KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
FIRST GLOBAL BANK LIMITED

Report on the Financial Statements

We have audited the financial statements of First Global Bank Limited ("company"), set out on pages 3 to 46, which comprise the balance sheet as at December 31, 2007, the statements of revenue and expenses, changes in equity and cash flows for the year then ended, 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 the financial statements in accordance with International Financial Reporting Standards, the Jamaican Companies Act and the Banking Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and consistently applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls 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 controls. 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.

KPMG

To the Members of
FIRST GLOBAL BANK LIMITED

Report on the Financial Statements (Cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at December 31, 2007, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards, the Jamaican Companies Act and the Banking Act.

Additional reporting 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, proper returns have been received for branches not visited by us and the financial statements, which are in agreement with the accounting records and returns, give the information required by the Jamaican Companies Act in the manner so required.

KPMG

March 25, 2008

FIRST GLOBAL BANK LIMITED

Balance Sheet
December 31, 2007

	Notes	2007 $'000	2006 $'000
ASSETS			
Cash and cash equivalents	5	3,617,670	3,336,213
Investments	6	15,647,509	13,217,747
Loans and leases	7,27(a)(i)	5,033,535	4,046,004
Securities purchased under resale agreements		-	400,000
Cheques and other instruments in-transit, net		206,794	136,270
Other assets	8	752,665	587,534
Taxation recoverable		1,813	1,813
Customer' liability under guarantees, as per contra		326,877	670,249
Deferred tax asset	15	3,259	-
Employee benefit asset	9	49,545	54,132
Property, plant and equipment	10	116,022	56,440
Total Assets		25,755,689	22,506,402
LIABILITIES			
Deposits	11	14,544,111	10,406,360
Due to specialised banks	12	175,293	220,401
Securities sold under repurchase agreements		6,004,036	7,698,023
Short-term loans	13	917,742	-
Obligations under finance leases	14	855	2,109
Deferred tax liabilities	15	-	83,011
Income tax payable		62,661	-
Other liabilities	16	675,837	622,810
Employee benefit obligation	9	58,799	44,175
Guarantees, per contra		326,877	670,249
Total Liabilities		22,766,211	19,747,138
EQUITY			
Share capital	17	627,685	627,685
Reserve fund	18	627,685	627,685
Fair value reserve	19	24,046	192,110
Loan loss reserve	20	49,320	40,586
Retained earnings reserve	21	1,594,630	1,271,198
Retained profits		66,112	-
Total equity		2,989,478	2,759,264
Total liabilities and equity		25,755,689	22,506,402

The financial statements on pages 3 to 46 were approved for issue by the Board of Directors on March 25, 2008 and signed on its behalf by:

______________ Director
D. Orane

______________ Director
A. Lindo

______________ Director
W. Wray

______________ Secretary
R. Spence Dunn

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

FIRST GLOBAL BANK LIMITED

Statement of Revenue and Expenses
Year ended December 31, 2007

	Notes	2007 $'000	2006 $'000
Interest income:			
Loans		694,135	541,324
Deposits		88,192	76,548
Available-for-sale securities		1,480,551	1,446,247
		2,262,878	2,064,119
Interest expense:			
Deposits		(817,365)	(663,543)
Other		(571,025)	(602,360)
		(1,388,390)	(1,265,903)
Net interest income		874,488	798,216
Provision for loan losses, net	7	(68,365)	(24,527)
		806,123	773,689
Other income:			
Fees and commissions		159,781	81,719
Foreign exchange gains		72,951	32,272
Gain on sale of securities		353,194	208,572
Other		23,784	22,625
		609,710	345,188
Net revenue		1,415,833	1,118,877
Operating expenses:			
Employees compensation and benefits	22	(382,622)	(304,072)
Depreciation	10	(31,176)	(29,183)
Other		(316,054)	(227,824)
General administration		(50,953)	(46,355)
		(780,805)	(607,434)
Profit before taxation	23	635,028	511,443
Taxation	24	(161,750)	(104,534)
Profit for the year		473,278	406,909
Earnings per share	25	75.41¢	64.83¢

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

FIRST GLOBAL BANK LIMITED

Statement of Changes in Equity
Year ended December 31, 2007

	Share capital $'000 (note 17)	Reserve fund $'000 (note 18)	Fair value reserve $'000 (note 19)	Loan loss reserve $'000 (note 20)	Retained earnings reserve $'000 (note 21)	Retained profits $'000	Total $'000
Balances at December 31, 2005	627,685	591,390	151,379	28,886	912,284	-	2,311,624
Realised gains on available-for-sale portfolio	-	-	(18,759)	-	-	-	(18,759)*
Changes in fair value of available-for-sale investments	-	-	59,490	-	-	-	59,490*
Profit for the year	-	-	-	-	-	406,909	406,909*
Transfer to reserves	-	36,295	-	-	358,914	(395,209)	-
Transfer to loan loss reserve	-	-	-	11,700	-	(11,700)	-
Balances at December 31, 2006	627,685	627,685	192,110	40,586	1,271,198	-	2,759,264
Realised gains on available-for-sale portfolio	-	-	(66,434)	-	-	-	(66,434)*
Changes in fair value of available-for-sale investments	-	-	(101,630)	-	-	-	(101,630)*
Profit for the year	-	-	-	-	-	473,278	473,278*
Transfer to reserves	-	-	-	-	323,432	(323,432)	-
Transfer to loan loss reserve	-	-	-	8,734	-	(8,734)	-
Dividends paid (note 26)	-	-	-	-	-	(75,000)	(75,000)
Balances at December 31, 2007	627,685	627,685	24,046	49,320	1,594,630	66,112	2,989,478

* Total recognised gains - $305,214,000 (2006: $447,640,000)

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

FIRST GLOBAL BANK LIMITED

Statement of Cash Flows
Year ended December 31, 2007

	2007 $'000	2006 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	473,278	406,909
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation	31,176	29,183
Unrealised exchange gains	23,525	22,992
Gain on disposal of property, plant and equipment	(4,867)	(173)
Provision for probable loan losses	68,365	24,527
Income tax charge	162,661	118,428
Deferred tax , net	(911)	(13,894)
Employee benefits, net	19,211	5,177
Interest income	(2,262,878)	(2,064,119)
Interest expense	1,388,390	1,265,903
	(102,050)	(205,067)
Interest received	2,204,195	2,079,806
Interest paid	(1,347,717)	(1,227,267)
Income tax paid	(100,000)	(219,555)
Net cash provided by operating activities	654,428	427,917
CASH FLOWS FROM INVESTING ACTIVITES		
Investments	(2,446,154)	(1,247,890)
Loans	(1,006,016)	(1,055,405)
Securities purchased under resale agreements	400,000	65,581
Other assets	(106,448)	20,296
Additions to property, plant and equipment	(107,489)	(35,907)
Proceeds from disposal of property, plant and equipment	21,598	450
Net cash used by investing activities	(3,244,509)	(2,252,875)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits	3,907,782	652,486
Due to specialised banks	(45,108)	151,541
Securities sold under resale agreements	(1,821,013)	2,660,098
Short-term loans	917,742	-
Cheques and other items in transit, net	(70,524)	46,681
Obligations under finance leases	(1,254)	(2,759)
Employee benefits paid	-	(1,128)
Other liabilities	12,354	231,276
Dividends paid	(75,000)	-
Net cash provided by financing activities	2,824,979	3,738,195
Net increase in cash and cash equivalents	234,898	1,913,237
Effect of foreign currency rate changes	46,559	67,667
Cash and cash equivalents at beginning of year	3,336,213	1,355,309
Cash and cash equivalents at end of year	3,617,670	3,336,213

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

1. The company

First Global Bank Limited ("company" or "bank") became a wholly-owned subsidiary of First Global Holdings Limited during the year. The ultimate parent company is GraceKennedy Limited (GK). The companies are all incorporated and domiciled in Jamaica. The company's principal place of business is located at 28 – 48 Barbados Avenue, Kingston 5, Jamaica.

