset transferred out of plan	(70,657)	-	(27,092)	-
Expected return on plan asset	317,197	327,890	310,008	320,490
Contributions	54	(216)	54	(210)
Benefits paid during year	(17,228)	(14,520)	(17,228)	(14,190)
Actuarial loss on plan asset	(30,878)	(83,024)	(29,766)	(81,160)
Fair value of plant asset at end of year	2,556,688	2,358,200	2,540,926	2,304,950

Changes in the present value of obligation are as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Present value of obligation at start of year	1,355,200	1,080,630	1,324,600	1,056,230
Transfers out of plan	(47,864)	-	(18,352)	-
Interest cost	252,280	179,900	246,548	175,840
Current service cost	54,969	55,600	53,728	54,340
Benefits paid during year	(17,228)	(14,520)	(17,228)	(14,190)
Actuarial loss on plan obligation	134,597	53,590	131,980	52,380
Present value of obligation at end of year	1,731,954	1,355,200	1,721,276	1,324,600

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

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current service cost	54,969	55,600	53,728	54,340
Past service cost	20,491	-	5,847	-
Interest cost	252,280	179,900	246,548	175,840
Expected return on plan assets	(317,197)	(327,890)	(310,008)	(320,490)
Amount not recognised –				
Economic value of surplus	(148,490)	42,730	(147,574)	41,770
Included in staff costs (Note 24)	(137,947)	(49,660)	(151,459)	(48,540)
Actual return on plan asset	286,330	244,080	280,254	238,570

The principal actuarial assumptions used were as follows:

	The Group and The Bank	
	2010	2009
	%	%
Discount rate	11.0	18.0
Expected return on plan assets	13.2	13.5
Future salary increases	9.5	16.0
Future pension increases	7.5	12.0

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 2010 revealed that the scheme was adequately funded at that date.

Defined benefit pension plan amounts for the current and previous four years were as follows:

	2010	2009	2008	2007	2006
	$'000	$'000	$'000	$'000	$'000
Fair value of plan assets	2,556,688	2,358,200	2,128,070	1,768,020	1,449,736
Present value of obligation	(1,731,954)	(1,355,200)	(1,080,630)	(797,090)	(595,840)
	824,734	1,003,000	1,047,440	970,930	853,896

The major categories of plan assets as a percentage of the fair value of total plan assets were as follows:

	The Group and The Bank	
	2010	2009
	%	%
Equity instruments	14	12
Debt instruments	54	42
Property	23	28
Other assets	9	18
	100	100

(b) Post-retirement medical benefits

In addition to pension benefits, the Group offers medical 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 (2009 - 5%).

The amounts recognised in the statement of financial position are as follows:

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Present value of unfunded obligations	30,736	15,080	30,736	14,740
Unrecognised actuarial gains	6,529	24,250	6,529	22,530
Liability in the statement of financial position	37,265	39,330	37,265	37,270

Movements in the obligation recognised in the statement of financial position:

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Obligation at beginning of year	39,330	57,180	37,270	54,720
Charge for the year	(2,065)	(17,810)	(5)	(17,450)
Contributions paid	-	(40)	-	-
Obligation at end of year	37,265	39,330	37,265	37,270

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

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current service cost	91	150	89	150
Past service cost – vested benefits	5,090	-	7,195	-
Interest cost	2,759	1,780	2,694	1,740
Actuarial gains recognised in year	(10,005)	(19,740)	(9,983)	(19,340)
Total included in staff costs (Note 25)	(2,065)	(17,810)	(5)	(17,450)

13. Customer Deposits

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Individuals	17,625,624	17,467,383	14,931,640	14,989,290
Business and Government	12,382,715	13,384,248	10,800,654	11,783,956
Banks	11,822,660	12,813,700	11,175,446	12,023,888
	41,830,999	43,665,331	36,907,740	38,797,134
Interest payable	94,458	234,841	62,481	169,061
	41,925,457	43,900,172	36,970,221	38,966,195

14. Other Liabilities

	The Group		The Bank	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Accounts payable and accruals	401,266	407,433	300,177	284,160
Withholding tax	23,839	12,732	10,872	-
Other	494,076	337,463	976,397	334,647
	919,181	757,628	1,287,446	618,807

15. Share Capital and Reserves

	The Group and The Bank	
	2010 No. of shares (000)	2009 No. of shares (000)
Share Capital		
Authorised -		
Ordinary shares	300,000	300,000

	The Group and The Bank	
Issued and fully paid -	2010 $'000	2009 $'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.

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.

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 2010, Tier 1 and Total Capital ratios were 22.05% and 22.39%, respectively (2009 – 14.33% and 15.24%, respectively).

Reserves	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Capital reserves (Note 16)	12,833	12,833	12,833	12,833
Fair value reserve – available-for-sale investment securities (Note 17)	65,024	49,497	65,024	49,497
Statutory reserve fund (Note 18)	2,246,667	2,146,667	1,791,667	1,791,667
Retained earnings reserve (Note 19)	2,616,163	2,616,163	2,480,666	2,480,666
Loan loss reserve (Note 20)	650,376	602,889	412,838	484,260
Building Society reserve (Note 21)	45,522	45,522	-	-
Total reserves at end of the year	5,636,585	5,473,571	4,763,028	4,818,923

16. Capital Reserves

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Comprised:				
Unrealised –				
Surplus on revaluation of premises	5,493	5,493	5,493	5,493
Realised –				
Profit on sale of property and equipment	7,370	7,340	7,340	7,340
Balance at end of year	12,833	12,833	12,833	12,833

17. Fair Value Reserves – Available For Sale Investment Securities

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Balance at beginning of year	49,497	20,832	49,497	20,832
Fair value gains on available for sale investments during the year (Note 29)	15,527	28,665	15,527	28,665
Balance at end of the year	65,024	49,497	65,024	49,497

18. Statutory Reserve Fund

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Balance at beginning of year	2,146,667	2,096,667	1,791,667	1,791,667
Transfer from retained earnings	100,000	50,000	-	-
Balance at end of the year	2,246,667	2,146,667	1,791,667	1,791,667

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 income be transferred to the reserve fund until the amount in the fund is not less than paid up share capital.

19. Retained Earnings Reserve

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Balance at beginning of year	2,616,163	1,776,163	2,480,666	1,640,666
Transfer from retained earnings	-	840,000	-	840,000
Balance at end of year	2,616,163	2,616,163	2,480,666	2,480,666

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.

