FirstCaribbean International Bank

(JAMAICA) LIMITED ANNUAL REPORT 2004

Vision

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

First for Customers

First for Employees

First for Shareholders

Contents

Notice of Meeting

Annual General Meeting

Notice is hereby given that the Twenty-Ninth Annual General Meeting of the FirstCaribbean International Bank (Jamaica) Limited will be held at the Courtleigh Hotel and Suites situated at 85 Knutsford Boulevard, Kingston 5, on Tuesday May 31, 2005 at 9:00 a.m. for the following purposes:

- **Resolution 1**

  To receive the Report of the Directors and the audited accounts for the year ended October 31, 2004.

- **Resolution 2**

  That Mr. Christopher Bovell, retiring by rotation and being eligible for re-election, be and is hereby re-elected a Director of the Company

  That Mr. Anthony Bell, retiring by rotation and being eligible for re-election, be and is hereby re-elected a Director of the Company.

- **Resolution 3**

  To appoint Auditors and to authorise the Directors to fix their remuneration.

- **Resolution 4**

  To fix the remuneration of the Directors, or to determine the manner in which such remuneration is to be fixed.

Special Business

- **Resolution 5**

  That the company hereby elects to retain its existing shares with a nominal or par value and to continue to issue shares with a nominal or par value, and that the directors be and are hereby authorised to do whatever they deem necessary to facilitate compliance with the Companies Act in this regard and to facilitate the conversion of the Company's shares to shares without a nominal or par value at the end of eighteen months from the date of this resolution, so however that the Company's shares may be converted to shares without a nominal or par value within the said eighteen months if the Company in general meeting passes an ordinary resolution to that effect during the eighteen-month period.

- **Resolution 6**

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

By Order of the Board of Directors

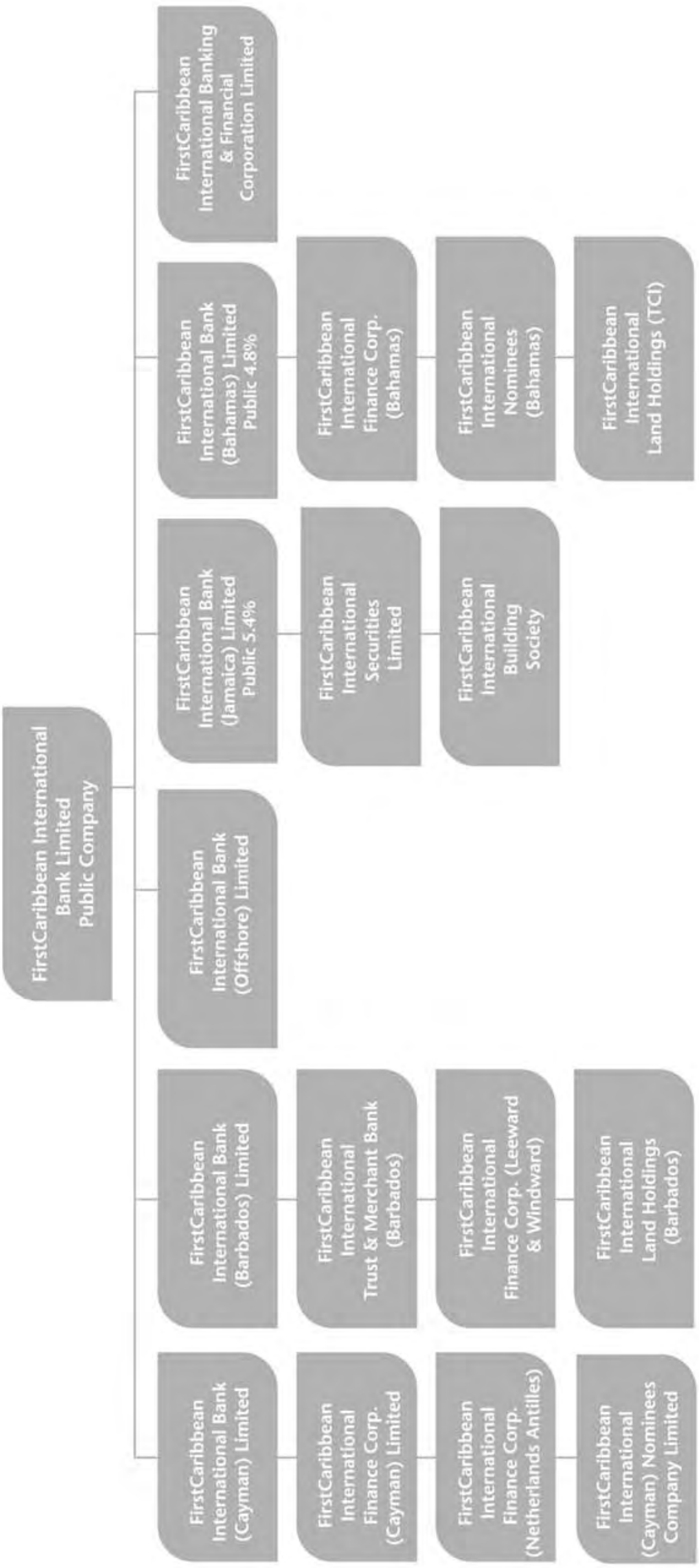
Allison C. Rattray (Mrs.)
Corporate Secretary
FirstCaribbean International Bank
(Jamaica) Limited

In accordance with Section 130 of the Companies Act, a Shareholder entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote in his stead. A Proxy need not be a shareholder of the Company.

Enclosed is a Proxy Form, for your convenience, which must be lodged at the Company's registered office at least 48 hours before the time appointed for holding the meeting. The Proxy Form should bear the stamp duty of J$100.00 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the Proxy.

Branch Network

Ownership Structure



FirstCaribbean Locations

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

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

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

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

Manor Park
Manor Park Plaza
Constant Spring
Kingston 8
Tel: (876) 924-2521
Fax: (876) 969-6280

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

Montego Bay
59 James Street
Montego Bay
Tel: (876) 952-3702
Fax: (876) 952-4815

New Kingston
PO Box 403
23-27 Knutsford Boulevard
Kingston 5
Tel: (876) 929-9310
Fax: (876) 968-1969

Newport West
6-12 Newport West Centre
Kingston 11
Tel: (876) 923-4821
Fax: (876) 923-6757

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

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

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

Financial Centres

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

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

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

Card Services Centre
1 King Street
Kingston
Tel: (876) 922-5331
Fax: (246) 228-3996

Directors, Senior Management and Advisors

Board of Directors
Michael Mansoor – Chairman
A. Cecile Watson
Albert W. Webb
Anthony J. Bell
Christopher D.R. Bovell
Peter D. McConnell
Raymond Campbell
Robert Lane

Legal Advisors
Dunn Cox
Myers Fletcher & Gordon

Corporate Secretary
Allison C. Rattray

Registrar and Transfer Agent
FirstCaribbean International Securities Limited

Registered Office
23-27 Knutsford Boulevard
Kingston 5

Auditors
PricewaterhouseCoopers

Audit Committee
Ron Lalonde – Chairman
Allan Fields
Chester Feldberg
Christopher Bovell
David Ritch
Sir Fred Gollop
Teresa Butler

Country Management Committee
Raymond Campbell
Country Manager

Andrea E. Adams
Finance Manager

Jennifer Brown
Manager – Items Processing Centre

Jennifer Carty-Peart
Director – Capital Markets

Hugh Duncan
Investment Banker

Phillip Freckleton
Manager – Capacity/Hardware Planning

Clovis Metcalfe
Head of Corporate Banking

Allison C. Rattray
Corporate Secretary

Jacqueline Richards
Head of Human Resources, Central Caribbean

A. Cecile Watson
Director – Branch Banking

Board of Directors

Anthony Bell
Company Director

Michael Mansoor
Chairman – FirstCaribbean
International Bank (Jamaica) Limited

Christopher Bovell
Attorney-at-law

Raymond Campbell
Executive Director – Capital Markets and Country Manager, FirstCaribbean International Bank (Jamaica) Limited
* Resigned February 28, 2005

A. Cecile Watson
Branch Banking Director – FirstCaribbean International Bank (Jamaica) Limited
* Resigned October 31, 2004

Milton Brady
Managing Director
FirstCaribbean International Bank (Jamaica) Limited
* Appointed January 5, 2005

Peter McConnell
Company Director

Robert Lane
Executive Director – Operations, FirstCaribbean International Bank (Jamaica) Limited
* Resigned April 30, 2004

Albert Webb
Retired Banker

Chairman's Report

In our second year of existence the Bank completed an ambitious and challenging integration programme, battled the negative impact of Hurricane Ivan. We emerged a stronger, better bank, confident that we are equipped to stave off adversity and still function effectively in the interest of our shareholders, customers and staff.

With its new integrated technological platform, common policies and procedures, a unified corporate culture and a strong brand, the Bank was able to register satisfactory strong financial performance in 2004. We achieved strong growth in loans, particularly in mortgages and corporate loans. At the same time we reduced the non-performing loan portfolio by more than 50%. Our financial results were negatively impacted by reductions in foreign exchange income as well as higher restructuring costs. We also booked a better return on equity and increased the Operating profit. We can proudly regard 2004 as a year of accomplishment both in terms of building the infrastructure of the bank and improving our financial performance.

Governance

As our new bank continues to evolve into a world class Caribbean financial institution which we intend it to be, matters of good governance continue to engage us at every level. Our executives and employees continue to function in a manner which is consistent with an awareness of the need to adhere to a rigorous and robust culture of risk management, internal controls and governance that safeguard and bolster the interests of our shareholders, our customers and our employees.

Internal audit functions, operational, market and credit risk management functions continue to reside with committed executives within the Group. Despite the challenges of the past year, we have once again successfully maintained the level of expenses for both credit and non credit losses within very acceptable limits.

Legal and regulatory compliance remained one of our highest priorities. We continue to interface and consult with our regulators and during the last year have increased our contact with them to ensure that each aspect of our operations continues to be in compliance with all the applicable laws and regulators.

The Board

Our Board of Directors continues to meet quarterly, and its Committees review every aspect of the Bank's business. Our executives benefit tremendously from the wealth of both regional and international experience and expertise of our directors.

Our chosen engagement model and the reporting, discussion and feedback of our board ensures that the business and affairs of the bank are subject to detailed reviews in a consistent and proactive manner. The parent board has engaged in its own self-assessment and continues to give management feedback and guidance as to its own effectiveness and the operations of the Bank.

Our People

We have welcomed new and experienced members to our Management team that now comprises a rich blend of professionals. Together with our committed and hardworking staff, and guided by our core values, they are working assiduously to secure improved customer service, control and governance of our business and to transform the Bank by introducing new channels and platforms.

We believe that with the effective leadership of our Senior Management, our staff will be able to maximise their potential and the bank retains its commitment to rewarding our people for performance

Outlook for 2005

In November 2004, the first month of our financial year 2005, we disposed of an 8.8% holding of our shares in Republic Bank Limited, a company based in Trinidad. The profit on disposal is $117 million and we expect to use the proceeds of the sale to bolster our capital formation.

We enter aggressively into 2005 with our eyes fully fixed on growing our business and expanding our market share in all segments of our business, while adhering to our control framework.

We acknowledge the loyalty and support of our customers particularly in more recent times when we successfully dealt with the difficulties of integrating the heritage banks across 15 countries.

We are deeply committed to utilising the newly integrated technology platform together with new channels of distribution to offer our customers them an even wider range and quality of service in the years ahead.

I wish to thank our Regulators, Shareholders, Customers, Directors and Staff for their support during the past year.

Michael Mansoor
Chairman

Chief Executive Officer’s Report

Financial Performance

2004 has been a year of challenges, but a good year in terms of financial performance and wider delivery.

The challenge has been to simultaneously complete the integration of our two banks whilst also driving forward our strategy and financial performance.

Further external challenges have arisen from the unprecedented effect of four hurricanes (Bonnie, Charley, Ivan and Frances) hitting our businesses in little over a month.

Hurricane Ivan in particular had a devastating and heart-rending effect on our businesses, their people and customers.

NIAT (Net Income after Tax, before Goodwill and Integration/Restructuring Items) decreased by 3.1% to US$102.5 million.

This number is struck after an exceptional provision of US$7.9 million for the Credit Risk effects of Hurricane Ivan. Excluding this item, NIAT was US$110.4 million, a 4.2% increase in underlying profit on 2003.

Strong revenue turnaround was the main driver of these numbers. Loans increased by an outstanding 10.5% over 2003, with strong performance in each of the Retail, Corporate and International businesses. Deposits increased by 1.1%. Both of these increases reversed two-year declining trends seen in 2002 and 2003. Total Revenue increased by 4.2% to US$385.4 million.

