

# CIBC Jamaica Limited

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## Notes to the Financial Statements

31 October 2000

### 1. Identification and Activities

The Company, which is incorporated in Jamaica, is a 81.90% (1999 - 81.90%) subsidiary of CIBC West Indies Holdings Limited, a company incorporated in Barbados. The ultimate parent company is Canadian Imperial Bank of Commerce (CIBC), a company incorporated in Canada.

CIBC Trust and Merchant Bank Jamaica Limited and CIBC Building Society are wholly-owned subsidiaries of the Company and are incorporated in Jamaica.

The Company is licensed and these financial statements are prepared in accordance with the Banking Act, 1992 and the Banking (Amendment) Act, 1997.

The principal activities of the Company and its Subsidiaries are banking and other financial services.

These financial statements are presented in Jamaican dollars (J\$).

### 2. Significant Accounting Policies

#### (a) Basis of preparation

These financial statements have been prepared in accordance with and comply with Jamaican Accounting Standards, and have been prepared under the historical cost convention as modified for the inclusion of certain fixed assets and investments at valuation.

#### (b) Use of estimates

The preparation of financial statements in conformity with Jamaican generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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. Actual results may differ from these estimates.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its Subsidiaries.

All significant inter-company transactions have been eliminated. The Company and its Subsidiaries are referred to as "Group".

(d) Financial instruments

Financial instruments carried on the balance sheet include cash resources, investments, loans, net investment in leases, other assets, customers' deposits, cheques and other instruments in transit, acceptances, guarantees and letters of credit, securities sold under repurchase agreements, obligations under finance leases and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The fair values of the Company's financial instruments are discussed in Note 23.

(e) Interest

Interest income and expenses are recorded on the accrual basis, except, where collection of interest income is considered doubtful or payment is outstanding for more than 90 days, it is recorded on the cash basis.

(f) Income under finance leases

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

(g) 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.

(h) Investments

Investments in Government of Jamaica securities and unquoted securities are stated at cost.

(i) Assets purchased/sold under resale/repurchase agreements

The purchase and sale of securities under resale and repurchase agreements are treated as collateralised lending and borrowing transactions. The related interest income and interest expenses are recorded on the accrual basis.

(j) Loans

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

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. If a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such. When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis.

(k) Provision for loan losses

The Group maintains an allowance for credit losses, which in management's opinion, is adequate to absorb all credit related losses in its portfolio of both on and off-balance sheet items. The allowance consists of specific provisions and general provisions for doubtful credits. Specific provisions are established as a result of reviews of individual loans and were based on an assessment which takes into consideration all factors, including collateral held and business and economic conditions. Collateral held by the Group is valued on the basis of guidelines issued by the Supervisor. General provisions for

doubtful credits are established against the loan portfolio in respect of the Group's core business lines where a prudent assessment by the Group of adverse economic trends suggests that leases may occur, but where such losses cannot yet be determined on an item by item basis.

(l) Finance leases

Assets that are financed by leasing agreements that give rights approximating to ownership are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Depreciation on the relevant assets is charged to operating profit. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account using the annuity method.

Income from finance leases is credited to the profit and loss account on the interest method. The gross investment in finance leases net of unearned income is recorded as a receivable balance.

(m) Fixed assets

Land and buildings are stated at open market value, valuation obtained as at 25 July 1998. Subsequent additions and other fixed assets are stated at cost. Group fixed assets, with the exception of freehold land on which no depreciation is provided, are depreciated on the straight line basis over their expected useful lives. The annual rates of depreciation are as follows:

Buildings	2.5%
Leasehold improvements	10%
Furniture and fixtures	6.67%-20%
Computer equipment	20%-50%
Motor vehicles	20%

(n) Deferred taxation

Provision is made for deferred taxation at current tax rates on timing differences between profits as computed for taxation purposes and profits as stated in the financial statements.

(o) Assets held in trust

Assets held in trust, other than deposits, which are not beneficially owned by the group but for which the group has responsibility in accordance with trust agreements are excluded from the balance sheet.

(p) Acceptances and customers' liability under acceptances

The Group's potential liability under acceptances in respect of guarantees, commitments and letters of credit is reported as a liability in the balance sheet. The Group has equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset.

(q) Cash resources

Cash resources in the Group statement of cash flows comprise cash, deposits with the Bank of Jamaica, current operating accounts and deposits with other banks.

(r) Employee benefits costs

The Group operates contributory (supplementary plan) and non-contributory (basic plan) pension schemes, the assets of which are held in a separate trustee-administered fund. The pension plans are generally funded by payments from employees and the Group. The Group's contributions to the plan are charged to the statement of revenue and expenses in the year to which they relate.