20. Loan Loss Reserve

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Balance at beginning of year	602,889	360,230	484,260	304,026
Transfer from /(to) retained earnings	47,487	242,659	(71,422)	180,234
Balance at end of the year	650,376	602,889	412,838	484,260

This is a non-distributable reserve representing the excess of the provision for loan losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 9).

21. Building Society Reserve

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Balance at beginning and 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.

22. Net Interest Income

	The Group		The Bank	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Interest and similar income:				
Cash and balances due from banks	532,498	664,732	674,574	996,991
Investment securities	317,995	299,344	317,995	299,344
Loans and advances	3,611,395	4,209,749	2,755,732	3,320,526
Repurchase agreements and other	31,969	46,224	3,012	7,332
	4,493,857	5,220,049	3,751,313	4,624,193
Interest and similar expense:				
Customer deposits	(1,158,732)	(1,816,258)	(844,376)	(1,465,142)
Debt securities in issue	-	(103,618)	-	(103,618)
	(1,158,732)	(1,919,876)	(844,376)	(1,568,760)
Net interest income	3,335,125	3,300,173	2,906,937	3,055,433

23. Other Operating Income

	The Group		The Bank	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Net fees and commissions	573,350	603,008	572,469	596,263
Foreign exchange transactional net gains	268,725	213,169	266,897	206,125
Foreign exchange revaluation net gains (losses)	(50,943)	1,502	(49,691)	(11,215)
Trading securities net gains (losses)	33,501	239,027	33,501	239,027
Other operating income	28,492	-	1,151	-
	853,125	1,056,706	824,327	1,030,200

Foreign exchange transactional net gains include gains and losses arising from foreign currency trading activities.

24. Operating Expenses

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Staff costs	1,205,879	1,209,516	1,165,897	1,182,690
Depreciation	140,142	109,264	139,151	108,310
Occupancy costs	392,866	317,891	350,661	312,678
Other operating expenses	1,629,851	964,062	1,613,639	934,885
	3,368,738	2,600,733	3,269,348	2,538,563

Analysis of staff costs:

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Wages and salaries	1,073,072	1,027,144	1,048,795	1,002,584
Pension costs –				
Defined benefit plan (Note 12)	(137,947)	(49,660)	(151,459)	(48,540)
Defined contribution plan	47,299	39,437	47,299	39,437
Other post retirement benefits (Note 12)	(2,065)	(17,810)	(5)	(17,450)
Share-based payments	10,853	16,499	10,853	16,499
Other staff-related costs	214,667	193,906	210,414	190,160
	1,205,879	1,209,516	1,165,897	1,182,690

25. Income Before Taxation

Income before taxation is stated after charging:

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Depreciation	140,142	109,264	139,151	108,310
Directors' emoluments-				
Fees	3,941	2,768	3,303	2,440
Management remuneration	20,304	36,124	13,588	29,433
Management fees	800,043	199,650	771,439	178,909
Auditors' remuneration-				
Current year	11,443	12,182	9,358	10,210
Prior year	1,120	3,064	955	3,064

26. Income tax expense

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

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current year income tax	188,935	412,330	57,039	364,286
Adjustment to prior year provision	(4,198)	(2,928)	(4,198)	(2,707)
	184,737	409,402	52,841	361,579
Deferred tax (Note 11)	(21,449)	11,227	(12,464)	8,673
	163,288	420,629	40,377	370,252

Income tax is calculated at the rate of 33⅓% 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	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Income before taxation	521,952	1,307,287	111,488	1,139,916
Tax calculated at 33 ⅓%	173,984	435,762	37,163	379,972
Effect of :				
Different tax rate applicable to mortgage financing subsidiary	(13,682)	(5,675)	-	-
Prior year under provision	(4,198)	(2,928)	(4,198)	(2,707)
Income not subject to tax	(822)	(6,366)	(822)	(6,366)
Expenses not deductible for tax purposes	-	400	-	14
Other charges and allowances	8,006	(564)	8,234	(661)
	163,288	420,629	40,377	370,252

27. Net Income For The Year

	2010	2009
	$'000	$'000
The net income for the year is dealt with as follows in the financial statements of:		
The Bank	71,111	769,664
Subsidiary	287,553	116,994
	358,664	886,658

28. 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:

	2010	2009
Net income for the year ($'000)	358,664	886,658
Weighted average number of ordinary stock units in issue ('000)	265,757	265,757
Earnings per stock unit ($)	1.35	3.33

29. Components of other comprehensive income

	The Group and The Bank	
	2010 $'000	2009 $'000
Available-for-sale financial assets:		
Gains arising during the year	24,384	188,645
Less: reclassification adjustments for gains included in the statement of income	(1,192)	(135,133)
Other comprehensive income for the year	23,192	53,512
Less: deferred tax	(7,665)	(24,847)
	15,527	28,665

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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
FirstCaribbean International Bank Limited:				
Net payable	349,076	70,808	354,501	63,449
Management fee expense	800,043	199,650	771,439	178,909
Other FirstCaribbean entities:				
Interest income	7,013	16,585	149,107	348,953
Interest expense	93,124	310,297	51,536	250,805
Net receivable	25,527	77,907	56,678	77,821
Deposits by other FirstCaribbean entities	11,736,234	12,737,512	10,941,904	11,867,308
Due from subsidiary - placements	-	-	2,729,792	2,664,887
Due to subsidiary - Deposits	-	-	141,895	78,535
Money market placements	176,862	1,409,848	176,862	1,409,848
Affiliates:				
CIBC:				
Interest income	67	136	67	136
Interest expense	34	1,217	34	1,217
Customer deposits	4,616	407	4,616	407
Cash & money market placements	98,900	719,136	98,900	719,136
Loans and advances to customers	95	95	95	95

(b) Transactions and balances with directors

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Loans outstanding	64,758	80,454	62,668	73,057
Deposits	49,400	74,927	49,400	74,927
Interest income	7,443	9,211	7,304	7,425
Interest expense	1,733	10,854	1,642	10,854
Directors' fees	3,941	2,768	3,303	2,440
Management remuneration paid (included below)	20,304	36,124	13,588	29,433

(c) Key management remuneration paid during the year

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Wages and salaries	131,201	169,496	125,015	163,350
Statutory contributions	10,939	14,532	10,410	13,986

31. Commitments

(a) Future rental commitments under operating leases

At 31 October 2010, the Bank held leases on buildings for extended periods. The future rental commitments under these leases were as follows:

	Group and Bank	
	2010	2009
	$'000	$'000
Not later than 1 year	18,693	186,087
Later than 1 year and less than 5 years	235,702	171,376
Later than 5 years	-	-
	254,395	357,463

(b) Other

The following table indicates the contractual amounts of financial instruments not presented in the statement of financial position that commit the Group and the Bank to extend credit to customers.

