GET THERE. TOGETHER.

FirstCaribbean International Bank (Jamaica) Limited
Annual Report 2009

FirstCaribbean International Bank is a member of the CIBC Group.

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Corporate Profile

FirstCaribbean International Bank is a relationship bank offering a full range of market-leading financial services in Corporate Banking, Investment Banking, Treasury Sales and Trading, Retail Banking, Wealth Management, and Credit Cards. We provide banking services that matter to our customers through 501 employees, in 13 branches island-wide. Our parent company (FirstCaribbean International Bank Limited) is the largest regionally-listed financial services institution in the English and Dutch speaking Caribbean, with over US$10.5 billion in assets and market capitalisation of US$2.0 billion.

Our Mission:
To be the Bank of first choice for customers in the Caribbean, leading the region in building quality relationships with our clients, by providing them with innovative banking solutions to suit their needs.

Our Strategic Imperative:
To build long-lasting client relationships by focusing on five key strategic priorities:

- Enhancing Customer Value by deepening customer relationships
- Diversification of our income streams
- Balance Sheet Management to optimise returns
- Improved Productivity and Control to improve the speed and quality of service to our customers
- Leveraging our relationship with our ultimate parent, CIBC, to provide our customers with the benefits of being a member of the CIBC group.

Customers:
Retail and Wealth Management focused on building and enhancing customer relationships through a series of customer service, product, and channel enhancements. In 2009, we launched a new consumer deposit product suite that provides customers with banking solutions designed to meet their needs. We also rolled out our new British Airways Visa Platinum Credit Card. During the year, we substantially improved our Internet Banking service and increased the number of companies signed up for our bill payment services.

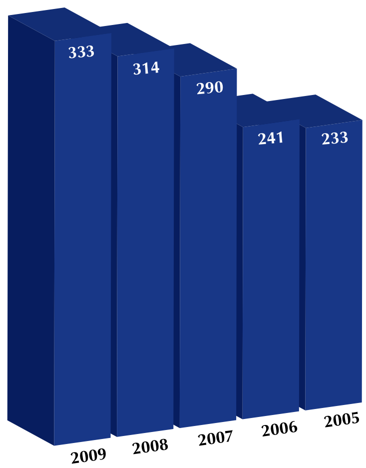
Corporate Investment Banking (CIB) realigned its business and adopted a team approach for customer coverage, designed to integrate the sales and service functions to provide seamless and high quality service to Corporate and Investment Banking customers. With a focus on deepening our relationships with our clients, we are developing innovative solutions to assist in adapting to the economic slowdown. We also introduced dedicated Client Services Teams for every mid-market client. With this new approach Relationship Managers have more time to address solution delivery for clients and transaction requests.

Employees:
FirstCaribbean's commitment to building employee competence and promoting talent and leadership development continued through a series of learning opportunities offered to our employees. The investment in training met through the FirstCaribbean University included leadership, personal development, core banking and systems training.

Shareholders:
We continue to maintain strong capital ratios, with Tier I Capital ratio at 14.3% and Tier I & Tier II Capital ratio at 15.2% at the end of 2009. Also in 2009, we paid total dividends to our shareholders of 40 cents per share and delivered a return on equity of 12.9%.

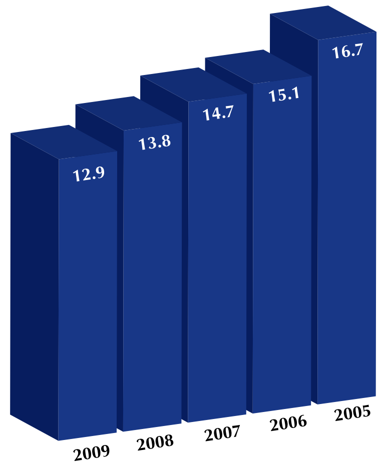
Financial Highlights 2009

Earnings per share (basic) Cents



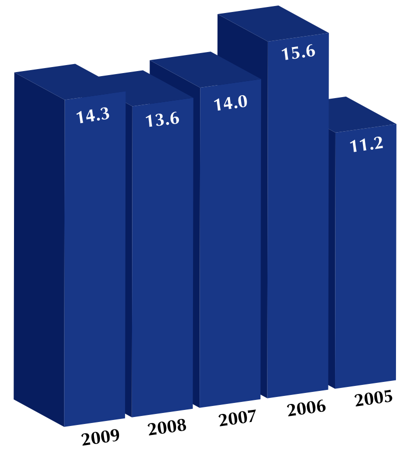
Basic EPS in 2009 was 333 cents per share compared to 314 cents per share in 2008. Basic EPS is a measure of net income attributable to the parent divided by the weighted-average number of common shares net of treasury shares.

Return on equity (%)



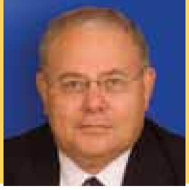
ROE was 12.9% in 2009 compared to 13.8% in 2008. ROE is a key measure of profitability. It is calculated as net income expressed as a percentage of average common shareholders' equity.

Tier 1 capital ratio (%)



FirstCaribbean's Tier I capital ratio was 14.3% in 2009 compared with 13.6% in 2008. The Tier I capital ratio is calculated by dividing Tier I Capital by risk-weighted assets.

$ millions, except per share amounts, as at or for the year ended October 31		2009	2008	2007	2006	2005
Common share information						
Per share	– basic earnings	3.33	3.14	2.90	2.41	2.33
	– diluted earnings	3.33	3.14	2.90	2.41	2.33
Share price	– closing	12.75	21.80	23.50	21.50	17.39
Shares outstanding (thousands)	– end of period	265,757	265,757	265,757	265,757	193,333
Market capitalisation		3,388	5,794	6,245	5,714	3,362
Value measures						
Price to earnings multiple		382.2	693.8	809.9	893.6	746.3
Dividend yield		3.1%	–	–	–	–
Dividend payout ratio		12%	–	–	–	–
Financial results						
Total revenue		4,357	3,690	3,281	2,694	2,189
Loan loss impairment		449	131	122	98	68
Non-interest expenses		2,601	2,312	2,010	1,728	1,542
Net income		887	835	771	589	451
Financial measures						
Efficiency ratio		59.7%	62.7%	61.2%	64.1%	70.5%
Return on equity		12.9%	13.8%	14.7%	15.1%	16.7%
Net interest margin		6.5%	6.8%	7.0%	7.9%	7.2%
Balance sheet information						
Loans and advances to customers		34,385	34,937	31,410	23,975	13,872
Total assets		52,656	49,626	41,671	32,804	23,530
Deposits & other borrowed funds		43,900	41,369	33,523	27,029	19,864
Debt issued		–	500	1,502	–	–
Total equity		7,256	6,447	5,618	4,848	2,925
Balance sheet quality measures						
Common equity to risk weighted assets		24%	21%	18%	20%	16%
Risk weighted assets		30,219	31,140	30,894	24,818	18,077
Tier I capital ratio		14.33%	13.61%	14.01%	15.59%	11.23%
Tier I and II capital ratio		15.21%	14.75%	14.88%	16.53%	11.67%
Other information						
Full time equivalent employees		501	490	483	370	359



Executive Chairman
Michael K. Mansoor

Chairman's Letter

I am pleased to report that our 2009 financial results and overall performance were relatively strong despite the continuing lack of real growth and generally weak economic conditions that persisted in Jamaica.

The Bank achieved net income attributable to equity holders of $886.7 million ($835.1 million in 2008). A dividend of 40 cents per share was declared and paid to stockholder during the year. The Bank is well capitalised and in strong and stable financial condition. What this means is that we are well positioned to capitalise on improvements in growth and general economic expansion which may begin in 2010.

Generally the economy in Jamaica is a direct function of tourist arrivals and yield per head, bauxite earnings, buoyancy in international financial centres and foreign direct investment. The government finances and revenues and employment statistics are directly affected by these variables and it is expected that as the world economy rebounds the Jamaican economy will experience growth.

While your Bank is impacted by these overall conditions, we have been able to achieve good financial results in the key segments of the business because of our focus on client service and cost containment, an unrelenting commitment to product, systems and technology excellence and the maintenance of a robust risk and control culture. In addition we have been able to motivate our people to work assiduously to retain our clientele and provide higher levels of service.

During the year, we have continued to invest in the training and development of our people. This focus will continue in the coming years, with some of our people taking up assignments at our ultimate Parent Company, CIBC, as needed, in order to gain wider specialist training and expertise.

As importantly, we have made excellent progress in strengthening the basic infrastructure of the Bank in the key areas of controls, technology and management policies and structures to promote judicious cost control, product enhancements and efficient service delivery.

The Board of Directors has provided strong and enlightened leadership in ensuring that all key elements of our governance structure are in place and functioning and also monitoring the financial and overall performance of the group.

I wish to place on record our appreciation to all our people, Directors, Executives and the 487 client-serving and support people for their tremendous contribution during this difficult but successful year. I also thank our customers, the government and regulators for their support and loyalty during the year.

Michael K. Mansoor
Chairman

Managing Director
Clovis Metcalfe

Managing Director's Review

Group Financial Performance
The Bank has delivered relatively strong results, despite the challenging economic environment, with net income attributable to its shareholders of $887 million, an increase of 6% or $51 million year on year.

Total revenues were up by $667 million compared to the prior year, driven by higher operating income which included gains from sale of securities as well as higher fee income. Total revenue was also positively impacted by gains from hedges this year, compared to losses in the prior year. This was partially offset by higher operating expenses of $288 million, loan loss expenses of $318 million, and taxation of $9 million.

Retail and Wealth Management (R&WM)
During a year made eventful by the impact of a sub-prime crisis sponsored global recession, FirstCaribbean International Bank (Jamaica)'s R&WM team have delivered a resilient and stable performance.

In October 2009 we consolidated the operations of our Newport West Branch with those at King Street and had the ceremonial opening of our Portmore Branch. Earlier in the year, we introduced the new product deposit suite which enables our customers to obtain better value either through our new interest-based products in chequing and savings or via a low to no cost Direct Banking product which is entirely automated. We also provided the market with better budget management tools in launching the JumpStart Loan product to enable individuals to finance insurance premiums for home and automobile. This arrangement will help customers to maintain much needed risk coverage as it becomes harder to make ends meet.

Over the year, our Wealth Management Team placed greater emphasis on deposit growth and hard currency mortgages, improving the value proposition to our customers through cross-selling existing products, and the launch of new products: the Wealth "A"dvantage account and the co-branded British Airways Visa Platinum card.

Corporate Investment Banking
The establishment of the Corporate Investment Banking ("CIB") team this fiscal was a significant step in the FirstCaribbean Bank-wide strategy to establish "a more customer-centric organisation with greater emphasis on collaboration and sharing of knowledge, improved productivity and innovation."

A number of landmark achievements occurred during the fiscal year 2009. CIB Jamaica maintained a lead position in the arranging and syndications of several notable transactions, including the structuring of the refinancing of US$42 million in debt for Jamaica's power utility and US$23 million in project finance for the refurbishing of one of Jamaica's oldest hotels.

In 2009 the CIB unit once again achieved its profit contribution plan for FY09. However when loan loss provisions and inter-divisional non-cash charges are considered, profit contribution was modestly below the prior year. Indeed, in line with market conditions and our peers, the quality of the portfolio reflected moderate weakening, but has now stabilised. CIB Jamaica is proud to rank amongst the best quality portfolios in the regional franchise during FY09.

Our People
The year 2009 saw us again being challenged by the global economic conditions, requiring the resilience of our employees. Our employees not only rose to the challenge, but also continued to give their commitment to ensure that the Bank remains strong.

The Industrial Relations environment continues to benefit from the FirstPartnership Agreement with our Trade Union. As both parties leverage the principles of the Agreement, we enjoy a mutually beneficial, harmonious industrial relations environment.

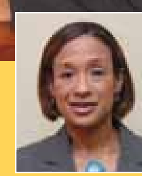
Appreciation
2009 was a challenging year for the banking sector. We continue to reap the benefits of our "5 Pillar" strategy refresh project which began in September 2008 and which was designed to ensure that our Bank sustains profitability during the current uncertain economic times. We have intensified our focus on the elements of customer value, diversification, balance sheet management, productivity and control and Partnership with our Parent, CIBC – all of which are critical to consistent revenue growth and increased operating efficiencies.

As we look ahead to fiscal year 2010, local and economic conditions are expected to remain challenging and the focus will be on tightening our risk management practices and improving the quality and return of the loan portfolio. We thank our loyal customers, committed and dedicated staff and supportive shareholders for their stellar contributions to our business.

Board of Directors

Standing: **Anthony Bell, Peter McConnell, Milton Brady**
Seated: **Michael Mansoor, Clovis Metcalfe**
Absent: **Gerard Borely, Chris Bovell**

Senior Management and Advisors



Country Management Committee

Standing l-r: **Gerald Wight, Jerome Griffiths, Debra Lopez, Berisford Grey, Janet Pryce, Christopher Denny, Michelle Campbell, Stacy Adams, Lancelot Leslie.**
Seated l-r: **Donna Walters, Clovis Metcalfe, Catherine Peart, Nigel Holness**
Inset: **Allison Rattray**

COUNTRY MANAGEMENT COMMITTEE

Clovis Metcalfe – Managing Director and Chairman of Country Management Committee

Allison Rattray – Corporate Secretary

Lancelot Leslie – Chief Financial Officer

Janet Pryce – Head of Operations Central Caribbean

Gerald Wight – Director Corporate Banking

Christopher Denny – Director Retail Banking

Debra Lopez – Sales Director Retail and Wealth

Berisford Grey – Director Capital Markets Products Northern Caribbean

Jerome Griffiths – Head of Human Resources

Nigel Holness – Country Treasurer

Michelle Campbell – Head Technology Solutions

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

Catherine Peart – Director Cards Acquiring

Stacy Adams – Administration & Marketing Manager

LEGAL ADVISORS

Dunn Cox
Myers Fletcher & Gordon

CORPORATE SECRETARY & LEGAL COUNSEL

Allison C. Rattray

REGISTRAR AND TRANSFER AGENT

FirstCaribbean International Securities Ltd.

AUDITORS

Ernst & Young

Our Communities

In 2009, FirstCaribbean International Bank (Jamaica) Ltd. contributed more than JA$14million to worthy causes across Jamaica. The majority of funding for corporate social responsibility initiatives went to community relations activities including public and private school programmes and the social outreach activities of many churches and NGOs across the island. We were also happy to continue with our longstanding support of the Jamaica Environment Trust's School's Environment Programme.

Of course the Bank's flagship initiative, Unsung Heroes, continued to increase in popularity. Three selfless persons were rewarded for their work to better their communities. Our Unsung Heroes Programme stands apart from other local awards programmes as we also make a financial contribution to our Heroes' causes, thereby ensuring that the work of those recognised annually continues.

Through our Adopt-a-Cause programme, staff make a difference in their communities by actively participating in a variety of social programmes. The key to the programme's success has been active volunteerism. In 2009, beneficiaries included children's homes and homes for the elderly, public and private schools among numerous others.

The University of the West Indies (UWI) Mona team which won the UWI/First-Caribbean 2009 Case Analysis Competition on Tuesday, June 2, 2009.

(Front row l-r) Jade Wright, Tenneil Rashford, Sherica Lewars, Tifain Taylor, Leslie Shirley, Mehar Alam, Horace Allen and Vanessa Hemans. With them are (2nd left back) Clovis Metcalfe, Managing Director, FirstCaribbean International Bank (Jamaica) Limited and (5th right back) Mark Figueroa, Dean, Faculty of Social Sciences, UWI.

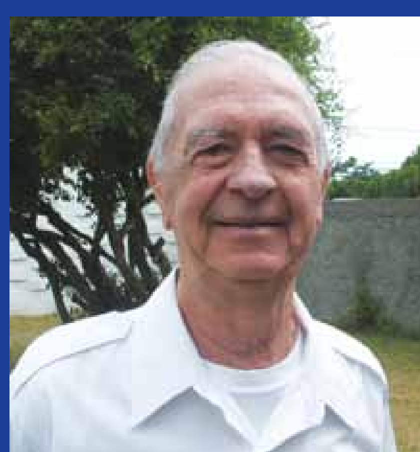
Three-time champs – Mona wins again!

The all-girls team from the University of the West Indies (UWI), Mona Campus in Jamaica, beat four other competing teams to win first place and the FirstCaribbean International Bank Challenge Trophy in the UWI/FirstCaribbean International Bank 2009 Case Analysis Competition, on their home soil.