Costs grew 9.0% to US$247.7 million. The absolute year-on-year increase of $20.4 million included US$4.0 million depreciation charged for the first time on completion of the IT investment inherent in systems harmonisation to one platform, and an estimated US$4 million on a one-time basis for post-integration remedial activities.

Credit Risk provisions were again extremely well controlled and, excluding the provision for Hurricane Ivan, were US$7.1 million, or 0.18% of outstanding loans. This ratio benchmarks extremely well versus main competitors, and with 10.5% Loan growth indicates that the Company’s business model aimed at growing key business aggregates whilst maintaining world-class control is beginning to bear fruit. The Company’s A- rating from Standard and Poor’s was reiterated this year. Maintenance of this rating remains a key objective. Again, this rating benchmarks well against key local competitors.

Integration

Integration of the two banks into “one bank” was completed in June 2004. Integration is now over, with the integration team disbanded. Integration was completed to planned timetable, under implementation costs budget and with financial synergies continuing to exceed plan. The plan was to deliver synergies of US$60 million in 2005, the third year of operations of FirstCaribbean, and we confidently expect that target to be exceeded.

Integration has been a transformational event, with highlights including transition to:

- A new segmental business model within four new lines of business (Corporate, Retail, International and Capital Markets), moving away from previous geographic organisational structures to focus on customers. Sub-segments have been created within each line of business to develop focused customer offerings, thus “Premier” and “Retail” within Retail Banking and “Corporate” and “Business Banking” within Corporate.

- A single new FirstCaribbean brand, replacing the heritage brands across 15 countries.

- A single state-of-the-art IT platform.

- A new centralised operations model removing processing from branches and focusing on 12 local processing centres and three regional processing centres, leveraging the new IT platform.

- Consolidation of duplicated branches in close proximity.

- New channels of Telephone Banking and Internet Banking (launched to customers in January 2005), across 15 countries.

- New single “centre of excellence” Head Office functions, including building new functions previously supplied by the former parent banks (e.g. Treasury, Strategy, Audit).

- New harmonised Human Resources policies across 15 countries, including new grading, pay, benefits, pensions and performance management models.

To achieve this transformational change across 15 countries in 18 months is a phenomenal achievement. I should like to record a massive “thank you” to our 3,391 staff who have shown the most enormous appetite for building the Caribbean’s leading Bank. We now have a platform on which to build the next phase of our development.

Chief Executive Officer's Report

Strategy
At the same time as delivering integration and driving short-term business performance, we have also continued to invest in rolling out the implementation of our 5-year strategy as set out in last year's Report.

Highlights for 2004 have included:

Retail and Cards
- The implementation of a new Sales and Service focused Organisation Design built around three new product businesses in Home Finance, Cards and Consumer Lending and Asset Management and Insurance.

- The recruitment of a new senior leadership team to drive this key business forward.

- The launch of the "Revitalising Retail" programme, delivering the above but with a particular focus on service improvement, in particular via the introduction of key service standards.

Corporate
- The definition of a new Organisation Design focusing on Sales and Service. This will roll out early in 2005.

- The successful piloting of a "Super Lender" model, providing dedicated resource to support Relationship Managers in delivering large and complex deals. This concept will be expanded in 2005.

International
- Enhanced product, geographic coverage and resourcing in support of the International Mortgage business.

- New Wealth Management products such as Securities Lending. This is a focus for 2005.

Capital Markets
- Recruitment of a high-quality origination team. Several mandates had been won by year-end and will be delivered early in 2005.

Geographic Expansion
- After the year-end the Bank announced the acquisition of The Mercantile, marking our entry to the key Trinidad and Tobago market. We have ambitious plans for the expansion of this business and are delighted with the quality and cultural fit of the senior management and staff of The Mercantile.

- We believe we have a business model which can be successfully applied to other new geographies and selectively have an active M&A strategy. Mark Strang's appointment to the new full-time role of Executive Director, Corporate Development, with effect from November 1, 2004, reflects this focus.

Customer Service
Customer service is a very high priority for our Bank, captured in the "First for Customers" objective of our Mission Statement. It is fair to say that customer service has been challenged by the integration process. New systems and processes, new colleagues and extensive periods of training have challenged our people's commitment to our customers.

That phase is, however, behind us.

Significantly improving customer service in all our markets is a number one priority of the Company. A CustomerFirst programme has been launched to coordinate this charge, and focus is on:

- Training staff in service standards and protocol, and further embedding key process and product training.

- Reviewing recruitment processes to ensure recruitment of staff with customer service aptitude.

- Introducing service standards and measures and performance managing against them.

- Re-engineering key customer-facing processes to improve service.

People—Employer of Choice
"Employer of Choice" continues to be the other pillar on which our Mission Statement is built.

In 2004:

- Under "Pay for Performance", we completed the harmonisation of pay and benefits to a market-leading package. We are delighted with the interest shown from the external market in positions which we seek to fill externally.

- Under "Sharing in our Success", some 566 staff have now invested in our Employee Share Purchase Plan. The 30% increase in the share price over 2004 means that the $1,500 to $3,500 of shares of the share gift is now worth $1,950 to $4,550. I am delighted that our staff are sharing directly in the fruit of their labours.

- Under "Investing in our No. 1 Asset", we completed our US$3.8 million integration programme and additionally rolled out a range of other training courses including Coaching, Performance Management and Industrial Relations training.

Chief Executive Officer’s Report

- Under “Opportunities for All”, 84 staff achieved promotions in 2004. With our common human resources policies across the Caribbean subject to legal and work permit requirements we are now able to move staff freely across our businesses to broaden experience. Forty staff were working outside their home country by year-end.

There have been changes in our Executive Leadership team in 2004. Robert Lane and Jem Clark returned to Barclays at the end of their secondments. We welcomed Juan Corral and Patrick Buxton as their replacements as Chief Operating Officer and Group Treasurer. Mark Teversham is on his way back to Barclays at the end of his secondment and we welcomed Jan-Arne Farstad as his replacement. Richard Pantcheff also joined us to lead the transformation of Credit Risk. After the year-end we announced the recruitment of Milton Brady to a new role as Managing Director for our Jamaica business, reflecting increased strategic focus on this business. Robert, Jem and Mark were architects of our new Bank and I thank them for their vision and unstinting commitment. To Juan, Jan-Arne, Patrick, Richard and Milton, welcome—we have lots to do.

Investing in our people, and ensuring we get the appropriate returns on that investment in terms of performance, remains a key focus in 2005.

Control

We believe our Risk and Control processes are very strong, as captured in our A-rating.

Nevertheless, in 2004 we moved to further strengthen them, in particular:

- Transforming the Credit Risk function with new people, structures and processes. A sign of our confidence was the transfer of all credit sanctioning to the Bank from its heritage shareholders. No longer are credits referred to London and Toronto for sanction.

  We are pleased with the results, including the record low level of Credit Risk provisions at 0.18% of loan book and Non-Accruing Debt reducing by 19% to US$260 million.

- Launching a new Group Control Programme to lead the introduction of new structures and processes designed to further improve Operational Risk performance.

Completing this strengthening of our Control infrastructure is also a key priority for 2005.

Community Partnership

We remain a committed partner in the countries that we call home.

We have continued our pledging of 1% of our profit after tax to the FirstCaribbean Foundation. The work of the Foundation is captured in our Social Annual Report which we believe to be a first for the Caribbean.

A particular focus in 2004 was hurricane relief, with some US$700,000 donated by FirstCaribbean and its heritage banks to relief in Grenada, Cayman, Jamaica and Bahamas. These were terrible times for the Caribbean but the response of our people was incredible. Our across-the-board 3-month loan repayment moratoriums in hurricane-afflicted areas will, I hope, play a part in getting our communities back on their feet.

This has been a long CEO’s report. The length captures the breadth of the agenda addressed in 2004, and the scale of the delivery by our 3,391 incredible people.

We are now at a crucial juncture for our new Bank. We leave behind three years of merger completion and integration of “2 into 1”. We now have a platform for success. We enter this next phase with confidence and some anticipation. We have invested. Now it is time to yield.

Charles Pink
Chief Executive Officer

Delivering the platform for continuing growth

Country Manager's Report

FirstCaribbean Jamaica produced very solid results for the year under review. Our key drivers to profitability are heading in the right direction. Our loan portfolio grew 20% and non-performing loan portfolio is down by over 50%.

These are the results produced by an amplified market presence, itself the result of new products and more aggressive advertising campaigns and continued focus on management of our key business risks.

We have completed our regional integration, and in Jamaica established a consolidated, customer-friendly and efficiently designed branch at King Street. Over the past year, we have worked with our technology group to install the infrastructure and staff the centre at Montego Bay that will be the basis of our Telephone and Internet Banking services for the Caricom area.

These achievements were produced in the context of continuing trends of consolidation within the Jamaican financial sector, declining interest rates and heightened marketplace presence. Increased advertising visibility in the media reveals that companies are fighting harder for their share of the pie.

We took the disruptions of the September 12 hurricane events in stride, restoring all services in record time after Hurricane Ivan. We also provided staff and customers with special hurricane recovery loans and amended credit terms all with the aim of ensuring the quickest possible resumption to normalcy in their business and personal lives. By way of donation we provided monies to both United Way and CEDERA.

Jamaica's positive results are the by-product of strong staff commitment to implement the FirstCaribbean brand and represent the core values: Caribbean pride, international strength and to be "your financial partner". Our delivery programme for customer service is well on stream with "First for Employees" going a long way towards the vision of "First for Customers".

In 2005, we also expect to launch the Platinum VISA Card together with a slate of new products.

Raymond Campbell
Country Manager – Jamaica
(Resigned February 28, 2005)

Milton Brady
Managing Director
(Appointed January 5, 2005)

We will conclude the new collective agreement with our union partners early in the coming year. This will coincide with an increased focus on customer service. New products, the self-serve channels provided by Internet and Telephone access, and more efficiently laid out branches must be delivered with excellent people skills for optimum employee and customer benefit. Programmes for training in basic business practices and orientation to the full menu of FirstCaribbean business will be rolled out in 2005. All staff will have the opportunity to be better informed and more productive individuals.

Beginning five years ago as the CIBC country manager and continuing in the role of FirstCaribbean country manager, I am very proud to have been part of the team that has established our bank's presence and put us on the right track to growth and the development of a strategic position in the region.

It is with immense satisfaction that I deliver this healthy operation, with a strengthened credit portfolio, to the newly appointed Managing Director, Jamaica. I welcome the appointment of Mr. Milton Brady whose task continues to be to embed the brand values and pursue the strategic aspirations of the bank in Jamaica.

I thank the board of directors, shareholders and executive team for their partnership, and the opportunity to share in the leadership of this exciting enterprise.

I thank the staff of the Jamaica business for their support over the last five years without which I and the rest the management team would not have achieved to the extent that we have.

Raymond Campbell
Country Manager – Jamaica

Directors' Report

The Directors submit herewith the Group Statement of Revenue, Expenses and Retained Earnings of the Bank and its subsidiaries for the year ended October 31, 2004 together with the Group Balance Sheet and Balance Sheet of the Bank and its subsidiaries as at that date.

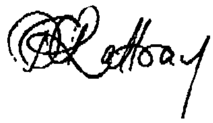
The Group Statement of Revenue and Expenses shows profit for the year of $534, 559,000.00 from which there was $153,382,000.00 for taxation leaving a balance of $381,177,000.00. No Dividends were paid for the period November 1, 2003 to October 31, 2004.

Allison C. Rattray
Corporate Secretary

During the year M. Robert Lane and Mrs. A. Cecile Watson resigned as Directors effective April 30, 2004 and October 31, 2004, respectively. At a meeting of the Board of Directors held on December 1, 2004. Mr. Milton Brady was appointed Managing Director effective January 5, 2005. In accordance with the Articles of Association of the Company, the Directors who will retire by rotation at the Annual General Meeting are Mr. Anthony Bell and Mr. Christopher Bovell and being eligible offered themselves for reelection.

