

# FirstCaribbean International Bank (Jamaica) Limited

## Consolidated Financial Statements

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



**FIRSTCARIBBEAN**  
INTERNATIONAL BANK

### INDEPENDENT AUDITORS' REPORT

To the Members of  
FirstCaribbean International Bank (Jamaica) Limited

#### Report on the Consolidated Financial Statements

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

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

#### Opinion

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

#### Report on Additional Requirements of the Jamaican Companies Act

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

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

Chartered Accountants

16 January 2007  
Kingston, Jamaica

### CONSOLIDATED BALANCE SHEET

As at October 31, 2006

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

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

M. C. Brady  
Director

M. K. Mansoor  
Director

A. J. A. Bell  
Director

A. C. Rattray  
Secretary

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended October 31, 2006

	Note	Share Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 October 2004, as restated	38	96,667	1,687,821	687,769	2,472,257
Net income for the year, as restated	38	—	—	450,511	450,511
Transfer of realised reserves on sale of subsidiary		—	(6,625)	6,625	—
Gain on available-for-sale investment securities	16	—	2,550	—	2,550
Transfer to retained earnings reserve	18	—	370,000	(370,000)	—
Transfer to loan loss reserve	19	—	43,311	(43,311)	—
<b>Balance at 31 October 2005, as restated</b>	<b>38</b>	<b>96,667</b>	<b>2,097,057</b>	<b>731,594</b>	<b>2,925,318</b>
Net income for the year		—	—	624,702	624,702
Issue of shares	14	1,300,000	—	—	1,300,000
Gain on available-for-sale investment securities	16	—	25,072	—	25,072
Transfer to statutory reserve fund	17	—	540,000	(540,000)	—
Transfer to loan loss reserve	19	—	85,597	(85,597)	—
<b>Balance at 31 October 2006</b>		<b>1,396,667</b>	<b>2,747,726</b>	<b>730,699</b>	<b>4,875,092</b>

### CONSOLIDATED STATEMENT OF INCOME

For the year ended October 31, 2006

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

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended October 31, 2006

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

### BALANCE SHEET

As at October 31, 2006

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

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

M. C. Brady  
Director

M. K. Mansoor  
Director

A. J. A. Bell  
Director

A. C. Rattray  
Secretary

# FirstCaribbean International Bank (Jamaica) Limited

## Consolidated Financial Statements (continued)

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



**FIRSTCARIBBEAN**  
INTERNATIONAL BANK

### STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended October 31, 2006

	Note	Share Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 October 2004, as restated	38	96,667	1,526,866	531,617	2,155,150
Net income for the year, as restated	38	—	—	485,241	485,241
Gain on available-for-sale investment securities	16	—	2,550	—	2,550
Transfer to retained earnings reserve	18	—	300,000	(300,000)	—
Transfer to loan loss reserve	19	—	42,649	(42,649)	—
<b>Balance at 31 October 2005, as restated</b>	<b>38</b>	<b>96,667</b>	<b>1,872,065</b>	<b>674,209</b>	<b>2,642,941</b>
Net income for the year		—	—	545,211	545,211
Issue of shares	14	1,300,000	—	—	1,300,000
Gain on available-for-sale investment securities	16	—	25,072	—	25,072
Transfer to statutory reserve fund	17	—	490,000	(490,000)	—
Transfer to loan loss reserve	19	—	68,715	(68,715)	—
<b>Balance at 31 October 2006</b>		<b>1,396,667</b>	<b>2,455,852</b>	<b>660,705</b>	<b>4,513,224</b>

### STATEMENT OF INCOME

For the year ended October 31, 2006

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

### STATEMENT OF CASH FLOWS

For the year ended October 31, 2006

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

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. Identification and Activities

FirstCaribbean International Bank (Jamaica) Limited (the "Bank"), which was incorporated and is domiciled in Jamaica, is a 96.2% (2005 – 94.8%) subsidiary of FirstCaribbean International Bank Limited, a Bank incorporated and domiciled in Barbados, which itself is an associated company of Barclays Bank PLC and Canadian Imperial Bank of Commerce. The registered office of the Bank is located at 23-27 Knutsford Boulevard, Kingston 5.

