# FirstCaribbean International Bank (Jamaica) Limited

## Consolidated Financial Statements

For the period ended July 31, 2005 (expressed in Jamaica dollars)

FIRSTCARIBBEAN INTERNATIONAL BANK

### CHAIRMAN'S REVIEW

FirstCaribbean International Bank Jamaica Group reported net profit after taxation of $349.3 million for the nine months ended July 31, 2005 in comparison to $290.2 million for the same period in the preceding year. This performance reflected a $59 million or 20.3% increase.

Total revenue for the nine months ended July 31, 2005 over the similar period in the previous year increased by $73.6 million (4.7%) including $135.4 million gained on the sale of FirstCaribbean International Securities Limited to FirstCaribbean International Bank (Barbados) Limited in the second quarter. Total revenue for the quarter ended July 31, 2005 (excluding revenue for FirstCaribbean Securities Limited which was sold on April 30, 2005) decreased by $63.3 million or 10.4% in comparison to quarter ended April 30, 2005.

Loan interest income for the nine months ended July 31, 2005 grew by $241 million or 24% over the prior year and by $63.6 million or 16% over the quarter ended April 30, 2005. However, placements and securities interest income for the nine months ended July 31, 2005 fell by $286 million or 37% due to declining interest rates and lower investment balances.

For the nine months ended July 31, 2005 non-interest expenses increased by $88.9 million or 8% over the comparable period in the previous year.

Return on stockholders' equity was 17.1% for the nine-month period compared to 16.8% for the corresponding period in the prior year; earnings per share was $1.81 compared to $1.50 for the period ended July 31, 2004.

As at July 31, 2005 total assets stood at $21.6 billion compared to $20.5 billion for the same period last year. The loan portfolio growth continues to be exceptional with a balance of $11.5 billion as at July 31, 2005 representing a 36.4% growth since October 31, 2004. The loan portfolio has grown by $3.3 billion or 39.8% for the 12-month period.

The quality of our loan portfolio continues to show improvement with non-performing loans representing 2% of total loans compared to 4.8% as at July 31, 2004. 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 institutional, corporate, commercial and personal sectors.

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

**Michael K. Mansoor**
Chairman

### CONSOLIDATED CHANGES IN STOCKHOLDERS' EQUITY

| | Number of Shares ('000) | Share Capital J$'000 | Captial Reserve J$'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 | - | - | - | - | | - | - | - | 290,231 | 290,231 |
| Transfer to retained earnings reserve | - | - | - | - | 450,000 | - | - | 450,000 | (450,000) | - |
| Dividends | - | - | - | - | - | - | - | - | - | - |
| **Balance at July 31, 2004** | 193,333 | 96,667 | 19,458 | 156,667 | 1,406,163 | 45,522 | - | 1,724,477 | 732,743 | 2,457,220 |
| **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 | - | - | - | - | - | - | - | - | 349,317 | 349,317 |
| Transfer to 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 July 31, 2005** | 193,333 | 96,667 | 12,833 | 156,667 | 1,776,163 | 45,522 | 60,011 | 2,147,863 | 749,620 | 2,897,483 |

### CONSOLIDATED BALANCE SHEET (J$'000) AS AT JULY 31, 2005

| **Assets** | **Unaudited July 31, 2005** | **Unaudited July 31, 2004** | **Audited October 31, 2004** |
|---|---|---|---|
| Cash resources | 6,374,685 | 7,680,484 | 7,246,192 |
| Investments | 1,473,024 | 2,636,305 | 2,255,759 |
| Government securities purchased under resale agreement | 440,659 | 206,210 | 551,229 |
| Loans, less provision for impairment | 11,540,815 | 8,239,902 | 8,448,607 |
| Net investment in leases | 5,936 | 20,289 | 16,431 |
| Other assets | 891,936 | 982,799 | 665,560 |
| Retirement benefit assets | 507,427 | 409,270 | 493,600 |
| Property, plant and equipment | 409,190 | 326,341 | 427,083 |
| **Total Assets** | 21,643,672 | 20,501,600 | 20,104,461 |
| **Liabilities** | | | |
| Deposits | 18,203,091 | 17,201,728 | 16,645,586 |
| Other liabilities | 295,237 | 555,018 | 604,304 |
| Taxation payable | 3,655 | 78,495 | 78,071 |
| Retirement benefit obligations | 112,108 | 81,811 | 104,224 |
| Deferred tax liabilities | 132,098 | 127,328 | 124,110 |
| **Total Liabilities** | 18,746,189 | 18,044,380 | 17,556,295 |
| **Stockholders' Equity** | | | |
| Share capital and reserves | 2,147,863 | 1,724,477 | 1,784,488 |
| Retained earnings | 749,620 | 732,743 | 763,678 |
| | 2,897,483 | 2,457,220 | 2,548,166 |
| | 21,643,672 | 20,501,600 | 20,104,461 |