	The Group		The Bank	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Guarantees and indemnities	620,778	575,242	620,778	575,242
Letters of credit	1,168,495	1,045,778	1,168,495	1,045,778
Loan commitments	4,502,157	4,910,509	3,740,574	3,872,044
	6,291,430	6,531,529	5,529,847	5,493,064

32. Contingencies

The Group, because of the nature of its businesses, is subject to various threatened or filed legal actions. At 31 October 2010 material claims filed amounted to approximately $2,024,379,000 (2009 - $2,036,169,000). The majority of this amount relates to a specific counter claim of approximately $1,994,901,000 (2009 - $1,995,467,000), filed by a former customer against the Bank. Another counter claim was brought against the former customer by the Bank for approximately $403,574,000 (2009 - $417,818,000). 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. In addition, assets are pledged as collateral for possible shortfall in the Bank of Jamaica operating account as well as to other third parties under various other agreements. These are as follows:

	The Group			
	Asset		Related Liability	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Statutory reserves at Bank of Jamaica (Note 3)	2,989,617	3,641,340	-	-
Money market placements (Notes 4 & 5)	204,000	176,000	445,392	400,343
Investment securities (Note 7)				
Local registered stock	-	255,700	-	-
Bonds & debentures	86,161	500,000	-	252,160
	3,279,778	4,573,040	445,392	652,503

	The Bank			
	Asset		Related Liability	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Statutory reserves at Bank of Jamaica (Note 3)	2,925,534	3,454,297	-	-
Money market placement (Notes 4 & 5)	204,000	176,000	445,392	400,343
Investment securities (Note 7)				
Local registered stock	-	255,700	-	-
Bonds & debentures	86,161	500,000	-	252,160
	3,215,695	4,385,997	445,392	652,503

34. Business Segments

The Group's operations are organised into two business segments, Retail Banking and Corporate Investment Banking (CIB) which are supported by the functional units within the Administration segment (which includes Finance, HR, Technology and Operations, Treasury, Risk and other).

During the year, Small Business and Acquiring Cards businesses were transferred from CIB to Retail Banking.

Retail Banking

This line of business provides a full range of financial products and services to individuals. Clients can access our services and products through our network of branches in the Caribbean, as well as, use the convenience of ABMs, Internet Banking, Telephone Banking and Cards (Issuing). Our Wealth Management centres help individuals achieve their financial goals through an array of investment products, deposit accounts, loans, mortgages and other services.

For Personal Wealth Management clients and Domestic clients who meet the Wealth Management criteria, the Bank offers traditional day-to-day banking services, investment advice, and a relationship management offering by being pro-active to client needs. The International Mortgage group provides funding in U.S. dollars, and other 'hard currencies' typically to non-residents of the Caribbean seeking to purchase homes in the Caribbean for personal/investment use.

Corporate Investment Banking (CIB)

This line of business comprises two sub-segments: Corporate Banking and Investment Banking.

Corporate banking provides a full range of corporate and commercial banking services, including Cards Merchant Acquiring business, to large and mid-size corporate businesses, governments, financial institutions, international trading companies and private wealth vehicles throughout the Caribbean. The Corporate International Wealth unit specialises in providing banking services to businesses and professional intermediaries who use international financial centres.

Investment Banking provides debt and equity capital markets and corporate finance products and services to large corporations, financial institutions and governments.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on economic profits, which for the total of all segments is equal to net income before taxes reflected on the consolidated financial statements. Economic profits include funds transfer pricing, management allocations, and other charges for the segments' use of capital.

Income taxes are managed on a group basis and are not allocated to business segments. Transactions between the business segments are on nominal commercial terms and conditions.

Segment assets and liabilities comprise assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation and intangible assets. Securities and cash placements are normally held within the Treasury unit within the Administration segment.

The Administration segments results includes the earnings on excess capital as well as the offset to the capital charges that have been allocated to Retail Banking and CIB.

The Group's operations are located solely in Jamaica.

	Retail & Wealth $'000	Corporate Investment Banking $'000	Administration $'000	Group $'000
31 October 2010				
External revenues	2,187,139	2,393,473	766,370	5,346,982
Revenues from other segments	877,028	(508,383)	(368,645)	-
Total revenues	3,064,167	1,885,090	397,725	5,346,982
Income before taxation	(466,919)	448,050	540,821	521,952
Taxation				(163,288)
Income for the year				358,664
Segment assets	13,217,468	18,337,398	19,693,401	51,248,267
Unallocated assets				16,075
Total assets				51,264,342
Segment liabilities	24,114,633	6,497,324	12,715,338	43,327,295
Unallocated liabilities				306,693
Total liabilities				43,633,988
Other segment information				
Interest income	1,819,870	905,745	1,768,242	4,493,857
Interest expense	845,965	216,512	96,255	1,158,732
Hedging gains	-	-	13,618	13,618
Capital expenditure	77,484	1,382	121,951	200,817
Depreciation	69,759	791	69,592	140,142
Loan impairment losses	66,921	230,639	-	297,560

	Retail & Wealth	Corporate Investment Banking	Administration	Group
	$'000	$'000	$'000	$'000
31 October 2009				
External revenues	2,321,830	2,741,208	1,213,717	6,276,755
Revenues from other segments	843,097	(392,262)	(450,835)	-
Total revenues	3,164,927	2,348,946	762,882	6,276,755
Income before taxation	(228,948)	688,712	847,523	1,307,287
Taxation				(420,629)
Income for the year				886,658
Segment assets	13,274,212	21,327,284	18,047,264	52,648,760
Unallocated assets				7,090
Total assets				52,655,850
Segment liabilities	23,813,363	7,565,803	13,718,307	45,097,473
Unallocated liabilities				302,214
Total liabilities				45,399,687
Other segment information				
Interest income	1,812,961	1,235,747	2,171,341	5,220,049
Interest expense	1,036,597	610,620	272,659	1,919,876
Hedging gains	-	-	74,858	74,858
Capital expenditure	109,290	1,162	107,375	217,827
Depreciation	57,615	878	50,771	109,264
Loan impairment losses	247,683	201,176	-	448,859

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 loans and advances which are disclosed on the statement of financial position, 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.