Two new teams, the University of Technology (UTECH), Jamaica and the University of Southern Caribbean, Trinidad, also took part. The competition, developed under a Memorandum of Understanding between FirstCaribbean and UWI, aims to develop case writing skills within the University and increase the available regional case studies for use by the student population.

UNSUNG HEROES

Claudia Williams, Retired Principal & Foster Mother, Fair Prospect, Portland



Father Paul Walsh, founder of St. Anthony's Children's Home, Kingston

Rev. Teddy Jones of the Shalom Missionary Church, Grants Pen

Our Communities

FirstCaribbean Invests $150,000 in St. George's Computer Programme

Managing Director Clovis Metcalfe and Principal Margaret Campbell, surrounded by eager students. Mr. Metcalfe, in presenting his company's cheque to Principal of the school, Mrs. Margaret Campbell, reiterated the Bank's commitment to investing in "education and training and the development of skills for peak performance."

Curphy Home benefits from FirstCaribbean Support

FirstCaribbean's Head of Corporate Security Jonathan Wemyss-Gorman and Matron Keisha Johnson sort the supplies donated to the Curphy Home for War Veterans. Jonathan and members of the Mandeville Branch travelled to the serene hills of Manchester to hand over $120,000 worth of much needed supplies to the Home. The 50-year-old Curphy Home is the place where those surviving Jamaican servicemen who fought in the First and Second World Wars, are able to live out their remaining years in dignity.

FirstCaribbean Boost for RISE

Clovis Metcalfe, Managing Director, FirstCaribbean International Bank (Jamaica) Limited, presents the Bank's cheque for $300,000 to Jan Lopez, Financial Administrator, Reaching Individuals through Success and Education (RISE) Life Management Services. The donation, under the Bank's Corporate Social Responsibility Policy, will be used to upgrade the computer lab at RISE, a non-governmental organisation providing drug abuse prevention, remedial education and health-related services for at-risk youth.

Photo courtesy Jamaica Environment Trust. © Hugh Wright, June 2009

St. Hugh's Prep Wins 2009 Schools Environment Programme

Managing Director Clovis Metcalfe presents the top award to students of St. Hugh's Prep for their performance in the Jamaica Environment Trust's 2009 Schools' Environment Programme. The school was adjudged 'Most environmentally aware school' for 2009. Sharing the moment is their teacher Frances Walters-Tavares (partly hidden). FirstCaribbean is the longest serving sponsor of the Schools' Environment Programme, having been with the initiative since inception.

Building Society staff nurtures relationship with the Glenhope Nursery

FirstCaribbean International Bank (Jamaica) Limited presented a cheque for $120,000 under their Adopt-a-Cause programme, to build a roof for the recreational area at the Glenhope Nursery. Here, FirstCaribbean Building Society General Manager (right), Robert Wright and Olive Subratie (centre), Customer Care Officer, present the cheque to Nursery Manager Winsome Smith (left).

Management's Discussion and Analysis

Management's Discussion and Analysis

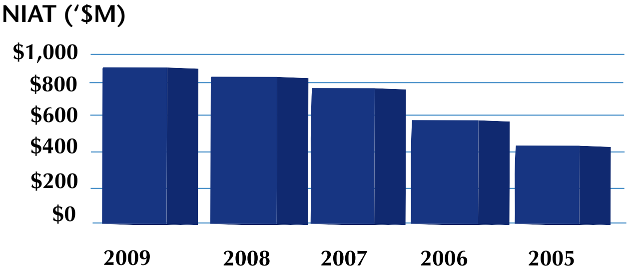
Management's discussion and analysis (MD&A) should be read in conjunction with the audited consolidated financial statements included in this Annual Report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are expressed in Jamaican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

OVERVIEW

At a glance $'000 for the year ended October 31	2009	2008	2007
Net income before taxation	$1,307,287	$1,246,477	$1,149,580
Net income after taxation (NIAT)	$866,658	$835,053	$771,123
Earnings per share (cents)	333.63	314.22	290.20
Return on average equity	12.9%	13.8%	14.7%
Efficiency ratio	59.7%	62.7%	61.2%

FirstCaribbean International Bank (Jamaica) Limited reported net income after taxation of $886.7 million for the financial year ended October 31, 2009 compared to $835.1 million for the prior year. The increase was driven by increased revenues, partially offset by higher loan loss and operating expenses. Net interest income increased by $204.7 million over last year. This year's income was positively impacted by gains of $135.1 million on the sale of investment securities and $103.9 million hedge gains on interest rate swaps this year compared to losses in the prior year of $4.3 million and $160.1 million, respectively. However, there was a significant increase in loan loss impairment expenses of $317.9 million over the prior year. Increases in management fees paid to the holding company, and staff costs were the main contributors to the 12.5% rise in operating expenses year over year.

NIAT ('$M)



FINANCIAL PERFORMANCE REVIEW

Net interest income and margin

$'000, for the year ended October 31	2009	2008	2007
Average assets	51,140,959	45,648,626	37,237,808
Net interest income	3,300,173	3,095,453	2,599,934
Net interest margin	6.45%	6.78%	6.98%

Net interest income consists of interest on earning assets, less interest paid on customers' deposits and other debt obligations. Net interest income amounted to $3,300 million for the year ended October 31, 2009 in comparison to $3,095 million for the previous year.

Interest income rose due to improved loan earnings year over year as a result of 17.7% higher average daily loan balances throughout the year. Investment interest was also up by 6.6% year over year due to higher interest yields and 36.8% higher average daily investment balances.

Interest expenses were 1.8% higher than prior year. Deposit costs rose by 10% as it was more costly to service price sensitive term deposits due to the spike in market interest rates. However, the increase was offset by a $127 million decrease in debt servicing costs stemming from the pay down of the sub debt as at October 2008

Net interest margin, which represents the net interest spread earned on total assets, declined year over year by 33 basis points to 6.45% from 6.78%.

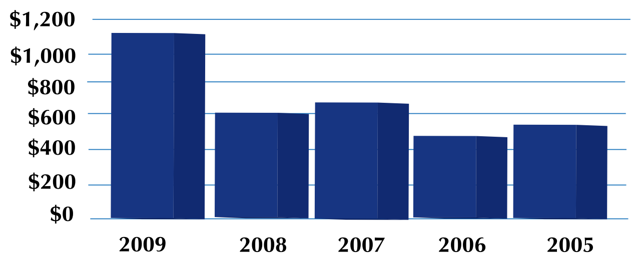
Other operating income

$'000, for the year ended October 31	2009	2008	2007
Net fees and commissions	603,008	498,771	427,068
Foreign exchange earnings	214,671	268,412	293,743
Trading securities net losses	239,027	(186,101)	(43,465)
Other income	_	13,398	4,213
	1,056,706	594,480	681,559

Other operating income includes all revenues not classified as interest income, and this increased by 77.8% over the prior year. This increase was mainly due to gain on the sale of securities totaling $135.1 million, compared to a loss of $4.3 million last year. This was in addition to net hedge gains of $103.9 million on interest rate swaps, versus a loss of $160.1 million in the prior year. Net fees and commissions rose mainly due to increased underwriting and syndication activities. Foreign exchange earnings decreased due to lower trading volumes for the major currencies.

Other operating income represented 24.3% of total revenue, compared to 16.1% for 2008.

Other Operating Income ('$M)



Operating expenses and efficiency ratio

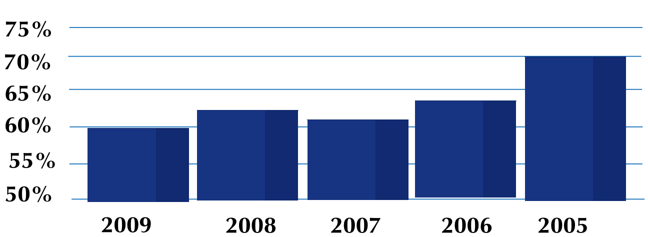
$'000, for the year ended October 31	2009	2008	2007
Staff costs	1,209,516	1,108,531	837,102
Depreciation	109,264	120,797	146,740
Occupancy costs	317,891	270,481	229,353
Other	964,062	812,686	796,425
	2,600,733	2,312,495	2,009,620

Operating expenses includes all costs except interest expenses, provision for credit losses and income taxes. For the year ended October 31, 2009, this increased by $288 million (12.5%) over the preceding year.

Staff costs exceeded the prior year by $101 million, or 9.1%, mainly due to salary and benefit increases pursuant to contractual obligations with employees. Other operating expenses increased by $151 million over the prior year mainly as a result of higher management fee charges.

Cost containment continues to be a focus as indicated by our efficiency ratio (operating expenses as a percentage of gross revenue); registering 59.7%, compared to 62.7% in the prior year and 61.2% in 2007.

Efficiency Ratio (%)



Loan loss impairment expense

$'000, for the year ended October 31	2009	2008	2007
Individual impairment expense			
Mortgages	40,882	12,295	30,131
Personal	164,042	68,582	112,510
Business & Government	215,852	18,365	8,797
	420,776	99,242	151,438
Collective impairment expense	28,083	31,719	(29,145)
	448,859	130,961	122,293

Loan loss expenses were substantially up year on year, increasing by $317.9 million primarily due to increases in specific or individual impairment on Business and Government loans. The ratio of loan loss expenses to gross loans increased to 1.31% at the end of this year, compared with 0.38% at the end of the prior year. The ratio of non-performing loans to gross loans increased to 6% this year from 2.1% last year end.

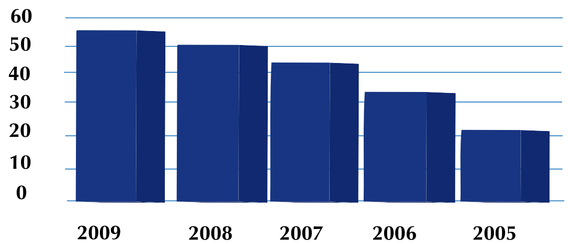
Balance Sheet J$(000)	2009	2008	2007
Assets			
Cash resources	12,986,914	10,260,488	6,287,522
Investment securities	2,294,308	1,101,528	924,855
Government securities purchased under resale agreements	252,024	262,066	212,077
Loans & Advances to customers	34.385,404	34,936,630	31,409,506
Other assets	2,737,200	3,065,356	2,837,223
	52,655,850	49,626,068	41,671,183
Liabilities and shareholders' equity			
Customers' deposits	43,900,172	41,368,967	33,523,005
Debt securities in issue	_	499,950	1,502,217
Other liabilities	1,499,515	1,310,008	1,028,302
Stockholders' equity	7,256,163	6,447,143	5,617,659
	52,655,850	49,626,068	41,671,183

Asset growth

Total assets stood at $52.6 billion as at October 31, 2009, an increase of $3 billion or 6.1% over the prior year. This growth was driven by increases in cash resources and investment securities as the Bank sought to maintain liquidity in the current economic environment. The commercial bank's total assets increased marginally by $556 million (1.2%) and stood at $46.9 billion as at October 31, 2009. During the year the Building Society selectively grew its assets increasing it by $1.3 billion (16.5%) to $8.9 billion as at October 31, 2009.

Management's Discussion and Analysis (continued)

Total Assets ($'B)



Cash resources and investments

Cash resources increased by $2.7 billion or 26.6%. This comprises cash, interest bearing short-term deposits/ investments with other financial institutions and statutory reserves and deposits with the Central Bank.

The investment securities portfolio which increased by $1.2 billion over the prior year, consists primarily of Government of Jamaica instruments including LRS, bonds and debentures. This mainly constitutes the discretionary portfolio and is maintained to take advantage of investment opportunities as they arise.

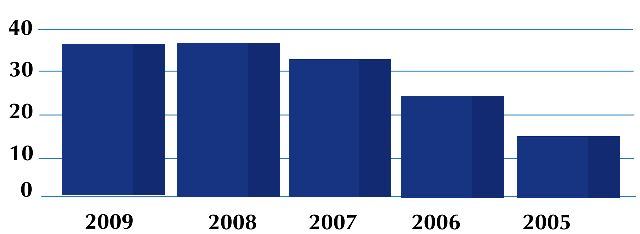
Loans & advances to customers

Net loans and advances to customers stood at $34.4 billion as at October 31, 2009, which is marginally lower than last year by 1.6%. Gross business loans and personal loans declined by $0.3 billion and $0.6 billion, respectively, while mortgages grew by $0.7 billion. The credit quality of our loan portfolio was negatively impacted by the multiplier effect of the worldwide economic recession. The ratio of non-performing loans to total loans increased from 2.2% in the prior year to 5.6% this year.

Net loans and advances to the commercial bank's customers declined by $1.2 billion. Business loans increased by $0.6 billion, while personal loans declined by $1.9 billion. The Bank's non-performing loans were 6.0% of gross loans as at October 31, 2009, compared to 2.1% for the prior year comparative.

Net mortgages advanced to the Building Society's customers climbed by $0.7 billion. Non-performing loans represented 4.0% of gross loans compared to 2.8% as at October 31, 2008.

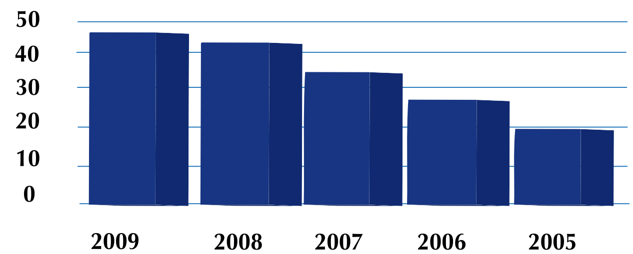
Loans ('$B)



Deposits

Customer deposits grew by $2.5 billion or 6.1%, to close the year at $43.9 billion. The majority of the funding came from individuals and government which improved by $2 billion (13.1%) and $1.1 billion (253.3%), respectively. While deposits from business customers increased by $0.2 billion over the prior year. This was offset by a reduction of $0.8 billion, or 5.8%, in intercompany funding year on year.

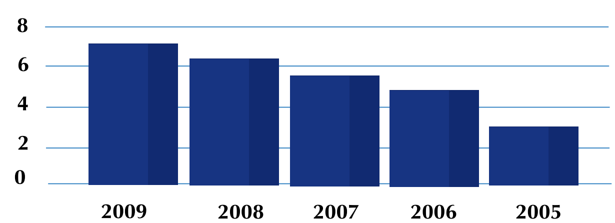
Deposits ('$B)



Stockholders' Equity

Stockholder's equity increased by 12.5% over the prior year. Capital strength provides protection to depositors and creditors, which allows the bank to undertake profitable business opportunities as they arise and helps to maintain favourable credit ratings. The Bank and the Building Society are adequately capitalised.

Stockerholders' Equity ('$B)



Share price declined by $9.05 or 41.5%, to close at the end of the year at $12.75 compared to $21.80 per share at the close of the previous year. The book value per share increased year over year from $24.26 to $27.30 as at October 31, 2009. As at October 31, 2009 Stockholders' Equity stood at $7.26 billion, representing a 12.5% increase over the prior year's balance of $6.45 billion. Dividends of $106 million, representing 40 cents per share were paid during the year.

Economic Environment

The Jamaican economy which began to show signs of decline in 2008, continued to underperform during 2009. The Planning Institute of Jamaica statistics shows real GDP declining by 3.1% for the September 2009 quarter. This represents the eight consecutive quarter of decline in the Jamaican economy. Real GDP is projected to decline within the range of 3% to 4% during the October to December 2009 quarter.

- Inflation was contained to single digits during the period, partly owing to the fact that the exchange rate remained relatively stable, as well as the influence of the deflationary effects of the recession. The inflation rate for the government's fiscal year to October 2009 was 6.7% (2008 – 11.3%) and 8.1% for the calendar year to October 2009 (2008 – 17.2%).

- Interest rates remained relatively unchanged, on average, compare to last year. The average domestic currency loan rate for commercial banks was 21.98% at October 2009 compared to 22.58% for the similar period in 2008. Average domestic currency savings rates increased slightly, from 5.54% in October 2008 to 5.60% in October 2009.

- The Jamaican dollar depreciated by J$12.95, or 17%, against its US dollar counterpart for the year ended October 31, 2009 compared to J$5.10 or 6.7% for the similar period in the previous year. The spot market weighted average selling rate traded at J$89.24 as at October 31, 2009 (2008 – J$76.29).

- Net International Reserves stood at US$1,909.36 million as at October 31, 2009, a year over year increase of US$106.8 million or 5.9% and representing 14.82 weeks of imports of goods and services (2008 – US$1,802.59 million or 11.24 weeks).

- The current account trade deficit for the first nine months of calendar 2009 stood at US$573.9 million, compared to US$2,309.1 million for the same period in 2008. This represents US$1,735.2 million improvement in the current account trade balance when compared to the corresponding nine (9) months of 2008. This resulted directly from reduction in imports.

