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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 47, which comprise the balance sheet as at December 31, 2008, 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.



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, 2008, 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.

A handwritten signature in black ink, appearing to read 'KPMG' or a similar stylized name.

March 30, 2009

FIRST GLOBAL BANK LIMITED

Balance Sheet
December 31, 2008

	<u>Notes</u>	<u>2008</u> \$'000	<u>2007</u> \$'000
ASSETS			
Cash and cash equivalents	5	2,391,923	3,617,670
Investments	6	13,594,889	15,647,509
Loans and leases	7,29(a)(i)	8,513,559	5,033,535
Securities purchased under resale agreements		481,300	-
Cheques and other instruments in-transit, net		199,823	206,794
Other assets	8	808,436	752,665
Long purchase of marketable securities		3,279,820	-
Broker receivables		2,582,549	-
Taxation recoverable		22,688	1,813
Customer' liability under guarantees, as per contra		306,310	326,877
Deferred tax asset	15	255,750	3,259
Employee benefit asset	9(a)	50,737	49,545
Property, plant and equipment	10	<u>190,933</u>	<u>116,022</u>
Total Assets		<u>32,678,717</u>	<u>25,755,689</u>
LIABILITIES			
Deposits	11	15,322,063	14,544,111
Due to specialised banks	12	854,129	175,293
Securities sold under repurchase agreements		6,776,238	6,004,036
Short-term loans	13	2,633,912	917,742
Obligations under finance leases	14	-	855
Income tax payable		-	62,661
Other liabilities	16	842,556	675,837
Short sale of marketable securities		3,110,804	-
Employee benefit obligation	9(a)	75,326	58,799
Guarantees, per contra		<u>306,310</u>	<u>326,877</u>
Total Liabilities		<u>29,921,338</u>	<u>22,766,211</u>
EQUITY			
Share capital	17	627,685	627,685
Reserve fund	18	627,685	627,685
Fair value reserve	19	(572,383)	24,046
Loan loss reserve	20	83,192	49,320
Retained earnings reserve	21	1,991,200	1,594,630
Retained profits		<u>-</u>	<u>66,112</u>
Total equity		<u>2,757,379</u>	<u>2,989,478</u>
Total liabilities and equity		<u>32,678,717</u>	<u>25,755,689</u>

The financial statements on pages 3 to 47 were approved for issue by the Board of Directors on March 30, 2009 and signed on its behalf by:




D. Orane Director



J. Kaffe Director



W. Wray Director



R. Spence Dunn Secretary

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

FIRST GLOBAL BANK LIMITEDStatement of Revenue and Expenses
Year ended December 31, 2008

	<u>Notes</u>	<u>2008</u> \$'000	<u>2007</u> \$'000
Interest income:			
Loans		883,984	694,135
Deposits		43,297	88,192
Available-for-sale securities		<u>1,552,059</u>	<u>1,480,551</u>
		<u>2,479,340</u>	<u>2,262,878</u>
Interest expense:			
Deposits		(982,657)	(817,365)
Other		(522,591)	(571,025)
		<u>(1,505,248)</u>	<u>(1,388,390)</u>
Net interest income		974,092	874,488
Provision for loan losses, net	7	(43,999)	(68,365)
		<u>930,093</u>	<u>806,123</u>
Other income:			
Fees and commissions		216,336	159,781
Foreign exchange gains		105,642	72,951
Gain on sale of securities		237,949	353,194
Sundry		<u>78,979</u>	<u>23,784</u>
		<u>638,906</u>	<u>609,710</u>
Net revenue		<u>1,568,999</u>	<u>1,415,833</u>
Operating expenses:			
Employees compensation and benefits	22	(492,209)	(382,622)
Depreciation	10	(62,668)	(31,176)
Other		(431,461)	(316,054)
General administration		<u>(66,444)</u>	<u>(50,953)</u>
		<u>(1,052,782)</u>	<u>(780,805)</u>
Profit before taxation	23	516,217	635,028
Taxation	24	(151,887)	(161,750)
Profit for the year		<u>364,330</u>	<u>473,278</u>
Earnings per share	25	<u>58.04¢</u>	<u>75.41¢</u>

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

FIRST GLOBAL BANK LIMITEDStatement of Changes in Equity
Year ended December 31, 2008

	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, 2006	627,685	627,685	192,110	40,586	1,271,198	-	2,759,264
Realised losses 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
Changes in fair value of available- for-sale investments	-	-	(536,282)	-	-	-	(536,282)*
Realised losses on available- for-sale portfolio	-	-	(60,147)	-	-	-	(60,147)
Profit for the year	-	-	-	-	-	364,330	364,330*
Transfer to reserves	-	-	-	-	396,570	(396,570)	-
Transfer to loan loss reserve	-	-	-	33,872	-	(33,872)	-
Dividends paid (note 26)	-	-	-	-	-	-	-
Balances at December 31, 2008	<u>627,685</u>	<u>627,685</u>	<u>(572,383)</u>	<u>83,192</u>	<u>1,991,200</u>	<u>-</u>	<u>2,757,379</u>

* Total recognised losses - \$(171,952,000) (2007: gains - \$371,648,000)
The accompanying notes form an integral part of the financial statements.