**Michael Mansoor**
Chairman

**Milton Brady**
Managing Director

### CONSOLIDATED STATEMENT OF INCOME (J$'000) QUARTER ENDED JULY 31, 2005

| | **Unaudited Quarter ended July 31, 2005** | **Unaudited Year To Date July 31, 2005** | **Unaudited Quarter ended July 31, 2004** | **Unaudited Year To Date July 31, 2004** | **Audited Year ended October 31, 2004** |
|---|---|---|---|---|---|
| Interest income | 623,816 | 1,740,561 | 575,244 | 1,786,133 | 2,375,021 |
| Interest expenses | (207,730) | (613,997) | (207,426) | (625,280) | (830,122) |
| Net interest income | 416,086 | 1,126,564 | 367,818 | 1,160,853 | 1,544,899 |
| Non-interest income | 130,600 | 509,708 | 146,703 | 401,867 | 517,814 |
| Total Revenue | 546,686 | 1,636,272 | 514,521 | 1,562,720 | 2,062,713 |
| Non-interest expenses | 409,493 | 1,196,069 | 358,855 | 1,107,218 | 1,459,664 |
| Provision for credit losses | 4,865 | 14,304 | 12,257 | 37,404 | 17,281 |
| Restructuring/Integration Costs | 0 | 0 | 0 | 0 | 51,209 |
| | 414,358 | 1,210,373 | 371,112 | 1,144,622 | 1,528,154 |
| Income before taxation | 132,328 | 425,899 | 143,409 | 418,098 | 534,559 |
| Taxation | (34,103) | (76,582) | (45,262) | (127,867) | (153,382) |
| Net Income | 98,225 | 349,317 | 98,147 | 290,231 | 381,177 |
| Average number of common shares outstanding (000's) | 193,333 | 193,333 | 193,333 | 193,333 | 193,333 |
| Net income per common share in cents | 50.8 | 180.7 | 50.8 | 150.1 | 197.2 |

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

| | **Unaudited Nine months ended July 31, 2005** | **Unaudited Nine months ended July 31, 2004** | **Audited Year ended October 31, 2004** |
|---|---|---|---|
| **Net cash used in operating activities** | (1,637,119) | (331,425) | (703,607) |
| **Net cash provided by investing activities** | 1,082,007 | 143,687 | 51,866 |
| **Net cash (used in)/provided by financing activities** | - | - | - |
| **Net decrease in cash and cash equivalents** | (555,112) | (187,738) | (651,741) |
| **Effect of exchange rate changes on cash and cash equivalents** | 445 | 107,768 | 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** | 4,824,773 | 5,814,372 | 5,379,440 |

The above information is also available on our website at **www.firstcaribbeanbank.com**

# FirstCaribbean International Bank (Jamaica) Limited

## Consolidated Financial Statements

For the period ended July 31, 2005 (expressed in Jamaica dollars)

FIRSTCARIBBEAN INTERNATIONAL BANK

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

**For the nine months ended**

**July 31, 2005**

| | **Continuing Segment** Financial Services | **Discontinued Segment** Investment Management Services | Consol Elimin. | Group |
|---|---|---|---|---|
| Net Revenues | 1,673,289 | 55,793 | (92,810) | 1,636,272 |
| Operating Expenses | (1,169,656) | (40,717) | - | (1,210,373) |
| Profit before taxation | 503,633 | 15,076 | (92,810) | 425,899 |
| Income Tax | | | | (76,582) |
| Net Profit | | | | 349,317 |
| Segment Assets | 22,560,775 | - | (917,103) | 21,643,672 |
| Segment Liabilities | 19,628,292 | - | (882,103) | 18,746,189 |
| Other segment items: | | | | |
| Capital expenditure | 48,226 | 24 | - | 48,250 |
| Depreciation | 62,370 | 731 | - | 63,101 |

**July 31, 2004**

| | **Continuing Segment** Financial Services | **Discontinued Segment** Investment Management Services | Consol Elimin. | Group |
|---|---|---|---|---|
| Net Revenues | 1,464,574 | 98,146 | - | 1,562,720 |
| Operating Expenses | (1,073,204) | (71,418) | - | (1,144,622) |
| Profit before taxation | 391,370 | 26,728 | - | 418,098 |
| Income Tax | | | | (127,867) |
| Net Profit | | | | 290,231 |
| Segment Assets | 20,501,411 | 424,266 | (424,077) | 20,501,600 |
| Segment Liabilities | 18,087,159 | 344,553 | (387,332) | 18,044,380 |
| Other segment items: | | | | |
| Capital expenditure | 86,456 | 138 | - | 86,594 |
| Depreciation | 44,490 | 1,526 | - | 46,016 |

1. **Basis of preparation**
These financial statements have been prepared in conformity with International Financial Reporting 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 ($17,441,000 for the nine months ended July 31, 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.

The above information is also available on our website at **www.firstcaribbeanbank.com**