The Jamaican economy contracted during 2009 as the global economic recession took root. The Government's fiscal deficit for the first six months was $65.8 billion, which was some $7.86 billion higher than budgeted. Given Jamaica's onerous public debt burden and contracting revenue streams, the current fiscal imbalance will make it difficult for the government to spur growth in the local economy in the short term. FirstCaribbean International Bank is aware of all these challenges and will continue to carefully navigate these conditions by prudent risk management while taking advantage of opportunities as they arise. The Bank is well positioned to capture growth opportunities when the economy rebounds from an improved macroeconomic climate.

Risk Management Approach

FirstCaribbean assumes a variety of risks in its ordinary business activities. Risk is defined as any event that could: damage the core earnings capacity of the Group; increase earnings or cash flow volatility; reduce capital; threaten business reputation or viability; and/or breach regulatory or legal obligations.

The Bank's approach to risk management is based on sound banking principles and a robust governance structure. Risk is managed within tolerance levels established by our management committees and approved by the Board of Directors and its committees (the Board). This is achieved through a comprehensive framework of measurement, monitoring and control policies, procedures and processes. Further information on credit, market and liquidity risks within the Bank can be found in note 35 of the consolidated financial statements section.

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

The Bank's risk management policies and procedures are designed to identify and analyse these risks, to set appropriate risk limits, and to monitor and enhance risk management practices to reflect changes in markets, products and evolving best practice.

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

Credit Risk

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

Credit risk is managed and controlled on the basis of established credit processes and policies operating within a framework of delegated authorities. In addition to approving the Group's key credit policies and setting credit risk appetites and tolerances, the Risk and Conduct Review Committee of the Board also delegates credit approval limits to the Credit Committee of the Bank. The Credit Committee is chaired by the Chief Risk Officer who also delegates lending authority to individual members of the Credit Risk Management Department and also to front line lenders. There is appropriate segregation of duties between customer facing functions responsible for originating and managing exposures, the credit risk.

Credit Risk (continued)

Management function responsible for credit adjudication and oversight and the Operations function responsible for disbursing loans and safekeeping security.

Credit grading, scoring and monitoring systems facilitate the early identification and management of deterioration in loan quality. The credit management process is underpinned by an independent system of credit review by credit conformance teams. Delinquent facilities are subject to separate and additional oversight by the receivables management team. Classification is automated and operates strictly in line with regulatory and accounting standards. Credit provisions are independently calculated in accordance with International Financial Reporting Standards for statutory reporting and in accordance with the Financial Institutions Act to meet regulatory requirements by the central risk and financial controls teams.

Market Risk

Market risk is the measurement of potential loss arising from adverse movements in interest rates, foreign exchange rates, equity and commodity prices, and credit spread risk in the Bank's investment portfolios. It arises in trading activities, as well as in the natural course of wholesale and retail business.

The principal aim of FirstCaribbean's market risk management activities is to limit the adverse impact of interest rate and exchange rate movements on profitability and shareholder value and to enhance earnings within defined limits.

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

There is no single risk measure that captures all aspects of market risk. FirstCaribbean uses several risk measures including Value at Risk ('VaR'), sensitivity measures and stress testing. Market risks are managed by setting limits based upon the specific markets and products where FirstCaribbean is involved, as well as the amount of the Group's capital at risk. These measurement methodologies utilise international best practice. There is a centralised, dedicated risk management team charged with the responsibility to ensure that the risk measurement methodologies used are appropriate for the risks being taken and that appropriate measurement, monitoring and control procedures are in place.

Compliance Risk

Compliance risks are associated with failures to comply with laws, regulations, rules, and the codes of ethics and conduct applicable to our business activities. Such failures can give rise to legal or regulatory sanctions, material financial loss, or a loss of reputation to the Bank.

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

Operational risk management and controls

FirstCaribbean defines operational risk as the exposure to loss from failed or inadequate internal processes, people and systems or from external events. It is the risk of direct or indirect loss, or damaged reputation, due to deficiencies or errors in the Group's internal operations which may be attributable to fraud, human error, processes or technology failure, or due to external events. Operational risks are inherent in all activities within the Bank, including its outsourced activities and in all interactions with external parties.

Strong internal control and quality management, consisting of a fraud framework, leadership and trained staff, are the key to successful operational risk management. Each strategic business unit is primarily responsible for managing their own operational risks. Risk management develops and maintains the framework for identifying, monitoring and controlling operational risks and supports the business in implementing the framework and raising awareness of operational risks. The team sets policy and monitors compliance. Operational risk management activities across the Group are reported regularly to the Audit & Governance Committee and Risk and Conduct Review Committee.

FirstCaribbean's operational risk management framework includes ongoing monitoring through self-assessment of control deficiencies and weaknesses and the tracking of incidents and loss events to ensure that, once identified, control deficiencies are communicated and remedied in a timely fashion across the Group.

Liquidity Risk

Liquidity risk is defined as the risk that the Group will experience difficulty in financing its assets and meeting its contractual payment obligations, or will only be able to do so at an unacceptably high cost. FirstCaribbean is exposed to liquidity risk through our general funding activities and in the management of our assets and liabilities.

FirstCaribbean's exposure to liquidity risk is governed by a policy approved by the Board. The operation of the policy is delegated to management in the form of the Asset and Liability Committee (ALCO). The Group ALCO is responsible for monitoring liquidity risk. Day-to-day management of liquidity is handled by the treasury team.

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

Consolidated Financial Statements 2009

ERNST & YOUNG
Chartered Accountants

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Kingston 8
Jamaica

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of FirstCaribbean International Bank (Jamaica) Limited

We have audited the accompanying financial statements of FirstCaribbean International Bank (Jamaica) Limited and its subsidiary (the "Group") and FirstCaribbean International Bank (Jamaica) Limited (the "Bank") which comprise the consolidated and bank balance sheets as at 31 October 2009 and the consolidated and bank statements of income, changes in stockholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial positions of the Group and the Bank as at 31 October 2009, and of the Group's and the Bank's financial performance, changes in stockholders' equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act.

Report on Additional Requirements of the Jamaican Companies Act
We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements are in agreement with the accounting records, and give the information required by the Jamaican Companies Act in the manner so required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica
17 December 2009

Consolidated Balance Sheet

As at 31 October 2009
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2009 $'000	2008 $'000
ASSETS			
Cash and balances with Central Bank	3	7,814,217	8,283,849
Due from other banks	4	5,172,697	1,976,639
Derivative financial instruments	5	14,521	–
Other assets	6	1,187,465	1,681,097
Investment securities	7	2,294,308	1,101,528
Government securities under reverse repurchase agreements	8	252,024	262,066
Loans and advances to customers	9	34,385,404	34,936,630
Property and equipment	10	654,000	549,935
Deferred tax assets	11	7,090	9,644
Retirement benefit asset	12	874,124	824,680
TOTAL ASSETS		52,655,850	49,626,068

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

Consolidated Balance Sheet

As at 31 October 2009
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2009 $'000	2008 $'000
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Customer deposits	13	43,900,172	41,368,967
Derivative financial instruments	5	400,343	210,858
Other liabilities	14	757,628	647,343
Taxation payable		85,938	211,871
Deferred tax liabilities	11	216,276	182,756
Debt securities in issue	15	–	499,950
Retirement benefit obligation	12	39,330	57,180
TOTAL LIABILITIES		45,399,687	43,178,925
STOCKHOLDERS' EQUITY			
Share capital	16	1,396,667	1,396,667
Reserves	16	5,473,571	4,312,247
Retained earnings		385,925	738,229
TOTAL STOCKHOLDERS' EQUITY		7,256,163	6,447,143
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		52,655,850	49,626,068

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

Approved for issue by the Board of Directors on 17 December 2009 and signed on its behalf by:

Michael Mansoor

Anthony Bell

Clovis Metcalfe

Allison Rattray

Consolidated Statement of Changes in Equity

Year Ended 31 October 2009
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	Share Capital $'000	Reserves $'000	Retained Total $'000	Total $'000
Balance at 31 October 2007		1,396,667	3,341,334	879,658	5,617,659
Net income for the year		–	–	835,053	835,053
Expense recognised directly in equity - Loss on available-for-sale investment securities	18	–	(5,569)	–	(5,569)
Transfer to statutory reserve fund	19	–	940,000	(940,000)	–
Transfer to loan loss reserve	21	–	36,482	(36,482)	–
Balance at 31 October 2008		1,396,667	4,312,247	738,229	6,447,143
Net income for the year		–	–	886,658	886,658
Income recognised directly in equity - Gain on available-for-sale investment securities, net of taxes	18	–	28,665	–	28,665
Transfer to statutory reserve fund	19	–	50,000	(50,000)	–
Transfer to retained earnings reserve	20	–	840,000	(840,000)	–
Transfer to loan loss reserve	21	–	242,659	(242,659)	–
Dividends paid		–	–	(106,303)	(106,303)
Balance at 31 October 2009		1,396,667	5,473,571	385,925	7,256,163

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

Consolidated Statement of Income

Year Ended 31 October 2009
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2009 $'000	2008 $'000
Interest and similar income		5,220,049	4,981,749
Interest and similar expense		(1,919,876)	(1,886,296)
Net interest income	23	3,300,173	3,095,453
Other operating income	24	1,056,706	594,480
Total operating income		4,356,879	3,689,933
Loan loss impairment		(448,859)	(130,961)
Net operating income		3,908,020	3,558,972
Operating expenses	25	(2,600,733)	(2,312,495)
Income before taxation	26	1,307,287	1,246,477
Income tax expense	27	(420,629)	(411,424)
NET INCOME FOR THE YEAR	28	886,658	835,053
EARNINGS PER STOCK UNIT	29	$3.33	$3.14

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

Consolidated Statement of Cash Flows

Year Ended 31 October 2009
(Expressed in Jamaican dollars unless otherwise indicated)

Cash Flows from Operating Activities	**Notes**	**2009 $'000**	**2008 $'000**
Income before taxation		1,307,287	1,246,477
Adjustments to reconcile income to net cash used in operating activities:			
Loan loss impairment		448,859	130,961
Gain on disposal of property and equipment		(10,108)	(2,469)
Depreciation	10	109,264	120,789
Interest income	23	(5,220,049)	(4,981,749)
Interest expense	23	1,919,876	1,886,296
Unrealised foreign exchange gains/(losses)		(1,502)	8,617
		(1,446,373)	(1,591,078)
Changes in operating assets and liabilities:			
Loans and advances to customers		150,165	(2,806,495)
Customer deposits		2,530,421	6,680,946
Retirement benefit asset		(49,444)	5,120
Retirement benefit obligation		(17,850)	(18,910)
Other assets		268,253	(140,092)
Other liabilities		(791,280)	190,155
Statutory reserves with Bank of Jamaica		(794,717)	(169,109)
		(150,825)	2,150,537
Interest received		5,368,537	5,113,595
Interest paid		(1,881,045)	(1,823,747)
Income tax paid		(535,335)	(322,053)
Net cash provided by operating activities		2,801,331	5,118,332
Cash Flows from Investing Activities			
Investment securities, net		(1,133,938)	(160,491)
Government securities under reverse repurchase agreements, net		19,285	(49,989)
Money market placements	35(f)	(1,407,287)	–
Additions to property and equipment	10	(217,827)	(172,992)
Proceeds from disposal of property and equipment		14,606	7,302
Net cash used in investing activities		(2,725,161)	(376,170)
Cash Flows from Financing Activities			
Dividends paid		(106,303)	–
Repayment of debt		(499,950)	(1,000,050)
Net cash used in financing activities		(606,253)	(1,000,050)
Net (decrease)/increase in cash and cash equivalents		(530,083)	3,742,112
Effect of exchange rate changes on cash and cash equivalents		1,054,506	61,745
Cash and cash equivalents at beginning of year		7,413,864	3,610,007
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	7,938,287	7,413,864

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

Balance Sheet

As at 31 October 2009
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2009 $'000	2008 $'000
ASSETS			
Cash and balances with Central Bank	3	7,627,172	8,168,013
Due from other banks	4	7,837,584	5,987,417
Derivative financial instruments	5	14,521	–
Other assets	6	431,620	1,389,154
Investment securities	7	2,777,208	1,465,528
Government securities under reverse repurchase agreements	8	27,392	55,611
Loans and advances to customers	9	26,680,963	27,925,693
Property and equipment	10	650,441	547,867
Retirement benefit asset	12	854,390	806,060
TOTAL ASSETS		46,901,291	46,345,343

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

Balance Sheet

As at 31 October 2009
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2009 $'000	2008 $'000
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Customer deposits	13	38,966,195	38,742,578
Derivative financial instruments	5	400,343	210,858
Other liabilities	14	618,807	547,651
Taxation payable		68,023	204,479
Deferred tax liabilities	11	216,276	182,756
Debt securities in issue	15	-	499,950
Retirement benefit obligation	12	37,270	54,720
TOTAL LIABILITIES		40,306,914	40,442,992
STOCKHOLDERS' EQUITY			
Share capital	16	1,396,667	1,396,667
Reserves	16	4,818,923	3,770,024
Retained earnings		378,787	735,660
TOTAL STOCKHOLDERS' EQUITY		6,594,377	5,902,351
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		46,901,291	46,345,343

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

Approved for issue by the Board of Directors on 17 December 2009 and signed on its behalf by:

Michael Mansoor

Anthony Bell

Clovis Metcalfe

Allison Rattray

Statement of Changes in Equity

Year Ended 31 October 2009
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 31 October 2007		1,396,667	2,989,460	769,480	5,155,607
Net income for the year		–	–	752,313	752,313
Expense recognised directly in equity – Loss on available-for-sale investment securities	18	–	(5,569)	–	(5,569)
Transfer to statutory reserve fund	19	–	780,000	(780,000)	–
Transfer to loan loss reserve	21	–	6,133	(6,133)	–
Balance at 31 October 2008		1,396,667	3,770,024	735,660	5,902,351
Net income for the year		–	–	769,664	769,664
Income recognised directly in equity - Gain on available-for-sale investment securities, net of taxes	18	–	28,665	–	28,665
Transfer to retained earnings reserve	20	–	840,000	(840,000)	–
Transfer to loan loss reserve	21	–	180,234	(180,234)	–
Dividends paid		–	–	(106,303)	(106,303)
Balance at 31 October 2009		1,396,667	4,818,923	378,787	6,594,377

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

Statement of Income

Year Ended 31 October 2009
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2009 $'000	2008 $'000
Interest and similar income		4,624,193	4,623,549
Interest and similar expense		(1,568,760)	(1,725,789)
Net interest income	23	3,055,433	2,897,760
Other operating income	24	1,030,200	578,623
Total operating income		4,085,633	3,476,383
Loan loss impairment	9	(407,154)	(115,392)
Net operating income		3,678,479	3,360,991
Operating expenses	25	(2,538,563)	(2,232,913)
Income before taxation	26	1,139,916	1,128,078
Income tax expense	27	(370,252)	(375,765)
NET INCOME FOR THE YEAR	28	769,664	752,313

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

Statement of Cash Flow

Year Ended 31 October 2009
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2009 $'000	2008 $'000
Cash Flows from Operating Activities			
Income before taxation		1,139,916	1,128,078
Adjustments to reconcile income to net cash used in operating activities:			
Loan loss impairment		407,154	115,392
Gain on disposal of property and equipment		(10,108)	(2,469)
Depreciation	10	108,310	119,982
Interest income	23	(4,624,193)	(4,623,549)
Interest expense	23	1,568,760	1,725,789
Unrealised foreign exchange gains		11,215	12,201
Changes in operating assets and liabilities:		(1,398,946)	(1,524,576)
Loans to customers		3,861,132	(1,270,094)
Customer deposits		(3,683,502)	5,853,819
Retirement benefit asset		(48,330)	(1,590)
Retirement benefit obligations		(17,450)	(18,480)
Other assets		912,684	80,871
Other liabilities		128,269	172,425
Statutory reserves at Bank of Jamaica		(723,508)	(115,193)
		(969,651)	3,177,182
Interest received		4,616,787	4,766,544
Interest paid		(1,595,650)	(1,668,819)
Income tax paid		(503,035)	(272,127)
Cash provided by operating activities		1,548,451	6,002,780
Cash Flows from Investing Activities			
Government securities purchased under resale agreements, net		28,016	(30,339)
Investment securities, net		(1,242,616)	(167,031)
Money market placements	35(f)	(2,338,327)	–
Additions to property and equipment	10	(215,382)	(172,867)
Proceeds from disposal of property and equipment		14,606	7,302
Net cash used in investing activities		(3,753,703)	(362,935)
Cash Flows from Financing Activity			
Repayment of debt		(499,950)	(1,000,050)
Dividends paid		(106,303)	–
Net cash used in financing activity		(606,253)	(1,000,050)
Net (decrease) increase in cash and cash equivalents		(2,811,505)	4,639,795
Effect of exchange rate changes on cash and cash equivalents		1,058,996	57,251
Cash and cash equivalents at beginning of year		11,424,641	6,727,595
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	9,672,132	11,424,641

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

1. Corporate Information

FirstCaribbean International Bank (Jamaica) Limited (the "Bank"), which was incorporated and is domiciled in Jamaica, is a 96.3% (2008 - 96.3%) subsidiary of FirstCaribbean International Bank Limited (the "Parent"), a bank incorporated and domiciled in Barbados. The ultimate parent company and controlling party is Canadian Imperial Bank of Commerce ("CIBC"), a company incorporated in Canada.