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

By Order of the Board



Allison C. Rattray (Mrs.)
Corporate Secretary/Legal Counsel

TEN LARGEST SHAREHOLDERS
as at OCTOBER 31, 2004

1. FirstCaribbean Int'l Bank Limited	183,274,047	95.00%
2. Ideal Group Limited	813,056	0.40%
3. Mayberry Managed Clients Account	496,386	0.30%
4. Mayberry Investments Ltd. A/C 09022	300,190	0.20%
5. Ideal Group Corporation	239,441	0.100%
6. Ideal Portfolio Services	198,230	0.100%
7. Ideal Portfolio Services Company Limited	171,770	0.100%
8. West Indies Trust Co. Ltd. A/C WT 92	154,998	0.100%
9. M.B.L. Partners Ltd.	152,935	0.100%
10. FirstCaribbean International Bank (Barbados) A/C #C1191	147,650	0.100%

PAR VALUE OF SHARES $0.50

Management's Discussion and Analysis of Operating Results and Financial Condition

Overview

	2004	2003	2002	2001
Net income before exceptional items and taxation	$534,559	$696,549	$205,727	$349,910
Net income after taxation	$381,177	$502,863	$168,744	$251,789
Earnings per share (cents)	197.0	260.0	87.0	130.2
Return on average equity	16.2%	26.1%	10.5%	18.6%
Non-interest expenses to income ratio	73.2%	64.3%	83.7%	76.1%

Performance Overview

For the financial year ended October 31, 2004 FirstCaribbean International Bank Jamaica group reported profit after taxation of J$381.2 million in comparison to J$502.9 million for the previous year. The reduction in performance was primarily due to increased administrative expenses of J$230 million (18%) offset by total revenue exceeding the prior year by J$71.7 million.

Return on average equity was recorded at 16.2% in comparison to 26.1% for the previous year. Earnings per share were J$1.97 compared to J$2.60 reported for 2003.

Net Interest Income increased by J$189.6 million or 14% to end the year at J$1,545 million directly as a result of higher loan volumes following successful loan campaigns.

Asset Growth and Quality

Total assets stood at J$20,104 million as at October 31, 2004 registering an increase of J$732.8 million or 3.8%, stemming from a loan growth of J$1,387 million or 19.6%. The quality of loans booked continues to be impressive with net impaired loans decreasing by J$223 million or 73%. Customers' deposits amounted to J$16.6 billion as at October 31, 2004.

The commercial bank's total assets amounted to J$18,743.9 million, an increase of J$217.2 million or 1.2%. Net Loans and leases increased by J$761.6 million or 11.9% as a result of the successful retail loan campaigns. Management is proud of the quality of the loans booked reflected by the reduction of net impaired loans by J$223.5 million or 74% and amounted to J$78.9 million representing 1% of net loans as at October 31, 2004.

The Building Society had an exceptional year breaking the J$1 billion loan mark during the year under review. Total assets grew by 65.2% or J$553.2 million with mortgage loans growing by J$616 million or 93.4% directly as a result of our "Win-Win" and "Mortgages R Us" marketing campaigns. Credit quality of the mortgage portfolio continues to move in the right direction with net impaired loans representing 0.33% of net loans compared to 0.64% for 2003.

Assets Under Administration

Assets under administration totalled J$27.8 billion as at October 31, 2004, growing by J$5.9 billion or 27% in comparison to J$21.9 billion reported for the same period in the prior year. Assets under management are included in assets under administration and amounted to J$1.6 billion (2003 – J$1.2 billion). Assets administered for institutions and assets under custody for individuals are also included. As these assets are held in a fiduciary capacity and are not owned by FirstCaribbean International Securities Limited, they are not included on the balance sheet.

Shareholders' Issues

Share price increased by J$13.50 to end the year at J$21.50 compared to J$8.00 per share at the end of the previous year. Book value per share increased to J$13.18 from J$11.21 reported for the prior year. Given the bank's decision to increase the statutory capital by J$450,000, no dividend was paid for the year ended October 31, 2004.

Economic Environment

The economy was on track to achieve real Gross Domestic Product growth of 2.5%–3%. However, with the impact of Hurricane Ivan Gross Domestic Product is estimated to grow by 1% for the calendar year January–December 2004. The sectors showing positive growth were mining & quarrying, manufacturing, construction & installation, distributive trade and miscellaneous services (including hotels, restaurant & clubs).

For the period October 2003 to October 2004 the inflation rate recorded was 12.3% relative to the corresponding 14.1% for the similar period in the preceding year. Inflation rate for the government's fiscal year to October 2004 was 8.3% (2003 – 12.6%) and 10.4% for the calendar period January to October 2004 (January-October 2003–12.2%).

Net International Reserves increased by US$695.53 million or 61.49% to US$1,826.66 million and represent 18.19 weeks of imports of goods and services as at October 31, 2004 (2003 – US$1,131.13 million and 12.34 weeks). Foreign currency deposits grew by 14.91% for the period November 2003 to October 2004 compared to 20.49% for the comparable period in the previous year. Foreign currency deposits stood at US$1,807.93 million as at October 31, 2004 (2003 – US$1,601.1). The Jamaican dollar remained relatively stable as the exchange rate depreciated by a mere 2.38% compared to 22.26% for the prior year. The spot market weighted average selling rate traded at J$61.8817 as at October 31, 2004 (2003 – J$60.4407).

Financial Statement Review

Total Revenue
Total revenue increased by J$71.7 million or 3.6% for the year ended October 31, 2004 in comparison to the previous year. This performance was due to higher loan volumes leading to increased loan interest income of J$310.2 million or 28.5%. However, this was offset by reductions in securities and placements income by J$177.5 million (15.4%) due to decreased volumes while interest expense declined by J$56.9 million or 6%. In addition non-interest income was below the prior year by $117.9 million mainly due to reduced foreign currency earnings.

Net interest income and margin
Net interest income consists of interest and dividends earned on assets less interest paid on deposits and other debt obligations.

Increased loan volumes accounted for the J$189.6 million (14%) rise in net interest income to total J$1,545 million for the year ended October 31, 2004.

Net interest margin, which represents the net interest spread earned on its net assets, rose by 50 basis points to 7.8% from 7.3% continuing the trend of earning higher yields on earning assets.

Non-interest income
Non-interest income includes all revenues not classified as interest income.

Non-interest income declined by J$117.9 million or 18.6% to close the year at J$517.8 million. This performance was directly due to the reduction in foreign currency earnings by J$127.4 million or 46.5%. Excluding foreign exchange earnings non-interest income increased by J$9.5 million or 2.6%.

Non-interest income represented 25.1% of total revenue compared to 31.9% for 2003.

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

Non-interest expenses were higher than the corresponding period in the prior year by J$230.4 million or 18% primarily due to increased employee compensation by J$108 million or 19%. Other costs contributing to the excess over the preceding year were Integration/Restructuring charges by J$61.7 million as well as Occupancy & Other expenses by J$58 million due to increased administrative costs.

Management continues to review and implement additional cost containment measures to reduce the 73.2% reported for non-interest expense as a percentage of gross revenue compared to 64.3% for the preceding year.

Balance Sheet				
J$(000)	**2004**	**2003**	**2002**	**2001**
Assets				
Cash Resources	**7,246,192**	**7,673,416**	**7,930,259**	**8,503,264**
Investments	**2,255,759**	**2,659,287**	**2,135,521**	**2,045,050**
Government securities purchased under resale agreements	**551,229**	**412,797**	**1,385,790**	**1,562,388**
Loans and Leases	**8,465,038**	**7,087,213**	**5,201,028**	**5,867,264**
Other Assets	**1,586,243**	**1,538,945**	**1,221,919**	**1,471,153**
	20,104,461	**19,371,658**	**17,874,517**	**19,449,122**
Liabilities and shareholders' equity				
Deposits	**16,645,586**	**16,561,713**	**15,742,973**	**17,395,795**
Other liabilities	**910,709**	**642,956**	**448,085**	**519,279**
Shareholders' equity	**2,548,166**	**2,166,989**	**1,683,459**	**1,534,048**
	20,104,461	**19,371,658**	**17,874,517**	**19,449,122**

Management's Discussion and Analysis of Operating Results and Financial Condition

Total assets as at October 31, 2004 stood at J$20,104 million. This result was J$732.8 million (3.8%) above the J$19,372 million recorded for 2003. The main contributors were Loans & Leases which increased by J$1,377.8 million or 19.4% and Other Assets (excluding Fixed Assets) by J$93.5 million or 7.5%.

Cash resources
Cash resources consist of cash, interest-bearing short-term deposits and deposits with the Central Bank held for statutory reserve purposes as well as special short-term interest bearing deposits/investments with the Central Bank.

Cash resources decreased by 5.6% or J$427.2 million and are comprised of special short-term interest-bearing deposits with the Central Bank and other financial institutions.

Loans & Leases
A series of loan and mortgage campaigns drove the improved loan volumes by J$1,377.8 million or 19.4%, with mortgages leading the products offered increasing by J$618 million (93%), personal loans by J$864.5 million (40.6%) and business loans declining by J$82.9 million or 2%.

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

As at October 31, 2004 investment securities, including government securities purchased under resale agreements, amounted to J$2,807 million and were below the prior year's balance by J$265.1 million or 8.6%.

Deposits
Customers' deposits totalled J$16,645.6 million as at October 31, 2004 as a result of deposits from individuals increasing by J$1,395.6 million (17.6%) while funding from business, government and other banks declined by J$1,311.7 million (15.2%).

Capital Strength

Total prescribed statutory capital closed the year at J$1,659.5 million from J$1,209.5 million for the preceding year after the transfer of $450,000 million to Retained Earnings Reserve for the Commercial Bank. Capital strength provides protection to depositors and creditors, which allows the bank to undertake profitable business opportunities as they arise and helps to maintain favourable credit ratings. Internal policies require that marketplace and regulatory expectations for capital strength be met, as well as internal measures of required capital, which are based on sophisticated risk management techniques.

Financial Statements 2004

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Scotiabank Centre
Duke Street PO Box 372
Kingston, Jamaica
Telephone: (876) 922–6230
Facsimile: (876) 922–7581

AUDITORS' REPORT

24 January 2005

To the Members of
FirstCaribbean International Bank (Jamaica) Limited

We have audited the financial statements set out on pages 21 to 72, and have received all the information and explanations which we considered necessary. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the Bank and the Group as at 31 October 2004 and of the results of operations, changes in equity and cash flows of the Bank and the Group for the year then ended, and have been prepared in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act applicable to banking companies.

PriceWaterhouseCoopers

Chartered Accountants
Kingston, Jamaica

Group Balance Sheet

as at October 31, 2004
(expressed in thousands of Jamaican dollars)

	Notes	2004 $	2003 $
ASSETS			
Cash resources	3	**7,246,192**	7,673,416
Investment securities	4	**2,255,759**	2,659,287
Government securities purchased under resale agreements	5	**551,229**	412,797
Loans, less provision for impairment	6	**8,448,607**	7,061,581
Net investment in leases	7	**16,431**	25,632
Other assets	8	**665,560**	843,362
Retirement benefit assets	9	**493,600**	409,270
Property, plant and equipment	10	**427,083**	286,313
		20,104,461	19,371,658
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Customers' deposits	11	**16,645,586**	16,561,713
Other liabilities	12	**604,304**	344,439
Taxation payable		**78,071**	64,526
Retirement benefit obligation	9	**104,224**	81,811
Deferred taxation	13	**124,110**	152,180
		17,556,295	17,204,669
Stockholders' Equity			
Share capital and reserves	14	**1,784,488**	1,274,477
Retained earnings		**763,678**	892,512
		2,548,166	2,166,989
		20,104,461	19,371,658

Approved by the Board of Directors on 24 January 2005 and signed on its behalf by:

R. O'B. Campbell
Director

C.D.R. Bovell
Director

A.W. Webb
Director

A.C. Rattray
Secretary

Group Statement of Changes in Stockholders' Equity

Year Ended October 31, 2004
(expressed in thousands of Jamaican dollars)

	Notes	Share Capital $	Reserves $	Retained Earnings $	Total $
Balance at 31 October 2002		96,667	1,153,810	432,982	1,683,459
Net profit		—	—	502,863	502,863
Transfer to retained earnings reserve	17	—	24,000	(24,000)	—
Dividends	20	—	—	(19,333)	(19,333)
Balance at 31 October 2003		96,667	1,177,810	892,512	2,166,989
Net profit		—	—	381,177	381,177
Transfer to retained earnings reserve	17	—	450,000	(450,000)	—
Transfer to loan loss reserve	18	—	60,011	(60,011)	—
Balance at 31 October 2004		96,667	1,687,821	763,678	2,548,166

Group Statement of Revenue and Expenses

Year Ended October 31, 2004
(expressed in thousands of Jamaican dollars)