(s) Comparative Information

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of the following new Accounting Standards:

- (i) JSSAP 3.29 - Financial Instruments: Disclosure and Presentation
- (ii) JSSAP 3.30 - Presentation of Financial Statements

### 3. Employee Compensation and Benefits

	The Group		The Company	
	2000	1999	2000	1999
	J\$'000	J\$'000	J\$'000	J\$'000
Wages and salaries	350,073	412,300	311,170	377,024
Statutory contributions	36,828	39,013	33,230	36,810
Pension costs	30,741	29,502	27,765	27,291
Staff welfare	17,915	20,546	16,801	19,639
	<u>435,557</u>	<u>501,361</u>	<u>388,966</u>	<u>460,764</u>
Termination costs (Note 4)	<u>9,905</u>	<u>71,795</u>	<u>9,905</u>	<u>71,795</u>

Average number of persons employed during the year:

	The Group		The Company	
	2000	1999	2000	1999
	No.	No.	No.	No.
Full-time	350	444	319	414
Part-time	90	69	80	58
	<u>440</u>	<u>513</u>	<u>399</u>	<u>472</u>

#### 4. Exceptional Items

These represent redundancy cost and ex-gratia payment.

#### 5. Profit before Taxation

Profit before taxation is stated after charging:

	The Group		The Company	
	2000	1999	2000	1999
	J\$'000	J\$'000	J\$'000	J\$'000
Depreciation and amortization	119,916	80,084	111,261	77,135
Directors' emoluments -				
Fees	1,554	781	1,554	781
Management remuneration	10,664	11,355	10,664	11,355
Ex gratia payment	1,495	9,193	1,495	9,193

Management fees (Note 24)	63,000	35,271	46,000	29,071
Auditors' remuneration	3,506	3,330	2,383	2,270
CIBC technical and credit agreement fees (Note 24)	<u>-</u>	<u>11,767</u>	<u>-</u>	<u>11,767</u>

#### 6. Taxation

The taxation charge is based on the profit for the year adjusted for taxation purposes and comprises:

	The Group		The Company	
	2000	1999	2000	1999
	J\$'000	J\$'000	J\$'000	J\$'000
Income tax at 33 1/3%	38,972	40,569	-	-
Prior year over provision	-	( 76)	-	-
Deferred income tax	<u>49,668</u>	<u>12,917</u>	<u>42,713</u>	<u>8,582</u>
	<u>88,640</u>	<u>53,410</u>	<u>42,713</u>	<u>8,582</u>

The taxation charge for the Group and the Company is disproportionate to the reported results mainly as a result of:

- (a) Utilisation of prior year losses by the company amounting to J\$56,791,000 (1999- NIL)
- (b) Tax free income amounting to approximately J\$69,059,000 (1999 - J\$111,165,000) for the Group and J\$61,373,000 (1999 - J\$109,115,000) for the Company.

Subject to the agreement of the Commissioner of Income Tax, the Company has tax losses amounting J\$53,935,000 (1999 - J\$110,726,000) which may be carried forward indefinitely for offset against future taxable income.

#### 7. Net Profit

	2000	1999
	J\$'000	J\$'000
The net profit is dealt with as follows in the financial statements of:		
The company	150,132	55,169
The subsidiaries	<u>78,663</u>	<u>56,121</u>

228,795      111,290

8. Earnings Per Stock Unit

The calculation of earnings per ordinary 50 cents stock unit is based on the net profit for the year of \$228,795,000 (1999 - J\$111,290,000) and 193,333,000 ordinary stock units in issue for both years.

9. Cash Resources

	The Group		The Company	
	2000 J\$'000	1999 J\$'000	2000 J\$'000	1999 J\$'000
Notes, coins and money at				
Bank of Jamaica	5,057,388	3,631,870	5,016,415	3,571,421
Foreign currencies	106,054	124,062	106,054	124,062
Accounts with other banks, net	1,979,521	1,431,050	1,908,813	1,413,568
Account with ultimate parent company	<u>88,036</u>	<u>153,147</u>	<u>88,036</u>	<u>153,147</u>
	<u>7,230,999</u>	<u>5,340,129</u>	<u>7,119,318</u>	<u>5,262,198</u>

Cash resources include J\$1,546,401,000 (1999 - J\$1,705,520,000) for the Group and J\$1,502,028,000 (1999 - J\$1,645,074,000) for the Company, as required under section 14 (i) of both the Banking Act, 1992 and the Financial Institutions Act, 1992, respectively, and section 13 of the Bank of Jamaica (Building Societies) Regulations, 1995, which are held substantially on a non-interest-bearing basis at Bank of Jamaica as a cash reserve; accordingly, these amounts are not available for investment or other use by the Group and the Company.

10. Investments

The Group				Carrying Value	Carrying Value
Years to Maturity					
Within	Over 1 to	Over 5 to	Over 10		



	1 year J\$'000	5 years J\$'000	10 years J\$'000	years J\$'000	2000 J\$'000	1999 J\$'000
Securities issued or guaranteed by Government						
Treasury bills	294,610	-	-	-	294,610	364,559
Debentures	244,125	613,609	53,695	5,500	916,929	788,206
Debt securities	<u>82,125</u>	<u>303,831</u>	<u>221,353</u>	<u>24,882</u>	<u>632,191</u>	<u>569,087</u>
	<u>620,860</u>	<u>917,440</u>	<u>275,048</u>	<u>30,382</u>	<u>1,843,730</u>	<u>1,721,852</u>