The principal activities of the company are the provision of commercial banking and related financial services.

2. Bank license

The company is licensed under the Banking Act.

3. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, issued by the International Accounting Standards Board (IASB), and comply with the provisions of the Jamaican Companies Act and the Banking Act.

Certain new IFRS and interpretations of, and amendments to, existing standards, which were in issue, came into effect for the current financial year, as follows:

- *IFRS 7 Financial Instruments: Disclosures* and the *Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures* require disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks, as well as managing its capital. The additional disclosures with respect to the bank's financial instruments and capital management are included in the financial statements.

- *IFRIC 7 Applying the Restatement Approach under* IAS 29 *Financial Reporting* in *Hyperinflationary Economies* addresses the application of IAS 29 when an economy first becomes hyperinflationary and, in particular, the accounting for deferred tax. IFRIC 7 has no impact on the bank's financial statements.

- *IFRIC 8 Scope of IFRS 2 Shared-based Payment* addresses the accounting for share-based payment transactions in which some or all goods or services received cannot be specially identified. IFRIC 8 has no impact on the bank's financial statements.

3. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd):

- *IFRIC 9 Reassessment of Embedded Derivatives* requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9 has no impact on the bank's financial statements.

- *IFRIC 10 Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment, an equity instrument or a financial asset carried at cost. IFRIC 10 has no impact on the bank's financial statements.

New standards, and interpretations of and amendments to existing standards, that are not yet effective:

At the date of authorization of the financial statements, certain new standards, and amendments to and interpretations of existing standards, have been issued which are not yet effective and which the bank has not early-adopted. The bank has assessed the relevance of all such new standards, amendments and interpretations with respect to its operations and has concluded as follows:

- *IFRS 8 Operating Segments* requires segment disclosure based on the components of a group of companies that management monitors in making decisions about operating matters, as well as qualitative disclosures on segments. Segments will be reportable based on threshold tests related to revenues, results and assets. IFRS 8, which is effective from January 1, 2009, will not affect the bank's financial statements.

- *IFRIC 11,IFRS 2 – Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash-settled), in the financial statements of the entity whose employees are entitled to the share-based payment, where equity instruments of the parent or another group company are transferred in settlement of the obligation. IFRIC 11, which is effective from March 1, 2007, becomes mandatory for the bank's 2008 financial statements and is not expected to have any impact thereon.

- *IFRIC 12 Service Concession Arrangements* addresses the accounting requirements for public-to-private service concession arrangements in private sector entities. IFRIC 12, which is effective from January 1, 2008, becomes mandatory for the bank's 2008 financial statements and is not expected to have any impact thereon.

- *IFRIC 13 Accounting for Customer Loyalty Programmes,* creates consistency in accounting for customer loyalty plans. The interpretation is applicable to all entities that grant awards as part of a sales transaction (including awards that can be redeemed for goods or services not supplied by the entity). IFRIC 13, which is effective from July 1, 2008, becomes mandatory for the bank's 2009 financial statements and is not expected to have any impact thereon.

3. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd):

- *IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* provides guidance on assessing the limit set in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. IFRIC 14, which is effective from January 1, 2008, becomes mandatory for the bank's 2008 financial statements. The bank has not yet completed the assessment of the impact of adopting this IFRIC..

- *IAS 1 (Revised) Presentation of Financial Statements,* requires the presentation of all non-owners' changes in equity in one or two statements: either in a single statement of comprehensive income, or in an income statement of comprehensive income. IAS 1 (revised), which is effective from January 1, 2009, becomes mandatory for the bank's 2009 financial statements and is not expected to have any significant impact thereon.

- *IAS 23(Revised) - Borrowing Costs* removes the option of either capitalising borrowing costs relating to qualifying assets or expensing the borrowing costs, and requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. IAS 23, which is effective from January 1, 2009, becomes mandatory for the bank's 2009 financial statements and is not expected to have any significant impact thereon.

- *Amendments to IFRS 2 Share-based payment – Vesting Conditions and Cancellations* is effective for annual periods beginning on or after January 1, 2009. Under the amendment, non-vesting conditions are taken into account in measuring the grant date fair value of the share-based payment and there is no true-up for differences between expected and actual outcomes. This amendment is not expected to have any significant impact on the bank's financial statements.

- *Revised IFRS 3 Business Combinations* and *amended IAS 27 Consolidated and Separate Financial Statements* are effective for annual periods beginning on or after July 1, 2009. The definition of a business combination has been revised and focuses on control. All items of consideration transferred by the acquirer are measured and recognised at fair value as of the acquisition date, including contingent consideration. An acquirer can elect to measure non-controlling interest at fair value at the acquisition date or on a transaction by transaction basis. New disclosure requirements have been introduced. The revisions are not expected to have any significant impact on the bank's financial statements.

- Amendments to *IAS 32 Financial instruments: Presentation and IAS 1, Presentation of Financial Statements* is effective for annual periods beginning on or after January 1, 2009. The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification. The revisions are not expected to have any significant impact on the bank's financial statements.

3. Statement of compliance and basis of preparation (cont'd)

(b) Basis of measurement:

The financial statements are prepared on the historical cost basis, modified for the inclusion of available-for-sale investments at fair value. The methods used to measure fair values are discussed in note 4(g)(iii).

(c) Functional and presentation currency:

The financial statements are presented in Jamaica dollars, which is the functional currency of the bank.

(d) Use of estimates and judgements:

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of, and disclosures relating to assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Pension and other post-retirement benefits

The amounts recognised in the balance sheet and statement of revenue and expenses for pension and other post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows, required to settle the pension and other post-retirement obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

The expected return on plan assets is assumed considering the long-term historical returns, asset allocation and future estimates of long-term investment returns. The discount rate is determined based on the estimated yield on long-term government securities that have maturity dates approximating the terms of the company's obligation. In the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors.

3. Statement of compliance and basis of preparation (cont'd)

(d) Use of estimates and judgements (cont'd):

(ii) Provision for probable losses

In determining amounts recorded for impairment of loan losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from loans, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired loans, as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant loans and loans portfolio with similar characteristics, such as credit risks.

It is reasonably possible that outcomes within the next financial year that are different from these estimates and assumptions could require a material adjustment to the carrying amounts reflected in the financial statements.

4. Significant accounting policies

The significant accounting policies below conform in all material respects to IFRS.

(a) Property, plant and equipment:

(i) Owned assets:

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses [note 4(h)]. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the company and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

(ii) Leased assets:

Leases for which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leasing arrangements are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Lease payments are allocated between the liability and finance charge so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charge, are included in finance lease obligations. The interest portion of the finance charge is charged to the statement of revenue and expenses over the lease period.

4. Significant accounting policies (cont'd)

(a) Property, plant and equipment (cont'd):

(iii) Depreciation is calculated using the straight-line method at annual rates, ranging from 10% to 33%, estimated to write off depreciable amounts of the assets over their expected useful lives. Leased assets are depreciated over the shorter of the lease period or useful life of the assets.