FIRST GLOBAL BANK LIMITEDStatement of Cash Flows
Year ended December 31, 2008

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	364,330	473,278
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation	62,668	31,176
Unrealised exchange (gains)/losses	(78,979)	23,525
Loss/(gain) on disposal of property, plant and equipment	78	(4,867)
Provision for probable loan losses	43,999	68,365
Income tax charge	106,163	162,661
Deferred tax, net	45,724	(911)
Employee benefits, net	15,335	19,211
Interest income	(2,479,340)	(2,262,878)
Interest expense	<u>1,505,248</u>	<u>1,388,390</u>
	(414,774)	(102,050)
Interest received	2,886,747	2,204,195
Interest paid	(1,890,852)	(1,347,717)
Income tax paid	<u>(189,699)</u>	<u>(100,000)</u>
Net cash provided by operating activities	<u>391,422</u>	<u>654,428</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	1,157,976	(2,446,154)
Loans	(3,524,023)	(1,006,016)
Securities purchased under resale agreements	(481,300)	400,000
Other assets	(463,178)	(106,448)
Long purchase of marketable securities	(2,705,300)	-
Broker receivable	(2,582,549)	-
Additions to property, plant and equipment	(139,323)	(107,489)
Proceeds from disposal of property, plant and equipment	<u>1,666</u>	<u>21,598</u>
Net cash used by investing activities	<u>(8,736,031)</u>	<u>(3,244,509)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits	777,952	3,907,782
Due to specialised banks	678,836	(45,108)
Securities sold under resale agreements	772,202	(1,821,013)
Short-term loans	1,716,170	917,742
Cheques and other items in transit, net	6,971	(70,524)
Obligations under finance leases	(855)	(1,254)
Other liabilities	552,323	12,354
Short sale of marketable securities	2,556,939	-
Dividends paid	<u>-</u>	<u>(75,000)</u>
Net cash provided by financing activities	<u>7,060,538</u>	<u>2,824,979</u>
Net (decrease)/increase in cash and cash equivalents	(1,284,071)	234,898
Effect of foreign currency rate changes	58,324	46,559
Cash and cash equivalents at beginning of year	<u>3,617,670</u>	<u>3,336,213</u>
Cash and cash equivalents at end of year	<u>2,391,923</u>	<u>3,617,670</u>

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

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements
December 31, 20081. The company

First Global Bank Limited (“company” or “bank”) is a wholly-owned subsidiary of First Global Holdings Limited. 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 and were relevant to the company, came into effect for the current financial year, as follows:

- *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. The adoption this IFRIC did not have any impact on the bank’s financial statements.
- *Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosure*, was issued in November 2008 and was effective from July 1, 2008. The amendments permit an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category, in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

The adoption of this amendment resulted in the reclassification of qualifying investments from available-for-sale to loans and receivable. The impact on the financial results and the financial position of the company, along with the additional disclosures required by IFRS 7 in respect of these investments are disclosed at note 28.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

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

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

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

At the date of authorisation of the financial statements, certain new standards, and amendments to and interpretations of existing standards, which were in issue, 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:

- *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 and a statement of comprehensive income. IAS 1 (revised), which is effective for accounting period beginning on or after January 1, 2009. Management has not yet made a decision on the presentation of non-owners changes in equity that will be chosen.
- *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 for accounting periods beginning on or after January 1, 2009, is not expected to have any significant impact on the bank's financial statements.
- *Amendments to IFRS 2 Share-based payment – Vesting Conditions and Cancellations* is effective for accounting 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 accounting 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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

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

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

- Amendments to *IAS 32 Financial instruments: Presentation and IAS 1, Presentation of Financial Statements* is effective for accounting 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.

(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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

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

(d) Use of estimates and judgements:

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.

(ii) Provision for probable loan 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.

(iii) Fair value of financial instruments

In the absence of quoted market prices, the fair value of a significant proportion of the bank's financial instruments was determined using a generally accepted alternative method. Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

4. Significant accounting policies

(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.

(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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

4. Significant accounting policies (cont'd)

(b) Revenue and expenses (cont'd):

(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).

(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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

4. Significant accounting policies (cont'd)

(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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

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 acquisition, 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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

4. Significant accounting policies (cont'd)

(g) Financial instruments (cont'd):

(ii) Measurement (cont'd):

[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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

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 ultimate parent company. Share options are granted to management and permanent employees. Some options are granted at the market price of the shares on the date of the grant and are exercisable at that price, while other options are granted at a discount of 25% on the date of approval. Options are exercisable on the grant date or one year after the grant date and have a contractual option term of between two to six years. The cost to the company of these options is absorbed by the ultimate 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.

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements
December 31, 20084. 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.

(j) Long purchase/short sale of marketable securities:

A long purchase is a purchase of securities that the bank owns. A short sale is a sale of securities that the bank does not own. Securities that are purchased/sold short are recorded at quoted market prices and reported as long purchase/short sale of marketable securities in the balance sheet, respectively.

Any gains or losses are recognised in the statement of revenue and expenses.

5. Cash and cash equivalents

	<u>2008</u> \$'000	<u>2007</u> \$'000
Notes and coins	173,219	121,779
Money at call and on deposit at Bank of Jamaica *	1,621,134	1,458,320
Accounts with foreign banks	<u>597,570</u>	<u>2,037,571</u>
Total	<u>2,391,923</u>	<u>3,617,670</u>

* \$1,590,044,000 (2007: \$1,431,070,000) 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 Jamaican 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 Jamaica dollar cash reserve percentage in force at the end of the year was 11% (2007: 9%) [See note 32(i)].