The Company

	Years to Maturity				Carrying	Carrying
	Within	Over 1 to	Over 5 to	Over 10	Value	Value
	1 year J\$'000	5 years J\$'000	10 years J\$'000	years J\$'000	2000 J\$'000	1999 J\$'000
Securities issued or guaranteed by Government						
Treasury bills	251,724	-	-	-	251,724	267,072
Debentures	236,774	532,358	53,695	5,500	828,327	665,106
Debt securities	<u>30,000</u>	<u>230,594</u>	<u>-</u>	<u>24,882</u>	<u>285,476</u>	<u>417,532</u>
	<u>518,498</u>	<u>762,952</u>	<u>53,695</u>	<u>30,382</u>	<u>1,365,527</u>	<u>1,349,710</u>

Interest in subsidiary companies

Shares at cost					<u>36,745</u>	<u>36,745</u>
					<b><u>1,402,272</u></b>	<b><u>1,386,455</u></b>

11. Loans, Less Provision for Losses

The Group

Carrying Carrying

	Years to Maturity				Value	Value
	Within	Over 1 to	Over 5 to	Over 10		
	1 year	5 years	10 years	years	2000	1999
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Mortgages	1,760	15,231	82,790	316,079	415,880	351,767
Personal loans	287,264	656,488	104,791	9,369	1,057,912	1,462,062
Business loans	1,788,364	1,293,850	263,856	818	3,346,888	2,433,723
Government securities purchased under resale agreements	<u>639,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>639,502</u>	<u>987,770</u>
	<u>2,716,910</u>	<u>1,965,569</u>	<u>451,437</u>	<u>326,266</u>	<u>5,460,182</u>	<u>5,235,322</u>
Less: Allowance for credit losses					<u>(80,847)</u>	<u>(152,316)</u>
Balance, end of year					<u><b>5,379,335</b></u>	<u><b>5,083,006</b></u>

The Company

	Value				Value	Value
	Within	Over 1 to	Over 5 to	Over 10		
	1 year	5 years	10 years	years	2000	1999
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Personal loans	287,264	655,510	104,791	9,369	1,056,934	1,459,263
Business loans	1,769,205	1,291,126	263,855	818	3,325,004	2,290,697
Government securities purchased under resale agreements	<u>127,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,707</u>	<u>479,050</u>
	<u>2,184,176</u>	<u>1,946,636</u>	<u>368,646</u>	<u>10,187</u>	<u>4,509,645</u>	<u>4,229,010</u>
Less: Allowance for credit losses					<u>(69,076)</u>	<u>(145,480)</u>
Balance, end of year					<u><b>4,440,569</b></u>	<u><b>4,083,530</b></u>

The movement in the provision for losses on loans and leases during the year is as follows:

The Group		The Company	
2000	1999	2000	1999

	J\$'000	J\$'000	J\$'000	J\$'000
Balance at beginning of year	152,316	109,831	145,480	103,543
Provided during the year	116,204	76,630	110,304	75,706
	-	-	(186,708)	-
Amounts written off	(187,673)	(34,145)	-	(33,769)
Balance at end of year	<u>80,847</u>	<u>152,316</u>	<u>69,076</u>	<u>145,480</u>

As at 31 October 2000 loans with principal balances outstanding of J\$373,676,000 (1999 - J\$351,255,000) for the Group and J\$348,796,000 (1999 - J\$340,418,000) for the Company were in non-performing status.

#### 12. Net Investment in Leases

	2000	1999
	J\$'000	J\$'000
Total minimum lease payments receivable	45,937	57,949
Unearned income	<u>(12,660)</u>	<u>(16,656)</u>
	33,277	41,293
Less: Provision for losses	<u>(1,765)</u>	<u>( 1,579)</u>
	<u>31,512</u>	<u>39,714</u>

Future minimum lease payments are receivable as follows:

	2000	1999
	J\$'000	J\$'000
2000	-	9,533
2001	4,573	11,039
2002	9,986	16,167
2003 and over	<u>31,378</u>	<u>21,210</u>
	<b><u>45,937</u></b>	<b><u>57,949</u></b>

#### 13. Other Assets

	The Group		The Company	
	2000	1999	2000	1999
	J\$'000	J\$'000	J\$'000	J\$'000
Cheques and other items in transit, net	102,003	29,017	102,003	29,017

Interest receivable	278,444	280,225	240,824	230,174
Prepayments and deferred items	27,047	21,939	27,047	21,939
Due from subsidiaries	-	-	-	16,126
Due from affiliate	154	22,804	154	22,803
Due from parent company	10,386	-	21,886	-
Withholding tax	-	-	-	1,089
Taxation recoverable	56,966	9,143	65,051	28,851
Other	13,979	18,072	4,862	14,772
	<u>488,979</u>	<u>381,200</u>	<u>461,827</u>	<u>364,771</u>