The depreciation methods, useful lives and residual values are assessed at each reporting date.

(b) Revenue and expenses:

(i) Interest income:

Interest income is recorded on the accrual basis using the effective yield method, except that, where collection of interest income is considered doubtful, or payment is outstanding for 90 days or more, the cash basis is used. Accrued interest on loans, which are in arrears for 90 days and over, is excluded from income in accordance with the Banking Act.

IFRS requires that when collection of loans becomes doubtful, such loans are to be written down to their recoverable amounts after which interest income is to be recognised based on the rate of interest that was used to discount the future cash flows in arriving at the recoverable amounts. The difference between the basis of interest recognition under the Banking Act and IFRS has been assessed as immaterial.

(ii) Other income:

Fees and commissions are recognised on the accrual basis upon completion of transactions to which they relate.

(iii) Interest and other expenses:

These are recorded on the accrual basis.

(c) Provision for probable loan losses:

The provision for probable loan losses is maintained at a level which management considers adequate to provide for potential losses. The level of the provision is based on the requirements of the Banking Act, management's evaluation of the composition of the loan portfolio, past experience, the anticipated net realisable value of security held and the prevailing and anticipated economic conditions. Amounts are written off from the provision whenever management concludes that such amounts will not be recovered.

General provisions for doubtful credits are established against the loan portfolio where a prudent assessment by management of adverse economic trends suggests that losses may occur and such losses cannot be determined on an item-by-item basis. This provision is maintained at the minimum 1% established by the Bank of Jamaica.

IFRS only permits specific loan loss provisions and requires that the future cash flows of impaired loans be discounted and the increase in the present value be reported as interest income. The loan loss provision required under the Banking Act that is in excess of the requirements of IFRS is treated as an appropriation of retained earnings and included in a non-distributable loan loss reserve (note 20).

4. Significant accounting policies (cont'd)

(d) Foreign currencies:

The exchange rates of the Jamaica dollar against other currencies are established on a daily basis using rates at which the bank trades and which are not materially different from the Bank of Jamaica weighted average rates. Foreign currency balances outstanding at the balance sheet date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the statement of revenue and expenses.

(e) Related parties and transactions:

A party is related to the company, if:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the company that gives it significant influence over the company; or
- has joint control over the company;

(ii) the party is an associate of the company;

(iii) the party is a joint venture in which the company is a venturer;

(iv) the party is a member of the key management personnel of the company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv) above;

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4. Significant accounting policies (cont'd)

(f) Income tax:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of revenue and expenses, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

(i) Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous years.

(ii) Deferred tax:

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(g) Financial instruments:

(i) Classification of investments:

Management determines the classification of investments at the time of purchase and takes account of the purpose for which the investments are made. Investments are classified as loans and receivables and available-for-sale.

Loans and receivables are created by providing money to a debtor other than those created with the intention of short-term profit taking. Loans and receivables are recognised on the day they are transferred to the company.

Available-for-sale instruments are non-derivative investments that are not designated as another category of financial assets. Available-for-sale assets are recognised on the date of settlement.

4. Significant accounting policies (cont'd)

(g) Financial instruments (cont'd):

(ii) Measurement:

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition, all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably determined, is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities and originated loans and receivables are measured at amortised cost, less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Based on the above guidelines, the company's financial assets and liabilities are measured as follows:

[i] Cash and cash equivalents:

Cash and cash equivalents, including short-term deposits, with maturities within three months of the date of acqusition, are shown at amortised cost.

[ii] Government of Jamaica securities are classified as available-for-sale and measured at fair value. Changes in fair value are taken to fair value reserve.

[iii] Loans are classified as loans and receivables and are stated at amortised cost, less provision for losses as appropriate.

[iv] Securities purchased/sold under resale/repurchase agreements:

A repurchase agreement ("Repo")/reverse repurchase agreement ("Reverse repo") is a short-term transaction whereby securities are sold/bought with simultaneous agreements for repurchasing/reselling the securities on a specified date and at a specified price. Repos and reverse repos are accounted for as short-term collateralised borrowing and lending, respectively, and are carried at amortised cost.

The difference between the purchase/sale and resale/repurchase considerations is recognised on the accrual basis over the period of the agreements, using the effective yield method, and is included in interest income/expense.

[v] Other assets:

These are stated at amortised cost, less impairment losses.

4. Significant accounting policies (cont'd)

(g) Financial instruments (cont'd):

(ii) Measurement:

[vi] Liabilities:

Financial liabilities, including provisions, are stated at their cost.

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(iii) Fair value measurement principles:

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. Where a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques or a generally accepted alternative method.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

(iv) Gains and losses on subsequent measurement:

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised directly in equity (note 19). When the financial assets are impaired, sold, collected or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the statement of revenue and expenses.

(v) Derecognition:

A financial asset is derecognised when the company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expired or are surrendered. A financial liability is derecognised when it is extinguished.

Available-for-sale assets that are sold are derecognised and corresponding receivables from the buyer, for the payment, are recognised as of the date the company settles the transaction.

Loans and receivables are derecognised on the day they are transferred by the company.

4. Significant accounting policies (cont'd)

(h) Impairment:

The carrying amounts of the company's assets, except for loans [see note 4(c)], are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. An impairment loss in respect of an available-for-sale investment is calculated by reference to its current fair value. Impairment losses are recognised in the statement of revenue and expenses. Any cumulative loss in respect of an impaired available-for-sale investment, previously recognised in equity, is transferred to profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

In respect of other assets, an impairment loss is reversed, if there has been a change in the estimates used to determine the recoverable amount. In respect of a financial asset, an impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

For financial assets measured at amortised cost, available-for-sale debt securities and other assets, the reversal is recognised in profit or loss. For equity securities, the reversal is recognised directly in equity.

(i) Employee benefits:

Employee benefits are all forms of consideration given by the company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and housing; post-employment benefits such as pensions and medical care; other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post employment benefits are accounted for as described below.

4. Significant accounting policies (cont'd)

(i) Employee benefits (cont'd):

Employee benefits comprising pensions and other post-employment assets and obligations included in the financial statements are actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the company's post-employment benefit asset and obligation as computed by the actuary. In carrying out their audit, the auditors rely on the actuary's report.

[i] Pension obligations:

The company participates in a defined-benefit scheme operated by its ultimate parent company (note 9). The scheme is generally funded through payments to a trustee-administered fund as determined by periodic actuarial calculations. 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 liability in respect of defined-benefit pension plans is the present value of the defined-benefit obligation at the balance sheet date, minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The defined-benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liabilities.

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

[ii] Equity compensation benefits:

The company participates in a share options scheme operated by the parent company. Share options are granted to management and other key employees with more than three years of service. Options are granted at the market price of the shares on the date of the grant and are exercisable at that price. Options are exercisable beginning one year from the date of the grant and have a contractual option term of six years. The cost to the company of these options is absorbed by the parent company.

[iii] Termination benefits:

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan, without possibility of withdrawal, or provision of termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

4. Significant accounting policies (cont'd)

(i) Employee benefits (cont'd):

[iv] Profit-sharing and bonus plans:

A liability for employee benefits in the form of profit-sharing and bonus plans is recognised in other provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or

- past practice has created a valid expectation by employees that they will receive a bonus/profit-share and the amount can be determined before the time of issuing the financial statements.