Process and Control

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.

Credit Risk Limits

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.

Collateral

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.

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					
	2010			2009		
	Loans and Leases	Acceptances, Guarantees and Letters of Credit	Total 2010	Loans and Leases	Acceptances, Guarantees and Letters of Credit	Total 2009
	$'000	$'000	$'000	$'000	$'000	$'000
Agriculture, fishing and mining	56,343	3,633	59,976	68,712	3,633	72,345
Construction	481,085	-	481,085	287,841	-	287,841
Distribution	4,855,531	767,832	5,623,363	6,104,104	1,198,226	7,302,330
Electricity, gas and water	2,071,421	426,000	2,497,421	1,618,403	1,000	1,619,403
Financial institutions	789,787	500	790,287	375,642	500	376,142
Government and public entities	707,078	-	707,078	581,708	-	581,708
Manufacturing and production	978,520	6,306	984,826	2,026,495	6,305	2,032,800
Personal	12,288,488	2,702,203	14,990,691	12,482,714	2,901,923	15,384,637
Professional and other services	1,634,589	2,371,863	4,006,452	2,210,052	2,193,458	4,403,510
Tourism and entertainment	5,607,650	726	5,608,376	6,459,688	147,893	6,607,581
Transport, storage and communication	2,797,373	12,367	2,809,740	2,908,498	78,591	2,987,089
Total	32,267,865	6,291,430	38,559,295	35,123,857	6,531,529	41,655,386
Provision for credit losses			(1,000,585)			(824,790)
			37,558,710			40,830,596

	The Bank					
	2010			2009		
	Loans and Leases $'000	Acceptances, Guarantees and Letters of Credit $'000	Total 2010 $'000	Loans and Leases $'000	Acceptances, Guarantees and Letters of Credit $'000	Total 2009 $'000
Agriculture, fishing and mining	56,343	3,633	59,976	68,712	3,633	72,345
Construction	476,311	-	476,311	287,344	-	287,344
Distribution	4,855,531	767,832	5,623,363	6,104,104	1,198,226	7,302,330
Electricity, gas and water	2,071,421	426,000	2,497,421	1,618,403	1,000	1,619,403
Financial institutions	789,787	500	790,287	360,573	500	361,073
Government and public entities	707,078	-	707,078	561,386	-	561,386
Manufacturing and production	973,271	6,306	979,577	2,018,348	6,305	2,024,653
Personal	4,444,300	1,940,620	6,384,920	4,946,596	1,863,458	6,810,054
Professional and other services	1,458,860	2,371,863	3,830,723	1,984,653	2,193,458	4,178,111
Tourism and entertainment	5,607,650	726	5,608,376	6,459,688	147,893	6,607,581
Transport, storage and communication	2,797,372	12,367	2,809,739	2,908,498	78,591	2,987,089
Total	24,237,924	5,529,847	29,767,771	27,318,305	5,493,064	32,811,369
Provision for credit losses			(945,712)			(717,035)
			28,822,059			32,094,334

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 which include exposures not recognised in the statement of financial position. Actual exposures against limits are monitored daily.

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 assets and liabilities presented on the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable 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 statement of financial position carrying values of all financial assets plus the contingent liabilities and commitments [these disclosures are shown in note 31(b)] not recognised in the statement of financial position. 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. The maximum exposure to credit risk within the customer loan portfolio would be all the statement of financial position carrying values plus the loan commitments [these disclosures are shown in Note 31(b)] not recognised in the statement of financial position. 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 loan commitments amount not recognised in the statement of financial position.

(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.

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				
	2010				
	Performing				
Grade description	High Grade $'000	Standard Grade $'000	Sub Standard Grade $'000	Impaired $'000	Total $'000
Loans and advances to customers:					
Mortgages	7,133,383	636	491,163	404,759	8,029,941
Personal loans	4,103,933	40,101	169,577	632,788	4,946,399
Business & government loans	14,600,959	263,133	2,975,505	1,451,928	19,291,525
Total	25,838,275	303,870	3,636,245	2,489,475	32,267,865

	The Group				
	2009				
	Performing				
Grade description	High Grade $'000	Standard Grade $'000	Sub Standard Grade $'000	Impaired $'000	Total $'000
Loans and advances to customers:					
Mortgages	6,882,802	29,455	579,224	314,071	7,805,552
Personal loans	4,478,222	186,339	241,347	635,049	5,540,957
Business & government loans	18,700,919	159,138	1,911,094	1,006,197	21,777,348
Total	30,061,943	374,932	2,731,665	1,955,317	35,123,857

	The Bank				
	2010				
	Performing				
Grade description	High Grade $'000	Standard Grade $'000	Sub Standard Grade $'000	Impaired $'000	Total $'000
Loans and advances to customers:					
Personal loans	4,103,933	40,101	169,577	632,788	4,946,399
Business & government loans	14,600,959	263,133	2,975,505	1,451,928	19,291,525
Total	18,704,892	303,234	3,145,082	2,084,716	24,237,924

	The Bank				
	2009				
	Performing				
Grade description	High Grade $'000	Standard Grade $'000	Sub Standard Grade $'000	Impaired $'000	Total $'000
Loans and advances to customers					
Personal loans	4,478,222	186,339	241,347	635,049	5,540,957
Business & government loans	18,700,919	159,138	1,911,094	1,006,197	21,777,348
Total	23,179,141	345,477	2,152,441	1,641,246	27,318,305

(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 Parent 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.

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 2009 and has been used as the input into the stress tests and the VaR models from August 2009.

Value at Risk:

The Group's Value at Risk ("VaR") methodology utilises the tested and validated CIBC 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 as follows:

- 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.

- 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.

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's 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) 2010 $,000	VaR 2010 $,000	Stressed Loss 2010 $,000	Average Position 2010 $,000	Average VaR 2010 $,000	Position Long (Short) 2009 $,000	VaR 2009 $,000	Stressed Loss 2009 $,000	Average Position 2010 $,000	Average VaR 2010 $,000
(246)	24	20	(16,800)	281	(23,762)	457	1,901	(13,882)	335

During 2009 the Parent 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'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.