#### 14. Fixed Assets

	The Group				Total J\$'000
	Land J\$'000	Buildings J\$'000	Leasehold Improvements J\$'000	Equipment Computer and Motor Vehicles J\$'000	
Cost or Valuation -					
1 November 1999	3,900	40,539	61,633	667,721	773,793
Additions	-	420	2,139	82,205	84,764
Disposals	-	(2)	-	(66,830)	(66,832)
Transfers	-	2,540	-	( 2,540)	-
31 October 2000	<u>3,900</u>	<u>43,497</u>	<u>63,772</u>	<u>680,556</u>	<u>791,725</u>
At cost	-	32,967	63,772	680,556	777,295
At valuation	<u>3,900</u>	<u>10,530</u>	-	-	<u>14,430</u>
	<u>3,900</u>	<u>43,497</u>	<u>63,772</u>	<u>680,556</u>	<u>791,725</u>
Accumulated Depreciation -					
1 November 1999	-	8,186	30,813	209,304	248,303
Charge for year	-	1,019	5,977	112,920	119,916
Relieved on disposals	-	-	-	(52,708)	(52,708)
31 October 2000	-	<u>9,205</u>	<u>36,790</u>	<u>269,516</u>	<u>315,511</u>
Net Book Value -					
31 October 2000	<u>3,900</u>	<u>34,292</u>	<u>26,982</u>	<u>411,040</u>	<u>476,214</u>
31 October 1999	<u>3,900</u>	<u>32,353</u>	<u>30,820</u>	<u>458,417</u>	<u>525,490</u>

	The Company				The Company
	Land	Buildings	Leasehold	Furniture, Computer Equipment and Motor Vehicles	
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Cost or Valuation -					
1 November 1999	3,900	40,539	61,633	631,115	737,187
Additions	-	420	2,139	70,373	72,932
Disposals	-	(2)	-	(66,928)	(66,930)
Transfers	-	2,540	-	(2,540)	-
31 October 2000	<u>3,900</u>	<u>43,497</u>	<u>63,772</u>	<u>632,020</u>	<u>743,189</u>
At cost	-	32,967	63,772	632,020	728,759
At valuation	3,900	10,530	-	-	14,430
	<b>3,900</b>	<b>43,497</b>	<b>63,772</b>	<b>632,020</b>	<b>743,189</b>

Accumulated Depreciation -

1 November 1999	-	8,186	30,813	204,187	243,186
Charge for the year	-	1,019	5,977	104,265	111,261
Relieved on disposal	-	-	-	(52,804)	(52,804)
31 October 2000	<u>-</u>	<u>9,205</u>	<u>36,790</u>	<u>255,648</u>	<u>301,643</u>

Net Book Value -

31 October 2000	<u>3,900</u>	<u>34,292</u>	<u>26,982</u>	<u>376,372</u>	<u>441,546</u>
31 October 1999	<u>3,900</u>	<u>32,353</u>	<u>30,820</u>	<u>426,928</u>	<u>494,001</u>

Land and buildings are stated at open market value as at 25 July 1988, as appraised by C.D. Alexander Company Realty Limited, real estate brokers and appraisers, amounting to J\$14,430,000 for the Group and J\$13,680,000 for the Company.

Subsequent additions and other fixed assets are shown at cost.

15. Customers' Deposits

Carrying Value		The Group Payable on a Fixed Date					
		Payable on demand	Payable after notice	Within 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years
2000	1999	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Total	Total						
J\$'000	J\$'000						
Individuals		955,938	4,656,864	2,768,470	6,785	-	-
8,388,057	8,032,995						
Businesses and Government		2,114,508	630,401	2,482,445	268,844	-	-
5,496,198	3,632,440						
<b>13,884,255</b>	<b>11,665,430</b>	<b>3,070,446</b>	<b>5,287,265</b>	<b>5,250,915</b>	<b>275,629</b>	<b>-</b>	<b>-</b>

Carrying Value		The Company Payable on a Fixed Date					
		Payable on demand	Payable after notice	Within 1 year	Over 5 Over 1 to to 10	Over 10 years	Over 10 years
2000	1999	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Total	Total						
J\$'000	J\$'000						

Individuals		773,992	4,656,864	1,770,021	474,277	-	-
7,675,154	7,271,396						
Businesses and Government		2,157,142	630,401	2,208,002	1,117,461	-	-
5,042,768	3,330,235						
<b>12,717,922</b>	<b>10,601,631</b>	<b>2,931,134</b>	<b>5,287,265</b>	<b>2,907,785</b>	<b>1,591,738</b>	<b>-</b>	<b>-</b>

16. Other Laibilities

	The Group		The Company	
	2000 J\$ '000	1999 J\$ '000	2000 J\$ '000	1999 J\$ '000
Interest payable	74,865	61,078	62,250	46,843
Withholding tax	44,797	7,292	40,748	-
Dividend proposed	29,000	23,200	29,000	23,200
Account with parent company	-	98,091	-	93,841
Deferred taxation	68,500	18,832	54,000	11,287
Other	<u>181,500</u>	<u>233,939</u>	<u>109,414</u>	<u>67,620</u>
	<b><u>398,662</u></b>	<b><u>442,432</u></b>	<b><u>295,412</u></b>	<b><u>242,791</u></b>

17. Share Capital

	2000 J\$ '000	1999 J\$ '000
Authorised - 200,000,000 Ordinary shares of J\$0.50 each	<b><u>100,000</u></b>	<b><u>100,000</u></b>
Issued and fully paid - 193,333,332 Ordinary Stock units of		

J\$0.50 each

96,667      96,667

18. Capital Reserves

	The Group		The Company	
	2000 J\$'000	1999 J\$'000	2000 J\$'000	1999 J\$'000
Balance at beginning of year	<u>19,458</u>	<u>19,458</u>	<u>12,833</u>	<u>12,833</u>

