

CIBC WEST INDIES HOLDINGS LIMITED

Notes to Consolidated Financial Statements

October 31, 1995

1. Company identification

The company was incorporated in Barbados on May 7, 1993 and is a subsidiary of Canadian Imperial Bank of Commerce (CIBC), a company incorporated in Canada.

The principal activities of the company and its subsidiaries are banking and bank related activities.

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of CIBC West Indies Holdings Limited and its subsidiaries (CIBC Caribbean Limited - 100% owned, incorporated in Barbados; CIBC Jamaica Limited - 55.2% owned, incorporated in Jamaica) have been prepared in accordance with International Accounting Standards. These financial statements conform in all material respects with the historical cost convention, except for the inclusion of certain fixed assets at valuation (see Note 10). Inter-company accounts and transactions have been eliminated.

Goodwill

Goodwill, representing the excess of the purchase price over the fair value of the net assets of the subsidiaries acquired, is amortized to income over its estimated useful life of fifteen years using the straight-line method,

except where a write-down is required to reflect permanent impairment.

Securities

Securities are carried at cost or amortized cost. Equity securities of companies over which the company does not have significant influence are carried at cost. If the value of a security held for investment suffers any other than temporary decline the carrying value is appropriately reduced.

Interest earned, gains or losses on the sale of securities, the amortization of premiums and discounts, the revaluation to market of securities held for trading and adjustments to record other than temporary declines in value of securities held for investment are included in other interest income.

Loans

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

A loan is classified as non-accrual when, in the opinion of management, there are reasonable indications that a loss may be suffered by the company either as to principal or interest, or if there are other circumstances which indicate that the account will prove difficult to collect in full within a reasonable period. A loan where repayment of principal or payment of interest is contractually 90 days in arrears is placed on a non-accrual basis except in the case of the trust and merchant banks' operations where the arrears period is 6 months. When a loan is classified as non-accrual, all uncollected interest is reversed against interest income of the current year. Interest received on a loan subsequent to its classification as non-accrual is not recorded as income until such time as any prior write-off has been recovered or any specific allowance has been reversed and it is deemed that the loan principal is no longer at risk.

Loan fees are recognized as income when earned.

Allowances for Credit Losses

Management establishes and maintains allowances for credit losses which it considers the best possible estimate of probable credit-related losses existing in the bank's portfolio of on and off balance sheet items in the light of current conditions. The allowances for credit losses consist of

specific components which are deducted from the related asset categories and specific allowances relating to acceptances and off balance sheet items which are carried in other liabilities.

Management conducts on-going credit assessment of the portfolio on an account-by-account basis and establishes allowances when doubtful accounts are identified. Charges with respect to credit losses are included in the determination of net income.

Acceptances

The company's potential liability under acceptance is reported as a liability in the consolidated balance sheet. The recourse against the customer in the event of a call on any of these commitments is reported as a corresponding asset of the same amount.

Depreciation

Depreciation is computed at rates considered adequate to write-off the cost of depreciable fixed assets, less salvage, over their useful lives. The annual rates used are:

Buildings	5% reducing balance
Leasehold improvements	10% or over term of lease
Computer	10% - 30% straight line and reducing balance
Office furniture and other equipment	10% - 30% reducing balance

Taxation

The tax charge is determined on the basis of tax effect accounting using the deferral method.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Barbados dollars at rates prevailing at the date of the financial statements and non-monetary assets and liabilities are translated at historic rates. Revenue and expenses denominated in foreign currencies are translated into Barbados dollars using prevailing monthly exchange rates. Realized and unrealized gains and losses on foreign currency positions are reported in the consolidated statement of income of the current year. Translation adjustments of investment positions in foreign

entities are reported in retained earnings.

Income under finance leases

Income under finance leases is recognized in a manner which produces a constant rate of return on the net investment in leases.