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements
December 31, 20086. Investments

	<u>2008</u> \$'000	<u>2007</u> \$'000
Loans and receivables (global bonds)	4,223,059	5,817,242
Available-for-sale securities, stated at fair value:		
Issued by Government of Jamaica:		
Local registered stocks and treasury bills [see (a) below]	2,622,220	3,920,166
Investment bonds	1,599,335	1,840,825
Debenture	-	64,244
Development Bank of Jamaica	-	1,355
Indexed and US\$ denominated bonds	<u>3,622,680</u>	<u>2,234,539</u>
	12,067,294	13,878,371
Corporate bonds	979,180	934,131
US\$ treasury bills	120,110	-
Certificates of deposit	423,285	647,710
Placements with other banks	-	182,277
Unquoted equities:		
Automated Payments Limited [see (c) below]	<u>5,020</u>	<u>5,020</u>
	<u>13,594,889</u>	<u>15,647,509</u>

- (a) Local Registered Stock amounting to \$80,000,000 (2007: \$160,000,000) and Investment Bonds amounting to \$150,000,000 (2007: \$70,000,000) 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 \$6,776,238,000 (2007:\$ 6,004,036,000) have been pledged by the company as collateral for securities sold under repurchase agreements.
- (c) Shares in Automated Payments Limited represents a 14.29% 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, net of provision for probable losses

Delinquent loans on which interest is no longer accrued amounted to \$186,516,000 (2007: \$52,463,000) as at balance sheet date.

Loans are shown after deducting provision for probable loan losses of \$134,327,000 (2007: \$127,565,000), as follows:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Provision made during the year	77,871	77,099
Transfer to loan loss reserve (note 20)	(33,872)	(8,734)
Charged against revenue for the year	43,999	68,365
Provision at beginning of the year	127,565	60,422
Net loan balances written off during the year	(37,237)	(1,222)
Provision at end of the year	<u>134,327</u>	<u>127,565</u>

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

	<u>2008</u> \$'000	<u>2007</u> \$'000
Specific provisions	134,327	127,565
General provision (note 20)	<u>83,192</u>	<u>49,320</u>
	<u>217,519</u>	<u>176,885</u>

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements
December 31, 20087. Loans, net of provision for probable losses (cont'd)

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

	<u>2008</u> \$'000	<u>2007</u> \$'000
Interest receivable	503,376	407,407
Withholding tax recoverable	159,842	225,288
Due from fellow subsidiaries	321	23,873
Sundry	<u>144,897</u>	<u>96,097</u>
	<u>808,436</u>	<u>752,665</u>

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)

	<u>Pension asset</u>		<u>Obligation</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Present value of funded obligations	(249,294)	(99,076)	(59,031)	(49,223)
Unrecognised actuarial losses/(gains)	116,804	(26,768)	(16,295)	(9,576)
Fair value of plan assets	<u>183,227</u>	<u>175,389</u>	<u>-</u>	<u>-</u>
	<u>50,737</u>	<u>49,545</u>	<u>(75,326)</u>	<u>(58,799)</u>

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

	<u>Pension asset</u>		<u>Obligation</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Balance at January 1	99,076	94,914	49,223	43,894
Service and interest cost	43,753	35,586	17,095	15,186
Benefits paid	(9,213)	(4,085)	(333)	(655)
Actuarial gain/(loss)	<u>115,678</u>	<u>(27,339)</u>	<u>(6,954)</u>	<u>(9,202)</u>
Balance at December 31	<u>249,294</u>	<u>99,076</u>	<u>59,031</u>	<u>49,223</u>

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements
December 31, 20089. Employee benefit asset/(obligation) (cont'd)

(c) Movements in plan assets:

	<u>Pension asset</u>		<u>Obligation</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Balance at January 1	175,389	149,184	-	-
Contributions paid	24,339	14,041	-	-
Expected return on plan assets	20,125	16,958	-	-
Benefits paid	(9,213)	(4,085)	-	-
Actuarial loss	(27,413)	(709)	-	-
Balance at December 31	<u>183,227</u>	<u>175,389</u>	<u>-</u>	<u>-</u>
Plan assets consist of the following:				
Government securities	93,602	98,891	-	-
Equities	35,638	4,309	-	-
Debt	3,557	47,052	-	-
Other	<u>50,430</u>	<u>25,137</u>	<u>-</u>	<u>-</u>
	<u>183,227</u>	<u>175,389</u>	<u>-</u>	<u>-</u>

(d) Expense recognised in the statement of revenue and expenses:

	<u>Pension asset</u>		<u>Obligation</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current service cost	5,353	8,869	9,485	8,892
Interest on obligation	15,902	13,763	7,610	6,294
Actuarial (gains)/losses recognised	(481)	-	(235)	93
Expected return on plan assets	<u>(20,125)</u>	<u>(16,958)</u>	<u>-</u>	<u>-</u>
	<u>649</u>	<u>5,674</u>	<u>16,860</u>	<u>15,279</u>

The actual return on plan assets was a loss of (\$7,288,000) (2007: gain - \$16,249,000).

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

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

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

	<u>2008</u>	<u>2007</u>
	%	%
Discount rate at December 31	16.0	13.0
Expected return on plan assets at December 31	11.0	12.0
Future salary increases	12.5	9.5
Future pension increases	10.0	3.5
Medical claims growth	10.5	10.0

Assumptions regarding future mortality are based on Standard Tables – 1994 Group Annuity Mortality – males & females. The overall expected long-term return on assets is 11.0%.