Comprised of:

Unrealised -

Capitalisation of retained earnings -

s

in subsidiary	5,000	5,000	-	-
Surplus on revaluation of premises	6,188	6,188	5,493	5,493
Arising on consolidation	<u>930</u>	<u>930</u>	<u>-</u>	<u>-</u>
	<u>12,118</u>	<u>12,118</u>	<u>5,493</u>	<u>5,493</u>

Realised -

Profit on sale of fixed assets	<u>7,340</u>	<u>7,340</u>	<u>7,340</u>	<u>7,340</u>
Balance at end of year	<u>19,458</u>	<u>19,458</u>	<u>12,833</u>	<u>12,833</u>

19. Reserve Fund

The fund is maintained in accordance with the Banking Act for the Company, the Financial Institutions Act for CIBC Trust and Merchant Bank Jamaica Limited and The Bank of Jamaica (Building Societies) Regulations, 1995 for CIBC Building Society. These require that minimum prescribed percentages of net profit be transferred to the reserve fund until the amount in the fund is equal to paid up share capital.



20. Retained

Earnings Reserve Section 2 of both the Banking Act and the Financial Institutions Act and The Bank of Jamaica (Building Societies) Regulations, 1995 permits the transfer of any portion of net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers. Transfers to the retained earnings reserve are made at the discretion of the Board; such transfers must be notified to the Bank of Jamaica.

21. Building Society Reserve

In accordance with the Income Tax Act, CIBC Building Society may transfer amounts from retained earnings to a general reserve on a tax free basis until this reserve equals 5% of prescribed assets.

22. Dividends

	2000	1999
J\$'000 J\$'000 Interim dividend for 2000 at J\$0.08 (1999 - J\$0.08) per stock unit - gross	15,467	15,467
Final dividend for 2000 at J\$0.15 (1999 - J\$0.12) per stock unit - gross	<u>29,000</u>	<u>23,200</u>
	<b><u>44,467</u></b>	<b><u>38,667</u></b>

23. Financial Instruments

(a) Fair value

Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price, if one exists. Quoted market prices are not available for a significant portion of the Group's financial instruments. Consequently, the fair values presented are estimates derived using present value or other valuation techniques and may not be indicative of the ultimate net realizable value.

Due to the judgement used in applying a wide range of acceptable valuation techniques and estimations in calculating fair value amounts, fair values are not necessarily

comparable among financial institutions. The calculation of estimated fair values is based on market conditions at a specific point in time and may not be reflective of future fair values. The fair values disclosed exclude the values of assets and liabilities that are not considered financial instruments, such as fixed assets.

The following tables set out the fair values of the financial instruments of the Group and the Company using the valuation methods and assumptions described below.

	The Group			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2000	2000	1999	1999
	J\$'000	J\$'000	J\$'000	J\$'000
<b>Financial Assets</b>				
Cash resources	7,230,999	7,230,999	5,340,129	5,340,129
Investments	1,843,730	1,843,730	1,721,852	1,721,852
Loans	5,379,335	5,379,335	5,083,006	5,083,006
Net investment in leases	31,512	31,512	39,714	39,714
Customers' liabilities under acceptances, guarantees and letters of credit	438,416	438,416	609,951	609,951
Other assets	<u>488,979</u>	<u>488,979</u>	<u>381,200</u>	<u>381,200</u>
<b>Financial Liabilities</b>				
Deposits	13,884,255	13,884,255	11,665,435	11,665,435
Acceptances, guarantees and letters of credit	438,416	438,416	609,951	609,951
Other liabilities	<u>398,662</u>	<u>398,662</u>	<u>442,432</u>	<u>442,432</u>

#### The Company

	Carrying Value	Fair Value	Carrying Value	Fair Value
	2000	2000	1999	1999
	J\$'000	J\$'000	J\$'000	J\$'000

Cash resources	7,119,318	7,119,318	5,262,198	5,262,198
Investments	1,402,272	1,402,272	1,386,455	1,386,455
Loans	4,440,569	4,440,569	4,083,530	4,083,530
Customers' liabilities under acceptances, guarantees and letters of credit	437,035	437,035	608,951	608,951
Other assets	<u>461,827</u>	<u>461,827</u>	<u>364,771</u>	<u>364,771</u>
Financial Liabilities				
Deposits	12,717,922	12,717,922	10,601,631	10,601,631
Acceptances, guarantees and letters of credit	437,035	437,035	608,951	608,951
Other liabilities	<u>295,412</u>	<u>295,412</u>	<u>242,791</u>	<u>242,791</u>

Fair values were estimated as follows: The fair values of cash resources, other assets, acceptances, guarantees and letters of credit, and other liabilities are assumed to approximate their carrying values, due to their short term nature. Investments The fair value of investments is assumed to be equal to the estimated market value of investments provided in Note 10. These values are based on quoted market prices, when available; when not available other valuation techniques are used. Loans The estimated fair value of loans reflects changes in the general level of interest rates that have occurred since the loans were originated. The particular valuation methods used are as follows:

