

# FirstCaribbean International Bank (Jamaica) Limited



**FIRSTCARIBBEAN**  
INTERNATIONAL BANK

## CHAIRMAN'S REVIEW

For the twelve months ended October 31, 2005

FirstCaribbean International Bank Jamaica Group recorded net profit after taxation of \$133.5 million for the quarter, reflecting a 46.7% increase over the \$90.9 million earned in the comparable period in 2004. The fourth quarter's total revenue increased by \$101 million or 20.2% over the comparable quarter in 2004 and was due to higher loan volumes.

The net profit after taxation for the year ended October 31, 2005 was \$482.8 million compared to \$381.2 million reported for the prior year. This represents a 26.7% improvement over 2004, driven primarily by the strong growth in our loan portfolio.

For the year ended October 31, 2005 total revenue increased by \$174.6 million (8.5%) over the preceding year directly attributable to \$135.4 million gained on the sale of FirstCaribbean International Securities Limited to FirstCaribbean International Bank (Barbados) Limited in the second quarter.

Operating Expenses for the twelve months ended October 31, 2005 amounted to \$1,542.5 million, an increase of \$82.8 million or 5.7% due primarily to growth in employee costs.

Return on stockholders' equity was 17.3% for the twelve-month period compared to 16.2% for the prior year; earnings per share was \$2.50 compared to \$1.97 for the year ended October 31, 2004.

Total assets stood at \$23.5 billion as at October 31, 2005 compared to \$20.1 billion for the preceding year-end. The loan portfolio experienced above average performance with a twelve-month loan growth of \$5.3 billion or 61.2%. Loan portfolio quality improvement continued with non-performing loans representing 1.7% of total loans compared to 2.6% as at October 31, 2004.

Given the decision of the bank to transfer \$370 million from Retained Earnings to Statutory Capital in order to support the continuing strong growth in our business, your Board recommends that no dividend be paid for the year ended October 31, 2005.

On behalf of the Board, I would like to take this opportunity to thank our customers, employees and other stakeholders for making 2005 a successful year.

**Michael K. Mansoor**  
Chairman

### FIRSTCARIBBEAN INTERNATIONAL BANK (JAMAICA) LIMITED CONSOLIDATED BALANCE SHEET (J\$'000) AS AT OCTOBER 31, 2005

	Audited October 31, 2005	Audited October 31, 2004
<b>Assets</b>		
Cash resources	6,591,062	7,351,408
Investments	1,503,634	2,331,756
Government securities purchased under resale agreement	135,357	565,253
Loans, less provision for impairment	13,863,062	8,596,236
Net investment in leases	9,239	16,431
Other assets	429,673	322,694
Deferred Tax Assets	816	-
Retirement benefit assets	618,410	493,600
Property, plant and equipment	378,436	427,083
<b>Total Assets</b>	<b>23,529,689</b>	<b>20,104,461</b>
<b>Liabilities</b>		
Deposits	19,863,646	16,702,965
Other liabilities	308,129	546,925
Taxation payable	17,147	78,071
Deferred tax liabilities	171,874	124,110
Retirement benefit obligations	135,400	104,224
<b>Total Liabilities</b>	<b>20,496,196</b>	<b>17,556,295</b>
<b>Stockholders' Equity</b>		
Share capital and reserves	2,193,724	1,784,488
Retained earnings	839,769	763,678
	3,033,493	2,548,166
	<b>23,529,689</b>	<b>20,104,461</b>

Michael Mansoor  
Chairman

Milton Brady  
Managing Director

### FIRSTCARIBBEAN INTERNATIONAL BANK (JAMAICA) LIMITED CONSOLIDATED STATEMENT OF INCOME (J\$'000) YEAR ENDED OCTOBER 31, 2005

	Unaudited Quarter ended October 31, 2005	Audited Year ended October 31, 2005	Unaudited Quarter ended October 31, 2004	Audited Year ended October 31, 2004
Interest income	641,094	2,381,655	588,888	2,375,021
Interest expenses	(204,992)	(818,989)	(204,842)	(830,122)
Net interest income	436,102	1,562,666	384,046	1,544,899
Non-interest income	164,899	539,162	115,947	517,814
Gain on sale of subsidiary	-	135,445	-	-
Total Revenue	601,001	2,237,273	499,993	2,062,713
Non-interest expenses	346,411	1,542,480	352,446	1,459,664
Provision for credit losses	53,484	67,788	(20,123)	17,281
Restructuring/Integration Costs	-	-	51,209	51,209
	399,895	1,610,268	383,532	1,528,154
Income before taxation	201,106	627,005	116,461	534,559
Taxation	(67,646)	(144,228)	(25,515)	(153,382)
Net Income	133,460	482,777	90,946	381,177
Average number of common shares outstanding ('000's)	193,333	193,333	193,333	193,333
Net income per common share in cents	69.0	249.7	47.0	197.2