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

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

The Bank is listed on the Jamaica Stock Exchange.

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

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

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

(i) Statement of compliance

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

(ii) Basis of measurement

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

(iii) Judgement and estimates

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

(iv) Basis of consolidation

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

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

2. Summary of Significant Accounting Policies (Continued)

(b) Change in accounting policies

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

The Group has adopted the following International Financial Reporting Interpretations Committee (IFRIC) interpretations during the year. Adoption of these interpretations did not have any effect on the financial performance or position of the Group.

- **IFRIC 13, Customer Loyalty Programmes**

  IFRIC 13 interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. The Group takes part in VISA supplied credit card loyalty programmes. Under these programmes, the Group reimburses VISA for the cost of points redeemed. The fair values of the points earned by the customer are recognised by the Group as revenue when it fulfils its obligation in respect of the awards.

  As the existing accounting treatment adopted by the Group for customer loyalty programmes is consistent with IFRIC 13, the adoption of the Interpretation has had no significant impact on the current or comparative results of the Group.

- **IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

  IFRIC 14 addresses the interaction between minimum funding requirements and the limit placed by paragraph 58 of IAS 19 on the measurement of the defined benefit asset or liability.

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective for the Group at balance sheet date, and which the Group has not adopted early as follows:

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(b) Change in accounting policies (continued)

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

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

- **IAS 39 (Revised), Financial Instruments: Recognition and Measuremen**t (effective from annual periods beginning on or after 1 July 2009) was amended with respect to hedging portions of risk, and clarifies the principles associated with designating a portion of cash flows or fair values of a financial instrument as a hedged item.

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

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

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

- **IFRS 7 Amendments, Improving Disclosures about Financial Instruments** (effective for annual periods beginning on or after 1 January 2009) clarifies and enhance disclosures about fair value measurements and the liquidity risk of financial instruments.

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

- **IFRIC 9 and IAS 39 Amendments, Embedded Derivatives** (effective for annual periods ending on or after 30 June 2009) clarifies that on reclassification of a financial asset out of the 'at fair value through profit or loss' category all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements.

- **IFRIC 15, Agreements for the Construction of Real Estate** (effective from annual periods beginning on or after 1 January 2009), which is not applicable to the Group.

- IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) provides guidance on how to account for such transactions. It also provides for when to recognise a liability, how to measure it and the associated assets, when to derecognise the asset and liability, and the consequences of doing so.

- **IFRIC 18, Transfers of Assets from Customers** (effective for annual periods beginning on or after 1 July 2009) provides guidance on when and how an entity should recognise items of property, plant and equipment received from their customers.

(Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Change in accounting policies (continued)

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

Additionally, in May 2008, the International Accounting Standards Board issued "Improvements to IFRSs", as part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily become effective for annual periods beginning on or after 1 January 2009. The following table shows the IFRSs and topics addressed by these amendments. Management has decided not to early adopt the amendments and does not expect their application to have a significant effect on the Group's operations.

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

Part II	**Amendments that are terminology or editorial changes only**
IFRS 7	Presentation of finance costs.
IAS 8	Status of implementation guidance.
IAS 10	Dividends declared after the end of the reporting period.
IAS 18	Costs of originating a loan.
IAS 20	Consistency of terminology with other IFRSs.
IAS 29	Consistency of terminology with other IFRSs.
IAS 34	Earnings per share disclosures in interim financial statements.
IAS 40	Consistency of terminology with IAS 8. Investment property held under lease.
IAS 41	Examples of agricultural produce and products. Point-of-sale costs.

2. Summary of Significant Accounting Policies (Continued)

(b) Change in accounting policies (continued)

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

In April 2009, the International Accounting Standards Board issued "Improvements to IFRSs", as part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily become effective for annual periods beginning on or after 1 July 2009 and 1 January 2010. The following table shows the IFRSs and topics addressed by these amendments. Management has decided not to early adopt the amendments and does not expect their application to have a significant effect on the Group's operations.

Standard	Subject of the Amendment
Part I	**Amendments that result in accounting changes for presentation, recognition and measurement purposes**
IFRS 2	Scope of IFRS 2 and IFRS 3 Revised.
IFRS 5	Disclosures of non-current classified as held for sale and discontinued operations
IAS 8	Disclosure of information about segment assets.
IAS 1	Current/non-current classification of convertible instruments
IAS 7	Classification of expenditures on unrecognised assets.
IAS 17	Classification of leases of land and buildings.
IAS 18	Determining whether an entity is acting as a principal or as an agent.
IAS 36	Unit of accounting for goodwill impairment test.
IAS 38	Additional consequential amendments arising from IFRS 3 Revised. Measuring the fair value of an intangible asset acquired in a business combination.
IAS 39	Assessment of loan repayment penalties as embedded derivatives. Scope exemption for business combination contracts. Cash flow hedge accounting.
IFRIC 9	Scope of IFRIC 9 and IFRS 3 Revised
IFRIC 16	Amendment on the restriction on the entity that can hold hedging instruments.

2. Summary of Significant Accounting Policies (Continued)

(c) Segment reporting

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

(d) Foreign currency translation

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

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

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

(e) Derivative financial instruments

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

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

(f) Cash and cash equivalents

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

(g) Financial assets

The Group classifies its financial assets into the following categories:

(i) Loans and receivables
(ii) Available-for-sale

Management determines the classification of its investments at initial recognition.

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

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

2. Summary of Significant Accounting Policies (Continued)

(g) Financial assets (continued)

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

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the statement of income as gains and losses from investment securities.

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

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

(h) Offsetting financial instruments

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

(i) Impairment of financial assets

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

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

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

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

(j) Derecognition of financial assets and liabilities

(i) Financial assets

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

(ii) Financial liabilities

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

(k) Investments in subsidiary

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

(l) Sale and repurchase agreements and lending of securities

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

(m) Loans and provision for impairment losses

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

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

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

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the 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 deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. As required by statutory regulations, if a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such. Any credit card loan that has a payment that is contractually 180 days in arrears is written-off.

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

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

2. Summary of Significant Accounting Policies (Continued)

(n) Leases

(i) As lessee

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

(ii) As lessor

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

(o) Property and equipment

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

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

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

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

The annual rates used are:

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property, plant and equipment are determined by reference to its carrying amount and are taken into account in determining net income.

(p) Provisions

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

(q) Intangible assets

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

2. Summary of Significant Accounting Policies (Continued)

(r) Income taxes

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

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

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

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

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

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

(s) Retirement benefit obligations

(i) Pension obligations

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(s) Retirement benefit obligations (continued)

(ii) Other post-retirement obligations

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

(iii) Annual leave and other benefits

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

(t) Share-based payment transactions

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

(u) Recognition of income and expenses

(i) Interest and similar income and expense

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

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

(ii) Fee and commission income

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

(iii) Fiduciary activities

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

2. Summary of Significant Accounting Policies (Continued)

(v) Hedge accounting

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

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

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

(i) Fair value hedges

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

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

(ii) Cash flow hedges

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

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

(w) Debt securities in issue

Financial instruments or their components issued by the Bank, which are not designated at fair value through profit and loss, are classified as liabilities under 'Debt securities in issue, when the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equities.

After initial, measurement, debt issued and other borrowings are subsequently measured at amortised cost using the effective interest rate.

(x) Comparative information

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

3. Cash and Balances with Central Bank

	The Group		The Bank	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash	416,603	341,121	416,601	341,119
Deposits with Central Bank – interest bearing	5,115,553	5,998,926	4,964,514	5,922,777
Deposits with Central Bank – non-interest bearing	2,130,322	1,591,389	2,094,318	1,551,704
	7,662,478	7,931,436	7,475,433	7,815,600
Interest receivable	151,739	352,413	151,739	352,413
	7,814,217	8,283,849	7,627,172	8,168,013

Under Section 14 (i) of both the Banking Act, 1992 and section 13 of the Bank of Jamaica (Building Societies) Regulations, 1995, the Group and the Bank are required to place deposits with The Bank of Jamaica ("Central Bank") which are held substantially on a non-interest-bearing basis as a cash reserve; accordingly, these amounts are not available for investment or other use by the Group and the Bank. These reserves represent the required ratio of 14% (2008 - 9%) of the Group's and the Bank's prescribed liabilities.

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

	The Group		The Bank	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash and balances with Central Bank	7,814,217	8,283,849	7,627,172	8,168,013
Less: Mandatory reserve deposits with Central Bank (Note 33)	(3,641,340)	(2,846,624)	(3,454,297)	(2,730,789)
	4,172,877	5,437,225	4,172,875	5,437,224
Due from other banks (Note 4)	5,172,697	1,976,639	7,837,584	5,987,417
	9,345,574	7,413,864	12,010,459	11,424,641
Less: Balances with maturity dates over 90 days	(1,407,287)	-	(2,338,327)	-
	7,938,287	7,413,864	9,672,132	11,424,641

4. Due From Other Banks

	The Group		The Bank	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Money market placements	5,168,895	1,974,322	7,811,485	5,921,854
Interest receivable	3,802	2,317	26,099	65,563
	5,172,697	1,976,639	7,837,584	5,987,417

Included in money market placements are deposits with ultimate parent company of $719,136,000 (2008 – $416,575,000) for the Group.

5. Derivative Financial Instruments

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

	Contract / Notional Amount	Fair Values	
		Assets	Liabilities
	$'000	$'000	$'000
As at 31 October 2009			
Derivatives held for trading:			
Interest rate swaps	US$38,302	-	(400,343)
Foreign exchange forwards	US$1,068	14,521	–
As at 31 October 2008			
Derivatives held for trading:			
Interest rate swaps	US$43,654	–	(210,858)

As of October 31, 2009 the Bank has positions in the following types of derivatives:

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

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

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

During the year, the Bank recognised losses on hedging instruments of $144,414,000 (2008: loss of $160,100,000) and gains on hedged items attributable to the hedged risk of $219,272,000 (2008: $21,700,000), which is included in operating income. The Bank also recognised gains of 31,623,000 as a result of failed hedges and this is included within operating income as these derivatives are classified as trading derivatives upon failure.

6. Other Assets

	The Group		The Bank	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cheques and other items in transit, net	841,990	753,619	117,707	522,312
Prepayments and deferred items	19,057	17,520	18,335	16,967
Due from parent company	77,684	713,069	77,684	713,069
Withholding tax	161,303	80,796	161,303	80,796
Other	87,431	116,093	56,591	56,010
	1,187,465	1,681,097	431,620	1,389,154

7. Investment Securities

	The Group		The Bank	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Investment in subsidiary	-	-	482,900	364,000
Securities available-for-sale:				
Equity securities – unquoted	11,264	11,264	11,264	11,264
Issued or guaranteed by Government –				
Treasury bills	-	107,917	-	107,917
Local registered stock	252,115	492,775	252,115	492,775
Bonds & debentures	1,934,618	467,960	1,934,618	467,960
Index bonds	69,369	-	69,369	-
Other	-	-	-	-
Balance at end of year	2,267,366	1,079,916	2,267,366	1,443,916
Interest receivable	26,942	21,612	26,942	21,612
	2,294,308	1,101,528	2,777,208	1,465,528

7. Investment Securities (Continued)

The movement in investment securities may be summarised as follows:

Securities available-for-sale:

	The Group	The Bank
	$'000	$'000
Balance at 31 October 2007	904,804	1,268,804
Additions	3,691,254	3,691,254
Disposals – sale and redemption	(3,506,391)	(3,506,391)
Loss from changes in fair value	(9,751)	(9,751)
Balance at 31 October 2008	1,079,916	1,443,916
Additions	3,567,739	3,686,639
Disposals – sale and redemption	(2,437,865)	(2,437,865)
Gains from changes in fair value	57,576	57,576
Balance at 31 October 2009	2,267,366	2,750,266

8. Government Securities Under Reverse Repurchase Agreements

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

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Government securities under reverse repurchase agreements	234,797	254,081	26,439	54,455
Interest receivable	17,227	7,985	953	1,156
	252,024	262,066	27,392	55,611

9. Loans and Advances to Customers

The Group

	2009				2008			
	Mortagages $'000	Personal Loans $'000	Business & Government $'000	Total $'000	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000
Performing loans	7,491,481	4,905,908	20,771,151	33,168,540	6,884,762	7,082,816	20,554,941	34,522,519
Impaired loans	314,071	635,049	1,006,197	1,955,317	195,395	394,950	188,152	778,497
Gross loans	7,805,552	5,540,957	21,777,348	35,123,857	7,080,157	7,477,766	20,743,093	35,301,016
Less: Provision for credit losses	(107,755)	(230,550)	(486,485)	(824,790)	(66,050)	(230,550)	(132,861)	(429,461)
	7,697,797	5,310,407	21,290,863	34,299,067	7,014,107	7,247,216	20,610,232	34,871,555
Add: Interest receivable				375,991				328,193
Less: Unearned fee income				(289,654)				(263,118)
				34,385,404				34,936,630

The Bank

	2009				2008			
	Mortagages $'000	Personal Loans $'000	Business & Government $'000	Total $'000	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000
Performing loans	-	4,905,908	20,771,151	25,677,059	-	7,082,816	20,554,941	27,637,757
Impaired loans	-	635,049	1,006,197	1,641,246	-	394,950	188,152	583,102
Gross loans	-	5,540,957	21,777,348	27,318,305	-	7,477,766	20,743,093	28,220,859
Less: Provision for credit losses	-	(230,550)	(486,485)	(717,035)	-	(230,550)	(132,861)	(363,411)
	-	5,310,407	21,290,863	26,601,270	-	7,247,216	20,610,232	27,857,448
Add: Interest receivable				327,162				293,424
Less: Unearned fee income				(247,469)				(225,179)
				26,680,963				27,925,693

9. Loans and Advances to Customers (Continued)

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

The Group

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

	Mortgages $'000	Personal Loans $'000	Business & Government $'000	2008 $'000
As at 31 October 2008				
Less than 30 days	1,472,428	1,173,065	2,437,938	5,083,431
31-60 days	307,394	413,974	347,465	1,068,833
61-90 days	–	–	–	–
	1,779,822	1,587,039	2,785,403	6,152,264

The Bank

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

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

9. Loans and Advances to Customers (Continued)

Provision for credit losses comprise:-

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Specific provision	674,670	307,424	579,528	253,164
General provision	150,120	122,037	137,507	110,247
	824,790	429,461	717,035	363,411

As at 31 October 2009, loans with principal balances outstanding of $1,955,317,000,(2008 - $778,497,000) for the Group and $1,641,246,000 (2008 - $583,102,000) for the Bank were in non-performing status. Interest receivable on these loans amounted to $41,184,000 (2008 - $18,950,000) for the Group and $39,688,000 (2008 - $18,496,000) for the Bank, and interest taken to income amounted to $23,918,000 (2008 - $4,367,000) for the Group and $22,876,000 (2008 - $4,367,000) for the Bank.