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

The Bank is listed on the Jamaica Stock Exchange.

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

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

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

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

#### 2. Summary of Significant Accounting Policies

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

##### (a) Basis of preparation

These financial statements have been prepared in conformity with International Reporting Financial Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities.

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

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

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

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

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

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

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

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

##### Standards, interpretations and amendments to published standards that are not yet effective

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

- **IAS 19 (Amendment), Employee Benefits** (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. The Group will apply this amendment from annual periods beginning 1 November 2006.
- **IAS 39 (Amendment), The Fair Value Option** (effective from 1 January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The Group will apply this amendment from annual periods beginning 1 November 2006.



# FirstCaribbean International Bank (Jamaica) Limited

## Consolidated Financial Statements (continued)

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



FIRSTCARIBBEAN  
INTERNATIONAL BANK

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

##### (a) Basis of preparation (Continued)

- **IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements — Capital Disclosures** (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 November 2007.

##### (b) Consolidation

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

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

##### (c) Segment reporting

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

##### (d) Foreign currency translation

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

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

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

##### (e) Derivative financial instruments

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

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

##### (f) Cash and cash equivalents

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

##### (g) Financial assets

The Group classifies its financial assets into the following categories:

- Loans and receivables
- Held-to-maturity
- 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 that are not quoted in an active market. They arise when the Group provides money, goods or services directly or indirectly to a debtor with no intention of trading the receivable.

##### (ii) Held-to-maturity

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

##### (iii) Available-for-sale

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

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

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

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

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

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

##### (h) Offsetting financial instruments

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

##### (i) Impairment of financial assets

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

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- 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;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the group; or
  - national or local economic conditions that correlate with default on the assets in the group.

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

##### (j) Investments in subsidiaries

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

##### (k) Sale and repurchase agreements and lending of securities

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

##### (l) Loans and provision for impairment losses

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

Loans are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

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

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

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

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

# FirstCaribbean International Bank (Jamaica) Limited

## Consolidated Financial Statements (continued)

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



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

#### (m) Leases

##### As lessee

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

##### As lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

#### (n) Property, plant and equipment

Land and buildings comprise mainly branches and offices and are shown at deemed cost, less subsequent depreciation for buildings. Under IFRS 1, a first time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment as its deemed cost. The Group elected to apply this provision on transition to IFRS on 1 November 2002.

All other property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

The annual rates used are:

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

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

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

#### (o) Provisions

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

#### (p) Income taxes

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

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

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

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

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

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

#### (q) Retirement benefit obligations

##### Pension obligations

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

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The asset recognised in the balance sheet in respect of the defined benefit pension plan is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the expected average service lives of the related employees. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period), in which case, past service costs are amortised on a straight-line basis over the vesting period.

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

##### Other post-retirement obligations

The Group provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the expected average service lives of the related employees. These obligations are valued annually by independent qualified actuaries.

##### Annual leave and other benefits

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

#### (r) Interest income and expense

Interest income and expense are recognised in the statement of revenue and expenses for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount or premium on treasury bills and other discounted instruments.

Where collection of interest income is considered doubtful, or payment is outstanding for more than 90 days, the banking regulations stipulate that interest should be taken into account on the cash basis. IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

#### (s) Fee and commission income

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

#### (t) Fiduciary activities

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

#### (u) Comparative information

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

### 3. Cash and Balances with Central Bank

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

Under section 14 (i) of both the Banking Act, 1992 and the Financial Institutions Act, 1992, and section 13 of the Bank of Jamaica (Building Societies) Regulations, 1995, the Group and the Bank are required to place deposits with The Bank of Jamaica ("Central Bank") which are held substantially on a non-interest-bearing basis as a cash reserve; accordingly, these amounts are not available for investment or other use by the Group and the Bank. These reserves represent the required ratio of 9% (2005 - 9%) of the Group's and the Bank's prescribed liabilities.