	Notes	2004 $	2003 $
Interest Income		**2,375,021**	2,242,306
Interest Expense		**(830,122)**	(886,998)
Net Interest Income	21	**1,544,899**	1,355,308
Non-Interest Income	22	**517,814**	635,727
		2,062,713	1,991,035
Non-Interest Expenses	23	**(1,459,664)**	(1,290,900)
Impairment Losses on Loans		**(17,281)**	(14,049)
Integration/Restructuring Charges		**(51,209)**	10,463
		(1,528,154)	(1,294,486)
Profit before Taxation	27	**534,559**	696,549
Taxation	28	**(153,382)**	(193,686)
Net Profit		**381,177**	502,863
EARNINGS PER STOCK UNIT	30	**$1.97**	$2.60

Group Statement of Cash Flows

Year Ended October 31, 2004
(expressed in thousands of Jamaican dollars)

	Notes	2004 $	2003 $
Cash Flows from Operating Activities			
Profit before taxation		**534,559**	696,549
Adjustments to reconcile profit to net cash used in operating activities			
Impairment losses on loans		**17,281**	14,049
Gain on disposal of property, plant and equipment		**(1,330)**	(6,292)
Depreciation		**73,789**	71,096
Interest income		**(2,375,021)**	(2,242,306)
Interest expense		**830,122**	886,998
Unrealised foreign exchange gain		**(19,326)**	(150,786)
		(939,926)	(730,692)
Changes in operating assets and liabilities			
Loans		**(1,404,307)**	(1,915,825)
Customers' deposits		**83,873**	818,740
Net investment in leases		**9,201**	15,591
Retirement benefit asset		**(84,330)**	(62,780)
Retirement benefit obligation		**22,413**	15,852
Other assets		**58,898**	(255,647)
Other liabilities		**140,253**	(395,658)
Statutory reserves with Bank of Jamaica		**(87,678)**	(414,575)
		(2,201,603)	(2,924,994)
Interest received		**2,493,925**	2,296,160
Interest paid		**(828,023)**	(895,836)
Income tax paid		**(167,906)**	(78,105)
Net cash used in operating activities		**(703,607)**	(1,602,775)
Cash Flows from Investing Activities			
Investment securities (Net)		**403,528**	(523,766)
Government securities purchased under resale agreements (net)		**(138,432)**	972,993
Additions to property, plant and equipment		**(215,144)**	(125,245)
Proceeds from disposal of property, plant and equipment		**1,914**	7,989
Net cash provided by investing activities		**51,866**	331,971
Cash Flows from Financing Activities			
Dividends paid		—	(19,333)
Net cash provided by financing activities		—	(19,333)
Net decrease in cash and cash equivalents		**(651,741)**	(1,290,137)
Effect of exchange rate changes on cash and cash equivalents		**136,839**	618,719
Cash and cash equivalents at beginning of year		**5,894,342**	6,565,760
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**3**	**5,379,440**	5,894,342

Balance Sheet

October 31, 2004
(expressed in thousands of Jamaican dollars)

	Notes	2004 $	2003 $
ASSETS			
Cash resources	3	**7,633,892**	7,668,339
Investment securities	4	**2,225,881**	2,574,056
Investments in Subsidiaries		**36,745**	36,745
Government securities purchased under resale agreements	5	**158,767**	316,470
Loans, less provision for impairment	6	**7,172,644**	6,401,871
Net investment in leases	7	**16,431**	25,632
Other assets	8	**633,288**	857,570
Retirement benefit asset	9	**442,140**	364,450
Property, plant and equipment	10	**424,156**	281,617
		18,743,944	18,526,750
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Customers' deposits	11	**15,994,295**	16,058,474
Other liabilities	12	**242,792**	287,433
Taxation payable		**68,386**	64,307
Retirement benefit obligations	9	**92,929**	72,856
Deferred taxation	13	**114,483**	136,452
		16,512,885	16,619,522
Stockholders' Equity			
Share capital and reserves	14	**1,623,533**	1,121,833
Retained earnings		**607,526**	785,395
		2,231,059	1,907,228
		18,743,944	18,526,750

Approved by the Board of Directors on 24 January 2005 and signed on its behalf by:

R. O'B. Campbell
Director

C.D.R. Bovell
Director

A.W. Webb
Director

A.C. Rattray
Secretary

Statement of Changes in Stockholders' Equity

Year Ended October 31, 2004
(expressed in thousands of Jamaican dollars)

	Note	Share Capital $	Reserves $	Retained Earnings $	Total $
Balance at 31 October 2002		96,667	832,363	172,566	1,101,596
Net profit as restated		—	—	824,965	824,965
Transfer of reserves from subsidiary	26	—	192,803	(192,803)	—
Dividends	20	—	—	(19,333)	(19,333)
Balance at 31 October 2003		96,667	1,025,166	785,395	1,907,228
Net profit		—	—	323,831	323,831
Transfer to retained earnings reserve	17	—	450,000	(450,000)	—
Transfer to loan loss reserve	18	—	51,700	(51,700)	—
Balance at 31 October 2004		96,667	1,526,866	607,526	2,231,059

Statement of Revenue and Expenses

Year Ended October 31, 2004
(expressed in thousands of Jamaican dollars)

	Notes	2004 $	Restated 2003 $
Interest Income		**2,206,989**	1,927,308
Interest Expense		**(767,249)**	(725,642)
Net Interest Income	21	**1,439,740**	1,201,666
Non-Interest Income	22	**409,394**	518,986
		1,849,134	1,720,652
Non-Interest Expenses	23	**(1,327,501)**	(1,160,328)
Impairment Losses on Loans		**(15,267)**	(14,959)
Integration/Restructuring Charges		**(55,216)**	7,270
		(1,397,984)	(1,168,017)
Profit before Negative Goodwill		**451,150**	552,635
Negative goodwill arising on purchase of net banking assets and liabilities of subsidiary	26	—	435,167
Profit before Taxation	27	**451,150**	987,802
Taxation	28	**(127,319)**	(162,837)
Net Profit		**323,831**	824,965

Statement of Cash Flows

Year Ended October 31, 2004
(expressed in thousands of Jamaican dollars)

	Notes	2004 $	Restated 2003 $
Cash Flows from Operating Activities			
Profit before taxation		**451,150**	987,802
Adjustment to reconcile profit to net cash (used in)/ provided by operating activities			
Impairment losses on loans		**15,267**	14,959
Gain on disposal of fixed assets		**(1,330)**	(6,221)
Depreciation		**71,670**	67,598
Interest income		**(2,206,989)**	(1,927,308)
Interest expense		**767,249**	725,642
Unrealised foreign exchange gain		**(19,437)**	(130,633)
		(922,420)	(268,161)
Changes in operating assets and liabilities			
Loans		**(786,040)**	(1,744,325)
Customers' deposits		**(64,179)**	2,629,894
Net investment in leases		**9,201**	(25,632)
Retirement benefit asset		**(77,690)**	(56,210)
Retirement benefit obligations		**20,073**	14,180
Other assets		**100,693**	(361,806)
Other liabilities		**(159,960)**	(383,928)
Statutory reserves at Bank of Jamaica		**(83,456)**	(549,601)
		(1,963,778)	(745,589)
Interest received		**2,330,578**	1,866,318
Interest paid		**(769,332)**	(713,574)
Income tax paid		**(145,208)**	(30,277)
Cash (used in)/provided by operating activities		**(547,740)**	376,878
Cash Flows from Investing Activities			
Government securities purchased under resale agreements (net)		**157,703**	(55,711)
Investment securities, net		**348,174**	(1,453,505)
Additions to property, plant and equipment		**(214,794)**	(124,645)
Proceeds from disposal of fixed assets		**1,915**	7,918
Net cash provided by/(used in) investing activities		**292,998**	(1,625,943)
Cash Flows from Financing Activities			
Dividends paid		**—**	(19,333)
Net cash used in/(provided by) financing activities		**—**	(19,333)
Net decrease in cash and cash equivalents		**(254,742)**	(1,268,398)
Effect of exchange rate changes on cash and cash equivalents		**136,839**	616,514
Cash and cash equivalents at beginning of year		**5,894,342**	6,546,226
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3	**5,776,439**	5,894,342

(expressed in thousands of Jamaican dollars)

1. Identification and Activities

FirstCaribbean International Bank (Jamaica) Limited (the Bank), which was incorporated and is domiciled in Jamaica, is a 94.80% (2003—94.62%) 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.

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 were incorporated and are domiciled in Jamaica, are as follows:

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

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

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates.

(b) Consolidation

The consolidated financial statements include the financial statements of the Bank and its Subsidiaries. All significant inter-company transactions have been eliminated. The Bank and its Subsidiaries are referred to as the "Group".

2. Significant Accounting Policies (continued)

(c) Investments

The Group classifies its investment securities into the following two main categories: held-to-maturity and originated debts. Management determines the appropriate classification of Investments at the time of purchase.

Government or other securities which are purchased directly from the issuer are classified as originated debts. These include bonds and treasury bills. They are initially recorded at cost, which is the cash given to originate the debt including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

Investments purchased on the secondary market which are intended to be held to maturity are classified as such. These investments are initially recorded at cost, and are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

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

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate.

All purchases and sales of investment securities are recognised at settlement date.

(d) Investment in subsidiaries

Investments by the Bank in subsidiaries are stated at cost.

(e) Sale and repurchase agreements and lending of securities

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

(f) Derivatives

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

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

2. Significant Accounting Policies (continued)

(g) Loans and provision for impairment losses

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

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

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

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

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

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis. Jamaica banking regulations require that interest on non-performing loans be taken into account on the cash basis. IFRS requires the increase in the present value of impaired loans due to the passage of time to be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

Statutory and other regulatory loan loss reserve requirements that exceed these amounts are dealt with in a non-distributable loan loss reserve as an appropriation of unappropriated profits.

(h) Leases

(i) As Lessee

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

(ii) As Lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

2. **Significant Accounting Policies** (continued)

(i) Employee benefits

(iii) Pension asset

The Group operates a defined benefit pension plan. The asset in respect of the defined benefit pension plan is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service cost.

The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates on government securities which have terms to maturity approximating the terms of the related liability. The pension benefit is based on the best consecutive five years' earnings in the last ten years of employment and the charge representing the net periodic pension cost less employee contributions is included in staff costs.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to the pension plan are charged or credited to income over the service lives of the related employees.

(ii) Other post-retirement obligations

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

(iii) Employee entitlements

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

(j) Employee share ownership plan

The Bank has an Employee Share Ownership Plan (ESOP) for certain eligible employees. The Bank currently pays all the administrative and other expenses of the Plan. The employees' maximum contribution ranges from 2–6% of regular earnings, based on years of service with the Bank. The Bank contributes 50 cents for each dollar contributed to the Plan by the employees. This benefit is recorded in salaries and staff benefits expense in the statement of revenue and expenses with a corresponding accrual in expenses and other liabilities in the balance sheet.

(k) Computer software developments

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

2. Significant Accounting Policies (continued)

(l) Property, plant and equipment

Land and buildings are shown at deemed cost, less subsequent depreciation for buildings. Under IFRS 1, a first-time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment as its deemed cost. The Group elected to apply this provision. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

The Group's property, plant and equipment, with the exception of freehold land on which no depreciation is provided, are depreciated using the straight line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Buildings	2.5%
Leasehold improvements	10% or over the life of the lease
Furniture & fixtures	6.7%–14.29%
Computer equipment and software	20%–50%
Motor vehicles	20%

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expenditure is incurred.

(m) Provisions

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

(n) Deferred income taxes

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

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities and provisions for pensions and other post retirement benefits and any allowance for impairment losses.

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

2. **Significant Accounting Policies** (continued)

(o) Interest income and expense

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

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

(p) Income under finance leases

Income under finance leases is recognised in a manner which produces a constant rate of return on the net investment in leases.

(q) Fee and commission income

Fee and commission income are recognised on the accrual basis. Loan origination fees, for loans which are probable of being drawn down, are deferred together with related direct cost and recognised as an adjustment to the effective yield on the loan.

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

(r) Foreign currencies

Foreign currency balances outstanding at the balance sheet date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies during the year are converted at the rates of exchange ruling on the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in the statement of revenue and expenses.

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

(s) Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Bank or its subsidiaries act in a fiduciary capacity such as nominee, trustee or agent.