(f) Historical information:

<u>Pensions</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Fair value of plan assets	183,227	175,389	164,385	249,670	107,954
Present value of the defined-benefit obligation	<u>249,294</u>	<u>99,076</u>	<u>94,914</u>	<u>58,741</u>	<u>59,372</u>
Surplus in plan	<u>(66,067)</u>	<u>76,313</u>	<u>69,471</u>	<u>190,929</u>	<u>48,582</u>
<u>Group life, health and other obligations</u>					
Present value of the defined-benefit obligation	<u>59,031</u>	<u>49,223</u>	<u>43,894</u>	<u>30,488</u>	<u>27,214</u>
Experience adjustment arising on plan liabilities	20,765	(4,533)	749	(22,547)	3,519
Experience adjustment arising on plan assets	<u>(27,413)</u>	<u>(709)</u>	<u>(126,308)</u>	<u>(121,719)</u>	<u>(6,172)</u>

(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	<u>5,438</u>	<u>(3,426)</u>
Effect on the defined benefit obligation	<u>10,107</u>	<u>(7,024)</u>

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements
December 31, 200810. Property, plant and equipment

	<u>Computer Equipment</u> \$'000	<u>Office equipment fixtures & fittings motor vehicles</u> \$'000	<u>Leased assets</u> \$'000	<u>Total</u> \$'000
Cost:				
December 31, 2006	70,034	80,675	43,286	193,995
Additions	14,019	58,642	34,828	107,489
Disposals	<u>-</u>	<u>(793)</u>	<u>(20,805)</u>	<u>(21,598)</u>
December 31, 2007	84,053	138,524	57,309	279,886
Additions	14,237	123,457	1,629	139,323
Disposals	<u>-</u>	<u>(2,180)</u>	<u>-</u>	<u>(2,180)</u>
December 31, 2008	<u>98,290</u>	<u>259,801</u>	<u>58,938</u>	<u>417,029</u>
Depreciation:				
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	<u>-</u>	<u>(13)</u>	<u>(4,854)</u>	<u>(4,867)</u>
December 31, 2007	71,739	66,919	25,206	163,864
Charge for year	11,968	42,032	8,668	62,668
Eliminated on disposals	<u>-</u>	<u>(436)</u>	<u>-</u>	<u>(436)</u>
December 31, 2008	<u>83,707</u>	<u>108,515</u>	<u>33,874</u>	<u>226,096</u>
Net book values:				
December 31, 2008	<u>14,583</u>	<u>151,286</u>	<u>25,064</u>	<u>190,933</u>
December 31, 2007	<u>12,314</u>	<u>71,605</u>	<u>32,103</u>	<u>116,022</u>
December 31, 2006	<u>7,569</u>	<u>25,439</u>	<u>23,432</u>	<u>56,440</u>

11. Deposits

The deposit portfolio is comprised as follows:

	<u>Number of accounts</u>		<u>2008</u>	<u>2007</u>
	<u>2008</u>	<u>2007</u>	<u>\$'000</u>	<u>\$'000</u>
Financial institutions	162	91	5,210,539	1,540,013
Commercial and business enterprises	2,324	1,756	3,719,321	8,018,901
Personal	7,386	6,120	3,981,851	4,694,536
Others	<u>741</u>	<u>235</u>	<u>2,410,352</u>	<u>290,661</u>
	<u>10,613</u>	<u>8,202</u>	<u>15,322,063</u>	<u>14,544,111</u>

12. Due to specialised 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, respectively. The DBJ loans bear interest at 10% (2007: 10%) per annum and the Ex-Im loans bear interest at an average of 9.65% (2007: 11%). Both are repayable in equal monthly instalments and the loans are secured by promissory notes executed by the company.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

12. Due to specialised banks (cont'd)

During the year, the bank received loans from the Inter-American Development Bank (IDB) and the Inter-American Investment Corporation (IIC) for the purpose of on-lending to eligible enterprises and projects. The IDB loans bear interest at an average of 6.04% per annum and the IIC loan bear interest at 6.50%.

13. Short-term loans

This represents loans from other banks bearing interest rates of 9.25% and 23.50% per annum, which are repayable within three months of the balance sheet date.

14. Obligations under finance leases

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Due from the date of the balance sheet as follows:		
2007	-	-
2008	-	913
2009	<u>-</u>	<u>-</u>
Total future minimum lease payments	-	913
Less: Future interest charges	<u>-</u>	<u>(58)</u>
Present value of minimum lease payments	<u>-</u>	<u>855</u>
Due within 12 months	<u>-</u>	<u>855</u>

15. Deferred tax (assets)/liabilities

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

	<u>Assets</u>		<u>Liabilities</u>		<u>Net</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit assets, net	(5,509)	(4,875)	397	(1,529)	(5,112)	(6,404)
Property, plant and equipment	(8,639)	(6,190)	19,701	7,687	11,062	1,497
Other	-	(7,841)	19,441	-	19,441	(7,841)
Investments	(286,191)	-	-	12,023	(286,191)	12,023
Other liabilities	<u>(1,835)</u>	<u>(2,534)</u>	<u>6,885</u>	<u>-</u>	<u>5,050</u>	<u>(2,534)</u>
Net tax (assets)/liabilities	<u>(302,174)</u>	<u>(21,440)</u>	<u>46,424</u>	<u>18,181</u>	<u>(255,750)</u>	<u>(3,259)</u>

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

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Net deferred tax (asset)/liabilities at beginning of year	(3,259)	83,011
Recognised in revenue – tax credit [note 24(a)(ii)]	45,724	(911)
Recognised in equity	<u>213,285</u>	<u>(85,359)</u>
Net deferred tax assets at end of year	<u>(255,750)</u>	<u>(3,259)</u>

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

16. Other liabilities

	<u>2008</u> \$'000	<u>2007</u> \$'000
Interest payable	385,604	287,413
Manager's cheques	247,668	144,950
Accruals	43,028	24,023
Withholding tax payable	28,899	54,369
Due to fellow subsidiaries	7,365	9,734
Other	<u>129,992</u>	<u>155,348</u>
	<u>842,556</u>	<u>675,837</u>

17. Share capital

	<u>2008</u> \$'000	<u>2007</u> \$'000
Authorised, issued and fully paid: 627,684,764 ordinary shares at no par value	<u>627,685</u>	<u>627,685</u>

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 the balance of the Fund equalled to the paid-up capital of the company.