Effective 15 January 2003 to 1 May 2006, the Bank was required by the Bank of Jamaica (BOJ) under Section 28A of the Bank of Jamaica Act, to maintain with the Central Bank, a special deposit wholly in the form of cash, representing 1% of the Bank's prescribed liabilities. At 31 October 2006, the special deposit maintained with the Central Bank was \$Nil (2005 - \$96,002,000). Interest at a rate of 6% per annum was earned on this deposit.

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

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



# FirstCaribbean International Bank (Jamaica) Limited

## Consolidated Financial Statements (continued)

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 4. Loans and Advances to Banks

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

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

#### 5. Other Assets

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

#### 6. Investment Securities

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

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

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

#### 7. Government Securities Purchased Under Resale Agreements

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

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Government securities purchased under resale agreements	667,212	130,264	503,724	46,111
Interest receivable	7,533	5,093	2,361	2,119
	<u>674,745</u>	<u>135,357</u>	<u>506,085</u>	<u>48,230</u>

#### 8. Loans and Advances to Customers

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

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

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

#### 8. Loans and Advances to Customers (Continued)

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

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

These comprise:-

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

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

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

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

Loans and advances to customers include finance lease receivables:

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

#### 9. Property, Plant and Equipment

	The Group				
	Land \$'000	Buildings \$'000	Leasehold Improvements \$'000	Equipment furniture and vehicles \$'000	Total \$'000
	<b>2006</b>				
Cost —					
1 November 2005	3,900	47,815	86,246	758,942	896,903
Additions	—	754	3,438	168,843	173,035
Disposals	—	—	—	(11,834)	(11,834)
31 October 2006	<u>3,900</u>	<u>48,569</u>	<u>89,684</u>	<u>915,951</u>	<u>1,058,104</u>
Accumulated Depreciation —					
1 November 2005	—	14,832	66,023	437,612	518,467
Charge for the year	—	1,197	2,992	93,584	97,773
Relieved on disposals	—	—	—	(8,144)	(8,144)
31 October 2006	—	<u>16,029</u>	<u>69,015</u>	<u>523,052</u>	<u>608,096</u>
Net Book Value —					
31 October 2006	<u>3,900</u>	<u>32,540</u>	<u>20,669</u>	<u>392,899</u>	<u>450,008</u>
	<b>2005</b>				
Cost —					
1 November 2004	3,900	46,106	79,002	747,344	876,352
Additions	—	1,709	7,376	39,243	48,328
Disposals	—	—	—	(9,290)	(9,290)
Elimination on sale of subsidiary	—	—	(132)	(18,355)	(18,487)
31 October 2005	<u>3,900</u>	<u>47,815</u>	<u>86,246</u>	<u>758,942</u>	<u>896,903</u>
Accumulated Depreciation —					
1 November 2004	—	13,661	61,766	373,842	449,269
Charge for the year	—	1,171	4,257	88,214	93,642
Relieved on disposals	—	—	—	(7,414)	(7,414)
Elimination on sale of subsidiary	—	—	—	(17,030)	(17,030)
31 October 2005	—	<u>14,832</u>	<u>66,023</u>	<u>437,612</u>	<u>518,467</u>
Net Book Value —					
31 October 2005	<u>3,900</u>	<u>32,983</u>	<u>20,223</u>	<u>321,330</u>	<u>378,436</u>

# FirstCaribbean International Bank (Jamaica) Limited

## Consolidated Financial Statements (continued)

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 9. Property, Plant and Equipment (continued)

	The Bank				Total \$'000
	Land \$'000	Buildings \$'000	Leasehold Improvements \$'000	Equipment furniture and vehicles \$'000	
<b>2006</b>					
Cost —					
1 November 2005	3,900	47,815	86,201	756,744	894,660
Additions	—	754	3,438	165,953	170,145
Disposals	—	—	—	(11,717)	(11,717)
31 October 2006	3,900	48,569	89,639	910,980	1,053,088
Accumulated Depreciation —					
1 November 2005	—	14,832	66,023	436,061	516,916
Charge for the year	—	1,197	2,992	93,203	97,392
Relieved on disposals	—	—	—	(8,027)	(8,027)
31 October 2006	—	16,029	69,015	521,237	606,281
Net Book Value —					
31 October 2006	3,900	32,540	20,624	389,743	446,807
<b>2005</b>					
Cost —					
1 November 2004	3,900	46,106	78,825	725,516	854,347
Additions	—	1,709	7,376	38,911	47,996
Disposals	—	—	—	(7,683)	(7,683)
31 October 2005	—	47,815	86,201	756,744	894,660
Accumulated Depreciation —					
1 November 2004	—	13,661	61,766	354,764	430,191
Charge for the year	—	1,171	4,257	87,310	92,738
Relieved on disposals	—	—	—	(6,013)	(6,013)
31 October 2005	—	14,832	66,023	436,061	516,916
Net Book Value —					
31 October 2005	3,900	32,983	20,178	320,683	377,744

