

FirstCaribbean International Bank (Jamaica) Limited

Audited Consolidated Financial Statements

For the year ended October 31, 2011 (expressed in thousands of Jamaican dollars)



FirstCaribbean
International Bank

CHAIRMAN'S REVIEW

For the financial year ended October 31, 2011

Net income after tax for the year ended October 31, 2011 amounted to \$157 million, compared to \$359 million for the comparative period last year. Total operating income improved by 2% year on year, primarily due to higher non-interest income, but the year on year decline in profitability was driven by higher levels of loan losses and operating expenses.

Net interest income fell by 2%, while non-interest income rose by 17% over the prior year. Interest income fell mainly due to lower average productive loan balances throughout the year, but this decrease was substantially offset by reduced interest expense due to lower interest rates. Higher non-interest income was driven primarily by securities gains. The 4% increase in non-interest expenses over the comparative prior year period was due primarily to increased staff costs.

Stockholders' equity stood at \$7.8 billion as at October 31, 2011, and represented a risk-based capital ratio of 23%, which exceeds the minimum requirement of 10% stipulated by the Bank of Jamaica. This allowed the Bank to be in a position to take advantage of future opportunities.

The Board, management and staff will continue to monitor the economic conditions and take the necessary steps to ensure that the interests of all our stakeholders are promoted in these circumstances.

I wish to thank our minority shareholders for their support and participation over the years and refer to Note 2 which sets out the details of the bank's willingness to acquire and cancel their shares. I also thank all our customers, employees, and other stakeholders for their contribution and continued support.

Michael K. Mansoor
Chairman

December 15, 2011

FORWARD-LOOKING STATEMENT DISCLOSURE

This report contains forward-looking statements, including statements about our financial condition, results of operations, earnings outlook, asset quality trends and profitability. Forward looking statements provide management's current expectations or forecasts of future events and, by their nature, are subject to assumptions, risks and uncertainties. Although management believes that the expectations and forecasts reflected in these forward-looking statements are reasonable, actual results could differ materially from those contained in or implied by such forward-looking statements due to a variety of factors including: (1) changes in interest rates; (2) changes in trade, monetary or fiscal policy; (3) changes in general economic conditions, or in the condition of the local economies in which we have significant operations or assets which could, among other things, materially impact credit quality trends and our ability to generate loans; (4) increased competitive pressure among financial services companies; (5) the inability to successfully execute strategic initiatives designed to grow revenues and/or manage expenses; (6) consummation of significant business combinations or divestitures; (7) operational or risk management failures due to technological or other factors; (8) heightened regulatory practices, requirements or expectations; (9) new legal obligations or restrictions or unfavourable resolution of litigation; (10) adverse capital markets conditions; (11) disruption in the economy and general business climate as a result of terrorist activities or military actions; and (12) changes in accounting or tax practices or requirements. Forward-looking statements are not guarantees of future performance and should not be relied upon as representing management's views as of any subsequent date. We do not assume any obligation to update these forward-looking statements. For further information regarding FirstCaribbean International Bank (Jamaica) Limited, please read FirstCaribbean International Bank (Jamaica) Limited's financial and other reports that are available on the company's website at www.cibcfcib.com.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Shareholders of FirstCaribbean International Bank (Jamaica) Limited

The accompanying summarized consolidated financial statements, which comprise the consolidated statement of financial position as at 31 October 2011, consolidated statement of income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and related notes, are derived from the audited consolidated financial statements of FirstCaribbean International Bank (Jamaica) Limited for the year ended 31 October 2011. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 15 December 2011. Those consolidated financial statements, and the summarized consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of FirstCaribbean International Bank (Jamaica) limited.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements on the basis of their established criteria as described in Note 1.

Auditors' Responsibility

Our responsibility is to express an opinion on the summarized consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summarized consolidated financial statements derived from the audited consolidated financial statements of FirstCaribbean International Bank (Jamaica) Limited for the year ended 31 October 2011 are consistent, in all material respects, with those consolidated financial statements, on the basis of management's criteria as described in Note 1.

CHARTERED ACCOUNTANTS
Kingston, Jamaica

15 December 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited October 31, 2011	Audited October 31, 2010
Assets		
Cash and balances with Central Bank	9,783,089	10,952,478
Due from other banks	3,447,918	3,504,931
Investment securities	5,062,909	2,494,812
Government securities purchased under reverse repurchase agreements	423	226,567
Loans and advances to customers	30,458,598	31,346,134
Property and equipment	698,315	693,991
Taxation recoverable	127,257	123,096
Deferred tax assets	11,913	16,075
Derivative financial instruments	5,923	—
Retirement benefit asset	1,060,293	1,012,125
Other assets	437,350	894,133
Total assets	51,093,988	51,264,342
Liabilities		
Customer deposits	42,595,319	41,925,457
Taxation payable	51,099	95,215
Deferred tax liabilities	146,798	211,478
Derivative financial instruments	4,298	445,392
Retirement benefit obligation	37,166	37,265
Other liabilities	413,421	919,181
Total liabilities	43,248,101	43,633,988
Equity		
Share capital	1,396,667	1,396,667
Reserves	5,671,013	5,636,585
Retained earnings	778,207	597,102
Total equity	7,845,887	7,630,354
Total equity and liabilities	51,093,988	51,264,342