(t) Cash and cash equivalents

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

(expressed in thousands of Jamaican dollars)

2. Summary of Significant Accounting Policies (continued)

(u) Segment reporting

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

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

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

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

(v) Comparative information

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

3. Cash Resources

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Cash	**185,339**	182,067	**185,337**	182,066
Deposit with Central Bank — interest bearing	**2,547,672**	2,981,257	**2,547,672**	2,981,257
Deposit with Central Bank — non-interest bearing	**866,004**	810,741	**856,706**	805,665
Other money market placements	**3,647,177**	3,699,351	**4,044,177**	3,699,351
Cash resources	**7,246,192**	7,673,416	**7,633,892**	7,668,339
Mandatory reserve deposits with Central Bank (Note 35)	**(1,866,752)**	(1,779,074)	**(1,857,453)**	(1,773,997)
Cash and cash equivalents	**5,379,440**	5,894,342	**5,776,439**	5,894,342

Under section 14 (i) of both the Banking Act, 1992 and the Financial Institutions Act, 1992, respectively, and section 13 of the Bank of Jamaica (Building Societies) Regulations, 1995, the Group and the Bank are required to place deposits with The Bank of Jamaica ("Central Bank") which are held substantially on a non-interest-bearing basis as a cash reserve; accordingly, these amounts are not available for investment or other use by the Group and the Bank. These reserves represent the required rates 9% (2003 — 9%) of the Bank's prescribed liabilities.

Effective 15 January, 2003, the Bank was required by the Bank of Jamaica (BOJ), under Section 28A of the Bank of Jamaica Act, to maintain with the Central Bank a special deposit wholly in the form of cash, representing 5% of the Bank's prescribed liabilities. The special deposit maintained with the Central Bank at year-end was $466,378,000 (2003 — $436,412,000). Interest at a rate of 6% per annum is earned on this deposit.

Included in other money market placements are deposits with ultimate parent company of J$160,228,000 (2003 — J$226,496,000) for the Group and J$127,632,000 (2003 — J$226,496,000) for the Bank.

(expressed in thousands of Jamaican dollars)

4. Investments Securities

(i) Held to Maturity Securities — at Amortised Cost

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Securities issued or guaranteed by Government Treasury bills	—	304,838	—	304,838
Debentures	**220,378**	1,507,509	**199,378**	1,434,842
Debt securities	**906,821**	821,424	**906,821**	808,860
Local registered stocks	**651,912**	—	**643,034**	—
	1,779,111	2,633,771	**1,749,233**	2,548,540

(ii) Held to Maturity Securities — Originated Loans

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Securities issued or guaranteed by Government				
Treasury bills	**315,865**	—	**315,865**	—
Debentures	**110,000**	—	**110,000**	—
Local registered stocks	**33,561**	—	**33,561**	—
	459,426	—	**459,426**	—

(iii) Available for Sale Securities — at Fair Value

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Balance at beginning of year	**25,516**	30,135	**25,516**	30,135
Disposals	**(8,294)**	(4,619)	**(8,294)**	(4,619)
	17,222	25,516	**17,222**	25,516
Balance at end of year	**2,255,759**	2,659,287	**2,225,881**	2,574,056

(expressed in thousands of Jamaican dollars)

5. Government Securities Purchased Under Resale Agreements

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

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Government securities purchased under resale agreements	**551,229**	412,797	**158,767**	316,470
	551,229	412,797	**158,767**	316,470

6. Loans, Less Provision for Impairment

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Mortgages	**1,283,644**	665,190	—	—
Personal loans	**2,996,323**	2,131,776	**2,996,323**	2,131,776
Business loans	**4,310,160**	4,393,100	**4,310,160**	4,393,100
	8,590,127	7,190,066	**7,306,483**	6,524,876
Less: Provision for impairment	**(141,520)**	(128,485)	**(133,839)**	(123,005)
Balance at end of year	**8,448,607**	7,061,581	**7,172,644**	6,401,871

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

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

Swap 2 — The Bank pays 7.5% per annum fixed and receives 4.18% plus US dollar LIBOR on a notional amount of US$2,370,000 monthly commencing October 2004 and ending October 2011.

The combined fair value of these interest rate swaps at 31 October 2004 is negative US$25,000.

(expressed in thousands of Jamaican dollars)

6. **Loans, Less Provision for Impairment** (continued)

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

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Balance at beginning of year	**128,485**	97,249	**123,005**	92,149
Provided during the year	**17,281**	14,049	**15,267**	14,959
Amounts recovered	**6,517**	17,187	**6,330**	15,897
Amounts written off	**(10,763)**	—	**(10,763)**	—
Balance at end of year	**141,520**	128,485	**133,839**	123,005

These comprise:

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Specific provision	**83,018**	45,905	77,795	44,648
General provision	**58,502**	82,580	56,044	78,357

As at 31 October, 2004 loans with principal balances outstanding of J$224,712,000 (2003 — J$435,919,000) for the Group and J$212,760,000 (2003 — J$426,223,000) for the Bank were in non-performing status.

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

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Specific provision	**113,845**	45,905	**110,631**	44,648
General provision	**87,686**	82,580	**74,908**	78,357
	201,531	128,485	**185,539**	123,005
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 18)	**60,011**	—	**51,700**	—

(expressed in thousands of Jamaican dollars)

7. Net Investment in Leases

	The Group and the Bank	
	2004	2003
	$	$
Total minimum lease payments receivable	**19,025**	32,562
Unearned income	**(2,561)**	(6,060)
	16,464	26,502
Less: Provision for impairment losses	**(33)**	(870)
	16,431	25,632

Future minimum lease payments are receivable as follows:

	2004	2003
	$	$
2004	**—**	22,628
2005	**7,947**	8,867
2006	**2,818**	1,067
2007	**8,260**	—
	19,025	32,562

8. Other Assets

	The Group		The Bank	
	2004	2003	2004	2003
	$	$	$	$
Cheques and other items in transit, net	**157,268**	270,280	**170,774**	282,137
Interest receivable	**345,625**	464,529	**326,620**	450,209
Prepayments and deferred items	**39,816**	34,244	**37,238**	27,703
Due from subsidiary	**—**	—	**—**	40,000
Due from affiliates	**5,800**	5,800	**5,800**	5,800
Withholding tax	**71,391**	50,425	**71,391**	50,425
Other	**45,660**	18,084	**21,465**	1,296
	665,560	843,362	**633,288**	857,570

(expressed in thousands of Jamaican dollars)

9. Retirement Benefits

Amounts recognised in the balance sheet:

	The Group		The Bank	
	2004 $	2003 $	2004 $	2003 $
Pension scheme	**493,600**	409,270	**442,140**	364,450
Other post retirement benefits	**(104,224)**	(81,811)	**(92,929)**	(72,856)

(a) Pension Scheme

The Group operates a pension scheme covering all permanent employees. The pension benefit is based on the best five consecutive years' earnings in the last ten years, multiplied by the years of credited service. The assets of the plan are held independently of the Group's assets in a separate trustee fund. The scheme is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation was carried out as at 31 October 2004.

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

	The Group		The Bank	
	2004 $	2003 $	2004 $	2003 $
Fair value of plan assets	**1,187,050**	910,740	**1,093,680**	815,430
Present value of funded obligations	**(561,250)**	(390,440)	**(517,110)**	(349,580)
Unrecognised actuarial gains	**(132,200)**	(111,030)	**(134,430)**	(101,400)
Asset in the balance sheet	**493,600**	409,270	**442,140**	364,450

Pension plan assets include the Bank's and its parent company's ordinary stock units with a fair value of $10,000,000 (2003 — $10,280,144).

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

	The Group		The Bank	
	2004 $	2003 $	2004 $	2003 $
Current service cost, net of employee contributions	**25,100**	18,060	**23,130**	16,170
Interest cost	**69,010**	49,020	**63,580**	43,890
Expected return on plan assets	**(171,710)**	(123,840)	**(158,200)**	(110,880)
Included in staff costs (Note 25)	**(77,600)**	(56,760)	**(71,490)**	(50,820)

(expressed in thousands of Jamaican dollars)

9. Retirement Benefits (continued)

The actual return on plan assets for the Group was $261,770,000 (2003: $119,540,000) and the Bank $264,850,000 (2003 — $107,030,000).

Movement in the asset recognised in the balance sheet:

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
At November	**409,270**	346,490	**364,450**	308,240
Total income	**77,600**	56,760	**71,490**	50,820
Contributions paid	**6,730**	6,020	**6,200**	5,390
At 31 October	**493,600**	409,270	**442,140**	364,450

The principal actuarial assumptions used were as follows:

	The Group and The Bank	
	2004	**2003**
Discount rate	**12.5%**	14.0%
Expected return on plan assets	**13.0%**	16.0%
Future salary increases	**10.0%**	10.0%
Future pension increases	**4.5%**	6.0%

(expressed in thousands of Jamaican dollars)

9. Retirement Benefits (continued)

(b) Retirement Benefit Obligation

In addition to pension benefits, the Bank 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 11.5% per year (2003 — 13%).

The amounts recognised in the balance sheet are as follows:

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Present value of unfunded obligations	**105,221**	77,697	**94,210**	69,642
Unrecognised actuarial (losses)/gains	**(997)**	4,114	**(1,281)**	3,214
Liability in the balance sheet	**104,224**	81,811	**92,929**	72,856

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

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Current service cost	**10,186**	7,361	**9,120**	6,597
Interest cost	**12,805**	8,978	**11,470**	8,020
Total included in staff costs (Note 25)	**22,991**	16,339	**20,590**	14,617

Movements in the amounts recognised in the balance sheet:

Liability at beginning of year	**81,811**	65,959	**72,856**	58,675
Total expense, as above	**22,991**	16,339	**20,590**	14,617
Contributions paid	**(578)**	(487)	**(517)**	(436)
Liability at end of year	**104,224**	81,811	**92,929**	72,856

(expressed in thousands of Jamaican dollars)

10. Property, Plant and Equipment

	The Group				
	Land $	Buildings $	Leasehold Improvement $	Furniture, Computer Equipment and Motor Vehicles $	Total $
Cost —					
1 November 2003	3,900	46,106	74,452	544,279	668,737
Additions	—	—	4,550	210,594	215,144
Disposals	—	—	—	(7,529)	(7,529)
31 October 2004	3,900	46,106	79,002	747,344	876,352
Accumulated Depreciation —					
1 November 2003	—	12,508	57,646	312,270	382,424
Charge for the year	—	1,153	4,120	68,516	73,789
Relieved on disposals	—	—	—	(6,944)	(6,944)
31 October 2004	—	13,661	61,766	373,842	449,269
Net Book Value —					
31 October 2004	3,900	32,445	17,236	373,502	427,083
31 October 2003	3,900	33,598	16,806	232,009	286,313

(expressed in thousands of Jamaican dollars)

10. Property, Plant and Equipment (continued)

	The Bank				
	Land	**Buildings**	**Leasehold Improvement**	**Furniture, Computer Equipment and Motor Vehicles**	**Total**
	$	**$**	**$**	**$**	**$**
Cost —					
1 November 2003	3,900	46,106	74,407	522,669	647,082
Additions	—	—	4,418	210,376	214,794
Disposals	—	—	—	(7,529)	(7,529)
31 October 2004	3,900	46,106	78,825	725,516	854,347
Accumulated Depreciation —					
1 November 2003	—	12,508	57,646	295,311	365,465
Charge for the year	—	1,153	4,120	66,397	71,670
Relieved on disposals	—	—	—	(6,944)	(6,944)
31 October 2004	—	13,661	61,766	354,764	430,191
Net Book Value —					
31 October 2004	3,900	32,445	17,059	370,752	424,156
31 October 2003	3,900	33,598	16,761	227,358	281,617

Included in the table above are amounts totalling $14,430,000 (2003 — $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.

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

(expressed in thousands of Jamaican dollars)

11. Customers' Deposits

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Individuals	**9,317,841**	7,922,289	**8,726,494**	7,445,225
Business and Government	**7,141,319**	8,392,635	**7,048,780**	8,333,819
Banks	**186,426**	246,789	**219,021**	279,430
	16,645,586	16,561,713	**15,994,295**	16,058,474

12. Other Liabilities

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Interest payable	**60,943**	58,844	**50,723**	52,806
Due to parent company	**329,993**	91,582	**17,197**	71,846
Withholding tax	**5,061**	—	**—**	—
Other	**208,307**	194,013	**174,872**	162,781
	604,304	344,439	**242,792**	287,433

13. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of:

- 30% for FirstCaribbean International Building Society
- $33\frac{1}{3}$% for the Bank and FirstCaribbean International Securities Limited.