Included in the table above are amounts totaling \$14,430,000 (2005 – \$14,430,000) for the Group and the Bank representing the revalued amount of land and buildings which has been used as the deemed cost of these assets under the provision of IFRS 1 on transition to IFRS on 1 November 2002. Subsequent additions and other property, plant and equipment are shown at cost.

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

#### 10. Retirement Benefit Obligations

Amounts recognised in the balance sheet:

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

##### (a) Defined benefit pension scheme

The Group operates a pension scheme covering all permanent employees. The pension benefit is based on the best five consecutive years' earnings in the last ten years, multiplied by the years of credited service. The assets of the plan are held independently of the Group's assets in a separate trustee fund. The scheme is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation for IFRS purposes was carried out as at 31 October 2006.

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

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

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

The amounts recognised in the income statement are as follows:

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

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

#### 10. Retirement Benefit Obligations (Continued)

##### (a) Defined benefit pension scheme (Continued)

Movement in the asset recognised in the balance sheet:

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

The principal actuarial assumptions used were as follows:

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

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

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

##### (b) Post-retirement medical and life insurance benefits

In addition to pension benefits, the Group offers medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for the defined benefit pension scheme.

In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long-term increase in health costs of 10% per year (2005 – 10%).

The amounts recognised in the balance sheet are as follows:

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

The amounts recognised in the income statement are as follows:

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

Movements in the amounts recognised in the balance sheet:

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

#### 11. Customer Deposits

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

#### 12. Other Liabilities

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

# FirstCaribbean International Bank (Jamaica) Limited

## Consolidated Financial Statements (continued)

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



**FIRSTCARIBBEAN**  
INTERNATIONAL BANK

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 13. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 33½% for the Bank and FirstCaribbean International Securities Limited, and 30% for FirstCaribbean International Building Society.

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

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Deferred tax assets	3,105	816	—	—
Deferred tax liabilities	(132,105)	(117,786)	(132,105)	(117,786)
	<u>(129,000)</u>	<u>(116,970)</u>	<u>(132,105)</u>	<u>(117,786)</u>

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

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

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

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

Deferred income tax liabilities have not been provided for on the withholding and other taxes that would be payable on the undistributed earnings of subsidiaries to the extent that such earnings are permanently reinvested. At 31 October 2006, such earnings totaled \$69,995,000 (2005 - \$57,386,000).

#### 14. Share Capital and Reserves

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

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

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

#### 15. Capital Reserves

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Comprised of:				
Unrealised –				
Surplus on revaluation of premises	5,493	5,493	5,493	5,493
Realised –				
Profit on sale of property, plant and equipment	7,340	7,340	7,340	7,340
Balance at end of year	<u>12,833</u>	<u>12,833</u>	<u>12,833</u>	<u>12,833</u>

#### 16. Fair Value Reserves — Available For Sale Investment Securities

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

#### 17. Statutory Reserve Fund

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance at beginning of year	156,667	156,667	121,667	121,667
Transfer from retained earnings	540,000	—	490,000	—
Balance at end of the year	<u>696,667</u>	<u>156,667</u>	<u>611,667</u>	<u>121,667</u>

The fund is maintained in accordance with the Banking Act 1992, for the Bank and The Bank of Jamaica (Building Societies) Regulations, 1995 for FirstCaribbean International Building Society. These require that minimum prescribed percentages of net profit be transferred to the reserve fund until the amount in the fund is not less than paid up share capital.

