

FirstCaribbean International Bank (Jamaica) Limited



FIRSTCARIBBEAN
INTERNATIONAL BANK

Consolidated Financial Statements

For the six months ended April 30, 2005 (expressed in Jamaica dollars)

Chairman's Review

FirstCaribbean International Bank Jamaica Group recorded net profit after taxation of \$251 million for the six months ended April 30, 2005 in comparison to \$192 million for the same period in the preceding year, reflecting a 30.7% increase. This performance was materially affected by the \$135.4 million gain on sale of the investment management subsidiary FirstCaribbean International Securities Limited to FirstCaribbean International Bank (Barbados) Limited and the reduction of net interest income by \$82.6 million (10.4%).

Loan interest income grew by \$132 million or 20%. However, placements and securities interest income declined by \$226 million or 40% due to falling interest rates and lower investment balances. The medium-term outlook is for Jamaican dollar interest rates to continue to fall; consequently we are taking further initiatives to reduce costs and grow our core business to offset the decline.

For the half-year ended April 30, 2005, non-interest expenses increased by \$38 million or 5% over the comparable period in the previous year due to one-off administrative expenses incurred in the previous quarter.

Return on shareholders' equity was 18.9% for the six-month period compared to 17.1% for the corresponding period in the prior year; earnings per share was 130 cents compared to 99 cents for the period ended April 30, 2004.

As at April 30, 2005 total assets stood at \$20.7 billion compared to \$20.5 billion for the same period last year. Our loan portfolio continues to experience strong growth with a balance of \$9.8 billion as at April 30, 2005, representing a 15.6% growth since October 31, 2004. The loan portfolio has grown by \$2 billion or 25.1% for the 12-month period.

The quality of our loan portfolio continues to show improvements with a 62% reduction in non-performing loans. This strategy of growing our loan portfolio represents our bank's view that shareholder value is enhanced over the longer term by having a greater proportion of our assets in loans to the commercial and personal sectors.

We thank our customers, employees and other stakeholders for their continued support.

Michael K. Mansoor
Chairman

CONSOLIDATED BALANCE SHEET (J\$'000) AS AT APRIL 30, 2005

	Unaudited April 30, 2005	Unaudited April 30, 2004	Audited October 31, 2004
Assets			
Cash resources	6,634,891	8,317,000	7,246,192
Investments	1,965,345	2,481,898	2,255,759
Government securities purchased under resale agreement	193,333	379,997	551,229
Loans, less provision for impairment	9,775,388	7,796,048	8,448,607
Net investment in leases	8,191	24,720	16,431
Other assets	1,210,111	792,045	665,560
Taxation recoverable	31,321	-	-
Retirement benefit assets	495,435	409,270	493,600
Property, plant and equipment	421,907	292,297	427,083
Total assets	20,735,922	20,493,275	20,104,461
Liabilities			
Deposits	17,565,207	17,347,798	16,645,586
Other liabilities	128,799	516,770	604,304
Taxation payable	-	57,212	78,071
Retirement benefit obligations	106,150	81,811	104,224
Deferred tax liabilities	136,508	130,611	124,110
Total liabilities	17,936,664	18,134,202	17,556,295
Stockholders' Equity			
Share capital and reserves	2,147,863	1,724,477	1,784,488
Retained earnings	651,395	634,596	763,678
	2,799,258	2,359,073	2,548,166
Total shareholders' equity and liabilities	20,735,922	20,493,275	20,104,461

Michael Mansoor
Chairman

Milton Brady
Managing Director

CONSOLIDATED STATEMENT OF CASH FLOWS (J\$'000)

	Unaudited Quarter ended April 30, 2005	Unaudited Quarter ended April 30, 2004	Audited Year ended October 31, 2004
Net cash (used in) / provided by operating activities	(1,278,675)	374,260	(703,607)
Net cash (used in)/provided by investing activities	844,028	175,748	51,866
Net cash used in financing activities	-	-	-
Net decrease in cash and cash equivalents	(434,647)	550,008	(651,741)
Effect of exchange rate changes on cash and cash equivalents	4,425	27,665	136,839
Cash and cash equivalents, beginning of period	5,379,440	5,894,342	5,894,342
Cash and cash equivalents, end of period	4,949,218	6,472,015	5,379,440

CONSOLIDATED STATEMENT OF INCOME (J\$'000) QUARTER ENDED APRIL 30, 2005

	Unaudited Quarter ended April 30, 2005	Unaudited Year to Date April 30, 2005	Unaudited Quarter ended April 30, 2004	Unaudited Year to Date April 30, 2004	Audited Year Ended October 31, 2004
Interest income	554,713	1,116,745	590,825	1,210,889	2,375,021
Interest expenses	(201,098)	(406,267)	(205,986)	(417,854)	(830,122)
Net interest income	353,615	710,478	384,839	793,035	1,544,899
Non-interest income	256,371	379,108	128,221	255,164	517,814
Total Revenue	609,986	1,089,586	513,060	1,048,199	2,062,713
Non-interest expenses	363,591	786,576	360,460	748,363	1,459,664
Provision for credit losses	4,763	9,439	10,233	25,147	17,281
Restructuring/Integration Costs	0	0	0	0	51,209
	368,354	796,015	370,693	773,510	1,528,154
Income before taxation	241,632	293,571	142,367	274,689	534,559
Taxation	(31,575)	(42,479)	(40,415)	(82,605)	(153,382)
Net Income	210,057	251,092	101,952	192,084	381,177

