

CIBC JAMAICA LIMITED 1997

BRANCHES AND MANAGERS

TRUST AND MERCHANT BANK'S MESSAGE

The year just concluded proved to be a challenging year for the financial sector as a whole and the banking community in particular. Given the condition of the sector we feel a special sense of achievement in our performance.

Profitability

Whilst there was little revenue growth, profit before tax registered a 35% growth. In dollar terms our profit before tax grew by \$7.6 million, a particularly good performance given the fact that we sold our mortgage portfolio to the Building Society, and thus had to generate new areas of income.

Other income grew 133% primarily as a result of brokerage of fixed income products and later in the year through primary dealership operations. Other income of \$18 million is expected to show continued growth in the current fiscal year.

Due to prudent expense management we managed to curtail non interest expenses to 25% of revenue.

Return on assets of 5.2% and return on equity of 24% continue to indicate that our shareholders' interests are being well looked after.

Balance Sheet

A comparison of our balance sheet to last year's indicates some of the changes that have occurred. The reduction in loans resulted primarily from the sale of the mortgages and our thrust into fee based activities.

Shareholders' equity stood at \$86 million and total assets were \$408 million. Total assets grew by a respectable 47%, and deposits grew by 84% to close the year at \$288 million.

Trust & Custody Services

Assets under administration and management grew from \$934 million to \$4,723 million a growth of some 406%- truly commendable by any standards. These assets result in a fiduciary responsibility on your Trust and Merchant Bank and their growth speaks volumes as to the confidence the public has in the team.

Major Events

Following our decision to focus the Trust and Merchant Bank's activity away from the provision of mortgage lending and to concentrate on capital market activity we have restructured the organization. On a regional note there was the creation of the Specialised Financial Services Group. This group has been given the mandate to develop CIBC's regional capital market capability. We at the Trust and Merchant Bank are proud to be a part of this group.

Outlook

The coming year promises to be an exciting and challenging one as we expect the capital market and our operations to undergo growth and structural change.

Plans are already in progress to increase the quality of services offered through the acquisition and installation of new information technology. These new systems should serve us to the millennium and beyond.

Our thrust to upgrade our technological capability is in keeping with the modernization of the trading and settlement of securities for the benefit of all licensed dealers, their customers and issuers of securities.

Acknowledgments

I take this opportunity to thank our customers for their patronage over the year, the directors for their guidance, CIBC management locally and regionally, the wider community and the Trust and Merchant Bank Team for their commitment to service and the CIBC Vision.

Raymond O'B Campbell, ACCA,
Manager CIBC Trust and Merchant Bank Jamaica Limited

CIBC BUILDING SOCIETY

Operations

CIBC Building Society commenced open market operations in November 1996 as one of four building societies licensed under the Building Societies Act. Operating under the banner of **Personal Vision**, the CIBC banking platform designed to correlate customer needs with operational capabilities, the Society rolled out to the open market in November 1996 utilizing the twelve strong banking centre network across the island as its principal delivery channels.

In July 1997, the Society commenced open market mortgage financing operations focussing on residential mortgage funding for first time home ownership; second time home ownership; home improvement; purchase of land for the construction of housing and housing construction on land. In order to equip the Society with a greater competitive position, and expand possibilities for serving a broader market, the Society's paid-up share capital was increased to \$35 million, thus increasing the regulatory limit on mortgage financing to any one borrower to \$7 million.

Performance

The Society exhibited positive growth during fiscal 1997. Net interest income was \$33 million (\$10 million in 1996) with pre-tax profits of \$21.87 million - a 235% increase over 1996 levels; after-tax profit of \$ 18.6 million represented a 186% increase over fiscal 1996. In addition to the increase in paid-up share capital to \$35 million, the Society increased its Statutory Reserve Fund to \$2.5 million (\$.6 million for 1996) and its General Reserve to \$17 million (\$6 million for prior year-end).

Total assets for 1996/1997 were \$357 million versus \$181 million for 1995/1996. In its first full year of operation, the Society mobilized its deposit base to over one thousand accounts valued at \$269 million, representing a 77% increase over 1996 levels. Mortgage loans increased to \$156 million at year-end (\$23 million in 1996); at year-end, there was \$42 million in mortgage commitments.

Outlook

In an effort to improve service quality to existing and potential share account holders, the Society will, by early 1998, facilitate inter-branch banking for customers and have share accounts accessible by Automated Banking Machine (ABM). It is anticipated that these initiatives will enhance the range of options which customers will have to conduct their transactions with minimum delay.

A primary focus for the Society's Management Team will be the implementation of creative and innovative business development initiatives designed to maximize market share, grow the deposit base and expand the residential mortgage portfolio for fiscal year 1998.

Systemic issues which the Society will continue to face include regulatory cash reserve requirements and comprehensive financial reporting to the Bank of Jamaica. This will challenge the Society's Management to balance resources between the critical performance areas of financial targets and regulatory compliance.

Subsequent to sector-wide concerns regarding the protection of depositors' funds, CIBC Building Society has participated in the ongoing exercise carried out by the Bank of Jamaica's Deposit Insurance Task Force to bring about the implementation of the Deposit Protection Bill which is presently before a Joint Select Committee of Parliament for review. It is also anticipated that, in 1998, the Society (and financial sector as a whole) will see the implementation of revised

credit classification ratings and attendant loss provision guidelines.

The Society wishes to thank all its shareholders, customers and employees for their participation in the subsidiary's success to date. We eagerly anticipate your contribution to another successful and challenging year of operations.

Catherine Barber
Manager, CIBC Building Society