#### 18. Retained Earnings Reserve

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance at beginning of year	1,776,163	1,406,163	1,640,666	1,340,666
Transfer from retained earnings	—	370,000	—	300,000
Balance at end of the year	<u>1,776,163</u>	<u>1,776,163</u>	<u>1,640,666</u>	<u>1,640,666</u>

Sections 2 of the Banking Act 1992, the Financial Institutions Act and the Bank of Jamaica (Building Societies) Regulations, 1995 permit the transfer of any portion of net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers.

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

#### 19. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 8).

#### 20. Building Society Reserve

	The Group		The Bank	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance at end of the year	<u>45,522</u>	<u>45,522</u>	<u>—</u>	<u>—</u>

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

#### 21. Net Interest Income

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

#### 22. Non-interest Income

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

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



# FirstCaribbean International Bank (Jamaica) Limited

## Consolidated Financial Statements (continued)

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



**FIRSTCARIBBEAN**  
INTERNATIONAL BANK

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 23. Gain on Sale of Subsidiary

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

Assets and liabilities sold were as follows:

	The Group		The Bank	
	\$'000		\$'000	
<b>Assets</b>				
Cash		15,662		
Other assets		9,021		
Taxation recoverable		5,421		
Investment securities		17,583		
Government securities purchased under resale agreements		328,237		
Property, plant and equipment		1,457		
Retirement benefit asset		40,330		
		<u>417,711</u>		
<b>Liabilities</b>				
Other liabilities		304,839		
Deferred taxation		9,036		
Retirement benefit obligation		9,281		
		<u>323,156</u>		
<b>Net Assets</b>		94,555		
Sales proceeds, net		(230,000)		
<b>Gain on Sale of Subsidiary</b>		<u>(135,445)</u>		
Sales proceeds, net		230,000		
Less: Cash and cash equivalents in subsidiary sold		15,662		
Net cash inflow on sale of subsidiary		<u>214,338</u>		
			<b>The Bank</b>	
			\$'000	
Sales proceeds, net		230,000		
Cost of investment in subsidiary		(1,745)		
<b>Gain on Sale of Subsidiary</b>		<u>228,255</u>		

#### 24. Non-interest Expenses

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

Analysis of staff costs:

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

#### 25. Income before Taxation

Income before taxation is stated after charging:

	The Group		The Bank	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Depreciation	97,773	93,642	97,392	92,738
Directors' emoluments –				
Fees	1,959	1,489	1,566	1,489
Management remuneration	37,676	23,754	18,484	15,394
Terminal gratuity	—	7,476	—	7,476
Management fees	182,633	131,589	163,890	108,668
Auditors' remuneration –				
Current year	7,318	7,249	5,988	5,576
Prior year	—	1,230	—	1,230
	<u>284,276</u>	<u>87,806</u>	<u>246,864</u>	<u>59,907</u>

#### 26. Taxation

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

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

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

#### 26. Taxation (Continued)

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

	The Group		The Bank	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Income before taxation	921,622	578,605	806,233	586,850
Tax calculated at 33 1/3%	307,207	192,868	268,744	195,616
Effect of:				
Different tax rate applicable to mortgage financing subsidiary	(3,846)	(2,316)	—	—
Prior year under provision	614	438	(161)	445
Gain on sale of subsidiary	—	(45,149)	—	(76,085)
Tax free investment income	(13,864)	(21,146)	(13,864)	(21,146)
Expenses not deductible for tax purposes	99	858	—	858
Other charges and allowances	6,710	2,541	6,303	1,921
	<u>296,920</u>	<u>128,094</u>	<u>261,022</u>	<u>101,609</u>

#### 27. Net Income

The net income is dealt with as follows in the financial statements of:

	2006	2005
	\$'000	\$'000
The Bank	545,211	485,241
Subsidiaries	79,491	58,080
Post acquisition earnings of subsidiary sold during the year	—	(92,810)
	<u>624,702</u>	<u>450,511</u>