### FIRSTCARIBBEAN INTERNATIONAL BANK (JAMAICA) LIMITED CONSOLIDATED STATEMENT OF CASH FLOWS (J\$'000)

	Audited Year ended October 31, 2005	Audited Year ended October 31, 2004
<b>Net cash used in operating activities</b>	(1,596,670)	(790,698)
<b>Net cash provided by investing activities</b>	1,035,219	51,866
<b>Net cash (used in)/provided by financing activities</b>	-	-
<b>Net decrease in cash and cash equivalents</b>	(561,451)	(738,832)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	123,997	136,839
<b>Cash and cash equivalents, beginning of year</b>	5,484,027	6,086,020
<b>Cash and cash equivalents, end of year</b>	<b>5,046,573</b>	<b>5,484,027</b>

### FIRSTCARIBBEAN INTERNATIONAL BANK (JAMAICA) LIMITED 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	Fair Value Reserve J\$'000	Total Share Capital & Reserves J\$'000	Retained Earnings J\$'000	Total Equity J\$'000
<b>Balance at November 1, 2003</b>	193,333	96,667	19,458	156,667	956,163	45,522	-	-	1,274,477	892,512	2,166,989
Net income	-	-	-	-	-	-	-	-	-	381,177	381,177
Transfer to retained earnings reserve	-	-	-	-	450,000	-	-	-	450,000	(450,000)	-
Transfer to loan loss reserve	-	-	-	-	-	-	60,011	-	60,011	(60,011)	-
Dividends	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at October 31, 2004</b>	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	-	-	-	-	-	-	-	-	-	482,777	482,777
Transfer of 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	-	-	-	-	-	-	43,311	-	43,311	(43,311)	-
MTM fair value of available for sale investment	-	-	-	-	-	-	-	2,550	2,550	-	2,550
Dividends	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at October 31, 2005</b>	<b>193,333</b>	<b>96,667</b>	<b>12,833</b>	<b>156,667</b>	<b>1,776,163</b>	<b>45,522</b>	<b>103,322</b>	<b>2,550</b>	<b>2,193,724</b>	<b>839,769</b>	<b>3,033,493</b>

**FIRSTCARIBBEAN INTERNATIONAL BANK (JAMAICA) LIMITED**  
**SEGMENT FINANCIAL INFORMATION**  
**CONSOLIDATED STATEMENT OF INCOME (J\$'000)**

	For the year ended					For the year ended			
	October 31, 2005		October 31, 2004			October 31, 2005		October 31, 2004	
	Continuing Segment Financial Services	Discontinued Segment Investment Management Services	Consol Elimin.	Group		Continuing Segment Financial Services	Discontinued Segment Investment Management Services	Consol Elimin.	Group
Net Revenues	2,274,289	55,793	(92,809)	2,237,273	1,943,077	119,636	-	2,062,713	
Operating Expenses	(1,569,551)	(40,717)	-	(1,610,268)	(1,440,965)	(87,189)	-	(1,528,154)	
Profit before taxation	704,738	15,076	(92,809)	627,005	502,112	32,447	-	534,559	
Income Tax				(144,228)				(153,382)	
Net Profit				482,777				381,177	
Segment Assets	24,723,906	-	(1,194,217)	23,529,689	20,146,196	440,735	(482,470)	20,104,461	
Segment Liabilities	21,655,413	-	(1,159,217)	20,496,196	17,645,236	356,784	(445,725)	17,556,295	
Other segment items:									
Capital expenditure	48,306	24	-	48,330	214,874	270	-	215,144	
Depreciation	92,911	731	-	93,642	71,750	2,039	-	73,789	

**FIRSTCARIBBEAN INTERNATIONAL BANK (JAMAICA) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**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.

(iv) Defined contribution plan

In addition to the defined benefit plan the Group operates a defined contribution plan for employees hired after September 30, 2002.

**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 1/2% 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.