- i) For floating rate loans, fair value is assumed to be equal to book value as the interest rates on these loans automatically re-price to market.
- ii) For all other loans, fair value is ascertained by discounting the expected future cash flows of these loans at market rates for loans with similar terms and risks.
- iii) Securities sold under repurchase agreements are assumed to approximate carrying values, due to their short term nature. Deposits The fair value of deposits which are payable on demand or notice is assumed to be equal to their carrying values. Fixed rate deposits payable on a fixed date are determined by discounting the contractual cash flows, using market interest rates currently offered for deposits with similar terms and risks. (b)

Interest rate risk The

following tables summarise carrying amounts of balance sheet assets, liabilities and equity in order to arrive at the company's interest rate gap based on the earlier of contractual re-pricing or maturity dates. The

	Group						Total 2000 J\$'000		
	Immediately rate sensitive (1) 2000 J\$'000	Within 3 Months 2000 J\$'000	3 to 12 Months 2000 J\$'000	1 to 5 Years 2000 J\$'000	Over 5 Years 2000 J\$'000	Non rate sensitive 2000 J\$'000			
	Cash resources	1,521,619	3,292,620	816,400	-	-		1,600,360	7,230,999
	Investments	201,476	207,857	213,877	920,589	275,048		24,883 (2)	1,843,730
Loans	-	464,186	2,251,286	1,531,832	756,067	375,964 (3)	5,379,335		
Net investment in leases	-	490	2,927	29,170	-	(1,075) (3)	31,512		
Customers' liabilities under acceptances, guarantees, and letters of credit	-	-	-	-	-	438,416	438,416		
Other assets	-	-	-	-	-	965,193 (4)	965,193		
Fixed assets	-	-	-	-	-	-	-		
<b>Total assets</b>	<b>1,723,095</b>	<b>3,965,153</b>	<b>3,284,490</b>	<b>2,481,591</b>	<b>1,031,115</b>	<b>3,403,741</b>	<b>15,889,185</b>		
Customers' Deposits	6,476,890	2,587,818	1,222,088	1,822,378	-	1,775,081	13,884,255		
Acceptances, guarantees and letters of credit	-	-	-	-	-	438,416	438,416		
Other liabilities	-	-	-	-	-	398,662 (4)	398,662		

Shareholders' equity	-	-	-	-	1,167,852 <sup>(4)</sup>	1,167,852
Total liabilities and shareholders' equity	<u>6,476,890</u>	<u>2,587,818</u>	<u>1,222,088</u>	<u>1,822,378</u>	<u>-</u>	<u>3,780,011</u>
Total interest rate sensitivity gap	<u>(4,753,795)</u>	<u>1,377,335</u>	<u>2,062,402</u>	<u>659,213</u>	<u>1,031,115</u>	<u>(376,270)</u>
Cumulative gap	(4,753,795)	(3,376,460)	(1,314,058)	(654,845)	376,270	-
As at 31 October 1999						
Total interest rate sensitivity gap	<u>(4,909,888)</u>	<u>723,636</u>	<u>1,301,944</u>	<u>1,819,593</u>	<u>774,110</u>	<u>290,605</u>
Cumulative gap	<u>(4,909,888)</u>	<u>(4,186,252)</u>	<u>(2,884,308)</u>	<u>1,064,715</u>	<u>(290,605)</u>	<u>-</u>

	The Company					
	Immediately rate sensitive (1)	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non rate sensitive
Total		2000	2000	2000	2000	2000
2000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
J\$'000						
Cash resources	1,557,593	3,183,271	816,400	-	-	1,562,054
7,119,318						
Investments	201,476	164,106	157,618	763,750	53,695	61,627 <sup>(2)</sup>
1,402,272						

Loans 4,440,569	-	96,707	2,087,469	1,513,479	378,833	364,081 <sup>(3)</sup>
Customers' liabilities under acceptances, guarantees, and letters of credit 437,035	-	-	-	-	-	437,035
Other assets 461,827	-	-	-	-	-	461,827 <sup>(4)</sup>
Fixed assets 441,546	-	-	-	-	-	441,546
<u>Total assets</u> 14,302,567	<u>1,759,069</u>	<u>3,444,084</u>	<u>3,061,487</u>	<u>2,277,229</u>	<u>432,528</u>	<u>3,328,170</u>
Customers' deposits 12,717,922	6,519,523	1,909,344	922,236	1,591,738	-	-1,775,081
Acceptances, guarantees and letters of credit 437,035	-	-	-	-	-	437,035
Other liabilities 295,412	-	-	-	-	-	295,412 <sup>(4)</sup>
Shareholders' equity 852,198	-	-	-	-	-	852,198 <sup>(4)</sup>
<u>Total liabilities and shareholders' equity</u> 14,302,567	<u>6,519,523</u>	<u>1,909,344</u>	<u>922,236</u>	<u>1,591,738</u>	<u>-</u>	<u>3,359,726</u>
Total interest rate sensitivity gap	(4,760,454)	1,534,740	2,139,251	685,491	432,528	(31,556)
<u>Cumulative gap</u>	<u>(4,760,454)</u>	<u>(3,225,714)</u>	<u>(1,086,463)</u>	<u>(400,972)</u>	<u>31,556</u>	<u>-</u>
As at 31 October 1999						
Total interest rate sensitivity gap	(4,871,009)	855,647	1,335,426	1,591,058	420,041	668,837
<u>Cumulative gap</u>	<u>(4,871,009)</u>	<u>(4,015,362)</u>	<u>(2,679,936)</u>	<u>(1,088,878)</u>	<u>(668,837)</u>	<u>-</u>

(1) This represents those financial instruments whose interest rates change concurrently with a change in the underlying

interest rate basis, for example base rate loans.