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

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Balance as at 1 November	**152,180**	87,946	**136,452**	75,523
(Credit)/charge to statement of revenue and expenses	**(28,070)**	63,362	**(21,969)**	60,056
Other	**—**	872	**—**	873
Balance as at 31 October	**124,110**	152,180	**114,483**	136,452

(expressed in thousands of Jamaican dollars)

13. Deferred Taxation (continued)

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

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Deferred income tax assets				
Decelerated tax depreciation	**140**	4,233	—	3,701
Impairment loan losses	**737**	880	—	—
Employee benefits and restructuring costs	**65,557**	30,970	**60,714**	29,668
Other temporary differences	**9,494**	1,777	**8,002**	1,777
	75,928	37,860	**68,716**	35,146
Deferred income tax liabilities				
Pensions and other post retirement benefits	**164,083**	133,010	**147,380**	121,362
Unrealised exchange gain	**6,479**	43,500	**6,479**	43,501
Allowance for loan impairment	**2,806**	2,741	**2,806**	2,741
Other temporary differences	—	10,707	—	3,994
Accelerated tax depreciation	**26,670**	82	**26,534**	—
	200,038	190,040	**183,199**	171,598
Net deferred tax liability	**124,110**	152,180	**114,483**	136,452

Deferred income tax liabilities have not been provided for on the withholding and other taxes that would be payable on the undistributed earnings of certain subsidiaries to the extent that such earnings are permanently reinvested. Such earnings totalled $155,024,000 at 31 October, 2004 (2003 — $146,713,000).

(expressed in thousands of Jamaican dollars)

14. Share Capital and Reserves

	The Group		The Bank	
	2004 $	2003 $	2004 $	2003 $
Share Capital				
Authorised —				
200,000,000 Ordinary shares of J$0.50 each	**100,000**	100,000	**100,000**	100,000
Issued and fully paid —				
193,333,332 Ordinary stock units of J$0.50 each	**96,667**	96,667	**96,667**	96,667
Reserves				
Capital reserves (Note 15)	**19,458**	19,458	**12,833**	12,833
Statutory reserve fund (Note 16)	**156,667**	156,667	**121,667**	121,667
Retained earnings reserves (Note 17)	**1,406,163**	956,163	**1,340,666**	890,666
Loan loss reserve (Note 18)	**60,011**	—	**51,700**	—
Building Society reserve (Note 19)	**45,522**	45,522	—	—
	1,687,821	1,177,810	**1,526,866**	1,025,166
Total share capital and reserves at end of the year	**1,784,488**	1,274,477	**1,623,533**	1,121,833

15. Capital Reserves

	The Group		The Bank	
	2004 $	2003 $	2004 $	2003 $
Comprised of:				
Unrealised —				
Capitalisation of retained earnings in subsidiary	**5,000**	5,000	—	—
Surplus on revaluation of premises	**6,188**	6,188	**5,493**	5,493
Arising on consolidation	**930**	930	—	—
	12,118	12,118	**5,493**	5,493
Realised —				
Profit on sale of property, plant and equipment	**7,340**	7,340	**7,340**	7,340
Balance at end of year	**19,458**	19,458	**12,833**	12,833

(expressed in thousands of Jamaican dollars)

16. Statutory Reserve Fund

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Balance at beginning of year	**156,667**	156,667	**121,667**	96,667
Transfer of reserves from subsidiary (Note 26)	—	—	—	25,000
Balance at end of the year	**156,667**	156,667	**121,667**	121,667

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

17. Retained Earnings Reserve

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Balance at beginning of year	**956,163**	932,163	**890,666**	722,863
Transfer of reserves from subsidiary (Note 26)	—	—	—	167,803
Other transfers	**450,000**	24,000	**450,000**	—
Balance at end of the year	**1,406,163**	956,163	**1,340,666**	890,666

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

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

18. Loan Loss Reserve

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

(expressed in thousands of Jamaican dollars)

19. Building Society Reserve

	The Group		The Bank	
	2004 $	2003 $	2004 $	2003 $
Balance at beginning of year	**45,522**	45,522	—	—
Transfers	—	—	—	—
Balance at end of the year	**45,522**	45,522	—	—

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

20. Dividends

	2004 $	2003 $
Interim dividend for 2003 at J$0.10 per stock unit — gross	—	19,333
	—	19,333

21. Net Interest Income

	The Group		The Bank	
	2004 $	2003 $	2004 $	2003 $
Loans	**1,398,222**	1,088,017	**1,243,433**	982,043
Securities	**498,575**	486,547	**464,529**	279,189
Other	**478,224**	667,742	**499,027**	666,076
	2,375,021	2,242,306	**2,206,989**	1,927,308
Interest expense	**(830,122)**	(886,998)	**(767,249)**	(725,642)
	1,544,899	1,355,308	**1,439,740**	1,201,666

(expressed in thousands of Jamaican dollars)

22. Non-interest Income

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Net fees and commissions	**324,058**	318,643	**215,527**	223,142
Net foreign exchange trading income	**146,805**	274,256	**146,916**	254,053
Other	**46,951**	42,828	**46,951**	41,791
	517,814	635,727	**409,394**	518,986

23. Non-interest Expense

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Employee compensation and benefits (Note 25)	**673,280**	565,181	**626,289**	516,210
Depreciation	**73,789**	71,096	**71,671**	67,598
Occupancy costs	**166,638**	147,661	**157,507**	139,382
Other	**545,957**	506,962	**472,034**	437,138
	1,459,664	1,290,900	**1,327,501**	1,160,328

24. Net Foreign Exchange Trading Income

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

(expressed in thousands of Jamaican dollars)

25. Employee Compensation and Benefits

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Wages and salaries	**617,785**	483,897	**578,281**	438,975
Statutory contributions	**59,403**	56,002	**57,930**	54,491
Pension costs (Note 9)	**(77,600)**	(56,760)	**(71,490)**	(50,820)
Other post retirement benefits (Note 9)	**22,991**	16,339	**20,590**	14,617
Staff welfare	**50,701**	65,703	**40,978**	58,947
	673,280	565,181	**626,289**	516,210

Number of persons employed at end of the year:

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	No.	**No.**	**No.**	**No.**
Full-time	**359**	349	**337**	322
Part-time	**115**	91	**112**	89
	474	440	**449**	411

(expressed in thousands of Jamaican dollars)

26. Purchase of Banking Assets and Liabilities from Subsidiary

During 2003, the Bank purchased the assets and liabilities relating to the deposit-taking activities of its subsidiary, FirstCaribbean International Securities Limited (formerly FirstCaribbean International Trust and Merchant Bank Limited). The purchase was made pursuant to Section 29G of the Banking Act — the Standard of Best Practice — Management or Investment of Customers' Funds. The Standard requires that activities relating to the management or investment of customers' funds be separated from deposit-taking activities.

Assets and liabilities purchased were as follows:

	$
Assets	
Cash resources	219,534
Investments	1,211,038
Loans and leases, after provision for impairment	29,772
Other assets	60,644
	1,520,988
Liabilities	
Customers' deposits	(1,083,741)
Other liabilities	(2,080)
	(1,085,821)
Negative goodwill on purchase of banking assets and liabilities of subsidiary	435,167

Negative goodwill was restated as follows:

Negative goodwill as previously reported	242,364
Effect of reserve fund and retained earnings reserve related to assets and liabilities purchased	192,803
Negative goodwill as restated	435,167

(expressed in thousands of Jamaican dollars)

27. Profit before Taxation

Profit before taxation is stated after charging:

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Depreciation and amortisation	**73,789**	71,096	**71,670**	67,598
Directors' emoluments —				
Fees	**2,232**	31	**1,488**	11
Management remuneration	**23,210**	15,830	**14,957**	12,611
Management fees (Note 33)	**139,752**	125,810	**106,546**	91,861
Restructuring costs	**51,209**	(10,463)	**55,216**	(7,270)
Auditors' remuneration	**5,223**	5,100	**3,687**	3,300

28. Taxation

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

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Income tax at 33 1/3%	**178,569**	130,324	**147,838**	102,781
Prior year under provision	**2,883**	—	**1,449**	—
Deferred income tax	**(28,070)**	63,362	**(21,968)**	60,056
	153,382	193,686	**127,319**	162,837

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

(expressed in thousands of Jamaican dollars)

28. Taxation (continued)

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

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Profit before taxation	**534,559**	696,549	**451,150**	987,802
Tax calculated at $33^1/_3$%	**178,186**	232,183	**150,383**	329,267
Effect of different tax rate applicable to mortgage financing subsidiary	**(1,699)**	(1,890)	—	—
Prior year under/(over) provision	**2,883**	(15)	**1,450**	6
Gain on purchase of net banking assets not subject to tax (Note 26)	—	—	—	(145,055)
Income not subject to tax — tax free investments	**(34,328)**	(32,819)	**(34,328)**	(23,579)
Expenses not deductible for tax purposes	**1,062**	354	**1,010**	354
Net effect of other charges and allowances	**7,278**	(4,127)	**8,804**	1,844
Income tax expense	**153,382**	193,686	**127,319**	162,837

29. Net Profit

	2004	**2003**
	$	**$**
The net profit is dealt with as follows in the financial statements of:		
The Bank	323,831	824,965
Subsidiaries	57,346	(322,102)
	381,177	502,863

30. Earnings Per Stock Unit

The calculation of earnings per ordinary 50 cents stock unit is based on the net profit for the year of J$381,177,000 (2003 — J$502,863,000) and 193,333,000 ordinary stock units in issue for both years.

31. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) the fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;

(ii) the fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the balance sheet date;

(iii) the fair value of variable rate financial instruments is assumed to approximate their carrying amounts;

(iv) the fair value of investments classified as originated loans is assumed to be equal to the amortised cost using the effective yield method.

(v) the fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for impairment from both book and fair values.

(expressed in thousands of Jamaican dollars)

31. Fair Value of Financial Instruments (continued)

The following tables set out the fair values of the financial instruments of the Group and the Bank using the above-mentioned valuation methods and assumptions.

	The Group			
	Carrying value	Fair value	Carrying value	Fair value
	2004 $	2004 $	2003 $	2003 $
Financial Assets				
Cash resources	**7,246,192**	**7,246,192**	7,673,416	7,673,416
Investments	**2,255,759**	**2,330,760**	2,659,287	2,862,607
Government securities purchased under resale agreements	**551,229**	**554,804**	412,797	462,103
Loans	**8,448,607**	**8,448,607**	7,061,581	7,061,581
Net investment in leases	**16,431**	**16,431**	25,632	25,632
Other assets	**665,560**	**665,560**	843,362	843,362
Financial Liabilities				
Deposits	**16,645,586**	**16,645,586**	16,561,713	16,561,713
Other liabilities	**604,304**	**604,304**	344,439	344,439
Taxation payable	**78,071**	**78,071**	64,526	64,526

(expressed in thousands of Jamaican dollars)

31. Fair Value of Financial Instruments (continued)

	The Bank			
	Carrying value	Fair value	Carrying value	Fair value
	2004	2004	2003	2003
	$	$	$	$
Financial Assets				
Cash resources	**7,633,892**	**7,633,892**	7,668,339	7,668,339
Investments	**2,225,881**	**2,296,325**	2,574,056	2,786,495
Investments in subsidiaries	**36,745**	**1,834,676**	36,745	975,248
Government securities purchased under resale agreements	**158,767**	**159,288**	316,470	316,470
Loans	**7,172,644**	**7,172,644**	6,401,871	6,401,871
Net investment in leases	**16,431**	**16,431**	25,632	25,632
Other assets	**633,288**	**633,288**	857,570	857,570
Financial Liabilities				
Deposits	**15,994,295**	**15,994,295**	16,058,474	16,058,474
Other liabilities	**242,792**	**242,792**	287,433	287,433
Taxation payable	**68,386**	**68,386**	64,307	64,307

Deposits

The fair value of deposits which are payable on demand or notice are assumed to be equal to their carrying values. Fixed rate deposits payable on a fixed date are determined by discounting the contractual cash flows, using market interest rates currently offered for deposits with similar terms and risks.