19. Fair value reserve

This represents the unrealised gains/losses on the revaluation of available-for-sale investments [note 4(g)(iv)] net of attributable taxation and loss on loans and receivables portfolio.

20. Loan loss reserve

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

	<u>2008</u> \$'000	<u>2007</u> \$'000
Balance at beginning of year	49,320	40,586
Transferred from general provision for loan loss	<u>33,872</u>	<u>8,734</u>
Balance at end of year	<u>83,192</u>	<u>49,320</u>

21. Retained earnings reserve fund

Transfers to the retained earnings reserve fund 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 100.00 % (2007: 68.34%) of profit for the year to this reserve.

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements
December 31, 200822. Employee numbers and costs

At the end of the year, the company has 164 (2007: 169) full-time and 33 (2007: 19) part-time employees. Related staff costs are as follows:

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Salaries and wages	403,208	320,796
Statutory payroll contributions	33,951	23,821
Contributions for pension and other plans	1,630	17,050
Other staff costs	<u>53,420</u>	<u>20,955</u>
	<u>492,209</u>	<u>382,622</u>

23. Profit before taxation

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Profit before taxation is arrived at after charging/(crediting):		
Directors' emoluments [note 27(c)]:		
Fees	6,050	3,269
Management remuneration	13,783	14,915
Auditors' remuneration	4,400	3,573
Loss/(gain) on disposal of property, plant and equipment	<u>78</u>	<u>(4,868)</u>

24. Income tax

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

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
(i) Current tax expense:		
Income tax 33⅓%	106,163	162,661
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 15)	<u>45,724</u>	<u>(911)</u>
Recognised in the statement of revenue and expenses	<u>151,887</u>	<u>161,750</u>

(b) The effective tax rate for the company was 29.42% (2007: 25.47%) compared to a statutory rate of 33⅓% (2007: 33⅓%). The actual tax expense differed from the expected tax expense for the year as follows:

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Profit before taxation	<u>516,217</u>	<u>635,028</u>
Computed "expected" tax expense	172,072	211,676
Difference between profit for financial statements and tax reporting purposes on:		
Depreciation and capital allowances	10,105	1,756
Tax-free income	(42,475)	(60,024)
Others	<u>12,185</u>	<u>8,342</u>
Actual tax expense	<u>151,887</u>	<u>161,750</u>

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

25. Earnings per share

The computation of earnings per share is based on profit for the year of \$364,330,000 for the company (2007: \$473,278,000), divided by 627,684,764 (2007: 627,684,764), being the average number of issued and fully paid ordinary shares during the year.

26. Dividends

	<u>2008</u> \$'000	<u>2007</u> \$'000
Ordinary dividends:		
Interim dividend of Nil cents (2007: 11.95 cents) per share	<u>-</u>	<u>75,000</u>

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:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Loans, net of provision for probable losses:		
Parent company	9,350	11,259
Fellow subsidiaries	46,686	49,995
Directors and other key personnel	11,668	14,059
Other related entities	184,383	60,469
Other assets:		
Fellow subsidiaries	321	23,895
Deposits:		
Parent company	215,452	1,614,708
Fellow subsidiaries	1,431,027	1,289,085
Directors and other key management personnel	202,666	71,335
Other related entities	489,699	234,105
Securities sold under repurchase agreements:		
Parent company	163,300	760,972
Fellow subsidiaries	329,015	333,753
Other related entities	29,607	26,784
Obligation under finance leases:		
Other related entities	-	(855)
Other liabilities:		
Fellow subsidiaries	<u>(7,366)</u>	<u>(11,208)</u>

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

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:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Revenue:		
Income from reverse repos:		
Parent company	(171)	(99)
Fellow subsidiaries	(9,958)	(7,659)
Income from loans:		
Parent company	(678)	(1,227)
Fellow subsidiaries	(2,654)	(12,282)
Directors and other key management personnel	(1,858)	(665)
Other related entities	(4,729)	(2,310)
Deposits:		
Parent company	(730)	(928)
Fellow subsidiaries	(3,080)	(1,732)
Directors and other key management personnel	(58)	(36)
Other related entities	(1,093)	(873)
Expenses:		
Interest:		
Parent company	65,377	87,684
Fellow subsidiaries	90,468	72,972
Directors and other key management personnel	2,038	2,488
Other related entities	16,002	35,019
Other operating expenses:		
Fellow subsidiaries	37,674	18,191
General administration expenses:		
Parent company	<u>132,246</u>	<u>73,914</u>

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

	<u>2008</u> \$'000	<u>2007</u> \$'000
Directors' fees (note 23)	6,050	3,269
Salaries and other employee benefits, included in staff costs (note 22):		
Directors (note 23)	13,783	14,915
Other key management personnel	<u>57,076</u>	<u>38,292</u>

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements
December 31, 200828. Reclassification of financial assets

Consequent on the adverse market conditions in the financial sector worldwide and the demise of certain broker dealers which were significantly involved in the marketing of Global Bonds issued by The Government of Jamaica (GOJ), certain investments have been reclassified from available-for-sale to loans and receivable in accordance with paragraph 50E of IAS 39 [see note 3(a)]. The standard requires that such reclassification be made at the fair value of the instruments at the date of reclassification. The prices of GOJ Global Bonds as at September 30, 2008 were used to determine the fair value used for the reclassification.