(2) This includes financial instruments such as common shares.

(3) This includes impaired loans.

(4) This includes non-financial instruments.

Average effective yields by the earlier of the contractual re-pricing or maturity dates: The Group 2000

	Immediately rate sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Average %
Cash resources	6.43%	14.91%	18.50%	-	-	10.23%
Investments (1)	9.75%	11.67%	15.67%	19.56%	10.16%	15.48%
Loans (2)	-	16.82%	19.60%	23.49%	19.18%	19.00%
Net investment in leases	-	34.21%	20.60%	35.71%	-	35.50%
Deposits (3)	6.07%	11.06%	12.40%	11.33%	-	7.47%

The Company  
2000

	Immediately rate sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Average %
Cash resources	6.23%	15.04%	18.50%	-	-	13.08%
Investments (1)	9.75%	10.95%	14.86%	19.90%	-	15.89%
Loans (2)	-	16.50%	19.78%	23.49%	21.84%	21.27%
Deposits (3)	6.03%	10.08%	11.64%	11.79%	-	8.05%

Average effective yields by the earlier of the contractual re-pricing or maturity dates:

The Group 1999						
	Immediately rate sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Average %
Cash resources	7.02%	16.87%	20.07%	-	-	14.59%
Investments (1)	17.47%	21.09%	20.28%	14.43%	-	16.56%
Loans (2)	-	16.09%	25.75%	26.58%	22.56%	22.18%
Net investment in leaves	-	15.00%	35.64%	30.56%	-	31.31%
Deposits (3)	<b>6.69%</b>	<b>13.00%</b>	<b>13.88%</b>	<b>7.38%</b>	-	<b>9.26%</b>

The Company 1999						
	Immediately rate sensitive %	Within 3 Months %	3 to 12 Months %	1 to 5 Years %	Over 5 Years %	Average %
Cash resources	6.00%	16.47%	20.07%	-	-	13.64%
Investments (1)	17.47%	20.78%	20.12%	13.88%	-	15.62%
Loans (2)	18.35%	-	25.99%	26.60%	26.32%	23.38%
Deposits (3)	<b>6.58%</b>	<b>11.98%</b>	<b>13.09%</b>	<b>7.33%</b>	-	<b>8.37%</b>

- (1) Yields are based on book values and contractual interest adjusted for amortisation of premiums and discounts. Yields on tax-exempt investments have not been computed on a taxable basis.
- (2) Yields are based on book values, net of allowance for credit losses and contractual interest rates.
- (3) Yields are based on contractual interest rates.
- (c) Credit exposure



The following table summarizes the credit exposure of the Company to businesses and government by sector:

	Loans (1)	Leases J\$'000	The Group		Total J\$'000
			Acceptances Guarantees, and Letters of Credit 2000 J\$'000	1999 J\$'000	
Agriculture, fishing and mining	42,633	86	4,981	47,700	60,224
Transport, storage and communication	146,348	1,328	48,691	196,367	326,124
Construction	427,047	-	2,508	429,555	420,185
Distribution	442,778	25,431	143,052	611,261	549,886
Financial institutions	22,692	-	12,627	35,319	32,794
Government and public utilities	706,000	-	1,363	707,363	383,863
Manufacturing and production	220,477	4,656	29,768	255,101	217,855
Personal	1,231,116	124	77,205	1,308,445	1,877,506
Professional and other services	759,613	1,452	109,113	870,178	699,336
Electricity, gas and water	448,677	-	1,000	449,677	20,168
Tourism and entertainment	373,299	-	8,108	381,407	310,855
Total	<u>4,820,680</u>	<u>33,277</u>	<u>438,416</u>	<u>5,292,373</u>	<u>4,898,796</u>
Provision for losses				<u>(82,612)</u>	<u>(153,895)</u>
				<u>5,209,761</u>	<u>4,898,796</u>

The Company

	Loans (1)	Acceptances Guarantees and letters of credit J\$'000	Total	
			2000 J\$'000	1999 J\$'000
Agriculture, fishing and mining	42,633	4,981	47,614	60,037
Construction	92,623	2,508	95,131	100,172

Distribution	426,792	143,052	569,844	506,945
Financial institutions	22,692	12,627	163,026	32,637
Government and public utilities	706,000	1,363	579,656	270,354
Manufacturing and production	216,188	29,387	245,575	213,757
Personal	1,210,979	77,205	1,288,184	1,849,807
Professional and other services	716,680	109,113	825,793	690,114
Transportation, storage and communication	131,504	48,691	180,195	307,931
Electricity gas and water	448,677	1,000	449,677	20,167
Tourism and entertainment	367,170	7,108	374,278	306,990
Total	<u>4,381,938</u>	<u>437,035</u>	<u>4,818,973</u>	<u>4,358,911</u>
Provision for losses			<u>(69,076)</u>	<u>(145,480)</u>
			<u>4,749,897</u>	<u>4,704,187</u>

(1) Excludes securities held under resale agreements.