#### 28. Earnings Per Stock Unit

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

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

#### 29. Related Party Transactions

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

##### Transactions and balances with FirstCaribbean entities and their associates

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

##### Transactions and balances with directors

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

##### Key management remuneration

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



# FirstCaribbean International Bank (Jamaica) Limited

## Consolidated Financial Statements (continued)

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



**FIRSTCARIBBEAN**  
INTERNATIONAL BANK

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 30. Commitments

##### (a) Future rental commitments under operating leases

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

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

##### (b) Other

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

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

#### 31. Contingencies

The Group, because of the nature of its businesses, is subject to various threatened or filed legal actions. At 31 October 2006 material claims filed amounted to approximately \$2,062,077,000 (2005 - \$2,051,853,000). The majority of this amount relates to a specific counter claim of approximately \$1,990,890,000, filed by a former customer against the Bank. This counter claim is as a result of an action brought against the former customer by the Bank for approximately \$315,738,000 (2005 - \$302,681,000). The directors have been advised that the counter claim is totally without merit. Although the amount of the ultimate exposure, if any, cannot be determined at this time, the directors are of the opinion, based upon the advice of counsel, that the final outcome of threatened or filed suits will not have a material adverse effect on the financial position of the Group.

#### 32. Pledged Assets

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

	The Group			
	Asset		Related Liability	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Statutory reserves at Bank of Jamaica (Note 3)	1,737,221	1,544,200	—	—
Securities (see note below)	130,000	110,000	—	—
	<u>1,867,221</u>	<u>1,654,200</u>	<u>—</u>	<u>—</u>

  

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

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

#### 33. Business Segments

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

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

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

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

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

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

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

#### 33. Business Segments (Continued)

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

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

The Group's operations are located solely in Jamaica.

	Retail Banking \$'000	Corporate Banking \$'000	International Banking \$'000	Capital Markets and other Financial Services \$'000	Eliminations \$'000	Group \$'000
<b>31 October 2006</b>						
External revenues	1,383,290	1,593,843	6,815	763,994	—	3,747,942
Revenues from other segments	811,625	(164,670)	2,526	(487,730)	(161,751)	—
<b>Total revenues</b>	<u>2,194,915</u>	<u>1,429,173</u>	<u>9,341</u>	<u>276,264</u>	<u>(161,751)</u>	<u>3,747,942</u>
<b>Income before Taxation</b>	<u>431,535</u>	<u>951,324</u>	<u>6,998</u>	<u>(468,235)</u>	<u>—</u>	<u>921,622</u>
Taxation						(296,920)
<b>Income for the year</b>						<u>624,702</u>
Segment assets	20,020,915	14,087,102	157,612	1,493,009	(2,663,700)	33,094,938
Unallocated assets						3,105
<b>Total assets</b>						<u>33,098,043</u>
Segment liabilities	15,635,659	12,313,752	177,139	2,041,910	(2,299,700)	27,868,760
Unallocated liabilities						354,191
<b>Total liabilities</b>						<u>28,222,951</u>
<b>Other segment items</b>						
Capital expenditure	99,858	512	2,440	70,225	—	173,035
Depreciation	20,024	283	—	77,466	—	97,773
Loan impairment losses	59,043	39,374	—	—	—	98,417
<b>31 October 2005</b>						
External revenues	1,954,317	718,015	—	428,340	(92,810)	3,007,862
Revenues from other segments	271,765	49,062	—	(237,204)	(83,623)	—
<b>Total revenues</b>	<u>2,226,082</u>	<u>767,077</u>	<u>—</u>	<u>191,136</u>	<u>(176,433)</u>	<u>3,007,862</u>
<b>Income before Taxation</b>	<u>303,383</u>	<u>301,047</u>	<u>—</u>	<u>66,985</u>	<u>(92,810)</u>	<u>578,605</u>
Taxation						(128,094)
<b>Income for the year</b>						<u>450,511</u>
Segment assets	19,826,859	7,417,324	—	(2,521,092)	(1,194,218)	23,528,873
Unallocated assets						816
<b>Total assets</b>						<u>23,529,689</u>
Segment liabilities	15,551,984	6,983,639	—	(906,967)	(1,159,218)	20,469,438
Unallocated liabilities						134,933
<b>Total liabilities</b>						<u>20,604,371</u>
<b>Other segment items</b>						
Capital expenditure	46,186	2,118	—	24	—	48,328
Depreciation	91,954	957	—	731	—	93,642
Loan impairment losses	59,967	7,821	—	—	—	67,788