Liabilities for profit-sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

5. Cash and cash equivalents

	2007 $'000	2006 $'000
Notes and coins	121,779	153,100
Money at call and on deposit at Bank of Jamaica *	1,458,320	1,013,858
Accounts with foreign banks	2,037,571	2,169,255
Total	3,617,670	3,336,213

* $1,431,070,000 (2006: $956,004,000) of deposits at Bank of Jamaica is held in compliance with section 14(1) of the Banking Act, which requires that every licensee maintains in the form of a deposit with Bank of Jamaica, a cash reserve not less, on the average, than 5% of its prescribed liabilities. The reserve for Jamaica dollar prescribed liabilities is held on a non-interest-bearing basis. No portion of the cash reserve is available for investment or other use by the company. The actual cash reserve percentage in force at the end of the year was 9% (2006: 9%).

6. Investments

	2007 $'000	2006 $'000
Available-for-sale securities, stated at fair value:		
Issued by Government of Jamaica:		
Local registered stocks and treasury bills [see (a) below]	3,920,166	3,587,011
Investment bonds	1,840,825	1,064,373
Debenture	64,244	-
Development Bank of Jamaica	1,355	3,412
Global, indexed and US$ denominated bonds	8,051,781	5,671,361
	13,878,371	10,326,157
Corporate bonds	934,131	869,060
Certificates of deposit	647,710	1,610,755
Placements with other banks	182,277	406,756
Unquoted equities:		
Automated Payments Limited [see (b) below]	5,020	5,020
	15,647,509	13,217,747

FIRST GLOBAL BANK LIMITED

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6. Investments (cont'd)

(a) Local Registered Stock amounting to $160,000,000 (2006: $200,000,000) and Investment Bonds amounting to $70,000,000 (2006: $Nil) are held by Bank of Jamaica as security for overdraft, if any. At the balance sheet date, there was no overdraft with Bank of Jamaica.

(b) Investment securities of $6,004,036,000 (2006:$7,698,023,000) have been pledged by the company as collateral for securities sold under repurchase agreements.

(c) Shares in Automated Payments Limited represents a 16.67% holding in that company, which was established, and is co-owned, by commercial banks to provide automated clearing facilities within the commercial banking system.

7. Loans and leases

Delinquent loans and leases on which interest is no longer accrued amounted to $52,463,000 (2006: $69,922,000) as at balance sheet date.

Loans and leases are shown after deducting provision for probable loan losses of $127,569,000 (2006: $60,422,000), as follows:

	2007 $'000	2006 $'000
Provision made during the year	77,099	36,227
Transfer to loan loss reserve (note 20)	(8,734)	(11,700)
Charged against revenue for the year	68,365	24,527
Provision at beginning of the year	60,422	55,820
Net loan balances written off during the year	(1,222)	(19,925)
Provision at end of the year	127,565	60,422

Provision made in accordance with Bank of Jamaica provisioning requirements is as follows:

	2007 $'000	2006 $'000
Specific provisions	127,565	60,422
General provision (note 20)	49,320	40,586
	176,885	101,008

In keeping with IFRS, the general provision is included in loan loss reserve and treated as an appropriation of retained earnings (note 20).

8. Other assets

	2007 $'000	2006 $'000
Interest receivable	407,407	348,724
Withholding tax recoverable	225,288	169,062
Due from fellow subsidiaries	23,873	9,435
Sundry	96,097	60,313
	752,665	587,534

All other assets are considered to be recoverable within one year.

9. Employee benefit asset/(obligation)

The company participates in a defined-benefit pension scheme funded by employee contributions at 5% of salary with the option to contribute an additional 5% and employer contribution of 0.5% as recommended by independent actuaries. Pension at normal retirement age is based on 2% of final 3 year average salary per year of pensionable service, plus any declared bonus pensions.

The company also participates in a number of post-employment schemes, including group life, insured and self-insured health care, gratuity and other supplementary plans.

(a) Plan asset/(obligation)

	Pension asset		Obligation	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Present value of funded obligations	(99,076)	(94,914)	(49,223)	(43,894)
Unrecognised actuarial losses	(26,768)	(138)	(9,576)	(281)
Unrecognised amount due to limitation	-	(15,201)	-	-
Fair value of plan assets	175,389	164,385	-	-
	49,545	54,132	(58,799)	(44,175)

(b) Movements in liability for defined-benefit obligations :

	Pension asset		Obligation	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Balance at January 1	94,914	58,741	43,894	30,488
Service and interest cost	35,586	26,312	15,186	10,260
Benefits paid	(4,085)	(580)	(655)	(157)
Actuarial gain/(loss)	(27,339)	10,441	(9,202)	3,303
Balance at December 31	99,076	94,914	49,223	43,894

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Notes to the Financial Statements
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9. Employee benefit asset/(obligation) (cont'd)

(c) Movements in plan assets:

	Pension asset		Obligation	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Balance at January 1	149,184	249,670	-	-
Contributions paid	14,041	12,737	-	-
Expected return on plan assets	16,958	28,866	-	
Benefits paid	(4,085)	(580)	-	-
Actuarial loss	(709)	(126,308)	-	-
Balance at December 31	175,389	164,385	-	-
Plan assets consist of the following:				
Government securities	98,891	102,970	-	-
Equities	4,309	45,944	-	-
Debt	47,052	5,150	-	-
Other	25,137	10,321	-	-
	175,389	164,385	-	-

(d) (Income)/expense recognised in the statement of revenue and expenses:

	Pension asset		Obligation	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Current service cost	8,869	5,128	8,892	5,741
Interest on obligation	13,763	9,418	6,294	4,519
Actuarial (gains)/losses recognised	-	(6,158)	93	194
Expected return on plan assets	(16,958)	(13,665)	-	-
Balance at December 31	5,674	(5,277)	15,279	10,454

The actual return on plan assets was a gain of $16,249,000 (2006: $97,442,000).

9. Employee benefit asset/(obligation) (cont'd)

(e) Principal actuarial assumptions (expressed as weighted averages):

	2007	2006
	%	%
Discount rate at December 31	13.0	12.5
Expected return on plan assets at December 31	12.0	12.0
Future salary increases	9.5	9.5
Future pension increases	3.5	3.5
Medical claims growth	10.0	10.0

Assumptions regarding future mortality are based on Standard Tables – 1983 Group Annuity Mortality – males & females. The overall expected long-term return on assets is 12.0%.

(f) Historical information:

Pensions	2007	2006	2005	2004	2003
	$'000	$'000	$'000	$'000	$'000
Fair value of plan assets	175,389	164,385	249,670	107,954	51,529
Present value of the defined-benefit obligation	99,076	94,914	58,741	59,372	22,871
Surplus in plan	76,313	69,471	190,929	48,582	28,658
Group life, health and other obligations					
Present value of the defined-benefit obligation	49,223	43,894	30,488	27,214	6,622
Experience adjustment arising on plan liabilities	(4,533)	749	(22,547)	3,519	5,510
Experience adjustment arising on plan assets	(709)	(126,308)	(121,719)	(6,172)	19,543

(g) Assumed health care cost trends have a significant effect on the amounts recognised in the income statement. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	1 % increase	1 % decrease
	$'000	$'000
Effect on the aggregate service and interest cost	2,690	(1,846)
Effect on the defined benefit obligation	12,030	(9,053)

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10. Property, plant and equipment