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management

(a) Interest rate risk

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

	The Group						
	Immediately Rate Sensitive(1)	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive	Total
	2004 $	2004 $	2004 $	2004 $	2004 $	2004 $	2004 $
Cash resources	702,977	4,080,618	386,000	—	—	2,076,597	7,246,192
Investments(2)							
— Held to maturity/ original loans	—	199,449	916,138	895,680	227,270	—	2,238,537
— Available for sale	—	—	—	—	—	17,222	17,222
Government securities purchased under resale agreements							
— Originated debts	20,000	220,201	311,028	—	—	—	551,229
Loans	493,943	120,857	255,702	3,861,636	3,688,986	27,483 (3)	8,448,607
Net investment in leases	—	—	7,336	9,095	—	—	16,431
Other assets	—	—	—	—	—	665,560 (4)	665,560
Retirement benefit asset						493,600	493,600
Property, plant and equipment	—	—	—	—	—	427,083	427,083
Total assets	1,216,920	4,621,125	1,876,204	4,766,411	3,916,256	3,707,545	20,104,461
Customers' deposits	9,858,311	2,510,614	1,366,685	172,171	117,112	2,620,693	16,645,586
Other liabilities	—	—	—	—	—	604,304	604,304
Taxation payable	—	—	—	—	—	78,071	78,071
Retirement benefit obligation	—	—	—	—	—	104,224	104,224
Deferred taxation	—	—	—	—	—	124,110	124,110
Total liabilities	9,858,311	2,510,614	1,366,685	172,171	117,112	3,531,402	17,556,295
Total interest rate sensitivity gap	(8,641,391)	2,110,511	509,519	4,594,240	3,799,144	—	—
Cumulative gap	(8,641,391)	(6,530,880)	(6,021,361)	(1,427,121)	2,372,023	—	—
As at October 31, 2003							
Total interest rate sensitivity gap	(6,291,371)	367,704	469,654	3,520,459	2,877,464	—	—
Cumulative gap	(6,291,371)	(5,923,667)	(5,454,013)	(1,933,554)	943,910	—	—

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management (continued)

(a) Interest rate risk (continued)

	The Bank						
	Immediately Rate Sensitive(1)	**Within 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non Rate Sensitive**	**Total**
	2004 $	**2004 $**	**2004 $**	**2004 $**	**2004 $**	**2004 $**	**2004 $**
Cash resources	1,099,977	4,080,618	386,000	—	—	2,067,297	7,633,892
Investments(2)							
— Held to maturity	—	199,449	912,138	869,802	227,270	—	2,208,659
— Available for sale	—	—	—	—	—	17,222	17,222
Investment in subsidiaries	—	—	—	—	—	36,745	36,745
Government securities purchased under resale agreements							
— Originated debts	—	158,767	—	—	—	—	158,767
Loans	493,106	90,998	229,218	3,679,722	2,652,117	27,483 (3)	7,172,644
Net investment in leases	—	—	7,336	9,095	—	—	16,431
Other assets	—	—	—	—	—	633,288 (4)	633,288
Retirement benefit asset	—	—	—	—	—	442,140	442,140
Property, plant and equipment	—	—	—	—	—	424,156	424,156
Total assets	1,593,083	4,529,832	1,534,692	4,558,619	2,879,387	3,628,331	18,743,944
Customers' deposits	9,858,311	1,987,289	1,274,147	170,371	83,484	2,620,693	15,994,295
Other liabilities	—	—	—	—	—	242,792	242,792
Taxation payable	—	—	—	—	—	68,386	68,386
Retirement benefit obligation	—	—	—	—	—	92,929	92,929
Deferred taxation	—	—	—	—	—	114,483	114,483
Total liabilities	9,858,311	1,987,289	1,274,147	170,371	83,484	3,139,283	16,512,885
Total interest rate sensitivity gap	(8,265,228)	2,542,543	260,545	4,388,248	2,795,903	—	—
Cumulative gap	(8,265,228)	(5,722,685)	(5,462,140)	(1,073,892)	1,722,011	—	—
As at 31 October 2003							
Total interest rate sensitivity gap	(6,087,859)	516,617	417,655	3,474,666	2,285,269	—	—
Cumulative gap	(6,087,859)	(5,571,242)	(5,153,587)	(1,678,921)	606,348	—	—

(1) This represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example base rate loans.
(2) This includes financial instruments such as equity investments.
(3) This includes impaired loans.
(4) This includes non-financial instruments.

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management (continued)

(a) Interest rate risk (continued)

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

The Group

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

The Bank

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

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management (continued)

(a) Interest rate risk (continued)

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

The Group

2003

	Immediately Rate Sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash resources	3.88	13.14	28.78	—	—	11.50
Investments (1)	—	25.46	20.42	16.00	16.31	17.75
Government securities purchased under resale agreements	15.30	22.00	31.00	—	—	28.00
Loans (2)	38.34	26.05	12.58	13.79	26.66	20.33
Net investment in leases	—	—	32.94	24.78	—	26.61
Deposits (3)	4.94	8.95	9.30	2.40	—	5.91

The Bank

2003

	Immediately Rate Sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash resources	3.88	13.14	28.78	—	—	11.50
Investments (1)	—	25.46	20.77	15.53	16.31	17.77
Government securities purchased under resale agreements	15.30	24.76	30.25	—	—	28.10
Loans (2)	38.34	26.05	12.78	13.80	30.11	20.81
Net investment in leases	—	—	32.94	24.78	—	26.61
Deposits (3)	4.75	8.65	9.17	2.18	—	5.69

(1) Yields are based on book values and contractual interest rates adjusted for amortisation of premiums and discounts. Yields on tax exempt investments have not been computed on a taxable basis.
(2) Yields are based on book values, net of allowance for credit losses and contractual interest rates.
(3) Yields are based on contractual interest rates.

(expressed in thousands of Jamaican dollars)

32. **Financial Risk Management** (continued)

(b) Credit exposures

The Group and the Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is inherent in traditional banking products — loans, commitments to lend and contracts to support counterparties' obligations to third parties such as letters of credit. Positions in tradeable assets such as bonds also carry credit risk.

The Group and the Bank structure the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

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

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

	The Group			
	Loans and Leases $	Acceptances, Guarantees and Letters of Credit $	Total 2004 $	Total 2003 $
Agriculture, fishing and mining	207,571	7,320	**214,891**	81,628
Construction and real estate	1,384,859	59,581	**1,444,440**	1,318,721
Distribution	1,220,624	130,035	**1,350,659**	107,810
Electricity, gas and water	4,339	1,000	**5,339**	1,276,238
Financial institutions	307,557	500	**308,057**	38,338
Government and public utilities	623,395	—	**623,395**	837,413
Manufacturing and production	277,234	20,681	**297,915**	230,418
Personal	2,949,644	95,652	**3,045,296**	2,273,327
Professional and other services	649,377	86,201	**735,578**	696,005
Tourism and entertainment	810,673	4,410	**815,083**	27,874
Transport, storage and communication	171,318	120,607	**291,925**	734,478
Total	8,606,591	525,987	**9,132,578**	7,622,250
Provision for losses			**(141,553)**	(129,355)
			8,991,025	7,492,895

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management (continued)

(b) Credit exposures (continued)

	The Bank			
	Loans and Leases $	**Acceptances, Guarantees and Letters of Credit $**	**Total 2004 $**	**Total 2003 $**
Agriculture, fishing and mining	207,571	7,320	**214,891**	81,628
Construction	126,004	59,581	**185,585**	680,866
Distribution	1,212,184	130,035	**1,342,219**	99,087
Electricity, gas and water	4,339	1,000	**5,339**	1,276,238
Financial institutions	307,557	500	**308,057**	38,338
Government and public utilities	623,395	—	**623,395**	837,413
Manufacturing and production	270,141	20,681	**290,822**	223,173
Personal	2,949,644	95,652	**3,045,296**	2,273,327
Professional and other services	640,384	86,201	**726,585**	686,346
Tourism and entertainment	810,673	4,410	**815,083**	26,892
Transport, storage and communication	171,055	120,607	**291,662**	733,752
Total	7,322,947	525,987	**7,848,934**	6,957,060
Provision for losses			**(133,872)**	(123,875)
			7,715,062	6,833,185

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management (continued)

(c) Foreign exchange risk

The Group recognises foreign currency risk on transactions that are denominated in a currency other than the Jamaican dollar. The main currencies giving rise to this risk are the United States dollar, Canadian dollar and the British Pound Sterling.

The Group ensures that the net exposure is kept to an acceptable level by matching foreign assets with liabilities as far as possible. Net current foreign currency assets were as follows:

	The Group		The Bank	
	2004 **'000**	**2003** **'000**	**2004** **'000**	**2003** **'000**
United States dollar	**8,353**	5,470	**8,159**	5,395
Canadian dollar	**361**	358	**361**	358
Pound Sterling	**211**	178	**211**	178

(d) Liquidity risk

The Group and the Bank are exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The tables below analyse assets and liabilities of the Group and the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Group and the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and the Bank and its exposure to changes in interest rates and exchange rates.

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management (continued)

(d) Liquidity risk (continued)

	The Group						
	Up to 1 Month	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**No specific maturity**	**Total**
	2004 $	**2004 $**	**2004 $**	**2004 $**	**2004 $**	**2004 $**	**2004 $**
Cash resources	702,977	4,080,618	386,000	—	—	2,076,597	7,246,192
Investments							
— Held to maturity	—	199,449	916,138	895,680	227,270	—	2,238,537
— Available for sale	—	—	—	—	—	17,222	17,222
Government securities purchased under resale agreements	20,000	220,201	311,028	—	—	—	551,229
Loans	493,943	120,857	255,702	3,861,636	3,688,986	27,483	8,448,607
Net investment in leases	—	—	7,336	9,095	—	—	16,431
Other assets	—	—	—	—	—	665,560 (4)	665,560
Retirement benefit asset	—	—	—	—	—	493,600	493,600
Property, plant and equipment	—	—	—	—	—	427,083	427,083
Total assets	1,216,920	4,621,125	1,876,204	4,766,411	3,916,256	3,707,545	20,104,461
Customers' deposits	10,281,264	2,087,661	1,366,685	172,171	117,112	2,620,693	16,645,586
Other liabilities	—	—	—	—	—	604,304	604,304
Taxation payable	—	—	—	—	—	78,071	78,071
Retirement benefit obligation	—	—	—	—	—	104,224	104,224
Deferred taxation	—	—	—	—	—	124,110	124,110
Total liabilities	10,281,264	2,087,661	1,366,685	172,171	117,112	3,531,402	17,556,295
Net liquidity gap	(9,064,344)	2,533,464	509,519	4,594,240	3,799,144	176,143	2,548,166
As at 31 October 2003							
Total Assets	3,161,316	2,633,963	2,336,664	4,602,214	2,912,550	3,724,951	19,371,658
Total Liabilities	(9,452,687)	(2,266,259)	(1,867,010)	(1,081,093)	(35,748)	(2,501,872)	17,204,669
Net Liquidity Gap	(6,291,371)	367,704	469,654	3,521,121	2,876,802	1,223,079	2,166,989

(expressed in thousands of Jamaican dollars)

32. Financial Risk Management (continued)

(d) Liquidity risk (continued)

	The Bank						
	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
	2004	**2004**	**2004**	**2004**	**2004**	**2004**	**2004**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Cash resources	1,099,977	4,080,618	386,000	—	—	2,067,297	7,633,892
Investments							
— Held to maturity	—	199,449	912,138	869,802	227,270	—	2,208,659
— Available for sale	—	—	—	—	—	17,222	17,222
Investment in subsidiary	—	—	—	—	—	36,745	36,745
Government securities purchased under resale agreements							
— Originated debts	—	158,767	—	—	—	—	158,767
Loans	493,106	90,998	229,218	3,679,722	2,652,117	27,483 (3)	7,172,644
Net investment in leases	—	—	7,336	9,095	—	—	16,431
Other assets	—	—	—	—	—	633,288 (4)	633,288
Retirement benefit asset	—	—	—	—	—	442,140	442,140
Property, plant and equipment	—	—	—	—	—	424,156	424,156
Total assets	1,593,083	4,529,832	1,534,692	4,558,619	2,879,387	3,648,331	18,743,944
Customers' deposits	9,858,311	1,987,289	1,274,147	170,371	83,484	2,620,693	15,994,295
Other liabilities	—	—	—	—	—	242,792	242,792
Taxation payable	—	—	—	—	—	68,386	68,386
Retirement benefit obligation	—	—	—	—	—	92,929	92,929
Deferred taxation	—	—	—	—	—	114,483	114,483
Total liabilities	9,858,311	1,987,289	1,274,147	170,371	83,484	3,139,283	16,512,885
Net liquidity gap	(8,265,228)	2,542,543	260,545	4,388,248	2,795,903	509,048	2,231,059
As at 31 October 2003							
Total Assets	3,161,316	2,596,425	2,220,704	4,542,092	2,285,269	3,720,944	18,526,750
Total Liabilities	(9,249,175)	(2,079,808)	(1,803,049)	(1,067,426)	—	(2,420,064)	(16,619,522)
Net liquidity gap	(6,087,859)	516,617	417,655	3,474,666	2,285,269	1,300,880	1,907,228

32. Financial Risk Management (continued)

(e) Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. The Group and the Bank manages its risk through the Assets and Liabilities Committee which carries out extensive research and monitors the price movement of securities on the local and international market.

(f) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

The Group and the Bank manage this risk by ensuring, as far as possible, that financial assets and liabilities are matched to mitigate any significant adverse cash flows.