(d) Foreign exchange risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaican dollar. The main currencies giving rise to this risk are the United States dollar, Canadian dollar and the British Pound Sterling.

The Group ensures that the net exposure is kept to an acceptable level by matching foreign assets with liabilities as far as possible. Net current foreign currency assets/(liabilities) were as follows:

The Group		The Company	
2000	1999	2000	1999

	000	000	000	000
United States dollar	19,212	15,945	19,039	15,825
Canadian dollar	(225)	(413)	(225)	(413)
Pound Sterling	<u>182</u>	<u>71</u>	<u>182</u>	<u>71</u>

#### 24. Related Party Transactions and Balances

In the ordinary course of business, the Company provides to its connected persons normal banking services on terms similar to those offered to persons not connected to the Company.

Transactions and balances with connected parties are as follows: -

	2000	1999
	J\$'000	J\$'000
Transactions and balances with CIBC West Indies Holdings		
Interest expense	828	105
Management fees charged	46,000	29,071
Net receivable/(payable) balance	21,886	(98,913)
Transactions and balances with other CIBC entities:		
Interest income	39,170	9,529
Interest expense	11,857	26,076
Banking support services	-	11,767
Due to CIBC entities	( 154)	(22,804)
Deposits with CIBC entities	98,364	154,354
Transactions and balances with directors:		
Loan outstanding	10,905	3,757
Deposits with CIBC entities	3,564	22,659
Interest income	480	178
Interest expense	<u>2,205</u>	<u>2,064</u>

#### 25. National Housing Trust Contributions

The contributions charged to revenue and expenses account, amounting to J\$134,000 for the Group and J\$122,000 for the Company up to 31 July 1979, are recoverable in the years 2001/4.

## 26. Pension Scheme

The Group operates contributory (supplementary plan) and non-contributory (basic plan) pension schemes for all employees who have satisfied certain minimum service requirements.

The pension benefits are computed at 1.5% (basic plan) and 2.0% (supplementary plan) of the best consecutive 5 years' earnings in the last 10 years, multiplied by the years of credited service. Provision is also made for survivor, termination and disability benefits.

The latest actuarial valuation was completed as at 31 October 1999. This revealed a combined funds past service surplus of J\$57,010,000 for normal retirement age of 65 years.

The actuaries have recommended that both the supplementary and basic plan should be merged. The rate of employer contributions should be kept at the current rate of 10% of pensionable salaries.

As of 1 November 2000, the recommendation was implemented; the plans have been merged into one non-contributory plan called the CIBC Jamaica Limited Pension Plan. Under this new scheme, employees have the option to contribute a maximum of 10% of their pensionable salaries.

Total contributions charged against income for the year were J\$30,979,000 (1999 - J\$24,789,000) for the Group and J\$28,319,000 (1999 - J\$28,768,000) for the Company.

## 27. Assets Held in Trust by Subsidiary Company

Assets held in trust, which are not beneficially owned by a subsidiary company, but for which the subsidiary company has 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 J\$12,566,945,000 (1999 - J\$9,553,694,000).

## 28. Commitments

### (i) Lease

The Company has 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:

	2000	1999
	J\$'000	J\$'000
Year ending 31 October:		
2000	71,759	69,185
2001	78,888	68,801
2002	76,559	65,458
2003	12,696	9,913
2004	13,887	10,825
2005 and thereafter	48,340	63,510

(ii) Capital

	The Group		The Company	
	2000	1999	2000	1999
	J\$'000	J\$'000	J\$'000	J\$'000
Capital expenditure:				
Authorised and contracted for	4,029	-	4,029	-

(iii) Other

Leases and mortgages approved by subsidiary companies but not yet disbursed to customers at 31 October 2000 amounted to J\$73,965,000 (1999 - J\$86,154,000).

## 29. Contingent Liabilities

The Company and its Subsidiaries, because of the nature of their business, are subject to various threatened or filed legal actions. At 31 October 2000 material claims filed amounted to approximately J\$68,890,000 (1999 - J\$14,272,000). Although the amount of the ultimate exposure, if any, cannot be determined at this time, the directors are of the opinion based upon the advice of counsel, that the final outcome of threatened or filed suits will not have a material adverse effect on the financial position of the Group.

### 30. Change in Accounting Policy

Effective 1 November 1999, the Group commenced providing for deferred taxation on the basis outlined in Note 2(n). Prior to this date, the Group did not account for deferred taxation. This change has the effect of decreasing the net earnings for the year of the Group and the Company by J\$49,668,000 and J\$42,713,000, respectively. The net earnings as previously reported for the year ended 31 October 1999 for the Group and the Company have decreased by J\$12,917,000 and J\$8,582,000, respectively.

Retained earnings for the years prior to 1 November 1998 for the Group and the Company have been reduced by J\$5,915,000 and J\$2,705,000, respectively to reflect the effect of retroactively applying the change.

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