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

Concentrations of assets, liabilities and credit commitments:

	The Group							
	2010							
	EC	BDS	CAY	BAH	US	JA	Other	Total
As at 31 October 2010	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets								
Cash resources	269	383	307	-	1,252,440	9,554,792	144,287	10,952,478
Due from banks	419	16,633	819	2,320	2,394,817	632	1,089,291	3,504,931
Other assets	-	-	-	-	416,000	416,709	61,424	894,133
Investment securities	-	-	-	-	83,100	2,411,712	-	2,494,812
Taxation Recoverable	-	-	-	-	-	123,096	-	123,096
Deferred tax assets	-	-	-	-	-	16,075	-	16,075
Retirement benefit assets	-	-	-	-	-	1,012,125	-	1,012,125
Government securities under reverse repurchase agreements	-	-	-	-	-	226,567	-	226,567
Loans and advances to customers	-	-	-	-	18,382,324	12,929,874	33,936	31,346,134
Property, plant and equipment	-	-	-	-	-	693,991	-	693,991
Total assets	688	17,016	1,126	2,320	22,528,681	27,385,573	1,328,938	51,264,342
Deposits	-	-	-	-	21,472,400	19,278,132	1,174,925	41,925,457
Derivative financial instruments	-	-	-	-	445,392	-	-	445,392
Other liabilities	-	-	-	-	139,134	731,852	48,195	919,181
Taxation payable	-	-	-	-	-	95,215	-	95,215
Deferred tax liabilities	-	-	-	-	-	211,478	-	211,478
Retirement benefit obligations	-	-	-	-	-	37,265	-	37,265
Total liabilities	-	-	-	-	22,056,926	20,353,942	1,223,120	43,633,988
Net assets / (liabilities)	688	17,016	1,126	2,320	471,755	7,031,631	105,818	7,630,354
Credit commitments	-	-	-	-	3,806,286	2,485,144	-	6,291,430

Concentrations of assets, liabilities and credit commitments:

	The Group							
	2009							
	EC	BDS	CAY	BAH	US	JA	Other	Total
As at 31 October 2009	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets								
Cash resources	99	2,419	290	-	1,551,588	6,100,927	158,894	7,814,217
Due from banks	(196)	1,450	4,988	2,411	3,880,137	(37)	1,283,944	5,172,697
Other assets	-	(35)	-	-	654,058	522,686	10,756	1,187,465
Investment securities	-	-	-	-	-	2,294,308	-	2,294,308
Deferred tax assets	-	-	-	-	-	7,090	-	7,090
Retirement benefit assets	-	-	-	-	-	874,124	-	874,124
Loans and advances to customers	-	-	-	-	20,218,658	13,955,668	211,078	34,385,404
Government securities under reverse repurchase agreements	-	-	-	-	-	252,024	-	252,024
Property, plant and equipment	-	-	-	-	-	654,000	-	654,000
Derivative financial instruments	-	-	-	-	219,385	14,521	(219,385)	14,521
Total assets	(97)	3,834	5,278	2,411	26,523,826	24,675,311	1,445,287	52,655,850
Liabilities								
Deposits	-	-	-	-	23,744,382	18,804,372	1,351,418	43,900,172
Derivative financial instruments	-	-	-	-	443,728	-	(43,385)	400,343
Other liabilities	-	-	-	-	434,585	319,841	3,202	757,628
Taxation payable	-	-	-	-	-	85,938	-	85,938
Deferred tax liabilities	-	-	-	-	-	216,276	-	216,276
Retirement benefit obligations	-	-	-	-	-	39,330	-	39,330
Total liabilities	-	-	-	-	24,622,695	19,465,757	1,311,235	45,399,687
Net assets / (liabilities)	(97)	3,834	5,278	2,411	1,901,131	5,209,554	134,052	7,256,163
Credit commitments	-	-	-	-	3,109,564	3,421,965	-	6,531,529

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 31 October 2010 in respect of its assets and liabilities holding all other variables constant. The results revealed that as of 31 October 2010, if the Jamaican dollar had depreciated by 1% against foreign currencies, profit before tax for the year would have been $2,160,000 higher (2009 - $17,365,000 higher) and shareholders equity would have been $2,160,000 higher (2009 - $17,365,000 higher).

(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 our financial position under both normal and stressed market environments.

Process and Control

Actual and anticipated inflows and outflows of funds generated from exposures including those not recognised in the statement of financial position 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 amounts recognised in the statement of financial position. 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 Bank'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 commitments, guarantees and contingent liabilities of the Group and the Bank into relevant maturity groupings based on the remaining period at statement of financial position date to the contractual maturity date.

	The Group				
	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
As at 31 October 2010					
Cash and balances with Central Bank	10,952,478	-	-	-	10,952,478
Due from other banks	801,135	2,703,796	-	-	3,504,931
Other assets	894,133	-	-	-	894,133
Investment securities	368,576	138,890	1,567,702	419,644	2,494,812
Taxation Recoverable	123,096	-	-	-	123,096
Government securities under reverse repurchase agreements	226,567	-	-	-	226,567
Loans and advances to customers	3,534,852	1,636,138	12,736,723	13,438,421	31,346,134
Property and equipment	-	-	693,991	-	693,991
Deferred tax assets	-	-	-	16,075	16,075
Retirement benefit asset	-	-	-	1,012,125	1,012,125
Total assets	16,900,837	4,478,824	14,998,416	14,886,265	51,264,342
Customer deposits	27,662,772	11,695,157	2,114,058	453,470	41,925,457
Derivative financial instruments	445,392	-	-	-	445,392
Other liabilities	919,181	-	-	-	919,181
Taxation payable	95,215	-	-	-	95,215
Deferred tax liabilities	-	-	-	211,478	211,478
Retirement benefit obligation	-	-	-	37,265	37,265
Total liabilities	29,122,560	11,695,157	2,114,058	702,213	43,633,988
Net assets /(liabilities)	(12,221,723)	(7,216,333)	12,884,358	14,184,052	7,630,354
Commitments, guarantees and contingent liabilities	5,076,800	789,525	425,106	-	6,291,431