(expressed in thousands of Jamaican dollars)

33. Related Party Transactions

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

Transactions with connected parties are as follows:

	The Group		The Bank	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Transactions and balances with FirstCaribbean International Bank Limited:				
Management fees paid	**139,752**	125,810	**106,546**	91,861
Dividend paid	**—**	15,834	**—**	15,834
Net (payable)/receivable balance	**(329,993)**	(91,582)	**(17,197)**	(71,846)
Transactions and balances with other FirstCaribbean entities:				
Interest expense	**26,977**	16,938	**58,548**	23,607
Deposits by other FirstCaribbean entities	**983,200**	1,406,475	**1,015,796**	1,439,116
Due from Subsidiary	**—**	—	**397,000**	40,000
Transactions and balances with associated entities:				
Due from CIBC entities	**5,800**	5,800	**5,800**	5,800
Deposits with CIBC entities	**744,588**	205,500	**744,588**	205,500
Transactions and balances with directors:				
Loans outstanding	**32,754**	27,264	**10,900**	6,018
Deposits with FirstCaribbean entities	**13,477**	3,527	**13,369**	3,527
Interest income	**2,931**	1,469	**801**	728
Interest expense	**—**	153	**—**	153

(expressed in thousands of Jamaican dollars)

34. Fiduciary Activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date, the Group had investment custody accounts amounting to approximately J$27,768,396,000 (2003 — J$21,860,872,000).

35. Commitments

(i) Lease

The Bank has obligations under long-term non-cancellable leases for buildings. Future minimum lease payments for such commitments for each of the five succeeding years and thereafter are as follows:

	2004	2003
	$	$
Year ending October 31:		
2004	—	93,817
2005	**105,557**	99,208
2006	**112,569**	105,419
2007	**127,631**	402,972
2008 and thereafter	**371,612**	—

(ii) Other

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

	2004	2003
	$	$
Guarantees and banker's acceptances	**271,271**	247,172
Letters of credit	**254,716**	158,510
Commitments to extend credit:		
Mortgages	**422,764**	280,020
Other loans	**1,345,130**	577,603
	2,293,881	1,263,305

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

	2004	2003
	$	$
Guarantees and banker's acceptances	**271,271**	247,172
Letters of credit	**254,716**	158,510
Commitments to extend credit	**1,345,130**	577,603
	1,871,117	983,285

(expressed in thousands of Jamaican dollars)

36. Pledged Assets

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

	The Group			
	Asset		Related Liability	
	2004 $	2003 $	2004 $	2003 $
Statutory reserves at Bank of Jamaica (Note 3)	**1,866,752**	1,779,074	—	—
Securities (see note below)	**110,000**	60,000	—	—
	1,976,752	1,839,074	—	—

	The Bank			
	Asset		Related Liability	
	2004 $	2003 $	2004 $	2003 $
Statutory reserves at Bank of Jamaica (Note 3)	**1,857,453**	1,773,997	—	—
Securities (see note below)	**110,000**	60,000	—	—
	1,967,453	1,833,997	—	—

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

37. Contingencies

The Bank and its Subsidiaries, because of the nature of their businesses, are subject to various threatened or filed legal actions. At October 31, 2004, material claims filed amounted to approximately J$2,052,068,000 (2003 — J$2,051,208,000). The majority of this amount relates to a specific counterclaim of approximately J$1,990,456,000, filed by a former customer against the Bank. This counterclaim is as a result of an action brought against the former customer by the Bank for approximately J$291,761,000. The directors have been advised that the counterclaim is totally without merit. Although the amount of the ultimate exposure, if any, cannot be determined at this time, the directors are of the opinion, based upon the advice of counsel, that the final outcome of threatened or filed suits will not have a material adverse effect on the financial position of the Group.

(expressed in thousands of Jamaican dollars)

38. Segment Financial Information

The Group is organised into two main business segments:

(a) Financial Services — This incorporates retail and corporate banking services.

(b) Investment Management Services — This includes investments and pension fund management and the administration of trust accounts.

The Group's operations are located solely in Jamaica.

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

(expressed in thousands of Jamaican dollars)

38. Segment Financial Information (continued)

	2003			
	Financial Services $	Investment Management Services $	Consolidation Elimination $	Group $
Net revenues	1,811,476	179,559	—	1,991,035
Operating expenses	(1,202,146)	(92,340)	—	(1,294,486)
Profit before taxation	609,330	87,219		696,549
Income tax expense				(193,686)
Net profit				502,863
Segment assets	19,375,760	126,241	(130,343)	19,371,658
Segment liabilities	17,234,299	63,968	(93,598)	17,204,669
Other segment items:				
Capital expenditure	124,720	524	—	125,244
Depreciation	67,661	3,435	—	71,096

Five-Year Statistical Report

Consolidated Statements of Income
For the year ended October 31, 2004

J $(000)	2004	2003	2002	2001	2000
Interest income	2,375,021	2,242,306	2,210,867	2,206,269	1,889,296
Interest expense	(830,122)	(886,998)	(1,124,141)	(1,128,316)	(879,871)
Net interest income	1,544,899	1,355,308	1,086,726	1,077,953	1,009,425
Non-interest income	517,814	635,727	481,444	482,922	531,283
Non-interest expenses	(1,459,664)	(1,290,900)	(1,189,858)	(1,187,513)	(1,107,069)
Provision for credit losses	(17,281)	(14,049)	(49,634)	(23,852)	(116,204)
Integration/restructuring charges	(51,209)	10,463	(122,951)		
Net income (loss) before income taxes	534,559	696,549	205,727	349,510	317,435
Income taxes	(153,382)	(193,686)	(36,983)	(97,721)	(88,640)
Net income before extraordinary items and minority interests	381,177	502,863	168,744	251,789	228,795
NET INCOME	381,177	502,863	168,744	251,789	228,795

Five-Year Statistical Report

Condensed Consolidated Balance Sheets
As at October 31, 2004

J $(000)		**2004**	**2003**	**2002**	**2001**	**2000**
ASSETS						
Cash Resources		7,246,192	7,673,416	7,930,259	8,503,267	7,230,999
Investments		2,255,759	2,659,287	2,135,521	2,045,050	1,843,730
Government securities purchased under resale agreements		551,229	412,797	1,385,790	1,562,388	639,502
Loans						
Mortgages		1,283,644	665,190	492,400	461,317	415,880
Personal		2,996,323	2,131,776	1,348,073	798,236	1,057,912
Business		4,310,160	4,393,100	3,416,581	4,659,180	3,346,888
Less: Allowance for Credit Losses		(141,520)	(128,485)	(97,249)	(74,092)	(80,847)
Net investment in leases		16,431	25,632	41,223	22,623	31,512
Other Assets		1,159,160	1,252,632	988,058	1,075,531	488,979
Property, plant and equipment		427,083	286,313	233,861	395,622	476,214
		20,104,461	19,371,658	17,874,517	19,449,122	15,450,769
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits	Individuals	9,317,841	7,922,289	10,252,998	11,042,883	8,388,057
	Businesses and governments	7,141,319	8,392,635	5,247,839	6,119,531	5,496,198
	Banks	186,426	246,789	242,136	233,381	
Other liabilities		910,709	642,956	448,085	519,279	398,662
Shareholders' equity	Share Capital & Reserves	1,784,488	1,274,477	1,250,477	1,250,477	1,122,477
	Retained Earnings	763,678	892,512	432,982	283,571	45,375
		20,104,461	19,371,658	17,874,517	19,449,122	15,450,769

Five-Year Statistical Report

Condensed Consolidated Statements of Changes in Shareholders' Equity
For the year ended October 31, 2004

J $(000)	**2004**	**2003**	**2002**	**2001**	**2000**
SHAREHOLDERS' EQUITY					
Balance at beginning of year	2,166,989	1,683,459	1,534,048	1,167,852	983,524
Net Income (loss)	381,177	502,863	168,744	251,789	228,795
Effect of Transition to IFRS	–	–	–	166,607	–
Dividends	–	(19,333)	(19,333)	(52,200)	(44,467)
Balance at end of year	2,548,166	2,166,989	1,683,459	1,534,048	1,167,852

PROFITABILITY	**2004**	**2003**	**2002**	**2001**	**2000**
Return on common equity	16.2%	26.1%	10.5%	18.6%	21.3%
Tax rate	28.7%	27.8%	18.0%	28.0%	27.9%
REVENUE AND EXPENSES AS A PERCENTAGE OF AVERAGE ASSETS					
Net interest income	7.83%	7.28%	5.82%	6.18%	7.07%
Provision for credit losses	0.09%	0.08%	0.27%	0.14%	0.81%
Non-interest income	2.62%	3.41%	2.58%	2.77%	3.72%
Non-interest expenses	7.40%	6.93%	6.38%	6.81%	7.76%
Income taxes	0.78%	1.04%	0.20%	0.56%	0.62%
Net income before minority interests – return on assets	1.93%	2.70%	0.90%	1.44%	1.60%

CREDIT QUALITY	**2004**	**2003**	**2002**	**2001**	**2000**
Allowance for credit losses to gross impaired loans	63.0%	29.5%	45.7%	34.4%	21.6%
Gross impaired loans ($000's)	224,712	435,920	212,605	215,140	373,676
Net impaired loans ($000's)	83,192	307,435	115,356	141,048	292,829
Net impaired loans to total net loans	1.0%	4.3%	2.2%	2.4%	6.1%

LIQUIDITY	**2004**	**2003**	**2002**	**2001**	**2000**
Cash resources to total assets	36.0%	39.6%	44.4%	43.7%	46.8%
Securities to total assets	14.0%	15.9%	19.7%	18.5%	16.1%

CAPITAL AND RELATED	**2004**	**2003**	**2002**	**2001**	**2000**
Average common shareholders' equity ($000's)	2,357,578	1,925,224	1,608,754	1,350,950	1,075,688
Average assets ($000's)	19,738,060	18,623,088	18,661,820	17,449,946	14,271,080
Average assets to average common equity	8.4	9.7	11.6	12.9	13.3
PRODUCTIVITY AND RELATED					
Non-interest expenses to revenue ratio	73.2%	64.3%	83.7%	76.1%	71.9%
Full-time equivalent employees	474	485	467	467	470
Number of branches	12	12	12	12	12
Number of automated banking machines	11	11	11	10	10

Five-Year Statistical Report

Condensed Consolidated Statements of Changes in Shareholders' Equity (continued)
For the year ended October 31, 2004

J $(000)

COMMON SHARES	**2004**	**2003**	**2002**	**2001**	**2000**
Number of outstanding (000's)	193,333	193,333	193,333	193,333	193,333
Average number outstanding (000's)					
basic	193,333	193,333	193,333	193,333	193,333
fully diluted	193,333	193,333	193,333	193,333	193,333
PER COMMON SHARE INFORMATION					
Net income					
basic	$1.97	$2.60	$0.87	$1.30	$1.18
fully diluted	$1.97	$2.60	$0.87	$1.30	$1.18
Price					
high					
low					
close	$21.50	$8.00	$8.49	$7.50	$8.05
Dividends					
per share	$0.00	$0.10	$0.10	$0.27	$0.23
yield	0.0%	1.2%	1.2%	3.6%	2.9%
payout ratio	0.0%	3.8%	11.5%	20.7%	19.4%
Price to earnings ratio	10.9	3.1	9.7	5.8	6.8
Book value	$13.18	$11.21	$8.71	$7.93	$6.04
Price to book value	0.8	0.3	1.1	0.7	1.1

Proxy Form

I/We,
In the parish of ____

Being a member/members of FirstCaribbean International Bank (Jamaica) Limited, hereby appoint
______________________________ of ____________________________

Or failing him______________________ of ____________________________

As my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 31st day of May, 2005, and at any adjournment thereof.

Dated this ________day of __________________2005.

Name of shareholder(s) of the Company_____________________________

Signature____

Name(s) of signatory in block capitals______________________________

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

	FOR	AGAINST
Resolution 1		
Resolution 2 a. Christopher Bovell b. Anthony Bell		
Resolution 3		
Resolution 4		
Resolution 5		
Resolution 6		

Notes:

1. A member is entitled to appoint a proxy of his choice.
2. In the case of joint holders, the signature of any holder is sufficient, but the name of all joint holders should be stated.
3. If the appointer is a Corporation, this form must be under its Common Seal or under the name of an officer of the Corporation duly authorised in this behalf.
4. To be valid, this form must be completed and deposited with the Secretary, FirstCaribbean International Bank (Jamaica) Limited, 23-27 Knutsford Boulevard, Kingston 5, at least 48 hours before the time appointed for holding the Meeting or adjourned Meeting.
5. An adhesive stamp of One Hundred Dollars (J$100.00) must be affixed to the form and cancelled by the Appointer at the time of the signing.