Average number of common shares outstanding (000's) 193,333
Net income per common share in cents 108.7

193,333
129.9

193,333
52.7

193,333
99.4

193,333
197.2

FirstCaribbean International Bank (Jamaica) Limited



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CONSOLIDATED CHANGES IN STOCKHOLDERS' EQUITY

	Number of Shares ('000)	Share Capital J\$'000	Capital Reserve J\$'000	Statutory Reserve Fund J\$'000	Retained Earnings Reserve J\$'000	Building Society's Reserve J\$'000	Loan Loss Reserve J\$'000	Total Share Capital & Reserves J\$'000	Retained Earnings J\$'000	Total Equity J\$'000
Balance at November 1, 2003	193,333	96,667	19,458	156,667	956,163	45,522	-	1,274,477	892,512	2,166,989
Net income	-	-	-	-	-	-	-	-	192,084	192,084
Transfer to retained earnings reserve	-	-	-	-	450,000	-	-	450,000	(450,000)	-
Dividends	-	-	-	-	-	-	-	-	-	-
Balance at April 30, 2004	193,333	96,667	19,458	156,667	1,406,163	45,522	-	1,724,477	634,596	2,359,073
Balance at November 1, 2004	193,333	96,667	19,458	156,667	1,406,163	45,522	60,011	1,784,488	763,678	2,548,166
Net income	-	-	-	-	-	-	-	-	251,092	251,092
Realised gain on sale of subsidiary	-	-	(6,625)	-	-	-	-	(6,625)	6,625	-
Transfer to retained earnings reserve	-	-	-	-	370,000	-	-	370,000	(370,000)	-
Transfer to loan loss reserve	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Balance at April 30, 2005	193,333	96,667	12,833	156,667	1,776,163	45,522	60,011	2,147,863	651,395	2,799,258

SEGMENT FINANCIAL INFORMATION CONSOLIDATED STATEMENT OF INCOME (J\$'000)

	For the quarter ended					For the quarter ended			
	April 30, 2005					April 30, 2004			
	Continuing Segment Financial Services	Discontinued Segment Investment Management Services	Consol Elim.	Group		Continuing Segment Financial Services	Discontinued Segment Investment Management Services	Consol Elim.	Group
Net Revenues	1,126,602	55,793	(92,810)	1,089,585	Net Revenues	988,094	60,105	-	1,048,199
Operating Expenses	(755,298)	(40,717)	-	(796,015)	Operating Expenses	(724,749)	(48,761)	-	(773,510)
Profit before taxation	371,305	15,076	-	293,571	Profit before taxation	263,345	11,344	-	274,689
Income Tax	-	-	-	(42,479)	Income Tax	-	-	-	(82,605)
Net Profit				251,092	Net Profit				192,084
Segment Assets	21,495,511		(790,910)	20,704,601	Segment Assets	20,547,113	418,278	(472,116)	20,493,275
Segment Liabilities	18,661,252		(755,910)	17,905,342	Segment Liabilities	18,219,792	349,782	(435,372)	18,134,202
Other segment items:					Other segment items:				
Capital expenditure	39,921	24	-	39,945	Capital expenditure	35,068	36	-	35,104
Depreciation	41,967	731	-	42,698	Depreciation	27,613	1,015	-	28,628

1. Basis of preparation

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

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

2. Consolidation

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

3. Interest income and expense

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

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

4. Fee and commission income

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

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

5. Foreign currencies

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

6. Investments

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

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

Investments purchased on the secondary market which are intended to be held to maturity are classified as such. These investments are initially recorded at cost, and are subsequently measured at amortised cost.

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

7. Loans and provision for impairment losses

Loans are stated net of unearned income and provision for credit losses.

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

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

8. Provisions

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

9. Fiduciary activities

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

10. Deferred income taxes

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

11. Employee benefits

(i) Pension asset

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

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

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

(ii) Other post-retirement obligations

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

(iii) Employee entitlements

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

12. Segment Financial Information

The Group is organised into two main business segments:

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

(b) Investment Management Services – This includes investments and pension fund management and the administration of trust accounts. This subsidiary was sold on April 29, 2005 – see note 13 below.

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

The Group's operations are located solely in Jamaica.

13. Disposal of subsidiary

On April 29, 2005, the Group sold its 100% shareholding of its subsidiary FirstCaribbean International Securities Limited to FirstCaribbean International Bank (Barbados) Limited.

The subsidiary operated in the Investment Management Services segment and it contributed operating income after tax of \$10,604,000 to the Group for the six months ended April 30, 2005 (\$6,000,000 for the six months ended April 30, 2004).

The details of the assets and liabilities disposed of and the disposal consideration are as follows:

	J\$'000	J\$'000
Sale Proceeds		250,000
Cash and cash equivalents	15,662	
Investments	345,820	
Other Assets	35,955	
Property, plant and equipment	1,457	
Other Liabilities	(304,339)	
Net Assets		94,555
Gain on sale before tax		155,445
Transfer tax at 7.5% of sale proceeds	18,750	
Stamp Duty at 0.5% of sale proceeds	1,250	
		20,000
Net gain on sale of subsidiary		135,445

14. Comparative information

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