3. Total interest income	1995	1994
	Bds\$ (000)	Bds\$ (000)
Loans	122,709	80,682
Securities	33,268	14,427
Lease financing	656	641
Other	3,788	5,756
	160,421	101,506
4. Non-interest income	1995	1994
	Bds\$ (000)	Bds\$ (000)
Fees and commissions	14,676	9,283
Foreign exchange	12,818	7,739
Other	313	162
	27,807	17,184
5. Non-interest expenses	1995	1994
	Bds\$ (000)	Bds\$ (000)
Remuneration	32,161	21,477
Property	18,368	13,030
Other	20,804	12,683
	71,333	47,190
6. Cash resources	1995	1994
	Bds\$ (000)	Bds\$ (000)

Cash, deposits with Central Banks	128,444	107,728
Deposits with other banks	60,787	46,066
	189,231	153,794

7. Securities

	Years to maturity				1995	1994
	Within 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 years	Total Bds\$ (000)	Total Bds\$ (000)
Securities issued or guaranteed by Caricom and Canadian Governments						
Treasury bills	163,565	-	-	-	163,565	99,595
Debentures	4,510	3,419	2,500	-	10,429	12,929
Debt securities	100,073	28,022	6,000	3,928	138,023	75,995
Other						
Debt securities	-	-	-	-	-	295
Equity securities	-	-	-	19,342	19,342	9,622
	268,148	31,441	8,500	23,270	331,359	198,436

8. Loans

	1995 Bds\$ (000)	1994 Bds\$ (000)
Mortgages	128,087	116,919
Personal loans	183,010	142,285
Business loans	460,345	387,201
Less: Allowance for credit losses	771,442 3,957	646,405 2,134
Balance, end of period	767,485	644,271

The movement in the allowance for credit losses during the year was as follows:

	1995 Bds\$(000)	1994 Bds\$(000)
Balance at beginning of year	2,134	1,268
Provided during the year	2,456	1,096
Recoveries	368	765
Write offs	(813)	(820)
Foreign currency translation adjustment	(188)	(175)
Balance, end of year	3,957	2,134

As at October 31, 1995 loans with principal balances outstanding of \$14,439,045 (1994 - \$11,091,000) were in non-performing status.

9. Net investment in leases

	1995 Bds\$(000)	1994 Bds\$(000)
Total minimum lease payments receivable	4,596	3,078
Unearned income	(1,307)	(993)
	3,289	2,085

Future minimum lease payments are receivable as follows:

	1995 Bds\$(000)	1994 Bds\$(000)
1995	-	1,037
1996	1,806	865
1997	1,505	736
1998	1,009	391
1999	276	49

4,596 **3,078**

10. Fixed assets

	Cost or valuation	Accumulated depreciation	Net 1995 Bds\$(000)	Net 1994 Bds\$(000)
Land	9,076	-	9,076	9,101
Buildings	24,841	2,320	22,521	22,477
Furniture and equipment	21,078	8,378	12,700	11,113
Leasehold improvements	6,549	1,574	4,975	4,903
	61,544	12,272	49,272	47,594

The land and buildings of CIBC Jamaica Limited were revalued on May 1, 1994 by the C.D. Alexander Company Realty Limited to \$6,938,000. Accordingly the company has included in the carrying value of land and buildings its share of the appraisal excess of \$3,830,000.

Subsequent additions to land and buildings and other fixed assets are reflected at cost.

The depreciation charge for the period is comprised of:

	1995 Bds\$(000)	1994 Bds\$(000)
Buildings	990	979
Furniture and equipment	3,487	3,062
Leasehold improvements	612	612
	5,089	4,653

11. Other assets

	1995 Bds\$ (000)	1994 Bds\$ (000)
Prepayments and deferred items	1,024	1,684
Cheques and other items in transit, net	3,082	7,708
Accrued interest receivable	4,753	5,273
Due from other CIBC branches and affiliates	9,643	7,176
Other	11,044	5,797
	29,546	27,686

12. Deposits

	Payable on demand	Payable after notice	Payable on a fixed date	1995 Total Bds\$ (000)	1994 Total Bds\$ (000)
Individuals	159,740	308,192	173,946	641,878	539,431
Business and Governments	180,283	-	307,530	487,813	335,604
Banks	2,170	-	23,865	26,035	13,625
	342,193	308,192	505,341	1,155,726	888,660

13. Other Liabilities

	1995 Bds\$ (000)	1994 Bds\$ (000)
Cheques and other items in transit, net	2,349	1,403
Due to other CIBC branches and affiliates	15,189	12,864
Accrued interest payable	8,908	6,639
Taxation payable	8,578	10,253
Deferred taxation	670	763
Dividends payable	3,546	5,319
Due to banks	1,000	-
Other	15,577	6,321
	55,817	43,562

14. Share capital

The company is authorised to issue an unlimited number of common shares and redeemable preference shares of no nominal or par value. At October 31, 1995 and 1994 there were 177,309,563 common shares outstanding at a stated value of \$168,468,829.