	The Group				
	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
As at 31 October 2009					
Cash and balances with Central Bank	7,814,217	-	-	-	7,814,217
Due from other banks	3,765,410	1,407,287	-	-	5,172,697
Derivative financial instruments	14,521				14,521
Other assets	1,187,465	-	-	-	1,187,465
Investment securities	100,046	271,298	1,911,700	11,264	2,294,308
Government securities under reverse repurchase agreements	43,618	86,628	121,778	-	252,024
Loans and advances to customers	3,950,300	1,938,595	10,452,155	18,044,354	34,385,404
Property and equipment	-	-	654,000	-	654,000
Deferred tax assets	-	-	7,090	-	7,090
Retirement benefit asset	-	-	-	874,124	874,124
Total assets	16,875,577	3,703,808	13,146,723	18,929,742	52,655,850
Customer deposits	31,955,939	11,314,095	473,361	156,777	43,900,172
Derivative financial instruments	400,343	-	-	-	400,343
Other liabilities	757,628	-	-	-	757,628
Taxation payable	85,938	-	-	-	85,938
Deferred tax liabilities	-	-	-	216,276	216,276
Retirement benefit obligation	-	-	-	39,330	39,330
Total liabilities	33,199,848	11,314,095	473,361	412,383	45,399,687
Net assets / (liabilities)	(16,324,271)	(7,610,287)	12,673,362	18,517,359	7,256,163
Commitments, guarantees and contingent liabilities	1,038,465	5,486,476	6,588	-	6,531,529

	The Bank				
	1 to 3 Months	3 to12 Month	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
As at 31 October 2010					
Cash and balances with Central Bank	10,742,393	-	-	-	10,742,393
Due from other banks	1,241,715	4,993,008	-	-	6,234,723
Other assets	499,700	-	-	-	499,700
Investment securities	368,576	138,890	1,567,702	902,544	2,977,712
Taxation Recoverable	123,096	-	-	-	123,096
Government securities under reverse repurchase agreements	21,727	-	-	-	21,727
Loans and advances to customers	3,355,936	1,618,853	12,575,469	5,786,014	23,336,272
Property and equipment	-	-	691,291	-	691,291
Retirement benefit asset	-	-	-	1,005,903	1,005,903
Total assets	16,353,143	6,750,751	14,834,462	7,694,461	45,632,817
Customer deposits	23,969,722	10,436,050	2,110,979	453,470	36,970,221
Derivative financial instruments	445,392	-	-	-	445,392
Other liabilities	1,287,446	-	-	-	1,287,446
Deferred tax liabilities	-	-	-	211,478	211,478
Retirement benefit obligation	-	-	-	37,265	37,265
Total liabilities	25,702,560	10,436,050	2,110,979	702,213	38,951,802
Net assets /(liabilities)	(9,349,417)	(3,685,299)	12,723,483	6,992,248	6,681,015
Commitments, guarantees and contingent liabilities	4,315,217	789,525	425,105	-	5,529,847

	The Bank				
	1 to 3 Months	3 to12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
As at 31 October 2009					
Cash and balances with Central Bank	7,627,172	-	-	-	7,627,172
Due from other banks	5,499,257	2,338,327	-	-	7,837,584
Derivative financial instruments	14,521	-	-	-	14,521
Other assets	431,620	-	-	-	431,620
Investment securities	100,046	271,298	1,911,700	494,164	2,777,208
Government securities under reverse repurchase agreements	27,392	-	-	-	27,392
Loans and advances to customers	3,689,395	1,926,437	10,328,654	10,736,477	26,680,963
Property and equipment	-	-	650,441	-	650,441
Retirement benefit asset	-	-	-	854,390	854,390
Total assets	17,389,403	4,536,062	12,890,795	12,085,031	46,901,291
Customer deposits	28,668,255	9,692,764	448,399	156,777	38,966,195
Derivative financial instruments	400,343	-	-	-	400,343
Other liabilities	618,807	-	-	-	618,807
Taxation payable	68,023	-	-	-	68,023
Deferred tax liabilities	-	-	-	216,276	216,276
Retirement benefit obligation	-	-	-	37,270	37,270
Total liabilities	29,755,428	9,692,764	448,399	410,323	40,306,914
Net assets / (liabilities)	(12,366,025)	(5,156,702)	12,442,396	11,674,708	6,594,377
Commitments, guarantees and contingent liabilities	-	5,486,476	6,588	-	5,493,064

(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 inclusive of those not recognised in the statement of financial position.

Interest rate risk is measured, managed and monitored centrally from a Parent Group perspective and the results and analysis is disclosed in the Parent'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'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	2010 $'000	2009 $'000
Impact on net interest income	870	610
Impact on other comprehensive income	1,590	1,480
100 bp decrease in interest rates		
Impact on net interest income	(870)	(610)
Impact on other comprehensive income	(1,590)	(1,480)

The Parent approved a post structural interest rate assumption approach as at September 30, 2009 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
2010	(16)	3	171	3,366
2009	(15)	2	209	3,036

Derivatives held for ALM purposes

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 statement of financial position 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.

(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.

The following tables summarise carrying amounts of statement of financial position, 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 to12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive (2 &3)	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 October 2010							
Cash and balances with Central Bank	-	8,447,121	-	-	-	2,505,357	10,952,478
Due from other banks	8,535	2,820,816	630,047	-	-	45,533	3,504,931
Taxation recoverable	-	-	-	-	-	123,096	123,096
Other assets	-	-	-	-	-	894,133	894,133
Investment securities	-	699,486	86,811	1,480,937	169,991	57,588	2,494,812
Government securities under reverse repurchase agreements	-	226,567	-	-	-	-	226,567
Loans and advances to customers	1,089,693	10,945,991	1,633,493	11,535,165	5,839,268	302,524	31,346,134
Property and equipment	-	-	-	-	-	693,991	693,991
Deferred tax assets	-	-	-	-	-	16,075	16,075
Retirement benefit asset	-	-	-	-	-	1,012,125	1,012,125
Total assets	1,098,228	23,139,981	2,350,351	13,016,102	6,009,258	5,650,422	51,264,342
Customer deposits	11,793,093	10,672,542	12,864,833	2,089,326	202,864	4,302,799	41,925,457
Derivative financial instruments	-	445,392	-	-	-	-	445,392
Other liabilities	-	-	-	-	-	919,181	919,181
Taxation payable	-	-	-	-	-	95,215	95,215
Deferred tax liabilities	-	-	-	-	-	211,478	211,478
Retirement benefit obligation	-	-	-	-	-	37,265	37,265
Total liabilities	11,793,093	11,117,934	12,864,833	2,089,326	202,864	5,565,938	43,633,988
Total interest rate sensitivity gap	(10,694,865)	12,022,047	(10,514,482)	10,926,776	5,806,394	84,484	7,630,354
Cumulative gap	(10,694,865)	1,327,182	(9,187,299)	1,739,477	7,545,871	7,630,354	-
As at 31 October 2009							
Total interest rate sensitivity gap	(11,450,213)	5,048,749	(6,913,070)	12,115,706	10,594,818	(2,139,827)	7,256,163
Cumulative gap	(11,450,213)	(6,401,464)	(13,314,534)	(1,198,828)	9,395,990	7,256,163	-

(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 non-financial instruments.