	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
	\$'000	\$'000	\$'000	\$'000
Securities:				
US\$ denominated GOJ Global Bonds	4,527,003	4,223,059	5,018,769	5,043,175
EURO denominated GOJ Global Bonds	<u>1,140,154</u>	<u>1,046,956</u>	<u>810,983</u>	<u>774,067</u>

- (a) Fair value (losses)/gains excluding deferred taxation of (\$132,381,000) (2007: \$4,170,000) were recognised in equity in relation to the above investments reclassified during the year.
- (b) Fair value losses of \$1,683,544,000 excluding deferred taxation would have been included in equity for the year had the investments not been reclassified. This amount was estimated on the basis of the bid price of the securities as at December 31, 2008. Management believes that this price is not necessarily indicative of the amount that would have been valued if an active market for the securities actually existed at that date.
- (c) The weighted average effective interest rate of the investments at the date of reclassification was 9.83%. The undiscounted cash flows to be recovered from the investment reclassified is \$5,667,158,000.

29. 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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

29. Financial risk management (cont'd)

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

(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. The 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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

29. 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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

29. 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, net of provisions for probable losses

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:

Rating	Description of the grade
1	<i>Low Risk</i>
2	<i>Standard Risk</i>
3	<i>Sub Standard Risk</i>

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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

29. 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 – first demand mortgages over residential and commercial properties, first 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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

29. 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:

	<u>2008</u>		<u>2007</u>	
	<u>Loans</u>	<u>Impairment</u>	<u>Loans</u>	<u>Impairment</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Low risk	1,336,444	-	1,488,213	-
Standard risk	7,129,692	-	3,529,190	-
Sub-standard risk	<u>181,750</u>	<u>(134,327)</u>	<u>143,697</u>	<u>(127,565)</u>
	<u>8,647,886</u>	<u>(134,327)</u>	<u>5,161,100</u>	<u>(127,565)</u>

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

	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>
Cash and cash equivalents	2,391,923	3,617,670
Investment securities	13,594,889	15,647,509
Loans, net of provision for probable losses	8,513,559	5,033,535
Securities purchased under agreements to resell	481,300	-
Cheques and other instruments in-transit, net	199,823	206,794
Long-term purchase of marketable securities	3,279,820	-
Broker receivables	<u>2,582,549</u>	<u>-</u>
	<u>31,043,863</u>	<u>24,505,508</u>

The above table represents a worst case scenario of credit risk exposure to the company at 31 December 2008 and 2007, without taking account of any collateral held or other credit enhancements.

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements
December 31, 200829. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(i) Loans, net of provision for probable losses

[i] Credit quality of loans is summarised as follows:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Neither past due nor impaired:		
Low risk	1,336,444	1,488,213
Standard risk	6,952,500	3,300,334
Sub-standard risk	<u>-</u>	<u>-</u>
	8,288,944	4,788,547
Past due but not impaired	177,192	228,856
Impaired	<u>181,750</u>	<u>143,697</u>
Gross	8,647,886	5,161,100
Less: Provision	<u>(134,327)</u>	<u>(127,565)</u>
Net	<u>8,513,559</u>	<u>5,033,535</u>

The majority of past due loans are not considered impaired.

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

	<u>2008</u> \$'000	<u>2007</u> \$'000
Less than 30 days	63,075	19,172
31 to 60 days	38,707	116,546
61 to 90 days	72,342	16,735
More than 90 days	<u>3,068</u>	<u>76,403</u>
	<u>177,192</u>	<u>228,856</u>

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

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

29. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(i) Loans, net of provision for probable losses (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:

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Loans	<u>181,750</u>	<u>143,697</u>

The fair value of collateral that the company held as security for individually impaired loans was \$196,632,000 (2007: \$76,100,000).

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

[iv] Concentration of loans

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

	<u>Number of accounts</u>		<u>2008</u>	<u>2007</u>
	<u>2008</u>	<u>2007</u>	\$'000	\$'000
Public sector	6	6	1,330,927	1,180,999
Professional and other services	251	344	2,128,881	1,602,649
Individuals	5,047	3,241	3,299,107	2,077,647
Agriculture	12	14	9,074	22,686
Manufacturing	29	24	144,747	29,394
Transportation	39	14	214,267	65,594
Distribution	59	18	517,819	27,045
Financial Institutions	4	-	163,220	-
Mining and quarrying	5	-	57,938	-
Construction and land development	27	-	152,058	-
Electricity, gas and water	2	-	139,614	-
Tourism	<u>32</u>	<u>18</u>	<u>355,907</u>	<u>27,521</u>
	<u>5,513</u>	<u>3,679</u>	<u>8,513,559</u>	<u>5,033,535</u>

The majority of loans 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:

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Government of Jamaica	12,490,579	14,526,081
Corporate	979,180	934,131
Other	<u>120,110</u>	<u>182,277</u>
	<u>13,589,869</u>	<u>15,642,489</u>

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

29. 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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

29. 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.

	2008					
	Within	3 to 12	1 to 5	Over 5	Non-specific	Total
	<u>3 months</u>	<u>months</u>	<u>years</u>	<u>years</u>	<u>maturity</u>	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deposits	11,751,886	4,123,949	26,598	-	-	15,902,433
Due to specialised banks	195,449	120,372	598,475	-	-	914,296
Securities sold under						
repurchase agreements	6,591,707	302,029	-	-	-	6,893,736
Short-term loans	2,641,100	-	-	-	-	2,641,100
Other liabilities	-	-	-	-	456,952	456,952
Short-sale of marketable securities	3,110,804	-	-	-	-	3,110,804
Guarantees, per contra	-	-	-	-	306,310	306,310
Total financial liabilities (contractual maturity dates)	<u>24,290,946</u>	<u>4,546,350</u>	<u>625,073</u>	<u>-</u>	<u>763,262</u>	<u>30,225,631</u>
	2007					
	Within	3 to 12	1 to 5	Over 5	Non-specific	Total
	<u>3 months</u>	<u>months</u>	<u>years</u>	<u>years</u>	<u>maturity</u>	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deposits	10,657,156	4,337,202	28,960	-	-	15,023,318
Due to specialised 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)	<u>16,926,633</u>	<u>5,132,269</u>	<u>291,421</u>	<u>-</u>	<u>715,301</u>	<u>23,065,624</u>

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.