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

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

	Mortgages	Personal Loans	Business & Government	Total
	$'000	$'000	$'000	$'000
As at 31October 2008				
Balance, beginning of year	50,481	181,695	101,950	334,126
Individual impairment	12,295	68,582	18,365	99,242
Collective impairment	3,274	17,751	10,694	31,719
Recoveries	–	25,339	–	25,339
Write offs	–	(60,965)	–	(60,965)
Balance, end of year	66,050	232,402	131,009	429,461

9. Loans and Advances to Customers (Continued)

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

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

	Mortgages $'000	Personal Loans $'000	Business & Government $'000	2008 $'000
As at 31 October 2008				
Balance, beginning of year	–	181,695	101,950	283,645
Individual impairment	–	68,582	18,365	86,947
Collective impairment	–	17,751	10,694	28,445
Recoveries	–	25,339	–	25,339
Write offs	–	(60,965)	–	(60,965)
Balance, end of year	–	232,402	131,009	363,411

9. Loans and Advances to Customers (Continued)

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

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Specific provision	1,128,584	477,318	934,140	391,141
General provision	299,095	312,373	267,155	276,296
	1,427,679	789,691	1,201,295	667,437
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 21)	602,889	360,230	484,260	304,026

Loans and advances to customers include finance lease receivables:

	The Group and The Bank	
	2009	**2008**
	$'000	**$'000**
No later than 1 year	38,275	1,593
Later than 1 year and no later than 5 years	99,334	98,810
Later than 5 years	5,009	75,326
Gross investment in finance leases	142,618	175,729
Unearned future finance income on finance leases	(57,855)	(81,595)
Net investment in finance leases	84,763	94,134

10. Property and Equipment

	The Group				
	Land $'000	Buildings $'000	Leasehold Improvements $'000	Equipment, Furniture and Vehicles $'000	Total $'000
			2009		
Cost					
1 November 2008	55,000	123,965	128,998	1,093,428	1,401,391
Additions	–	–	5,442	212,385	217,827
Disposals	–	–	(73)	(28,492)	(28,565)
Transfers	–	–	7,821	(7,821)	–
31 October 2009	55,000	123,965	142,188	1,269,500	1,590,653
Accumulated depreciation					
1 November 2008	–	19,057	80,861	751,538	851,456
Charge for the year	–	3,099	7,941	98,224	109,264
Relieved on disposals	–	–	(30)	(24,037)	(24,067)
31 October 2009	–	22,156	88,772	825,725	936,653
Net book value					
31 October 2009	55,000	101,809	53,416	443,775	654,000
			2008		
Cost					
1 November 2007	3,900	48,569	101,441	1,086,129	1,240,039
Additions	–	28,375	2,781	141,836	172,992
Disposals	(150)	–	(125)	(11,365)	(11,640)
Transfer	51,250	47,021	24,901	(123,172)	–
31 October 2008	55,000	123,965	128,998	1,093,428	1,401,391
Accumulated depreciation					
1 November 2007	–	17,243	72,983	647,248	737,474
Charge for the year	–	1,814	7,893	111,082	120,789
Relieved on disposals	–	–	(15)	(6,792)	(6,807)
31 October 2008	–	19,057	80,861	751,538	851,456
Net book value					
31 October 2008	55,000	104,908	48,137	341,890	549,935

10. Property and Equipment (Continued)

	The Bank				
	Land $'000	Buildings $'000	Leasehold Improvements $'000	Equipment, Furniture and Vehicles $'000	Total $'000
			2009		
Cost					
1 November 2008	55,000	123,965	128,953	1,087,974	1,395,892
Additions	–	–	5,442	209,940	215,382
Disposals	–	–	(73)	(28,492)	(28,565)
Transfers	–	–	7,821	(7,821)	–
31 October 2009	55,000	123,965	142,143	1,261,601	1,582,709
Accumulated depreciation					
1 November 2008	–	19,057	80,861	748,107	848,025
Charge for the year	–	3,099	7,941	97,270	108,310
Relieved on disposals	–	–	(30)	(24,037)	(24,067)
31 October 2009	–	22,156	88,772	821,340	932,268
Net book value					
31 October 2009	55,000	101,809	53,371	440,261	650,441
			2008		
Cost					
1 November 2007	3,900	48,569	101,396	1,080,800	1,234,665
Additions	–	28,375	2,781	141,711	172,867
Disposals	(150)	–	(125)	(11,365)	(11,640)
Transfer	51,250	47,021	24,901	(123,172)	–
31 October 2008	55,000	123,965	128,953	1,087,974	1,395,892
Accumulated depreciation					
1 November 2007	–	17,243	72,983	644,624	734,850
Charge for the year	–	1,814	7,893	10,275	119,982
Relieved on disposals	–	–	(15)	(6,792)	(6,807)
31 October 2008	–	19,057	80,861	748,107	848,025
Net book value					
31 October 2008	55,000	104,908	48,092	339,867	547,867

Included in the table above are amounts totaling $14,430,000 (2008 – $14,430,000) for the Group and the Bank representing the revalued amount of land and buildings which has been used as the deemed cost of these assets under the provision of IFRS 1 on transition to IFRS on 1 November 2002. Subsequent additions and other property and equipment are shown at cost. Equipment, furniture and vehicles include $210,433,000 (2008 - $106,744,000) for the Group and the Bank relating to work-in-progress on which no depreciation has been charged.

11. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 33 1/3% for the Bank and 30% for FirstCaribbean International Building Society.

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

	The Group		The Bank	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Deferred tax assets	7,090	9,644	–	–
Deferred tax liabilities	(216,276)	(182,756)	(216,276)	(182,756)
	(209,186)	(173,112)	(216,276)	(182,756)

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

	The Group		The Bank	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance as at 1 November	173,112	213,931	182,756	218,430
Charge (credit) to the statement of income (Note 27)	11,227	(40,819)	8,673	(35,674)
Charge to equity				
Fair value reserves – Available for sale Investments	24,847	–	24,847	–
Balance as at 31 October	209,186	173,112	216,276	182,756

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

	The Group		The Bank	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Deferred tax assets				
Loan loss provisions	3,784	3,771	–	–
Unrealised foreign exchange losses	3,731	4,067	3,731	4,067
Post-retirement medical and insurance benefits	13,041	18,978	12,423	18,240
Other provisions	106,622	98,302	93,546	86,306
	127,178	125,118	109,700	108,613
Deferred tax liabilities				
Defined benefit pension scheme	290,716	274,273	284,796	268,687
Unrealised foreign exchange gains	3,807	1,075	–	–
Loan loss provisions	7,513	6,165	7,064	6,165
Accelerated tax depreciation	9,481	16,581	9,269	16,517
Available for sale investments	24,847	–	24,847	–
Other	–	136	–	–
	336,364	298,230	325,976	291,369
Net deferred tax liability	209,186	173,112	216,276	182,756

Deferred income tax liabilities have not been provided for on the withholding and other taxes that would be payable on the undistributed earnings of the subsidiary to the extent that such earnings are permanently reinvested. At 31 October 2009, such earnings totaled $57,139,000 (2008 - $550,000).

12. Retirement Benefit Asset (Obligation)

Amounts recognised in the balance sheet:

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Defined benefit pension scheme	874,124	824,680	854,390	806,060
Other post retirement benefits	(39,330)	(57,180)	(37,270)	(54,720)

(a) Defined benefit pension scheme

The Group operates a pension scheme covering all permanent employees. The pension benefit is based on the best five consecutive years' earnings in the last ten years, multiplied by the years of credited service. The assets of the plan are held independently of the Group's assets in a separate trustee fund. The scheme is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation for IFRS purposes was carried out as at 31 October 2009.

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

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'00**
Fair value of plan asset	2,358,200	2,128,070	2,304,950	2,080,020
Present value of funded obligation	(1,355,200)	(1,080,630)	(1,324,600)	(1,056,230)
Unrecognised actuarial gains	(128,876)	(222,760)	(125,960)	(217,730)
Asset in the balance sheet	874,124	824,680	854,390	806,060

At 31 October 2009, pension plan assets include the Parent's ordinary stock units with a fair value of $39,962,942 (2008 – $40,640,000).

Movements in the asset recognised in the balance sheet:

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'00**
At 1 November	824,680	829,800	806,060	804,470
Credit (charge) for the year (Note 25)	49,660	(6,730)	48,540	20
Contributions paid	(216)	1,610	(210)	1,570
At 31 October	874,124	824,680	854,390	806,060

12. Retirement Benefit Asset (Obligation) (Continued)

(a) Defined benefit pension scheme (continued)

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

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Fair value of plan asset at start of year	2,128,070	1,768,020	2,080,020	1,725,420
Expected return on plan asset	327,890	233,510	320,490	228,240
Contributions	(216)	1,610	(210)	1,570
Benefits paid during year	(14,520)	(38,370)	(14,190)	(37,500)
Actuarial (loss) gains on plan asset	(83,024)	163,300	(81,160)	162,290
Fair value of plant asset at end of year	2,358,200	2,128,070	2,304,950	2,080,020

Changes in the present value of obligation are as follows:

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Present value of obligation at start of year	1,080,630	797,090	1,056,230	777,880
Interest cost	179,900	109,520	175,840	107,050
Current service cost	55,600	44,830	54,340	43,820
Benefits paid during year	(14,520)	(38,370)	(14,190)	(37,500)
Actuarial loss on plan obligation	53,590	167,560	52,380	164,980
Present value of obligation at end of year	1,355,200	1,080,630	1,324,600	1,056,230

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

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Current service cost	55,600	44,830	54,340	43,820
Interest cost	179,900	109,520	175,840	107,050
Expected return on plan assets	(327,890)	(233,510)	(320,490)	(228,240)
Amount not recognised – Economic value of surplus	42,730	85,890	41,770	77,350
Actuarial gains recognised during the year	–	–	–	–
Included in staff costs (Note 25)	(49,660)	6,730	(48,540)	(20)
Actual return on plan asset	244,080	390,740	238,570	390,520

12. Retirement Benefit Asset (Obligation) (Continued)

The principal actuarial assumptions used were as follows:

	The Group and The Bank	
	2009	**2008**
	%	**%**
Discount rate	18.0	13.0
Expected return on plan assets	13.5	12.5
Future salary increases	16.0	12.0
Future pension increases	12.0	4.0

Plan assets, pension obligations and actuarial gains and losses were allocated to each entity based on the number of permanent employees.

The last actuarial valuation to determine the adequacy of funding done as at 31 October 2009 revealed that the scheme was adequately funded at that date.

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

	2009	**2008**	**2007**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Fair value of plan assets	2,358,200	2,128,070	1,768,020	1,449,736	1,353,480
Present value of obligation	(1,355,200)	(1,080,630)	(797,090)	(595,840)	(502,410)
	1,003,000	1,047,440	970,930	853,896	851,070

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

	The Group and The Bank	
	2009	**2008**
	%	**%**
Equity instruments	12	20
Debt instruments	42	37
Property	28	28
Other assets	18	15
	100	100

12. Retirement Benefit Asset (Obligation) (Continued)

(b) Post-retirement medical benefits

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

In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long-term increase in health costs of 5% per year (2008 – 5%).

The amounts recognised in the balance sheet are as follows:

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Present value of unfunded obligations	15,080	11,360	14,740	11,100
Unrecognised actuarial gains	24,250	45,820	22,530	43,620
Liability in the balance sheet	39,330	57,180	37,270	54,720

Movements in the obligation recognised in the balance sheet:

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Obligation at beginning of year	57,180	76,090	54,720	73,200
Charge for the year	(17,810)	(17,920)	(17,450)	(17,520)
Contributions paid	(40)	(990)	-	(960)
Obligation at end of year	39,330	57,180	37,270	54,720

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

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Current service cost	150	80	150	80
Interest cost	1,780	1,210	1,740	1,180
Actuarial gains recognised in year	(19,740)	(19,210)	(19,340)	(18,780)
Total included in staff costs (Note 25)	(17,810)	(17,920)	(17,450)	(17,520)

13. Customer Deposits

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Individuals	17,467,383	14,568,518	14,989,290	12,656,876
Business and Government	13,384,248	10,424,046	11,783,956	10,306,610
Banks	12,813,700	16,079,097	12,023,888	15,558,433
	43,665,331	41,071,661	38,797,134	38,521,919
Interest payable	234,841	297,306	169,061	220,659
	43,900,172	41,368,967	38,966,195	38,742,578

14. Other Liabilities

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Accounts payable and accruals	407,433	559,259	284,160	472,355
Withholding tax	12,732	8,395	–	–
Other	337,463	79,689	334,647	75,296
	757,628	647,343	618,807	547, 651

15. Debt Securities In Issue

	The Group and The Bank	
	2009	**2008**
Floating rate notes due 2012	–	499,950

In April 2007, the Group issued redeemable floating rate notes with a face value of $1,500,000 due April 2012. During the year the Group redeemed $499,950 (2008:$1,000,050) of these notes. The interest on the notes was payable at a rate of weighted average Government Growth Treasury Bill plus 1.65% per annum. The average effective interest rate during 2009 was 22.82% (2008:15.85%).

16. Share Capital and Reserves

	The Group and The Bank	
	2009 No. of shares (000)	2008 No of shares (000)
Share Capital		
Authorised –		
Ordinary shares	300,000	300,000

	The Group and The Bank	
Issued and fully paid –	2009 $'000	2008 $'000
265,756,730 Ordinary stock units	1,396,667	1,396,667

Objectives, policies and procedures

Capital strength provides protection for depositors and creditors, allows the Bank to undertake profitable business opportunities as they arise and helps maintain favourable credit ratings.

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

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

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

Regulatory requirements

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

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

Regulatory capital

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

In 2009, Tier 1 and Total Capital ratios were 14.33% and 15.21%, respectively (2008 – 13.61% and 14.75%, respectively).

16. Share Capital and Reserves (Continued)

Regulatory capital (continued)

Reserves	**The Group**		**The Bank**	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Capital reserves (Note 17)	12,833	12,833	12,833	12,833
Fair value reserve – available-for-sale investment securities (Note 18)	49,497	20,832	49,497	20,832
Statutory reserve fund (Note 19)	2,146,667	2,096,667	1,791,667	1,791,667
Retained earnings reserve (Note 20)	2,616,163	1,776,163	2,480,666	1,640,666
Loan loss reserve (Note 21)	602,889	360,230	484,260	304,026
Building Society reserve (Note 22)	45,522	45,522	–	–
Total share capital and reserves at end of the year	5,473,571	4,312,247	4,818,923	3,770,024

17. Capital Reserves

	The Group		The Bank	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Comprised:				
Unrealised –				
Surplus on revaluation of premises	5,493	5,493	5,493	5,493
Realised –				
Profit on sale of property, plant and equipment	7,340	7,340	7,340	7,340
Balance at end of year	12,833	12,833	12,833	12,833

18. Fair Value Reserves – Available For Sale Investment Securities

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Balance at beginning of year	20,832	26,401	20,832	26,401
Fair value gains/(losses) on available for sale investments during the year	28,665	(5,569)	28,665	(5,569)
Balance at end of the year	49,497	20,832	49,497	20,832

19. Statutory Reserve Fund

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of year	2,096,667	1,156,667	1,791,667	1,011,667
Transfer from retained earnings	50,000	940,000	–	780,000
Balance at end of the year	2,146,667	2,096,667	1,791,667	1,791,667

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

20. Retained Earnings Reserve

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of year	1,776,163	1,776,163	1,640,666	1,640,666
Transfer from retained earnings	840,000	–	840,000	–
Balance at end of year	2,616,163	1,776,163	2,480,666	1,640,666

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

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

21. Loan Loss Reserve

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of year	360,230	323,748	304,026	297,893
Transfer from retained earnings	242,659	36,482	180,234	6,133
Balance at end of the year	602,889	360,230	484,260	304,026

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

22. Building Society Reserve

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning and end of the year	45,522	45,522	–	–

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

23. Net Interest Income

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Interest and similar income:				
Cash and balances due from banks	664,732	747,074	996,991	1,135,859
Investment securities	299,344	166,541	299,344	166,541
Loans and advances	4,209,749	4,032,772	3,320,526	3,311,276
Repurchase agreements and other	46,224	35,362	7,332	9,873
	5,220,049	4,981,749	4,624,193	4,623,549
Interest and similar expense:				
Customer deposits	(1,816,258)	(1,655,123)	(1,465,142)	(1,494,616)
Debt securities in issue	(103,618)	(231,173)	(103,618)	(231,173)
	(1,919,876)	(1,886,296)	(1,568,760)	(1,725,789)
Net interest income	3,300,173	3,095,453	3,055,433	2,897,760

24. Other Operating Income

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Net fees and commissions	603,008	498,771	596,263	498,125
Foreign exchange transactional net gains	213,169	277,029	206,125	278,800
Foreign exchange revaluation net gains (losses)	1,502	(8,617)	(11,215)	(12,201)
Trading securities net gains (losses)	239,027	(186,101)	239,027	(186,101)
Other operating income	–	13,398	–	–
	1,056,706	594,480	1,030,200	578,623

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

25. Operating Expenses

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Staff costs	1,209,516	1,108,531	1,182,690	1,065,509
Depreciation	109,264	120,789	108,310	119,982
Occupancy costs	317,891	270,693	312,678	265,121
Other operating expenses	964,062	812,482	934,885	782,301
	2,600,733	2,312,495	2,538,563	2,232,913