	The Group						
	Immediately Rate Sensitive[1]	Within 3 Months	3 to12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive [2&3]	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 October 2009							
Cash and balances with Central Bank	-	4,627,291	640,000	-	-	2,546,926	7,814,217
Due from other banks	176,000	3,276,396	1,407,287	-	-	313,014	5,172,697
Derivative financial instruments	-	14,521	-	-	-	-	14,521
Investment securities	-	-	298,240	1,911,700	-	84,368	2,294,308
Other assets	-	-	-	-	-	1,187,465	1,187,465
Government securities under reverse repurchase agreements	-	123,009	129,015	-	-	-	252,024
Loans and advances to customers	88,700	9,753,842	3,170,330	10,398,298	10,751,595	222,639	34,385,404
Property and equipment	-	-	-	-	-	654,000	654,000
Deferred tax assets	-	-	-	-	-	7,090	7,090
Retirement benefit asset	-	-	-	-	-	874,124	874,124
Total assets	264,700	17,795,059	5,644,872	12,309,998	10,751,595	5,889,626	52,655,850
Customer deposits	11,714,913	12,345,967	12,557,942	194,292	156,777	6,930,281	43,900,172
Derivative financial instruments	-	400,343	-	-	-	-	400,343
Other liabilities	-	-	-	-	-	757,628	757,628
Taxation payable	-	-	-	-	-	85,938	85,938
Deferred tax liabilities	-	-	-	-	-	216,276	216,276
Retirement benefit obligation	-	-	-	-	-	39,330	39,330
Total liabilities	11,714,913	12,746,310	12,557,942	194,292	156,777	8,029,453	45,399,687
Total interest rate sensitivity gap	(11,450,213)	5,048,749	(6,913,070)	12,115,706	10,594,818	(2,139,827)	7,256,163
Cumulative gap	(11,450,213)	(6,401,464)	(13,314,534)	(1,198,828)	9,395,990	7,256,163	-
As at 31 October 2008							
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	-

(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 non-financial instruments.

	The Bank						
	Immediately Rate Sensitive[1]	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive[2&3]	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 October 2010							
Cash and balances with Central Bank	-	8,408,324	-	-	-	2,334,069	10,742,393
Due from other banks	8,535	4,012,873	2,167,782	-	-	45,533	6,234,723
Taxation recoverable	-	-	-	-	-	123,096	123,096
Other assets	-	-	-	-	-	499,700	499,700
Investment securities	-	699,486	86,811	1,480,937	169,991	540,487	2,977,712
Government securities under reverse repurchase agreements	-	21,727	-	-	-	-	21,727
Loans and advances to customers	1,089,692	2,936,130	1,633,493	11,535,165	5,839,268	302,524	23,336,272
Property and equipment	-	-	-	-	-	691,291	691,291
Retirement benefit asset	-	-	-	-	-	1,005,903	1,005,903
Total assets	1,098,227	16,078,540	3,888,086	13,016,102	6,009,259	5,542,603	45,632,817
Customer deposits	10,751,591	6,687,041	10,067,991	2,089,247	202,864	7,174,486	36,970,221
Other liabilities	-	-	-	-	-	1,287,446	1,287,446
Derivative financial instruments	-	445,392	-	-	-	-	445,392
Deferred tax liabilities	-	-	-	-	-	211,478	211,478
Retirement benefit obligation	-	-	-	-	-	37,265	37,265
Total liabilities	10,751,591	7,132,433	10,067,991	2,086,247	202,864	8,710,675	38,951,802
Total interest rate sensitivity gap	(9,653,364)	8,946,107	(6,179,905)	10,929,855	5,806,395	(3,168,072)	6,681,015
Cumulative gap	(9,653,364)	(707,257)	(6,887,162)	4,042,693	9,849,088	6,681,015	-
As at 31 October 2009							
Total interest rate sensitivity gap	(10,679,290)	1,561,022	(4,687,406)	12,125,599	10,594,818	(2,320,366)	6,594,377
Cumulative gap	(10,676,290)	(9,118,268)	(13,805,674)	(1,680,075)	8,914,743	6,594,377	-

(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 non-financial instruments.

	The Bank						
	Immediately Rate Sensitive[1]	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive[2&3]	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 October 2009							
Cash and balances with Central Bank	-	4,476,253	640,000	-	-	2,510,919	7,627,172
Due from other banks	176,000	5,010,243	2,338,327	-	-	313,014	7,837,584
Derivative financial instruments	-	14,521	-	-	-	-	14,521
Other assets	-	-	-	-	-	431,620	431,620
Investment securities	-	-	298,240	1,911,700	-	567,268	2,777,208
Government securities under reverse repurchase agreements	-	20,151	7,241	-	-	-	27,392
Loans and advances to customers	88,700	2,049,402	3,170,330	10,398,298	10,751,595	222,638	26,680,963
Property and equipment	-	-	-	-	-	650,441	650,441
Retirement benefit asset	-	-	-	-	-	854,390	854,390
Total assets	264,700	11,570,570	6,454,138	12,309,998	10,751,595	5,550,290	46,901,291
Customer deposits	10,943,990	9,609,205	11,141,544	184,399	156,777	6,930,280	38,966,195
Other liabilities	-	-	-	-	-	618,807	618,807
Taxation payable	-	-	-	-	-	68,023	68,023
Derivative financial instruments	-	400,343	-	-	-	-	400,343
Deferred tax liabilities	-	-	-	-	-	216,276	216,276
Retirement benefit obligation	-	-	-	-	-	37,270	37,270
Total liabilities	10,943,990	10,009,548	11,141,544	184,399	156,777	7,870,656	40,306,914
Total interest rate sensitivity gap	(10,679,290)	1,561,022	(4,687,406)	12,125,599	10,594,818	(2,320,366)	6,594,377
Cumulative gap	(10,676,290)	(9,118,268)	(13,805,674)	(1,680,075)	8,914,743	6,594,377	-
As at 31 October 2008							
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	-

(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 non-financial instruments.