	Computer Equipment $'000	Office equipment fixtures & fittings motor vehicles $'000	Leased assets $'000	Total $'000
Cost:				
December 31, 2005	61,610	74,447	22,481	158,538
Additions	8,424	6,678	20,805	35,907
Disposals	-	(450)	-	(450)
December 31, 2006	70,034	80,675	43,286	193,995
Additions	14,019	58,642	34,828	107,489
Disposals	-	(793)	(20,805)	(21,598)
December 31, 2007	84,053	138,524	57,309	279,886
Depreciation:				
December 31, 2005	41,903	54,705	11,937	108,545
Charge for year	20,562	704	7,917	29,183
Eliminated on disposals	-	(173)	-	(173)
December 31, 2006	62,465	55,236	19,854	137,555
Charge for year	9,274	11,696	10,206	31,176
Eliminated on disposals	-	(13)	(4,854)	(4,867)
December 31, 2007	71,739	66,919	25,206	163,864
Net book values:				
December 31, 2007	12,314	71,605	32,103	116,022
December 31, 2006	7,569	25,439	23,432	56,440
December 31, 2005	19,707	19,742	10,544	49,993

11. Deposits

The deposit portfolio is comprised as follows:

	Number of accounts 2007 $'000	Number of accounts 2006 $'000	2007 $'000	2006 $'000
Financial institutions	91	101	1,540,013	1,520,109
Commercial and Business enterprises	1,756	1,713	8,018,901	4,086,240
Personal	6,120	5,333	4,694,536	4,382,749
Others	235	55	290,661	417,262
	8,202	7,202	14,544,111	10,406,360

12. Due to specialized banks

This represents loans from Development Bank of Jamaica Limited (DBJ) and the National Export-Import Bank of Jamaica Limited (Ex-Im) for the purpose of on-lending to customers approved by DBJ and Ex-Im. The DBJ loans bear interest at 10% (2006: 10%) per annum and the Ex-Im loans bear interest at an average of 11% (2006: 11%). Both are repayable in equal monthly instalments and the loans are secured by promissory notes executed by the company.

13. Short-term loans

This represents loans from other banks bearing interest rates of 7.18% and 8.5% per annum, which are repayable within three months of the balance sheet date.

14. Obligations under finance leases

	2007 $'000	2006 $'000
Due from the date of the balance sheet as follows:		
2006	-	-
2007	-	1,565
2008	913	913
Total future minimum lease payments	913	2,478
Less: Future interest charges	(58)	(369)
Present value of minimum lease payments	855	2,109
Due within 12 months	855	1,254
Due after 12 months	-	855
	855	2,109

15. Deferred tax (assets)/liabilities

Deferred tax (assets)/liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Employee benefit assets, net	(4,875)	(3,432)	(1,529)	2,968	(6,404)	(464)
Property, plant and equipment	(6,190)	(4,933)	7,687	1,262	1,497	(3,671)
Other	(7,841)	(7,185)	-	-	(7,841)	(7,185)
Investments	-	-	12,023	96,498	12,023	96,498
Other liabilities	(2,534)	(2,167)	-	-	(2,534)	(2,167)
Net tax (assets)/liabilities	(21,440)	(17,717)	18,181	100,728	(3,259)	83,011

Movements on net deferred tax (assets)/liabilities during the year are as follows:

	2007 $'000	2006 $'000
Net deferred tax liabilities at beginning of year	83,011	75,212
Recognised in revenue – tax credit [note 24(a)(ii)]	(911)	(13,894)
Recognised in equity	(85,359)	21,693
Net deferred tax (assets)/liabilities at end of year	(3,259)	83,011

16. Other liabilities

	2007 $'000	2006 $'000
Interest payable	287,413	246,740
Managers' cheques	144,950	147,060
Accruals	24,023	56,438
Withholding tax payable	54,369	18,941
Other	165,082	153,631
	675,837	622,810

17. Share capital

	2007 $'000	2006 $'000
Authorised, issued and fully paid:		
627,684,764 ordinary shares at no par value	627,685	627,685

18. Reserve fund

Subject to section 8 of the Banking Act, the company is required to transfer 15% or more of its net profit in each year to a Reserve Fund until the amount of credit in the Fund equals 50% of the paid-up capital, and thereafter 10% of net profits until the amount of credit in the Fund is equal to the paid-up capital. No transfer took place for the current year, as 8.9% of profit for the previous year was transferred to the Reserve Fund, bringing the balance of the Fund equal to the paid-up capital of the company.

19. Fair value reserve

This represents the unrealized gains/losses on the revaluation of available-for-sale investments [note 4(g)(iv)] net of attributable taxation.

20. Loan loss reserve

This is a non-distributable reserve, representing general loan loss provision (note 7).

	2007 $'000	2006 $'000
Balance at beginning of year	40,586	28,886
Transferred from general provision for loan loss	8,734	11,700
Balance at end of year	49,320	40,586

21. Retained earnings reserve

Transfers to the retained earnings reserve are made at the discretion of the Board. All such transfers are notified to the Bank of Jamaica. The directors authorised the transfer of the balance, being 68.34% (2006: 88.20%) of profit for the year to this reserve.

22. Employee numbers and costs

At the end of the year, the company has 169 (2006: 128) full-time and 19 (2006: 24) part-time employees. Related staff costs are as follows:

	2007 $'000	2006 $'000
Salaries and wages	320,796	259,550
Statutory payroll contributions	23,821	20,356
Contributions for pension and other plans	17,050	10,398
Other staff costs	20,955	13,768
	382,622	304,072

23. Profit before taxation

	2007 $'000	2006 $'000
Profit before taxation is arrived at after charging/(crediting):		
Directors' emoluments [note 27(c)]:		
Fees	3,269	1,889
Management remuneration	14,915	10,877
Auditors' remuneration	3,573	2,700
Gain on disposal of property, plant and equipment	(4,868)	(173)

24. Income tax

(a) Recognised in the statement of revenue and expenses:

	2007 $'000	2006 $'000
(i) Current tax expense: Income tax 33⅓%	162,661	118,428
(ii) Deferred taxation: Origination and reversal of temporary differences (note 15)	(911)	(13,894)
Recognised in the statement of revenue and expenses	161,750	104,534

(b) The effective tax rate for the company was 25.47% (2006: 20.43%) compared to a statutory rate of 33⅓% (2006: 33⅓%). The actual tax expense differed from the expected tax expense for the year as follows:

	2007 $'000	2006 $'000
Profit before taxation	635,028	511,443
Computed "expected" tax expense	211,676	170,481
Difference between profit for financial statements and tax reporting purposes on:		
Depreciation and capital allowances	1,756	3,683
Tax-free income	(60,024)	(63,636)
Others	8,342	(5,994)
Actual tax expense	161,750	104,534

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25. Earnings per share

The computation of earnings per share is based on net profit for the year of $473,278,000 for the company (2006: $406,909,000), divided by 627,684,764 (2006: 627,684,764) being the average number of issued and fully paid ordinary shares during the year.