Analysis of staff costs:

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Wages and salaries	1,027,144	940,412	1,002,584	907,296
Pension costs –				
Defined benefit plan (Note 12)	(49,660)	6,730	(48,540)	(20)
Defined contribution plan	39,437	46,599	39,437	46,433
Other post retirement benefits (Note 12)	(17,810)	(17,920)	(17,450)	(17,520)
Share-based payments	16,499	17,167	16,499	17,167
Other staff-related costs	193,906	115,543	190,160	112,153
	1,209,516	1,108,531	1,182,690	1,065,509

26. Income Before Taxation

Income before taxation is stated after charging:

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Depreciation	109,264	120,789	108,310	119,982
Directors' emoluments-				
Fees	2,768	3,127	2,440	2,869
Management remuneration	54,583	44,480	31,625	29,979
Management fees	199,650	78,272	178,909	63,632
Auditors' remuneration-				
Current year	12,182	9,602	10,210	7,857
Prior year	3,064	–	3,064	–

27. Income tax expense

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

	The Group		The Bank	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current year income tax	412,330	452,776	364,286	411,975
Adjustment to prior year provision	(2,928)	(533)	(2,707)	(536)
	409,402	452,243	361,579	411,439
Deferred tax (note 11)	11,227	(40,819)	8,673	(35,674)
	420,629	411,424	370,252	375,765

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

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

	The Group		The Bank	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Income before taxation	1,307,287	1,246,477	1,139,916	1,128,078
Tax calculated at 33 1/3%	435,762	415,492	379,972	376,026
Effect of :				
Different tax rate applicable to mortgage financing subsidiary	(5,675)	(3,946)	-	-
Prior year under provision	(2,928)	(533)	(2,707)	(536)
Income not subject to tax	(6,366)	(1,976)	(6,366)	(1,976)
Expenses not deductible for tax purposes	400	3,313	14	3,313
Other charges and allowances	(564)	(926)	(661)	(1,062)
	420,629	411,424	370,252	375,765

28. Net Income For The Year

	2009 $'000	2008 $'000
The net income for the year is dealt with as follows in the financial statements of:		
The Bank	769,664	752,313
Subsidiary	116,994	82,740
	886,658	835,053

29. Earnings Per Stock Unit

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

	2009	2008
Net income for the year ($'000)	886,658	835,053
Weighted average number of ordinary stock units in issue ('000)	265,757	265,757
Earnings per stock unit ($)	3.33	3.14

30. Related Party Transactions

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

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

	The Group		The Bank	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
FirstCaribbean International Bank Limited:				
Management fees payable	70,808	266,804	63,449	231,589
Net receivable	77,907	446,265	77,821	481,480
Other FirstCaribbean entities:				
Interest income	16,585	17,805	348,953	406,023
Interest expense	310,297	480,684	250,805	477,100
Deposits by other FirstCaribbean entities	12,862,493	13,555,944	12,068,822	13,038,833
Due from subsidiary	–	–	2,664,887	4,010,778
Money market placements	1,409,848	2,121,808	1,409,848	2,121,808
Affiliates:				
CIBC:				
Interest income	136	20,239	136	20,239
Interest expense	1,217	1,170	1,217	1,170
Customer deposits	407	1,347	407	1,347
Cash & money market placements	719,136	416,575	719,136	416,575
Loans and advances to customers	95	95	95	95

(b) Transactions and balances with directors

	The Group		The Bank	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Loans outstanding	80,454	51,543	73,057	21,237
Deposits	74,927	14,418	74,927	14,418
Interest income	9,211	4,718	7,425	2,184
Interest expense	10,854	299	10,854	299
Directors' fees	2,768	3,127	2,440	2,869
Management remuneration paid (included below)	54,583	44,480	31,625	29,797

(c) Key management remuneration paid during the year

	The Group		The Bank	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Wages and salaries	169,496	133,735	163,350	127,679
Statutory contributions	14,532	11,421	13,986	10,892

31. Commitments

(a) Future rental commitments under operating leases

At 31 October 2009, the Bank held leases on buildings for extended periods. The future rental commitments under these leases were as follows:

	Group and Bank	
	2009	**2008**
	$'000	**$'000**
Not later than 1 year	186,087	166,352
Later than 1 year and less than 5 years	171,376	305,339
Later than 5 years	–	–
	357,463	471,691

(b) Other

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

	The Group		The Bank	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Guarantees and indemnities	575,242	678,156	575,242	678,156
Letters of credit	1,045,778	950,915	1,045,778	950,915
Loan commitments	4,910,509	5,503,030	3,872,044	3,785,440
	6,531,529	7,132,101	5,493,064	5,414,511

32. Contingencies

The Group, because of the nature of its businesses, is subject to various threatened or filed legal actions. At 31 October 2009 material claims filed amounted to approximately $2,036,169,000 (2008 - $2,140,392,000). The majority of this amount relates to a specific counter claim of approximately $1,995,467,000 (2008 - $1,993,155,000), filed by a former customer against the Bank. Another counter claim was brought against the former customer by the Bank for approximately $417,818,000 (2008 – $359,656,000). Although the amount of the ultimate exposure, if any, cannot be determined at this time, the Directors are of the opinion, based upon the advice of counsel, that the final outcome of threatened or filed suits will not have a material adverse effect on the financial position of the Group.

33. Pledged Assets

Mandatory reserve deposits are held by the Bank of Jamaica in accordance with statutory requirements. These deposits are not available to finance the Group's and the Bank's day to day operations. In addition, assets are pledged as collateral for possible shortfall in the Bank of Jamaica operating account as well as to other third parties under various other agreements. These are as follows:

	The Group			
	Asset		Related Liability	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Statutory reserves at Bank of Jamaica (Note 3)	3,641,340	2,846,624	–	–
Money market placements (Notes 4 & 5)	176,000	–	400,343	–
Investment securities (Note 7)				
Local registered stock	255,700	–	–	–
Bonds & debentures	500,000	–	252,160	–
Balances with Central Bank (Note 3)	–	260,000	–	–
	4,573,040	3,106,624	652,503	–

	The Bank			
	Asset		Related Liability	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Statutory reserves at Bank of Jamaica (Note 3)	3,454,297	2,730,789	–	–
Money market placement (Notes 4 & 5)	176,000	–	400,343	–
Investment securities (Note 7)				
Local registered stock	255,700	–	–	–
Bonds & debentures	500,000	–	252,160	–
Balances with Central Bank (Note 3)	–	260,000	–	–
	4,385,997	2,990,789	652,503	–

34. Business Segments

Effective 1 November 2008, the Bank re-organised its lines of business by streamlining from five to two lines of business to establish a more customer-centric organization with greater emphasis on collaboration and sharing of knowledge, improved productivity and innovation..

The previous five main lines of business were Retail Banking; Credit Card Banking; Corporate Banking; Wealth Management; and Capital Markets. The two new lines of business are called Retail & Wealth Management (R&WM) and Corporate Investment Banking (CIB). Treasury operations continue to operate as a separate reportable segment.

The Wealth Management line of business was segregated and merged as follows:
- Personal Wealth and International Mortgage business were merged as part of R&WM; and
- Corporate International Wealth business was merged as part of Corporate Banking under CIB.

The Credit Card Banking line of business was segregated and merged as follows:
- Issuing business was merged as part of R&WM; and
- Acquiring business with merged as part of Corporate Banking under CIB.

The Capital Markets line of business, along with the Corporate Finance unit of the previous Corporate Banking line of business were merged to form the Investment Banking unit of CIB to better leverage our resources to meet our clients' needs.

Retail and Wealth Management (R&WM)
This line of business assists individuals by providing a full range of financial products and services. Clients can access our services and products through the Bank's network of branches in the Caribbean, as well as, use the convenience of ABMs, Internet Banking, Telephone Banking and Cards (Issuing). The Bank's Wealth Management centers help individuals achieve their financial goals through an array of investment products, deposit accounts, loans, mortgages and other services.

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

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

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

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

Treasury Sales & Trading (TST) manages the interest rate, foreign exchange and liquidity risk of the Bank. In addition, the Treasury Group conducts foreign exchange transactions on behalf of the Bank's clients, where possible, and hedges fixed rate loans and investments with interest rate swaps.

Strategic Support Units comprise all functional groups, excluding TST, that supports the Group's lines of business. These functional groups hold income statement and balance sheet items that are not directly attributable to the lines of business and include eliminations. The revenues and expenses of the functional groups are generally allocated to the lines of business.

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

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

34. Business Segments (Continued)

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

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

Effective 1 November 2008, the Bank changed its transfer pricing methodology. The comparative year, however, was not restated to reflect these changes, as it was deemed impracticable to determine the cumulative effect at the beginning of the current period, of applying the new methodology to the prior period. Consequently, the impact of the new methodology will be reflected prospectively.

The Group's operations are located solely in Jamaica.

	2009					
	Retail & Wealth $'000	Corporate Investment Banking $'000	Treasury Sales & Trading $'000	Strategic Support Units $'000	Eliminations $'000	Group $'000
External revenues	2,029,357	3,033,683	1,026,908	186,807	–	6,276,755
Revenues from other segments	(314,643)	(961,911)	1,608,922	–	(332,368)	–
Total revenues	1,714,714	2,071,772	2,635,830	186,807	(332,368)	6,276,755
Income before taxation	(679,094)	918,947	1,993,630	(926,196)	–	1,307,287
Taxation						(420,629)
Income for the year						886,658
Segment assets	12,240,120	22,361,376	18,517,970	2,756,308	(3,227,014)	52,648,760
Unallocated assets						7,090
Total assets						52,655,850
Segment liabilities	19,805,893	11,573,273	15,921,480	540,941	(2,744,114)	45,097,473
Unallocated liabilities						302,214
Total liabilities						45,399,687
Other segment information						
Capital expenditure	102,547	7,905	1,808	105,567	–	217,827
Depreciation	46,287	1,065	5,040	56,872	–	109,264
Loan impairment losses	237,015	211,844	–	–	–	448,859

34. Business Segments (Continued)

	2008					
	Retail & Wealth $'000	Corporate Investment Banking $'000	Treasury Sales & Trading $'000	Strategic Support Units $'000	Eliminations $'000	Group $'000
31 October 2008						
External revenues	1,958,774	2,822,398	899,734	(104,677)	–	5,576,229
Revenues from other segments	570,215	105,168	(285,581)	–	(389,802)	–
Total revenues	2,528,989	2,927,566	614,153	(104,677)	(389,802)	5,576,229
Income before taxation	500,906	1,888,789	(101,254)	(1,041,964)	–	1, 246,477
Taxation						(411,424)
Income for the year						835,053
Segment assets	12,729,385	23,071,833	12,397,817	5,846,612	(4,429,223)	49,616,424
Unallocated assets						9,644
Total assets						49,626,068
Segment liabilities	17,703,283	21,127,491	7,457,749	553,900	(4,058,125)	42,784,298
Unallocated liabilities						394,627
Total liabilities						**43,178,925**
Other segment information						
Capital expenditure	128,691	992	4,244	39,065	–	172,992
Depreciation	48,903	786	4,685	66,415	–	120,789
Loan impairment losses	93,810	37,151	–	–	–	130,961

35. Financial Risk Management

(a) Strategy in using financial instruments

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

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

(b) Credit risk

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

Process and Control

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

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

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

Credit Risk Limits

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

Collateral

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

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

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

35. Financial Risk Management (Continued)

(b) Credit risk (continued)

Exposures by Industry Groups

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

	The Group					
	2009			2008		
	Loans & Leases $'000	Acceptance Guarantees and Letters of Credit $'000	Total 2009 $'000	Loans & Leases $'000	Acceptance Guarantees and Letters of Credit $'000	Total 2008 $'000
Agriculture, fishing and mining	68,712	3,633	72,345	76,341	6,275	82,616
Construction	287,841	–	287,841	347,278	-	347,278
Distribution	6,104,104	1,198,226	7,302,330	5,507,607	41,270	5,548,877
Electricity, gas and water	1,618,403	1,000	1,619,403	1,766,747	394,900	2,161,647
Financial institutions	375,642	500	376,142	716,382	500	716,882
Government and public entities	581,708	–	581,708	1,301,121	10,853	1,311,974
Manufacturing and production	2,026,495	6,305	2,032,800	2,346,993	33,005	2,379,998
Personal	12,482,714	2,901,923	15,384,637	13,255,927	3,215,508	16,471,435
Professional and other services	2,210,052	2,193,458	4,403,510	1,296,574	2,515,559	3,812,133
Tourism and entertainment	6,459,688	147,893	6,607,581	5,836,237	41,645	5,877,882
Transport, storage and communication	2,908,498	78,591	2,987,089	2,849,809	872,586	3,722,395
Total	35,123,857	6,531,529	41,655,386	35,301,016	7,132,101	42,433,117
Provision for credit losses			(824,790)			(429,461)
			40,830,596			42,003,656

35. Financial Risk Management (Continued)

(b) Credit risk (continued)

Exposures by Industry Groups (Continued)

	The Bank					
	2009			2008		
	Loans & Leases $'000	Acceptance Guarantees and Letters of Credit $'000	Total 2009 $'000	Loans & Leases $'000	Acceptance Guarantees and Letters of Credit $'000	Total 2007 $'000
Agriculture, fishing and mining	68,712	3,633	72,345	76,341	6,275	82,616
Construction	287,344	-	287,344	347,278	-	347,278
Distribution	6,104,104	1,198,226	7,302,330	5,507,607	41,270	5,548,877
Electricity, gas and water	1,618,403	1,000	1,619,403	1,766,747	394,900	2,161,647
Financial institutions	360,573	500	361,073	716,382	500	716,882
Government and public entities	561,386	-	561,386	1,301,121	10,853	1,311,974
Manufacturing and production	2,018,348	6,305	2,024,653	2,340,892	33,006	2,373,898
Personal	4,946,596	1,863,458	6,810,054	6,238,352	1,497,917	7,736,269
Professional and other services	1,984,653	2,193,458	4,178,111	1,240,093	2,515,559	3,755,652
Tourism and entertainment	6,459,688	147,893	6,607,581	5,836,237	41,645	5,877,882
Transport, storage and communication	2,908,498	78,591	2,987,089	2,849,809	872,586	3,722,395
Total	27,318,305	5,493,064	32,811,369	28,220,859	5,414,511	33,635,370
Provision for credit losses			(717,035)			(363,411)
			32,094,334			33,271,959

Impaired Financial Assets and Provision for Credit Losses

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

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

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

35. Financial Risk Management (Continued)

(b) Credit risk (Continued)

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

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

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

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

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

The maximum exposure to credit risk within the customer loan portfolio would be all the balance sheet carrying values plus the off-balance sheet loan commitment amounts [these disclosures are shown in Note 31(b)]. The gross maximum exposure within the customer loan portfolio would be before provision for credit losses and the effect of mitigation through the use of master netting and collateral arrangements, plus the off-balance sheet loan commitments amount.

35. Financial Risk Management (Continued)

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

The Group operates in only the Jamaican geographical market.

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

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

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

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

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

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

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

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

35. Financial Risk Management (Continued)

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

Credit Quality (Continued)

	The Group				
	2008				
	Performing		Sub		
	High	Standard	Standard		
Grade description	**Grade**	**Grade**	**Grade**	**Impaired**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Loans and advances to customers:					
Mortgages	5,550,964	1,026,404	307,394	195,395	7,080,157
Personal loans	4,510,148	2,158,694	413,974	394,950	7,477,766
Business & government loans	14,443,169	5,764,307	347,465	188,152	20,743,093
Total	24,504,281	8,949,405	1,068,833	778,497	35,301,016

	The Bank				
	2009				
	Performing		Sub		
	High	Standard	Standard		
Grade description	**Grade**	**Grade**	**Grade**	**Impaired**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Loans and advances to customers:					
Mortgages	–	–	–	–	–
Personal loans	4,472,222	186,339	241,347	635,049	5,540,957
Business & government loans	18,700,919	159,138	1,911,094	1,006,197	21,777,348
Total	23,179,141	345,477	2,152,441	1,641,246	27,318,305

	The Bank				
	2008				
	Performing		Sub		
	High	Standard	Standard		
Grade description	**Grade**	**Grade**	**Grade**	**Impaired**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Loans and advances to customers					
Mortgages	–	–	–	–	–
Personal loans	4,510,148	2,158,694	413,974	394,950	7,477,766
Business & government loans	14,443,169	5,764,307	347,465	188,152	20,743,093
Total	18,953,317	7,923,001	761,439	583,102	28,220,859

35. Financial Risk Management (Continued)

(e) Market risk

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

Policies and Standards:

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

Process & Control:

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

Risk Measurement:

The Group has four main measures of market risk:

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

Position:

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

Sensitivity:

The main two measures utilized by the Group are the DV01 (delta value of a 1 basis point move, also known as the PV01 or Present value of a 1 basis point move) and the CSDV01 (Credit Spread Delta of a 1 basis point move). The DV01 measure is calculated for a 1 basis point move down in the yield curve. This generates the effect on earnings by individual currency of a parallel shift down in the related yield curve. As curves rarely move in a parallel fashion it is measured across different tenors to ensure that there is not further curve risk of having for example a long position in the short end of the curve offset by a short position in the longer tenors. This is then utilized within the scenario analysis. The sensitivities are calculated using two different approaches a pre structural basis that focuses upon predominantly contractual date positions and also a post structural basis that considers core balances for non contractual maturities as well as assigning risk to capital and non product general ledger accounts as well as considering market specific pricing situations that exist in the region. The post structural methodology although calculated and reported at the Group for a number of years was significantly enhanced during 2009 and has been used as the input into the stress tests and the VaR models from August 2009.