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements
December 31, 200829. 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.

	2008					
	Jamaica\$ J\$'000	US\$ J\$'000	GBP J\$'000	CAN\$ J\$'000	Other J\$'000	Total J\$'000
Cash and cash equivalents	570,799	1,728,522	63,243	18,813	10,546	2,391,923
Investments	4,689,930	7,865,625	-	-	1,039,334	13,594,889
Loans	3,841,397	4,672,162	-	-	-	8,513,559
Securities purchased under resale agreements	-	481,300	-	-	-	481,300
Cheques and other instruments in-transit	1	198,138	-	220	1,464	199,823
Other assets	388,266	316,171	57,910	564	45,525	808,436
Long purchase of marketable securities	-	3,279,820	-	-	-	3,279,820
Broker receivable	-	2,582,549	-	-	-	2,582,549
Customers' liabilities under guarantees, as per contra	<u>154,684</u>	<u>151,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>306,310</u>
Total financial assets	<u>9,645,077</u>	<u>21,275,913</u>	<u>121,153</u>	<u>19,597</u>	<u>1,096,869</u>	<u>32,158,609</u>
Deposits	3,887,778	10,992,509	145,845	43,708	252,223	15,322,063
Due to specialized banks	429,626	424,503	-	-	-	854,129
Securities sold under repurchase agreements	2,480,402	3,483,359	-	-	812,477	6,776,238
Borrowings	100,000	2,533,912	-	-	-	2,633,912
Other liabilities	424,660	396,811	1,567	742	18,776	842,556
Short sale of market securities	-	3,110,804	-	-	-	3,110,804
Guarantees, per contra	<u>154,684</u>	<u>151,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>306,310</u>
Total financial liabilities	<u>7,477,150</u>	<u>21,093,524</u>	<u>147,412</u>	<u>44,450</u>	<u>1,083,476</u>	<u>29,846,012</u>
Net financial position	<u>2,167,927</u>	<u>182,389</u>	<u>(26,259)</u>	<u>(24,853)</u>	<u>13,393</u>	<u>2,312,597</u>

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements
December 31, 200829. Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Currency risk (cont'd)

	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
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	<u>205,158</u>	<u>120,896</u>	<u>-</u>	<u>823</u>	<u>-</u>	<u>326,877</u>
Total financial assets	<u>9,464,269</u>	<u>14,878,028</u>	<u>243,064</u>	<u>59,735</u>	<u>939,954</u>	<u>25,585,050</u>
Deposits	3,227,687	10,956,545	189,629	38,758	131,492	14,544,111
Due to specialised 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	<u>205,158</u>	<u>120,896</u>	<u>-</u>	<u>823</u>	<u>-</u>	<u>326,877</u>
Total financial liabilities	<u>6,620,026</u>	<u>14,797,601</u>	<u>193,494</u>	<u>41,892</u>	<u>991,738</u>	<u>22,644,751</u>
Net financial position	<u>2,844,243</u>	<u>80,427</u>	<u>49,570</u>	<u>17,843</u>	<u>(51,784)</u>	<u>2,940,299</u>

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 10% (2007: 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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

29. Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Currency risk (cont'd)

	<u>2008</u>		<u>2007</u>	
	% change in currency rate	Effect on profit \$'000	% change in currency rate	Effect on profit \$'000
Currency:				
USD	10%	20,085	5%	4,456
GBP	10%	(1,751)	5%	1,650
CAN	10%	(1,664)	5%	592
EUR	<u>10%</u>	<u>893</u>	<u>5%</u>	<u>(1,726)</u>

(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.

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements
December 31, 200829. 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.

	2008				<u>Total</u> \$'000
	<u>Within</u> <u>3 months</u> \$'000	<u>3 to 12</u> <u>months</u> \$'000	<u>Over</u> <u>12 Months</u> \$'000	<u>Non-Rate</u> <u>sensitive</u> \$'000	
Cash and cash equivalents	1,197,945	-	-	1,193,978	2,391,923
Investments	2,699,460	3,151,771	7,738,638	5,020	13,594,889
Loans	1,567,821	1,669,131	5,276,607	-	8,513,559
Securities purchased under resale agreements	481,300	-	-	-	481,300
Cheques and other instruments in-transit	-	-	-	199,823	199,823
Other assets	-	-	-	808,436	808,436
Long purchase of marketable securities	-	-	3,279,820	-	3,279,820
Broker receivables	-	-	-	2,582,549	2,582,549
Customers' liabilities under guarantees, as per contra	-	-	-	306,310	306,310
Total assets	<u>5,946,526</u>	<u>4,820,902</u>	<u>16,295,065</u>	<u>5,096,116</u>	<u>32,158,609</u>
Deposits	11,412,771	3,890,990	18,302	-	15,322,063
Due to specialized banks	63,528	121,879	668,722	-	854,129
Securities sold under repurchase agreements	6,497,874	278,364	-	-	6,776,238
Borrowings	2,633,912	-	-	-	2,633,912
Other liabilities	-	-	-	842,556	842,556
Short sale of marketable securities	-	-	-	3,110,804	3,110,804
Guarantees, per contra	-	-	-	306,310	306,310
Total liabilities	<u>20,608,085</u>	<u>4,291,233</u>	<u>687,024</u>	<u>4,259,670</u>	<u>29,846,012</u>
Total interest repricing gap	<u>(14,661,559)</u>	<u>529,669</u>	<u>15,608,041</u>	<u>836,446</u>	<u>2,312,597</u>
Cumulative gap	<u>(14,661,559)</u>	<u>(14,131,890)</u>	<u>1,476,151</u>	<u>2,312,597</u>	<u>-</u>