26. Dividends

	2007 $'000	2006 $'000
Ordinary dividends:		
Interim dividend of 11.95 cents (2006: Nil cents) per share	75,000	-

27. Related party balances and transactions

(a) The balance sheet includes balances, arising in the ordinary course of business, with key management personnel (directors and senior executives), parent, fellow subsidiaries and related companies as follows:

	2007 $'000	2006 $'000
Loans, net of provision for probable losses:		
Parent company	11,259	-
Fellow subsidiaries	49,995	48,154
Directors and other key personnel	14,059	13,774
Other related entities	60,469	56,301
Other assets:		
Fellow subsidiaries	23,895	9,435
Deposits:		
Parent company	1,614,708	102,151
Fellow subsidiaries	1,289,085	701,500
Directors and other key management personnel	71,335	93,171
Other related entities	234,105	188,839
Securities sold under repurchase agreements:		
Parent company	760,972	12,330
Fellow subsidiaries	333,753	480,626
Directors and other key management personnel	-	4,408
Other related entities	26,784	215,876
Obligation under finance leases:		
Other related entities	(855)	(2,109)
Other liabilities:		
Fellow subsidiaries	(11,208)	(650)

27. Related party balances and transactions (cont'd)

(b) The Statement of Revenue and Expenses includes income earned from, and expenses incurred in, transactions in the ordinary course of business with key management personnel, the parent, fellow subsidiaries and related companies as follows:

	2007 $'000	2006 $'000
Revenue:		
Income from reverse repos:		
Parent company	(99)	-
Fellow subsidiaries	(7,659)	(1,427)
Income from loans:		
Parent company	(1,227)	(1,981)
Fellow subsidiaries	(12,282)	(7,001)
Directors and other key management personnel	(665)	(775)
Other related entities	(2,310)	(2,295)
Deposits:		
Parent company	(928)	(1,283)
Fellow subsidiaries	(1,732)	(2,128)
Directors and other key management personnel	(36)	(78)
Other related entities	(873)	(3,065)
Expenses:		
Interest:		
Parent company	87,684	15,135
Fellow subsidiaries	72,972	51,358
Directors and other key management personnel	2,488	1,467
Other related entities	35,019	29,642
Other operating expenses:		
Fellow subsidiaries	18,191	41,651
General administration expenses:		
Parent company	73,914	43,131

(c) Compensation of key management personnel is as follows:

	2007 $'000	2006 $'000
Directors' fees (note 23)	3,269	1,889
Salaries and other employee benefits, included in staff costs (note 22):		
Directors (note 23)	14,915	10,877
Other key management personnel	38,292	24,579

28. Financial risk management

The company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The company's aim is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on the company's financial performance.

The company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the company's risk management framework. The Board has established committees for managing and monitoring risks, as follows:

(i) Asset and Liability Committee

The Asset and Liability Committee (ALCO) is responsible for monitoring and formulating investment portfolios, investment strategies for the company. ALCO is also responsible for monitoring adherence to trading limits. Other responsibilities of ALCO are:

- Monitor management's adherence to policies and procedures that are established to ensure that the bank has adequate liquidity at all times
- Monitor and measure capital adequacy for regulatory and business requirements
- Establish asset and liability pricing policies to protect the liquidity structure as well as assess the probability of various liquidity shocks and interest rate scenarios
- Monitor the balance sheet and ensure business strategies are consistent with liquidity requirements
- Establish and monitor relevant liquidity ratios and balance sheet targets
- Ensure full compliance with the company's Asset and Liability Manual as it relates to the management of liquidity risk, interest rate risk, and foreign currency risk.

(ii) Audit Committee

The Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures, reviews the adequacy of the risk management framework in relation to the risks faced by the company, and monitors regulatory compliance. Committee is assisted in its oversight role by the Internal Audit department of the ultimate parent company, GraceKennedy Limited. Internal Audit undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

28. Financial risk management (cont'd)

(iii) Credit Committee

The credit committee manages the bank's credit portfolio. The Chairman and the members of the committee are charged with the responsibility to approve credit within their designated limits and make recommendations to the Board of Directors.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

(a) Credit risk

The company takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the company by failing to discharge their contractual obligations. Credit risk is the most important risk for the company's business, therefore, management carefully manages its exposure to credit risk. Credit exposures arise principally in investment and lending activities.

For its investments activity, the company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments. For its lending activities, consideration is given to sectorial exposure, as well as to the counterparty and group risk. Additionally, much emphasis is placed on determining the adequacy of cash flow being generated by the counterparty to meet repayment terms, the availability of tangible security that may be realized as a secondary source of payment, in case cash flow is impaired and finally, close attention is paid to the timeliness and quality of financial information available on/from the counterparty/customer to assist in predicting its future performance.

Credit-related commitment risks also arise from guarantees/bonds issued by the bank which may require payment on behalf of customers. Such guarantees/bonds are issued after analysis of the customer making the request to ensure that they have a record of performance in the activity for which the bond or guarantee is being sought, as well as the taking of security as a secondary source of recovery in case of need. Generally, guarantees/bonds expose the Company to similar risks to loans and these are mitigated by the same control policies and processes.

28. Financial risk management (cont'd)

(a) Credit risk (cont'd)

Credit review process

The company has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and principal repayment obligations.

(i) Loans and leases

The company assesses the probability of default of individual counterparties using internal ratings. Clients of the company are segmented into three rating classes. The company's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

Company's internal rating scale:

Company's rating	**Description of the grade**
1	*Low Risk*
2	*Standard Risk*
3	*Sub Standard Risk*

Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the company to assess the potential loss as a result of the risk to which it is exposed and take corrective action.

(ii) Investments

The company limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty and the use of professionally derived, estimated realisable values of security assuming forced sales conditions. Guidelines are implemented regarding the acceptability of different types of collateral, the lending margins against forced sale values which will be used and the quality of work and experience of the professionals from whom these valuations will be accepted.

28. Financial risk management (cont'd)

(a) Credit risk (cont'd)

Collateral and other credit enhancements (cont'd)

The main types of collateral obtained are as follows:

Loans and leases – 1st demand mortgages over residential and commercial properties, 1st debenture charges over business assets such as premises, inventory and accounts receivable and charges and hypothecations over deposit balances and financial instruments such as debt securities and equities.

Securities lending and reverse repurchase transactions – cash or securities.

The company also obtains guarantees from parent companies for loans to their subsidiaries and from individual shareholders for loans to their companies.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral held, during its annual review of individual credit facilities, as well as during its review of the adequacy of the provision for credit losses.

Impairment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract.

The company addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances are provided for financial assets that are above materiality thresholds, based on a review conducted at least annually, or more regularly, when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

Collectively assessed allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by taking into consideration historical losses on the portfolio, current economic conditions and expected receipts and recoveries, once impaired.

The internal rating systems described above focus more on credit-quality mapping from the inception of lending activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date, based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management purposes.

28. Financial risk management (cont'd)

(a) Credit risk (cont'd)

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the company:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (eg equity ratio, net income percentage of sales);
- Breach of covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The impairment provision shown in the balance sheet at year-end is derived from each of the three internal rating grades. However, the majority of the impairment provision comes from the last rating class (sub-standard). The tables below show the company's loans and the associated impairment provision for each internal rating class:

	2007		2006	
	Loans and leases $'000	Impairment provision $'000	Loans and leases $'000	Impairment provision $'000
Low risk	1,488,213	-	1,592,633	-
Standard risk	3,529,190	-	2,401,719	-
Sub-standard risk	143,697	(127,565)	112,074	(60,422)
	5,161,100	(127,565)	4,106,426	(60,422)

Maximum exposure to credit risk before collateral held or other credit enhancements:

	2007 $'000	2006 $'000
Securities purchased under agreements to resell	-	400,000
Investment securities	15,647,509	13,217,747
Loans, net of provision for credit losses	5,033,535	4,046,004
	20,681,044	17,663,751

The above table represents a worst case scenario of credit risk exposure to the company at 31 December 2007 and 2006, without taking account of any collateral held or other credit enhancements.

28. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(i) Loans and leases

[i] Credit quality of loans and leases are summarised as follows:

	2007 $'000	2006 $'000
Neither past due nor impaired:		
Low risk	1,488,213	1,592,633
Standard risk	3,300,334	2,163,414
Sub-standard risk	-	-
	4,788,547	3,756,047
Past due but not impaired	228,856	238,305
Impaired	143,697	112,074
Gross	5,161,100	4,106,426
Less: Provision	(127,565)	(60,422)
Net	5,033,535	4,046,004

The majority of past due loans and leases are not considered impaired.

[ii] Aging analysis of past due but not impaired loans and leases:

	2007 $'000	2006 $'000
Less than 30 days	19,172	28,473
31 to 60 days	116,546	22,417
61 to 90 days	16,735	5,882
More than 90 days	76,403	181,533
	228,856	238,305

There are no financial assets other than loans and leases that are past due.

28. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(i) Loans and leases (cont'd)

[iii] Financial assets – individually impaired

Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

	2007 $'000	2006 $'000
Loans and leases	143,697	112,074

The fair value of collateral that the company held as security for individually impaired loans was $76,100,000 (2006: $94,000,000).

There are no financial assets other than those listed above that were individually impaired.

[iv] Concentration of loans and leases

The following table summarises the company's credit exposure for loans and leases at their carrying amounts, as categorised by the industry sectors:

	2007	2006	2007 $'000	2006 $'000
Public sector	6	8	1,180,999	1,417,535
Professional and other services	344	306	1,602,649	1,367,989
Individuals	3,241	1,874	2,077,647	924,388
Agriculture	14	16	22,686	24,212
Manufacturing	24	24	29,394	41,396
Transportation	14	26	65,594	94,372
Distribution	18	22	27,045	26,505
Tourism	18	13	27,521	149,607
	3,679	2,289	5,033,535	4,046,004

The majority of loans and leases are extended to customers in Jamaica.

(ii) Debt securities

The following table summarises the company's credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	2007 $'000	2006 $'000
Government of Jamaica	14,526,081	11,952,615
Corporate	934,131	853,356
Other	182,277	406,756
	15,642,489	13,212,727

28. Financial risk management (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities when they fall due.

The company's liquidity management process, as carried out within the company and monitored by the Treasury Department, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding, if required.

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Maintaining committed lines of credit;

(iv) Optimising cash returns on investment;

(v) Monitoring balance sheet liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and

(vi) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

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

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

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28. Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Financial liabilities cash flows

The table below presents the undiscounted cash flows payable (both interest and principal cash flows) of the company's financial liabilities based on contractual repayment obligations. The tables also reflect the expected maturities of the company's financial assets and liabilities at the balance sheet date. The company expects that many customers will not request repayment on the earliest date the company could be required to pay. The expected maturity dates of financial assets and liabilities are based on estimates made by management as determined by retention history.

	2007					
	Within 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-specific maturity $'000	Total $'000
Deposit	10,657,156	4,337,202	28,960	-	-	15,023,318
Due to specialized banks	15,831	-	262,461	-	-	278,292
Securities sold under repurchase agreements	5,333,730	794,545	-	-	-	6,128,275
Short-term loans	919,525	-	-	-	-	919,525
Leases	391	522	-	-	-	913
Other liabilities	-	-	-	-	388,424	388,424
Guarantees, per contra	-	-	-	-	326,877	326,877
Total financial liabilities (contractual maturity dates)	16,926,633	5,132,269	291,421	-	715,301	23,065,624

	2006					
	Within 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-specific maturity $'000	Total $'000
Deposit	4,980,539	3,457,556	7,253	-	2,286,108	10,731,456
Due to specialized banks-	-	-	347,417	-	-	347,417
Securities sold under repurchase agreements	6,579,035	1,258,475	-	-	-	7,837,510
Leases	391	1,174	913	-	-	2,478
Other liabilities	-	-	-	-	376,070	376,070
Guarantees, per contra	-	-	-	-	670,810	670,810
Total financial liabilities (contractual maturity dates)	11,559,965	4,717,205	355,583	-	3,332,988	19,965,741

Assets available to meet all of the liabilities include cash at bank and deposits, investment securities, securities purchased under agreements to resell and loans to customers. In the normal course of business, debt securities and treasury and other bills have been pledged to secure liabilities. The company is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from its parent company and other financing institutions.

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Notes to the Financial Statements
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28. Financial risk management (cont'd)

(c) Market risk

The company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market conditions. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Risk and Compliance department which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The company further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

	2007					
	Jamaica$ J$'000	US$ J$'000	GBP J$'000	CAN$ J$'000	Other J$'000	Total J$'000
Cash at bank and deposits	401,609	2,949,880	59,774	58,311	148,096	3,617,670
Investment securities	5,910,616	8,780,550	182,277	-	774,066	15,647,509
Loans	2,502,200	2,531,335	-	-	-	5,033,535
Securities purchased under resale agreements	-	-	-	-	-	-
Cheques and other instruments in-transit	26,422	180,316	56	-	-	206,794
Other assets	418,264	315,051	957	601	17,792	752,665
Customers' liabilities under Guarantees, as per contra	205,158	120,896	-	823	-	326,877
Total financial assets	9,464,269	14,878,028	243,064	59,735	939,954	25,585,050
Deposit	3,227,687	10,956,545	189,629	38,758	131,492	14,544,111
Due to specialized bank	175,293	-	-	-	-	175,293
Securities sold under repurchase agreements	2,202,004	2,947,338	1,775	-	852,919	6,004,036
Short-term loans	425,000	492,742	-	-	-	917,742
Leases	855	-	-	-	-	855
Other liabilities	384,029	280,080	2,090	2,311	7,327	675,837
Guarantees, per contra	205,158	120,896	-	823	-	326,877
Total financial liabilities	6,620,026	14,797,601	193,494	41,892	991,738	22,644,751
Net financial position	2,844,243	80,427	49,570	17,843	(51,784)	2,940,299

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Notes to the Financial Statements
December 31, 2007

28. Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Currency risk (cont'd)

	2006					
	Jamaica$ J$'000	US$ J$'000	GBP J$'000	CAN$ J$'000	Other J$'000	Total J$'000
Cash and cash equivalent	383,929	2,472,590	63,651	39,171	376,872	3,336,213
Investments	6,270,570	6,747,974	172,885	-	26,318	13,217,747
Loans	1,994,690	2,051,314	-	-	-	4,046,004
Securities purchased under resale agreements	400,000	-	-	-	-	400,000
Cheques and other instruments in-transit	59,726	74,220	1,497	827	-	136,270
Other assets	388,811	197,566	443	51	663	587,534
Customers' Liabilities under guarantees, as per contra	206,341	463,269	69	570	-	670,249
Total financial assets	9,704,067	12,006,933	238,545	40,619	403,853	22,394,017
Deposits	3,003,311	7,202,258	147,981	42,024	10,786	10,406,360
Due to specialized banks	220,401	-	-	-	-	220,401
Securities sold under repurchase agreement	2,450,436	4,518,432	1,614	-	727,541	7,698,023
Leases	2,109	-	-	-	-	2,109
Other liabilities	361,726	255,668	1,703	179	3,534	622,810
Guarantees, per contra	206,341	463,269	69	570	-	670,249
Total financial liabilities	6,244,324	12,439,627	151,367	42,773	741,861	19,619,952
Net financial position	3,459,743	(432,694)	87,178	(2,154)	(338,008)	2,774,065

Foreign currency sensitivity

The following tables indicate the currencies to which the company had significant exposure on its monetary assets and liabilities and its forecasted cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

28. Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Currency risk (cont'd)

	2007		2006	
	% change in currency rate	Effect on net profit $'000	% change in currency rate	Effect on net profit $'000
Currency:				
USD	5%	4,456	5%	(14,401)
GBP	5%	1,650	5%	(70)
CAN	5%	592	5%	2,904
EUR	5%	(1,726)	5%	(11,267)

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on their financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The company's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken. These limits are monitored by the ALCO Committee.