35. Financial Risk Management (Continued)

(e) Market risk (continued)

Value at Risk:

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

Stress testing & scenario analysis:

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

The Group has two distinct approaches as follows:

- For the hard currency testing it sends its position sensitivity to CIBC and utilizes the suite of measures that the parent company has developed. The stress testing measures the effect on our hard currency portfolio values over a wide range of extreme moves in market prices. The stress testing methodology assumes no actions are taken or are able to be taken during the event to mitigate the risk, reflecting the decreased liquidity that frequently accompanies market shocks. The scenario analysis approach again for the Group's hard currency exposures simulate an impact on earnings of extreme market events up to a period of one quarter. Scenarios are developed using actual historical data during periods of market disruption, or are based upon hypothetical occurrence of economic or political events or natural disasters and are designed by the parent company's economists, business leaders and risk managers.

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

(Expressed in Jamaican dollars unless otherwise indicated)

35. Financial Risk Management (Continued)

(e) Market risk (continued)

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

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

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

Foreign exchange exposure and risk

Position Long (Short) $,000	VaR $,000	Stress Loss $,000	Average Position $,000	Average VaR $,000	Position Long (short) $,000	VaR $,000	Stress Loss $,000
(23,762)	457	1,901	(13,882)	335	6,886	88	2,746

During 2009 the Parent introduced a measure to quantify non trading foreign exchange risk, also referred to as post structural foreign exchange risk. This considers the effect of currency changes on investment in foreign operations, retained earnings and profit derived throughout the year in currencies other than the Parent's presentation currency of USD.

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

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

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

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

(e) **Market risk (continued)**

Foreign Exchange Risk (Continued)

Concentrations of assets, liabilities and credit commitments:

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

35. Financial Risk Management (Continued)

(e) Market risk (continued)

Foreign Exchange Risk (Continued)

Concentrations of assets, liabilities and credit commitments:

	The Group							
	2009							
	EC	BDS	CAY	BAH	US	JA	Other	Total
As at 31 October 2008	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets								
Cash resources	97	3,162	426	–	1,286,822	6,875,088	118,254	8,283,849
Due from banks	(438)	(1,618)	2,058	68	2,662,874	(1,543,152)	856,847	1,976,639
Other assets	–	–	–	–	971,407	1,416,839	(707,149)	1,681,097
Investment securities	–	–	–	–	–	1,121,696	(20,168)	1,101,528
Deferred tax assets	–	–	–	–	–	9,644	–	9,644
Retirement benefit assets	–	–	–	–	–	824,680	–	824,680
Loans and advances to customers	–	–	–	–	–	262,066	–	262,066
Government securities under reverse repurchase agreements	–	–	–	–	19,495,442	15,065,822	375,366	34,936,630
Property, plant and equipment	–	–	–	–	306	549,629	–	549,935
Derivative financial instruments	–	–	–	–	–	–	–	–
Total assets	(341)	1,544	2,484	68	24,416,851	24,582,312	623,150	49,626,068
Liabilities								
Deposits	–	–	–	–	23,838,702	16,079,310	1,450,955	41,368,967
Derivative financial instruments	–	–	–	–	–	210,858	–	210,858
Debt securities in issue	–	–	–	–	–	499,950	–	499,950
Other liabilities	–	–	–	–	451,757	707,274	(511,688)	647,343
Taxation payable	–	–	–	–	–	211,871	–	211,871
Deferred tax liabilities	–	–	–	–	–	182,756	–	182,756
Retirement benefit obligations	–	–	–	–	–	57,180	–	57,180
Total liabilities	–	–	–	–	24,501,317	17,738,341	939,267	43,178,925
Net on balance sheet position	(341)	1,544	2,484	68	(84,466)	6,843,971	(316,117)	6,447,143
Credit commitments	–	–	–	–	2,262,493	4,869,117	491	7,132,101

35. Financial Risk Management (Continued)

(e) Market risk (continued)

Foreign Exchange Risk (Continued)
Analysis was conducted to determine the sensitivity to reasonable possible movements of selected currencies against the Jamaican dollar to which the Group had significant exposure at 31 October 2009 in respect of its assets and liabilities holding all other variables constant. The results revealed that as of 31 October 2009, if the Jamaican dollar had depreciated by 1% against foreign currencies, profit before tax for the year would have been $17,365,000 higher (2008 $3,898,000 lower) and shareholders equity would have been $17,365,000 higher (2008 - $3,898,000 lower).

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

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

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

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

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

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

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

35. Financial Risk Management (Continued)

(f) Liquidity risk (continued)

	The Group					
	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No Specific Maturity $'000	Total $'000
As at 31 October 2009						
Cash and balances with Central Bank	7,814,217	–	–	–	–	7,814,217
Due from other banks	3,765,410	1,407,287	–	–	–	5,172,697
Derivative Financial Instruments	14,521	–	–	–	–	14,521
Other assets	1,187,465	–	–	–	–	1,187,465
Investment securities	100,046	271,298	1,911,700	11,264	–	2,294,308
Government securities under reverse repurchase agreements	43,618	86,628	121,778	–	–	252,024
Loans and advances to customers	3,950,300	1,938,595	10,452,155	18,044,354	–	34,385,404
Property, plant and equipment	–	–	654,000	–	–	654,000
Deferred tax assets	–	–	7,090	-	–	7,090
Retirement benefit asset	–	–	–	874,124	–	874,124
Total assets	16,875,577	3,703,808	13,146,723	18,929,742	–	52,655,850
Customer deposits	31,955,939	11,314,095	473,361	156,777	–	43,900,172
Derivative financial instruments	400,343	–	–	–	–	400,343
Other liabilities	757,628	–	–	–	–	757,628
Taxation payable	85,938	–	–	–	–	85,938
Deferred tax liabilities	–	–	–	216,276	–	216,276
Debt securities in issue	–	–	–	–	–	–
Retirement benefit obligation	–	–	–	39,330	–	39,330
Total liabilities	33,199,848	11,314,095	473,361	412,383	–	45,399,687
Net on balance sheet position	(16,324,271)	(7,610,287)	12,673,362	18,517,359	–	7,256,163
Off balance sheet position	1,038,465	5,486,476	6,588	–	–	6,531,529

35. Financial Risk Management (Continued)

(f) Liquidity risk (continued)

	The Group					
	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 October 2008						
Cash and balances with Central Bank	8,283,849	–	–	–	–	8,283,849
Due from other banks	1,976,639	–	–	–	–	1976,639
Other assets	1,681,097	–	–	–	–	1,681,097
Investment securities	107,836	70,728	500,000	422,964	–	1,101,528
Government securities under reverse repurchase agreements	121,105	140,961	–	–	–	262,066
Loans and advances to customers	4,226,639	4,632,587	6,918,303	19,159,101	–	34,936,630
Property, plant and equipment	–	–	549,935	–	–	549,935
Deferred tax assets	–	–	9,644	–	–	9,644
Retirement benefit asset	–	–	–	824,680	–	824,680
Total assets	16,397,165	4,844,276	7,977,882	20,406,745	–	49,626,068
Customer deposits	28,743,253	11,075,506	1,299,132	251,076	–	41,368,967
Derivative financial instruments	210,858	–	–	–	–	210,858
Other liabilities	647,343	–	–	–	–	647,343
Taxation payable	211,871	–	–	–	–	211,871
Deferred tax liabilities	–	–	–	182,756	–	182,756
Debt securities in issue	–	–	499,950	–	–	499,950
Retirement benefit obligation	–	–	–	57,180	–	57,180
Total liabilities	29,813,325	11,075,506	1,799,082	491,012	–	43,178,925
Net on balance sheet position	(13,416,160)	(6,231,230)	6,178,800	19,915,733	–	6,447,143
Off balance sheet position	5,820,739	1,133,055	41,660	136,647	–	7,132,101

35. Financial Risk Management (Continued)

(f) Liquidity risk (continued)

	The Bank					
	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No Specific Maturity $'000	Total $'000
As at 31 October 2009						
Cash and balances with Central Bank	7,627,172	–	–	–	–	7,627,172
Due from other banks	5,499,257	2,338,327	–	–	–	7,837,584
Derivative financial instruments	14,521	–	–	–	–	14,521
Other assets	431,620	–	–	–	–	431,620
Investment securities	100,046	271,298	1,911,700	494,164	–	2,777,208
Government securities under reverse repurchase agreements	27,392	–	–	–	–	27,392
Loans and advances to customers	3,689,395	1,926,437	10,328,654	10,736,477	–	26,680,963
Property, plant and equipment	–	–	650,441	–	–	650,441
Retirement benefit asset	–	–	–	854,390	–	854,390
Total assets	17,389,403	4,536,062	12,890,795	12,085,031	–	46,901,291
Customer deposits	28,668,255	9,692,764	448,399	156,777	–	38,966,195
Derivative financial instruments	400,343	–	–	–	–	400,343
Other liabilities	618,807	–	–	–	–	618,807
Taxation payable	68,023	–	–	–	–	68,023
Deferred tax liabilities	–	–	–	216,276	–	216,276
Debt securities in issue	–	–	–	-	–	–
Retirement benefit obligation	–	–	–	37,270	–	37,270
Total liabilities	29,755,428	9,692,764	448,399	410,323	–	40,306,914
Net on balance sheet position	(12,366,025)	(5,156,702)	12,442,396	11,674,708	–	6,594,377
Off balance sheet position	–	5,486,476	6,588	–	–	5,493,064

35. Financial Risk Management (Continued)

(f) Liquidity risk (continued)

	The Bank					
	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 October 2008						
Cash and balances with Central Bank	8,168,013	-	-	-	-	8,168,013
Due from other banks	5,987,417	-	-	-	-	5,987,417
Other assets	1,389,154	-	-	-	-	1,389,154
Investment securities	107,836	70,728	500,000	786,964	-	1,465,528
Government securities under reverse repurchase agreements	43,285	12,326	-	-	-	55,611
Loans and advances to customers	4,035,707	4,537,566	6,807,579	12,544,841	-	27,925,693
Property, plant and equipment	-	-	547,867	-	-	547,867
Retirement benefit asset	-	-	-	806,060	-	806,060
Total assets	19,731,412	4,620,620	7,855,446	14,137,865	-	46,345,343
Customer deposits	29,259,213	9,071,481	163,284	248,600	-	38,742,578
Derivative financial instruments	210,858	-	-	-	-	210,858
Other liabilities	547,651	-	-	-	-	547,651
Taxation payable	204,479	-	-	-	-	204,479
Deferred tax liabilities	-	-	-	182,756	-	182,756
Debt securities in issue	-	-	499,950	-	-	499,950
Retirement benefit obligation	-	-	-	54,720	-	54,720
Total liabilities	30,222,201	9,071,481	663,234	486,076	-	40,442,992
Net on balance sheet position	(10,490,789)	(4,450,861)	7,192,212	13,651,789	-	5,902,351
Off balance sheet position	4,103,149	1,133,055	41,660	136,647	-	5,414,511

35. Financial Risk Management (Continued)

(g) Interest rate risk

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

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

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

	2009	2008
100 bp increase in interest rates	**$'000**	**$'000**
Impact on net interest income	(610)	(400)
Impact on shareholders' equity	(1,480)	(1,120)
100 bp decrease in interest rates		
Impact on net interest income	610	400
Impact on shareholders' equity	1,480	1,120

The Parent approved a post structural interest rate assumption approach as at September 30, 2009 and as a result, the measurement, limit monitoring and control were transferred to this approach. This is shown in the following table in USD equivalent.

	Post Structural DV01	Contractual DV01	VaR	60 day Stressed Loss
	$'000	**$'000**	**$'000**	**$'000**
2009	(15)	2	209	3,036
2008	(11)	4	47	2,118

35. Financial Risk Management (Continued)

(g) Interest rate risk (continued)

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

(h) Cash flow and fair value interest rate risk

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

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

35. Financial Risk Management (Continued)

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

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

	The Group						
	Immediately Rate Sensitive(1)	**Within 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non Rate Sensitive**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
As at 31 October 2009							
Cash and balances with Central Bank	–	4,627,291	640,000	–	–	2,546,926	7,814,217
Due from other banks	176,000	3,276,396	1,407,287			313,014	5,172,697
Derivative financial instruments	–	14,521	–	–	–	–	14,521
Other assets	–	–	–	–	–	1,187,465	1,187,465
Investment securities	–	–	298,240	1,911,700		84,368	2,294,308
Government securities under reverse repurchase agreements	–	123,009	129,015	–	–	–	252,024
Loans and advances to customers	88,700	9,753,842	3,170,330	10,398,298	10,751,595	222,639	34,385,404
Property, plant and equipment	–	–	–	–	–	654,000	654,000
Deferred tax assets	–	–	–	–	–	7,090	7,090
Retirement benefit asset	–	–	–	–	–	874,124	874,124
Total assets	264,700	17,795,059	5,644,872	12,309,998	10,751,595	5,889,626	52,655,850
Customer deposits	11,714,913	12,345,967	12,557,942	194,292	156,777	6,930,281	43,900,172
Derivative financial instruments	–	400,343	–	–	–	–	400,343
Other liabilities	–	–	–	–	–	757,628	757,628
Taxation payable	–	–	–	–	–	85,938	85,938
Deferred tax liabilities	–	–	–	–	–	216,276	216,276
Retirement benefit obligation	–	–	–	–	–	39,330	39,330
Total liabilities	11,714,913	12,746,310	12,557,942	194,292	156,777	8,029,453	45,399,687
Total interest rate sensitivity gap	(11,450,213)	5,048,749	(6,913,070)	12,115,706	10,594,818	(2,139,827)	7,256,163
Cumulative gap	(11,450,213)	(6,401,464)	(13,314,534)	(1,198,828)	9,395,990	7,256,163	–
As at 31 October 2008							
Total interest rate sensitivity gap	(4,878,554)	(10,661,171)	(1,801,806)	5,966,155	13,316,834	4,505,685	6,447,143
Cumulative gap	(4,878,554)	(15,539,725)	(17,341,531)	(11,375,376)	1,941,458	6,447,143	–

35. Financial Risk Management (Continued)

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

	The Group						
	Immediately Rate Sensitive[1]	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 October 2008							
Cash and balances with Central Bank	834,153	1,937,776	3,525,000	–	–	1,986,920	8,283,849
Due from other banks	54,410	608,965	806,738	–	–	506,526	1,976,639
Other assets	–	–	–	–	–	1,681,097	1,681,097
Investment securities	–	857,836	50,728	20,000	161,700	11,264	1,101,528
Government securities under reverse repurchase agreements	–	122,260	139,806	–	–	–	262,066
Loans and advances to customers	2,249,827	9,191,986	3,937,652	6,120,078	13,402,318	34,769	34,936,630
Property, plant and equipment	–	–	–	–	–	549,935	549,935
Deferred tax assets	–	–	–	–	–	9,644	9,644
Retirement benefit asset	–	–	–	–	–	824,680	824,680
Total assets	3,138,390	12,718,823	8,459,924	6,140,078	13,564,018	5,604,835	49,626,068
Customer deposits	8,016,944	23,169,136	9,761,780	173,923	247,184	–	41,368,967
Derivative financial instruments	–	210,858	–	–	–	–	210,858
Other liabilities	–	–	–	–	–	647,343	647,343
Taxation payable	–	–	–	–	–	211,871	211,871
Deferred tax liabilities	–	–	–	–	–	182,756	182,756
Debt securities in issue	–	–	499,950	–	–	–	499,950
Retirement benefit obligation	–	–	–	–	–	57,180	57,180
Total liabilities	8,016,944	23,379,994	10,261,730	173,923	247,184	1,099,150	43,178,925
Total interest rate sensitivity gap	(4,878,554)	(10,661,171)	(1,801,806)	5,966,155	13,316,834	4,505,685	6,447,143
Cumulative gap	(4,878,554)	(15,539,725)	(17,341,531)	(11,375,376)	1,941,458	6,447,143	–
As at 31 October 2007							
Total interest rate sensitivity gap	(1,237,020)	(14,782,155)	(4,422,387)	6,460,340	15,336,385	4,262,496	5,617,659
Cumulative gap	(1,237,020)	(16,019,175)	(20,441,562)	(13,981,222)	1,355,163	5,617,659	–