#### 34. Financial Risk Management

##### (a) Interest rate risk

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

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

# FirstCaribbean International Bank (Jamaica) Limited

## Consolidated Financial Statements (continued)

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



**FIRSTCARIBBEAN**  
INTERNATIONAL BANK

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 34. Financial Risk Management (Continued)

##### (a) Interest rate risk (continued)

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

As at 31 October 2005

	2005						
	Immediately	Within 3	3 to 12	1 to 5	Over 5	Non-Rate	Total
	Rate Sensitive	Months	Months	Years	Years	Sensitive	
	%	%	%	%	%	%	%
Total interest rate sensitivity gap	(8,782,258)	4,863,775	162,338	2,788,219	4,573,421	(962,554)	2,642,941
Cumulative gap	(8,782,258)	(3,918,483)	(3,756,145)	(967,926)	3,605,495	2,642,941	—

<sup>(1)</sup> This represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example base rate loans.

<sup>(2)</sup> This includes financial instruments such as equity investments.

<sup>(3)</sup> This includes impaired loans.

<sup>(4)</sup> This includes non-financial instruments.

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

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

  

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

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

	The Group						
	2005						
	Immediately	Within 3	3 to 12	1 to 5	Over 5	Total	
	Rate Sensitive	Months	Months	Years	Years		
%	%	%	%	%	%		
Cash and balances with Central Bank	3.13	1.69	1.88	—	—	1.79	
Loans and advances to banks	—	5.23	—	—	—	5.23	
Investments <sup>(1)</sup>							
— held-to-maturity	—	20.53	15.12	16.03	14.48	16.02	
Government securities purchased under resale agreements	12.45	13.03	14.07	—	—	13.21	
Loans to customers <sup>(2)</sup>	36.88	10.23	11.55	15.68	17.16	17.88	
Customer deposits <sup>(3)</sup>	2.46	9.12	8.66	5.20	10.09	4.39	

	The Bank						
	2005						
	Immediately	Within 3	3 to 12	1 to 5	Over 5	Total	
	Rate Sensitive	Months	Months	Years	Years		
%	%	%	%	%	%		
Cash and balances with Central Bank	3.13	1.69	1.88	—	—	1.79	
Loans and advances to banks	—	5.23	—	—	—	5.23	
Investments <sup>(1)</sup>							
— held-to-maturity	—	20.53	15.12	16.03	14.48	16.02	
Government securities purchased under resale agreements	—	13.13	14.13	—	—	13.51	
Loans to customers <sup>(2)</sup>	36.88	10.04	11.48	15.68	18.54	18.54	
Customer deposits <sup>(2)</sup>	2.09	9.07	8.52	5.20	10.00	3.56	

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

<sup>(2)</sup> Yields are based on book values, net of allowance for credit losses and contractual interest rates.

<sup>(3)</sup> Yields are based on contractual interest rates.

##### (b) Credit exposures

The Group and the Bank take on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is inherent in traditional banking products – loans, commitments to lend and contracts to support counterparties' obligations to third parties such as letters of credit. Positions in tradeable assets such as bonds also carry credit risk. The Group and the Bank structure the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

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

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

  

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





# FirstCaribbean International Bank (Jamaica) Limited

## Consolidated Financial Statements (continued)

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



**FIRSTCARIBBEAN**  
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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 35. Fair Value of Financial Instruments (Continued)

##### (b) Loans and advances to customers

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

##### (c) Investment securities

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

##### (d) Investments in subsidiaries

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

##### (e) Customer deposits

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

#### 36. Critical Accounting Judgements and Estimates in Applying Accounting Policies

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

##### (a) Impairment losses on loans and advances

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

##### (b) Retirement benefit obligations

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

##### (c) Loan fee recognition estimate

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

##### (d) Held-to-maturity investments

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

#### 37. Post Balance Sheet Event

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

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

#### 38. Restatement

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

##### Effect on equity as at 31 October 2004

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

##### Effect on equity as at 31 October 2005

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

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

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