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements
December 31, 200829. Financial Risk Management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	<u>2007</u>				<u>Total</u> <u>'000</u>
	<u>Within</u> <u>3 months</u> <u>\$'000</u>	<u>3 to 12</u> <u>months</u> <u>\$'000</u>	<u>Over</u> <u>12 Months</u> <u>\$'000</u>	<u>Non-Rate</u> <u>sensitive</u> <u>\$'000</u>	
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
Cheques and other instruments in-transit	-	-	-	206,794	206,794
Other assets	-	-	-	752,665	752,665
Customer' liabilities under guarantees, as per contra	-	-	-	<u>326,877</u>	<u>326,877</u>
Total assets	<u>5,920,256</u>	<u>3,038,431</u>	<u>12,845,061</u>	<u>3,781,302</u>	<u>25,585,050</u>
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	-	-	-	<u>326,877</u>	<u>326,877</u>
Total liabilities	<u>16,629,228</u>	<u>4,827,590</u>	<u>185,219</u>	<u>1,002,714</u>	<u>22,644,751</u>
Total interest repricing gap	<u>(10,708,972)</u>	<u>(1,789,159)</u>	<u>12,659,842</u>	<u>2,778,588</u>	<u>2,940,299</u>
Cumulative gap	<u>(10,708,972)</u>	<u>(12,498,131)</u>	<u>161,711</u>	<u>2,940,299</u>	<u>-</u>

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

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

29. 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:

	2008			
	Within	3 to 12	Over	Total
	3 Months	Months	12 Months	
	%	%	%	%
Cash and cash equivalents	3.76	-	-	3.76
Investments	16.55	14.64	10.23	12.50
Loans	20.11	12.72	13.30	14.44
Securities purchased under resale agreements	3.75	-	-	3.75
Long purchase of marketable securities	-	-	4.50	4.50
Deposits	5.57	6.63	12.64	5.85
Due to specialized banks	8.55	6.28	8.59	8.26
Securities sold under repurchase agreements	12.09	12.21	-	12.09
Due to other banks	<u>13.76</u>	<u>-</u>	<u>-</u>	<u>13.76</u>

	2008			
	Within	3 to 12	Over	Total
	3 Months	Months	12 Months	
	%	%	%	%
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	<u>20.00</u>	<u>20.00</u>	<u>-</u>	<u>20.00</u>

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 or loss 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.

FIRST GLOBAL BANK LIMITED

Notes to the Financial Statements
December 31, 2008

29. Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest rate sensitivity (cont'd)

	2008		2007	
	Effect on net profit \$'000	Effect on equity \$'000	Effect on net profit \$'000	Effect on equity \$'000
Change in basis points:				
- 500 (2007:100) bp	448,897	1,165,010	(67,456)	510,703
+500 (2007:100) bp	(448,897)	(708,001)	(67,456)	(457,496)

30. 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 bi-monthly. The required information is filed with 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% (2007: 8%); and
- (ii) Maintain a ratio of total regulatory capital to the risk-weighted asset at or above 10% (2007: 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.

FIRST GLOBAL BANK LIMITEDNotes to the Financial Statements
December 31, 200830. Capital management (cont'd)

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

	2008		2007	
	Actual \$'000	Required \$'000	Actual \$'000	Required \$'000
Tier 1 capital	1,991,426	1,394,134	2,526,567	594,465
Tier 2 capital	<u>83,192</u>	<u>-</u>	<u>49,320</u>	<u>-</u>
Total regulatory capital	<u>2,074,618</u>	<u>1,394,134</u>	<u>2,575,887</u>	<u>594,465</u>
Risk-weighted assets:				
On-balance sheet	13,635,025	-	5,617,770	-
Off-balance sheet	<u>306,310</u>	<u>-</u>	<u>326,877</u>	<u>-</u>
Total risk-weighted assets	<u>13,941,335</u>	<u>-</u>	<u>5,944,647</u>	<u>-</u>
Tier one capital ratio	<u>14%</u>	<u>-</u>	<u>43%</u>	<u>-</u>
Total capital ratio	<u>15%</u>	<u>10%</u>	<u>43%</u>	<u>10%</u>

31. Litigation

The Bank is subject to various claims, disputes and legal proceedings, in the normal course of business. Two employees have also sued the company for wrongful dismissal and another has sued for constructive dismissal.

Save as otherwise expressly stated, the company's lawyers are unable to provide a meaningful opinion as to the likely outcome of the litigation by the customers, 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 good defenses to the claims filed by the employees.

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

32. Subsequent events

- (i) On January 2, 2009 the Bank of Jamaica increased the Jamaica dollar cash reserve requirements for all banks from 11% to 13% and the foreign currency cash reserve for all banks from 9% to 11%. The Jamaican dollar cash reserve was further increased on February 6, 2009 from 13 to 14% (see note 5).
- (ii) On February 27, 2009 the bank signed agreements with the International Finance Corporation (IFC) for (a) the equity investment of US\$10 million in non-redeemable, non-cumulative preferred shares in the bank and (b) the loan by IFC to the bank of the sum of US\$10 million earmarked for on-lending to small businesses. The Bank of Jamaica (BOJ) has indicated that it has no objection to these transactions.