35. Financial Risk Management (Continued)

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

	The Bank						
	Immediately Rate Sensitive[1]	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive[2&3]	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 October 2009							
Cash and balances with Central Bank	–	4,476,253	640,000	–	–	2,510,919	7,627,172
Due from other banks	176,000	5,010,243	2,338,327	–	–	313,014	7,837,584
Derivative financial instruments	–	14,521	–	–	–	–	14,521
Other assets	–	–	–	–	–	431,620	431,620
Investment securities	–	–	298,240	1,911,700	–	567,268	2,777,208
Government securities under reverse repurchase agreements	–	20,151	7,241	–	–	–	27,392
Loans and advances to customers	88,700	2,049,402	3,170,330	10,398,298	10,751,595	222,638	26,680,963
Property and equipment	–	–	–	–	–	650,441	650,441
Retirement benefit asset	–	–	–	–	–	854,390	854,390
Total assets	264,700	11,570,570	6,454,138	12,309,998	10,751,595	5,550,290	46,901,291
Customer deposits	10,943,990	9,609,205	11,141,544	184,399	156,777	6,930,280	38,966,195
Other liabilities	–	–	–	–	–	618,807	618,807
Taxation payable	–	–	–	–	–	68,023	68,023
Derivative financial instruments	–	400,343	–	–	–	–	400,343
Deferred tax liabilities	–	–	–	–	–	216,276	216,276
Retirement benefit obligation						37,270	37,270
Total liabilities	10,943,990	10,009,548	11,141,544	184,399	156,777	7,870,656	40,306,914
Total interest rate sensitivity gap	(10,679,290)	1,561,022	(4,687,406)	12,125,599	10,594,818	(2,320,366)	6,594,377
Cumulative gap	(10,676,290)	(9,118,268)	(13,805,674)	(1,680,075)	8,914,743	6,594,377	–
As at 31 October 2008							
Total interest rate sensitivity gap	(4,280,615)	(12,835,992)	(794,594)	5,968,630	13,316,833	4,528,089	5,902,351
Cumulative gap	(4,280,615)	(17,116,607)	(17,911,201)	(11,942,571)	1,374,262	5,902,351	6,594,377

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

35. Financial Risk Management (Continued)

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

	The Bank						
	Immediately Rate Sensitive[1]	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive[2&3]	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 October 2008							
Cash and balances with Central Bank	812,413	1,937,776	3,525,000	–	–	1,892,824	8,168,013
Due from other banks	–	4,674,153	806,738	–	–	506,526	5,987,417
Derivative financial instruments	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	1,389,154	1,389,154
Investment securities	–	857,836	50,728	20,000	161,700	375,264	1,465,528
Government securities under reverse repurchase agreements	–	44,441	11,170	–	–	–	55,611
Loans and advances to customers	2,249,827	2,215,818	3,937,652	6,120,078	13,402,318	–	27,925,693
Property and equipment	–	–	–	–	–	547,867	547,867
Retirement benefit asset	–	–	–	–	–	806,060	806,060
Total assets	3,062,240	9,730,024	8,331,288	6,140,078	13,564,018	5,517,695	46,345,343
Customer deposits	7,342,855	22,355,158	8,625,932	171,448	247,185	–	38,742,578
Debt securities in issue	–	–	499,950	–	–	–	499,950
Other liabilities	–	–	–	–	–	547,651	547,651
Taxation payable	–	–	–	–	–	204,479	204,479
Derivative financial instruments	–	210,858	–	–	–	–	210,858
Deferred tax liabilities	–	–	–	–	–	182,756	182,756
Retirement benefit obligation	–	–	–	–	–	54,720	54,720
Total liabilities	7,342,855	22,566,016	9,125,882	171,448	247,185	989,606	40,442,992
Total interest rate sensitivity gap	(4,280,615)	(12,835,992)	(794,594)	5,968,630	13,316,833	4,528,089	5,902,351
Cumulative gap	(4,280,615)	(17,116,607)	(17,911,201)	(11,942,571)	1,374,262	5,902,351	–
As at 31 October 2007							
Total interest rate sensitivity gap	(69,149)	(11,594,065)	(4,486,321)	6,386,254	10,405,275	4,513,613	5,155,607
Cumulative gap	(69,149)	(11,663,214)	(16,149,535)	(9,763,281)	641,994	5,155,607	–

[1] This represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example base rate loans.

[2] This includes financial instruments such as equity investments.

[3] This includes non-financial instruments.

(Expressed in Jamaican dollars unless otherwise indicated)

35. Financial Risk Management (Continued)

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

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

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

	The Group 2008					
	Immediately Rate Sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash and balances with Central Bank	8.29	8.22	19.21	–	–	11.08
Due from other banks	–	5.12	3.03	–	–	5.57
Investment securities[1]	–	17.35	15.54	14.88	14.63	16.80
Government securities under reverse repurchase agreements	–	14.52	14.70	–	–	14.64
Loans to customers [2]	33.29	10.37	8.13	14.69	10.33	12.62
Customer deposits[3]	0.94	4.57	5.58	9.71	9.60	4.94

[1] Yields are based on book values and contractual interest rates adjusted for amortisation of premiums and discounts.
[2] Yields are based on book values, net of allowance for credit losses and contractual interest rates.
[3] Yields are based on contractual interest rates.

(Expressed in Jamaican dollars unless otherwise indicated)

35. Financial Risk Management (Continued)

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

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

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

	The Bank					
	2009					
	Immediately Rate Sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Total %
Cash and balances with Central Bank	9.00	8.22	19.21	–	–	11.23
Due from other banks	–	6.60	3.03	–	–	5.53
Investment securities(1)	–	17.35	15.54	14.88	14.63	16.80
Government securities under reverse repurchase agreements	–	14.57	14.75	–	–	14.60
Loans to customers (2)	33.29	8.21	8.13	14.69	10.33	12.87
Customer deposits(3)	1.03	3.62	4.80	9.72	9.60	3.47

(i) Fair value of financial instruments

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

35. Financial Risk Management (Continued)

(i) Fair value of financial instruments (continued)

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

	The Group			
	Carrying value	Fair value	Carrying value	Fair value
	2009	2009	2008	2008
	$'000	$'000	$'000	$'000
Loans and advances to customers	34,385,404	34,103,053	34,936,630	34,124,104
Customer deposits	43,900,172	43,942,957	41,368,967	42,329,459
Government securities under reverse repurchase agreements	252,024	252,024	262,066	261,670

	The Bank			
	Carrying value	Fair value	Carrying value	Fair value
	2009	2009	2008	2008
	$'000	$'000	$'000	$'000
Loans and advances to customers	26,680,963	26,357,613	27,925,693	27,234,857
Customer deposits	38,966,195	38,981,634	38,742,578	35,714,625
Government securities under reverserepurchase agreements	27,392	27,392	55,611	55,575

The following methods and assumptions have been used:

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

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

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

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

36. Critical Accounting Judgements and Estimates in Applying Accounting Policies

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

(a) Impairment losses on loans and advances

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

(b) Retirement benefit obligations

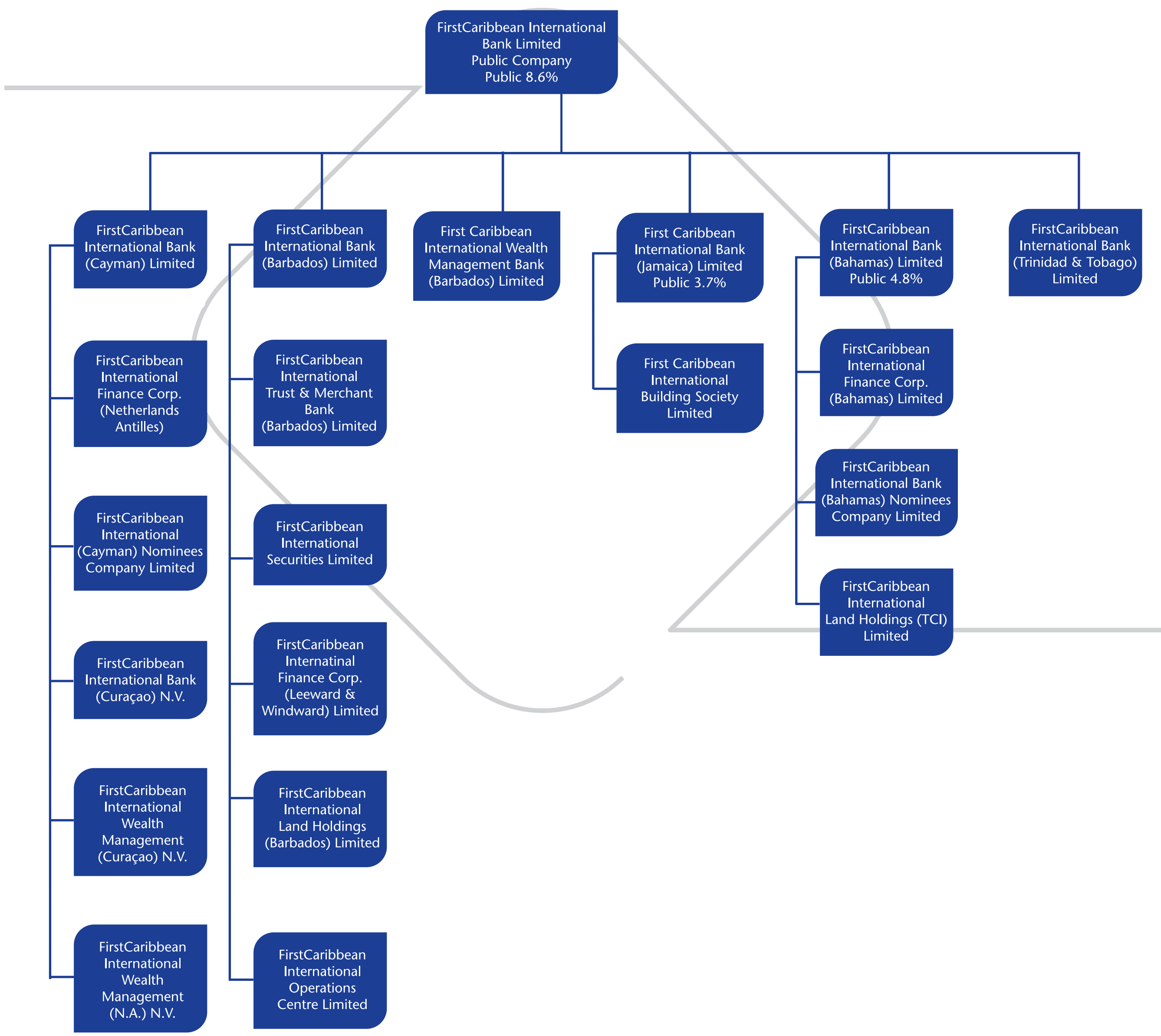
Accounting for some retirement benefit obligations requires the use of actuarial techniques to make a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods. These actuarial assumptions are based on managements' best estimates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

(c) Property, plant and equipment

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

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

Ownership Structure



Main Branches and Centres

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of FirstCaribbean International Bank (Jamaica) Limited will be held in the Port Antonio Suite at the Jamaica Pegasus Hotel on Thursday, March 11, 2010 at 9:00 a.m. for the following purposes:-

1. To receive the audited accounts and the Report of the Auditors and the Directors for the year ended October 31, 2009 and to consider, if thought fit, the following resolution:

Resolution 1 – 2009 Directors and Auditors Report and Accounts

THAT the report of the Directors and the Auditors and the audited accounts for the year ended October 31, 2009 be received.

2. To ratify an interim dividend

Resolution 2 – Interim Dividend

THAT an interim dividend for the period ending July 31, 2009 of 40 cents per stock unit paid on October 29, 2009 to stockholders on record as at the close of business on October 2, 2009 be ratified.

3. To re-elect Directors who will retire by rotation and be eligible for re-election and to re-elect Directors who have been appointed since the last Annual General Meeting. The Directors, namely Messrs. Anthony Bell and Peter McConnell being eligible, have offered themselves for re-election. The Directors Mr. Lincoln Eatmon and Mrs. Jean Lowrie Chin were appointed on December 17, 2009 and are eligible for re-election. To consider and, if thought fit, the passing of the following resolutions:

Resolution 3 – Re-election of Directors

(a) **THAT** Anthony Bell, a Director retiring by rotation, be re-elected a Director of the Company
(b) **THAT** Peter McConnell, a Director retiring by rotation, be re-elected a Director of the Company
(c) **THAT** Lincoln Eatmon, appointed on December 17, 2009 be re-elected as a Director
(d) **THAT** Jean Lowrie Chin, appointed on December 17, 2009 be re-elected as a Director

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

Resolution 4 – Re-appointment of Auditors

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

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

Resolution 4 – Directors' Remuneration

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

6. Any Other Business

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

BY ORDER OF THE BOARD

Allison C. Rattray (Mrs.)
Secretary
Dated February 15, 2010

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

At the back of this report is a Proxy Form for your convenience which must be lodged at the Company's' registered office at least 48 hours before the time appointed for the holding of the meeting. The Proxy Form should bear the stamp duty of $100 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the Proxy.

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, 2009 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 $1,307,287 million from which there was $420,629 million for taxation, leaving a balance of $886,658 million. A dividend of forty cents per stock unit was paid on October 29, 2009 to stockholders to be at close of business on October 2, 2009.

Mr. Gerard Borely resigned as a Director, effective October 31, 2009. In accordance with the Articles of Association of the Company, the Directors who will retire by rotation at the Annual General Meeting are Messrs. Anthony Bell and Peter McConnell.

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

TEN LARGEST SHAREHOLDERS
As at October 31, 2009

RANKING	NAMES	HOLDINGS	% HOLDING
1	FirstCaribbean International Bank	255,897,212	96.29
2	Ideal Group Corporation Limited	1,136,746	0.43
3	FCIB(Barbados) Limited A/C C1191	714,082	0.27
4	Ideal Portfolio Services	528,273	0.20
5	Albert Gordon	385,179	0.14
6	Fortress Mutual Fund Limited/FCIB # C1191	332,779	0.13
7	Ferdinand Limited	283,939	0.11
8	Neil Bradley McLaren	166,662	0.06
9	NCB Insurance Company Ltd A/C WT 092	154,998	0.06
10	George Henry Murray	133,326	0.05

Shareholdings of Directors and Connected parties
As at October 31, 2009

Anthony Bell	NIL
Christopher D.R. Bovell	NIL
Gerard Borely	NIL
Milton Brady	NIL
Michael Mansoor	NIL
Peter D. McConnell	NIL
Clovis Metcalfe	NIL

By Order of the Board

Allison C. Rattray (Mrs.)
Secretary

Proxy Form

To: FIRSTCARIBBEAN INTERNATIONAL BANK (JAMAICA) LIMITED

I/We ....

Of ....

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

of ....

Or failing him/her .... of ....

As my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 11th day of March, 2010, and at any adjournment thereof.

Dated this .... day of .... 2010.

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

Signature(s) ....

Name(s) of signatory(ies) in block capitals ....

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

	FOR	AGAINST
Resolution 1 – Directors and Auditors Report and Accounts		
Resolution 2 – Ratification of Interim Dividend Resolution 3 – Re-election of Directors a. Anthony Bell b. Peter McConnell c. Lincoln Eatmon d. Jean Lowrie Chin		
Resolution 4 – Re-appointment of Auditors		
Resolution 5 – Directors' Remuneration		

Notes:

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

FIRSTCARIBBEAN
INTERNATIONAL BANK

GET THERE. TOGETHER.

www.firstcaribbeanbank.com

Anguilla
Antigua and Barbuda
The Bahamas
Barbados
Belize
British Virgin Islands
The Cayman Islands
Curaçao
Dominica
Grenada and Carriacou
Jamaica
St. Kitts and Nevis
St. Lucia
St. Maarten
St. Vincent and the Grenadines
Trinidad and Tobago
Turks and Caicos Islands