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

	The Group					
	2010					
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	%	%	%	%	%	%
Cash and balances with Central Bank	-	8.00	-	-	-	8.00
Due from other banks	0.35	0.65	1.20	-	-	0.92
Investment securities[1]	-	8.13	11.75	10.01	10.56	10.01
Government securities under reverse repurchase agreements	-	8.00	-	-	-	8.00
Loans to customers[2]	31.26	15.21	11.46	11.02	10.80	11.39
Customer deposits[3]	1.08	3.03	4.65	9.71	8.76	1.94

	The Group					
	2009					
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	%	%	%	%	%	%
Cash and balances with Central Bank	-	11.94	17.31	-	-	8.42
Due from other banks	0.11	5.23	3.71	-	-	4.33
Investment securities[1]	-	-	17.21	19.30	-	23.05
Government securities under reverse repurchase agreements	-	20.89	21.19	-	-	21.04
Loans to customers[2]	45.00	11.20	11.80	10.79	10.35	11.50
Customer deposits[3]	2.45	5.06	3.85	9.56	8.60	3.25

(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.

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

	The Bank 2010					
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	%	%	%	%	%	%
Cash and balances with Central Bank	-	8.00	-	-	-	8.00
Due from other banks	0.35	0.65	1.20	-	-	0.92
Investment securities(1)	-	8.13	11.75	10.01	10.56	10.11
Government securities under reverse repurchase agreements	-	8.00	-	-	-	8.00
Loans to customers(2)	31.26	15.69	11.42	10.99	10.60	11.52
Customer deposits(3)	0.77	2.92	4.34	9.60	8.76	1.54

	The Bank 2009					
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	%	%	%	%	%	%
Cash and balances with Central Bank	-	12.35	17.31	-	-	8.62
Due from other banks	0.11	3.42	2.24	-	-	2.86
Investment securities(1)	-	17.21	19.30	-	-	19.04
Government securities under reverse repurchase agreements	-	17.8	18.38	-	-	17.96
Loans to customers(2)	45.00	9.04	11.80	10.79	10.35	11.42
Customer deposits(3)	1.92	3.32	2.24	9.73	8.60	2.08

(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 reporting 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.

Determination of fair value and the fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

October 31, 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Investment securities				
-Government debt securities	-	2,483,548	-	2,483,548
	-	2,483,548	-	2,483,548
Total financial assets	-	2,483,548	-	2,483,548
Financial liabilities				
Derivative financial instruments				
-Interest rate swaps	-	445,392	-	445,392
	-	445,392	-	445,392
Total financial liabilities	-	445,392	-	445,392

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments:

Derivative financial instruments

Derivative products valued using a valuation technique with market observable inputs are interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Available-for-sale investment securities

Available-for-sale investment securities valued using a valuation technique or pricing models primarily consist of debt securities.

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions about liquidity and price disclosure, counterparty credit spreads and sector specific risks.

Fair value of financial instruments not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

(i) Due from other 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 approximate their fair values.

(iii) 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.

(iv) Financial assets and liabilities with carrying values that approximate fair value
For financial assets and liabilities that are liquid or have a short-term maturity, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits savings accounts without a specific maturity and variable rate financial instruments.

The following tables set out the fair values of the financial instruments of the Group and the Bank not shown on the statement of financial position at fair value:

	The Group			
	Carrying value	Fair value	Carrying value	Fair value
	2010 $'000	2010 $'000	2009 $'000	2009 $'000
Loans and advances to customers	31,346,134	31,108,721	34,385,404	34,103,053
Customer deposits	41,925,457	41,888,057	43,900,172	43,942,957
Government securities under reverse repurchase agreements	226,567	226,567	252,024	252,024

	The Bank			
	Carrying value	Fair value	Carrying value	Fair value
	2010 $'000	2010 $'000	2009 $'000	2009 $'000
Loans and advances to customers	23,336,272	23,102,321	26,680,963	26,357,613
Customer deposits	36,970,221	37,014,583	38,966,195	38,981,634
Government securities under reverse repurchase agreements	21,727	21,727	27,392	27,392

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 individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provisions should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

The collective assessment takes account of data from the loan portfolio such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, concentrations of risks and economic data, country risk and the performance of different individual groups.

During the year, the Group made some enhancements to its provisioning process in order to provide better estimates of the impairment losses on loans and advances based on current experience. These changes in estimates related to the recovery rates assumed in the unsecured portfolio, residential mortgages allowance, and the emergence period for determining the inherent loan loss provisions. These changes in estimates resulted in an increase in loan loss impairment of $43,253,000 for the Group, and $97,870,000 for the Bank.

(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. This includes assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Variations in the financial assumptions can cause material adjustments in future years, if it is determined that the actual experience differed from the estimate.

(c) Property 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.

(d) Income taxes

The Group is subject to taxation and significant estimates are required in determining the provision for income taxes. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Management's judgement is required to determine the amount of the deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(e) Impairment of available-for-sale investments

Management makes judgements at each reporting date to determine whether available-for-sale investments are impaired. These investments are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment.

SECTION

4

Ownership Structure

FIRSTCARIBBEAN
INTERNATIONAL BANK

Main Branches and Centres

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

King Street
P.O. 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

Mandeville
P.O. 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
P.O. Box 403
23-27 Knutsford Boulevard
Kingston 5
Tel: (876) 923-9310
Fax: (876) 968-1969

Ocho Rios
P.O. 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

Portmore
Corner Old Port Henderson
Road and Braeton Parkway
Greater Portmore
Box 287, Bridgeport P.O.
St. Catherine
Tel: (876) 656-8800
Fax: (876) 740-3058

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
P.O. Box 403
23-27 Knutsford Boulevard
Kingston 5
Tel: (876) 935-4714
Fax: (876) 929-9247

FirstCaribbean International Securities Limited
P.O. 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


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