15. Taxation

	1995 Bds\$ (000)	1994 Bds\$ (000)
Taxes payable on current year income	16,375	11,069
Effect of current year timing differences	(93)	972
	16,282	12,041

The effective rate of corporation tax in the consolidated statement of income is different from the Barbados corporation tax rate of 40% due primarily to certain income that is taxed at different rates.

16. Pension plans

CIBC Jamaica Limited operates contributory (supplementary plan) and non-contributory (basic plan) pension schemes for all employees who have satisfied certain minimum service requirements. An actuarial valuation was done on the basis of the "aggregate" funding method as at October 31, 1991 when a surplus of \$95,369 was identified. The surplus was used to reduce employer costs in keeping with the actuaries' recommendations. Total contributions charged against income for the year were \$458,793 (1994-\$319,872).

A pension plan is being established for all employees of CIBC Caribbean Limited and its subsidiary. Contributions are established in accordance with actuarial recommendations and during the year amounted to \$900,000.

17. Related party transactions

Interest income includes \$649,939 (1994-\$969,060) and interest expense \$2,354,772 (1994-\$1,117,725) earned from and paid to other CIBC entities.

In the normal course of business the parent companies provide banking and support services, for which \$2,242,434 was charged during the period.

Foreign currency deposits which are held to satisfy foreign currency obligations are maintained with CIBC. At October 31, 1995 balances were \$26,485,042 (1994-\$16,859,849) and are included in Deposits with other banks (Note 6).

18. Contingent Liabilities

Certain subsidiaries of the group are the subject of legal actions from the normal course of business. Management of the companies consider that the liability, if any, of these actions would not be material.

19. Off balance sheet items

In the normal course of business various credit related arrangements are entered into to meet the needs of customers and earn income. These financial instruments are subject to the companies' standard credit policies and procedures.

These credit arrangements were:

	1995 Bds\$(000)	1994 Bds\$(000)
Lines of credit	97,478	90,583
Guarantees and letters of credit	46,295	50,366

20. Lease commitments

The subsidiaries have obligations under long-term non-cancellable leases for buildings. Future minimum lease payments for such commitments for each

of the five succeeding years and thereafter are as follows:

	1995 Bds\$(000)	1994 Bds\$(000)
1996	2,902	2,104
1997	3,208	2,442
1998	3,795	3,027
1999	4,570	3,725
2000	5,728	4,545
2001 and thereafter	7,297	5,255

21. Assets held in trust by subsidiary companies

Assets held in trust, which are not beneficially owned by the subsidiary companies, but for which the subsidiary companies have responsibility in accordance with trust agreements, have been excluded from the group balance sheet. At the balance sheet date, the book value of these assets amounted to \$118,481,363 (1994-\$126,924,009).

22. Subsequent event

The board of directors have approved the acquisition, from CIBC, of 100% of the issued share capital of CIBC Bahamas Limited which was established at \$100,000,000. The acquisition will be effective 2 January, 1996 through an exchange of shares.

23. Extraordinary item

This is a one-time levy imposed by the Government of Jamaica on financial institutions and is based on 23% of the profits of CIBC Jamaica Limited.

24. Segmented information

The company and its subsidiaries operate in one industry - the financial services industry. The geographic distribution of assets and total income as at October 31 was as follows (%):

	1995		1994	
	Assets	Total income	Assets	Total income
Antigua	7.5	8.1	8.6	9.3
Barbados	53.8	38.7	52.1	42.3
Jamaica	26.7	43.6	25.7	34.9
St.Lucia	6.3	6.0	7.8	8.4
St.Vincent	4.4	3.6	4.9	5.1
Trinidad and Tobago	1.3	-	0.9	-
	100.0	100.0	100.0	100.0