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Notes to the Financial Statements
December 31, 2007

28. Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

The following tables summarises the company's exposure to interest rate risk. It includes the company financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	2007				
	Within 3 months $'000	3 to 12 months $'000	Over 12 Months $'000	Non-Rate sensitive $'000	Total '000
Cash and cash equivalents	1,127,724	-	-	2,489,946	3,617,670
Investments	2,807,669	2,767,412	10,067,408	5,020	15,647,509
Loans	1,984,863	271,019	2,777,653	-	5,033,535
Securities purchased under resale agreements	-	-	-	-	-
Cheques and other instruments in-transit	-	-	-	206,794	206,794
Other assets	-	-	-	752,665	752,665
Customer' liabilities under guarantees, as per contra	-	-	-	326,877	326,877
Total assets	5,920,256	3,038,431	12,845,061	3,781,302	25,585,050
Deposits	10,437,766	4,080,737	25,608	-	14,544,111
Due to specialized banks	15,682	-	159,611	-	175,293
Securities purchased under resale agreements	5,257,684	746,352	-	-	6,004,036
Short-term loans	917,742	-	-	-	917,742
Obligations under finance leases	354	501	-	-	855
Other liabilities	-	-	-	675,837	675,837
Guarantees, per contra	-	-	-	326,877	326,877
Total liabilities	16,629,228	4,827,590	185,219	1,002,714	22,644,751
Total interest repricing gap	(10,708,972)	(1,789,159)	12,659,842	2,778,588	2,940,299
Cumulative gap	(10,708,972)	(12,498,131)	(161,711)	(2,940,299)	-

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Notes to the Financial Statements
December 31, 2007

28. Financial Risk Management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	2006				
	Within 3 months $'000	3 to 12 months $'000	Over 12 Months $'000	Non-Rate sensitive $'000	Total $'000
Cash and cash equivalents	1,046,411	-	-	2,289,802	3,336,213
Investments	2,703,571	1,339,901	9,169,255	5,020	13,217,747
Loans	1,821,024	864,197	1,360,783	-	4,046,004
Securities purchased under resale agreements	400,000	-	-	-	400,000
Cheques and other instruments in-transit	-	-	-	136,270	136,270
Other assets	-	-	-	587,534	587,534
Customer' liabilities under guarantees, as per contra	-	-	-	670,249	670,249
Total assets	5,971,006	2,204,098	10,530,038	3,688,875	22,394,017
Deposits	7,376,749	2,967,495	62,116	-	10,406,360
Due to specialized banks	-	-	220,401	-	220,401
Securities sold under repurchase agreements	6,502,528	1,195,495	-	-	7,698,023
Obligations under finance leases	192	1,062	855	-	2,109
Other liabilities	-	-	-	622,810	622,810
Guarantees, per contra	-	-	-	670,249	670,249
Total liabilities	13,879,469	4,164,052	283,372	1,293,059	19,619,952
Total interest repricing gap	(7,908,463)	(1,959,954)	10,246,666	2,395,816	2,774,065
Cumulative gap	(7,908,463)	(9,868,417)	378,249	2,774,065	-

These represent those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis.

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28. Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

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

	2007			
	Within 3 Months	3 to 12 Months	Over 12 Months	Total
	%	%	%	%
Cash and cash equivalents	4.00	-	-	4.00
Investments	14.35	12.90	8.78	10.51
Loans	19.51	12.40	13.33	14.41
Securities purchased under resale agreements	-	-	-	-
Deposits	5.31	7.13	9.20	5.83
Due to specialized banks	10.00	-	9.99	9.99
Securities sold under repurchase agreements	8.34	10.35	-	8.59
Due to other banks	7.51	-	-	7.51
Obligations under finance lease	20.00	20.00	-	20.00

	2006			
	Within 3 Months	3 to 12 Months	Over 12 Months	Total
	%	%	%	%
Cash and cash equivalents	5.03	-	-	5.03
Investments	13.20	13.81	10.26	11.75
Loans	14.92	11.82	13.34	13.17
Securities purchased under resale agreements	8.76	-	-	8.76
Deposits	7.39	7.67	9.43	7.49
Due to specialized banks	-	-	10.00	10.00
Securities sold under repurchase agreements	7.85	7.92	-	7.86
Obligations under finance lease	20.00	20.00	20.00	23.81

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the company's profit and loss account and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate non-trading financial assets and financial liabilities. The sensitivity of stockholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

28. Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest rate sensitivity (cont'd)

	2007		2006	
	Effect on net profit $'000	Effect on equity $'000	Effect on net profit $'000	Effect on equity $'000
Change in basis points:				
- 100bp	67,456	510,703	59,928	92,038
+100bp	(67,456)	(457,496)	(59,928)	(246,761)

29. Capital management

The company's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

(i) To comply with the capital requirements set by the regulators of the markets within which the company operates;
(ii) To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
(iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by management and the Board on a quarterly basis. The required information is filed with the Financial Services Commission (FSC) monthly and the Bank of Jamaica on a quarterly basis.

The Bank of Jamaica requires the company to:

(i) Hold the minimum level of the regulatory capital as a percentage of total assets of 8% (2006: 8%); and
(ii) Maintain a ratio of total regulatory capital to the risk-weighted asset at or above 10% (2006: 10%).

The company's regulatory capital is managed by the Asset and Liability Committee and is divided into two tiers:

(i) Tier 1 capital: share capital, statutory reserve fund and retained earnings reserve fund; and

(ii) Tier 2 capital: general provision for loan losses on assets limited to 1.25% of risk weighted assets.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of, and reflecting an estimate, of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off- balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

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Notes to the Financial Statements
December 31, 2007

29. Capital management (cont'd)

The tables below summarises the composition of regulatory capital and the ratios of the company for the years ended 31 December. During those two years, the company complied with all of the externally imposed capital requirements to which they are subject.

	2007		2006	
	Actual $'000	Required $'000	Actual $'000	Required $'000
Tier 1 capital	2,526,567	594,465	2,526,568	515,828
Tier 2 capital	49,320	-	40,586	-
Total regulatory capital	2,575,887	594,465	2,567,154	515,828
Risk-weighted assets:				
On-balance sheet	5,617,770	-	4,488,031	-
Off-balance sheet	326,877	-	670,249	-
Total risk-weighted assets	5,944,647	-	5,158,280	-
Tier one capital ratio	43%	-	49%	-
Total capital ratio	43%	10%	50%	10%

The contribution to regulatory capital in 2007 is mainly due to the current year profit.

30. Litigation

In separate suits, the company has been sued by two of its customers who have alleged that they are not indebted to the company and have sought declarations to that effect. The suits claim unquantified damages for fraud and breach of contract. The company has filed a defence to the claims, denied the allegations and counter-claimed for the debts owing. A trial date has been set for only one of the lawsuits.

Two employees have also sued the company for wrongful dismissal.

With respect to the lawsuits by the customers and one employee, the company's lawyers are unable to provide a meaningful opinion as to the likely outcome of the litigations, as it will depend on oral evidence given at the trial, and the judge's opinion as to the truth of that evidence.

In the opinion of the company's lawyers, the Bank has a good defense to the claim filed by the other employee.

No provision has been made in the financial statements in these regards.