Michael Mansoor
Chairman

Nigel Holness
Managing Director

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
Balance as at October 31, 2009	265,757	1,396,667	12,833	2,146,667	2,616,163	45,522	602,889	49,497	6,870,238	385,925	7,256,163
Total comprehensive income	—	—	—	—	—	—	—	15,527	15,527	358,664	374,191
Transfer to statutory reserve fund	—	—	—	100,000	—	—	—	—	100,000	(100,000)	—
Transfer to loan loss reserve	—	—	—	—	—	—	47,487	—	47,487	(47,487)	—
Balance as at October 31, 2010	265,757	1,396,667	12,833	2,246,667	2,616,163	45,522	650,376	65,024	7,033,252	597,102	7,630,354
Balance as at October 31, 2010	265,757	1,396,667	12,833	2,246,667	2,616,163	45,522	650,376	65,024	7,033,252	597,102	7,630,354
Total comprehensive income	—	—	—	—	—	—	—	58,771	58,771	156,762	215,533
Transfer to statutory reserve fund	—	—	—	150,000	—	—	—	—	150,000	(150,000)	—
Transfer to loan loss reserve	—	—	—	—	—	—	(174,343)	—	(174,343)	174,343	—
Balance as at October 31, 2011	265,757	1,396,667	12,833	2,396,667	2,616,163	45,522	476,033	123,795	7,067,680	778,207	7,845,887

NOTES TO THE CONDENSED AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

Basis of presentation

The accompanying audited financial statements of FirstCaribbean International Bank (Jamaica) Limited (the Group) should be read in conjunction with the International Financial Reporting Standards (IFRS) audited consolidated financial statements and notes thereto for the year ended October 31, 2011. For a description of the Group's significant accounting policies, see Note 2 of the aforementioned consolidated financial statements.

Certain financial information, which is normally included in annual financial statements prepared in accordance with IFRS, but not required for interim reporting purposes, has been condensed or omitted. Certain reclassifications have been made to the prior period's financial statements to conform to the current period's presentation. These consolidated financial statements reflect, in the opinion of management, all adjustments that are necessary for a fair presentation of the consolidated financial statements for the interim periods presented.

In preparing these consolidated financial statements, management is required to make estimates and assumptions which affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

CONSOLIDATED STATEMENT OF INCOME

	Quarter ended October 31, 2011	Audited Year ended October 31, 2011	Quarter ended October 31, 2010	Audited Year ended October 31, 2010
Interest and similar income	872,585	4,005,535	1,152,832	4,691,098
Interest and similar expenses	(144,290)	(704,806)	(250,633)	(1,312,212)
Net interest income	728,295	3,300,729	902,199	3,378,886
Non-interest income	202,111	999,925	232,928	853,125
Total operating income	930,406	4,300,654	1,135,127	4,232,011
Non-interest expenses	(835,444)	(3,489,837)	(1,193,915)	(3,368,738)
Loan loss impairment	(349,155)	(598,097)	22,370	(341,321)
	(1,184,599)	(4,087,934)	(1,171,545)	(3,710,059)
(Loss)/income before taxation	(254,193)	212,720	(36,418)	521,952
Income tax expense	87,233	(55,958)	16,488	(163,288)
Net (loss)/income for the period attributable to equity holders	(166,960)	156,762	(19,930)	358,664
Weighted average number of ordinary stock units in issue ('000's)	265,757	265,757	265,757	265,757
Earnings per ordinary stock unit in cents	(63)	59	(7)	135

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended October 31, 2011	Audited Year ended October 31, 2011	Quarter ended October 31, 2010	Audited Year ended October 31, 2010
Net (loss)/income for the period	(166,960)	156,762	(19,930)	358,664
Other comprehensive income				
Net gains on available-for-sale investment securities, net of taxes	12,083	58,771	50,387	15,527
Total comprehensive (loss)/income attributable to equity holders for the period, net of tax	(154,877)	215,533	30,457	374,191

CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited Year ended October 31, 2011	Audited Year ended October 31, 2010
Net cash provided by operating activities	858,559	2,773,027
Net cash used in investing activities	(1,159,131)	(1,610,378)
Net (decrease)/increase in cash and cash equivalents	(300,572)	1,162,649
Effect of exchange rate changes on cash and cash equivalents	51,593	(336,940)
Cash and cash equivalents, beginning of period	8,763,996	7,938,287
Cash and cash equivalents, end of period	8,515,017	8,763,996

SEGMENT REPORT

	Retail Banking	Corporate Investment Banking	Administration	Group
October 31, 2011				
External revenues	2,223,692	1,768,296	1,013,472	5,005,460
Revenues from other segments	1,009,533	(334,422)	(675,111)	—
Total revenues	3,233,225	1,433,874	338,361	5,005,460
Segment result	(123,679)	(104,020)	440,419	212,720
Taxation	—	—	—	(55,958)
Net income for the period				156,762
Segment assets	13,912,337	16,819,735	20,222,746	50,954,818
Unallocated assets	—	—	—	139,170
Total assets				51,093,988
Segment liabilities	24,138,877	6,940,672	11,970,655	43,050,204
Unallocated liabilities	—	—	—	197,897
Total liabilities				43,248,101
Other segment items:				
Interest and similar income	2,446,901	934,323	624,311	4,005,535
Interest and similar expenses	476,861	96,204	131,741	704,806
Hedging gains (net)	—	—	18,614	18,614
Capital expenditure	72,780	3,725	113,034	189,539
Depreciation	87,080	1,155	96,973	185,208
Loan loss impairment	85,375	512,722	—	598,097
October 31, 2010				
External revenues	2,187,139	2,437,234	919,850	5,544,223
Revenues from other segments	877,028	(508,383)	(368,645)	—
Total revenues	3,064,167	1,928,851	551,205	5,544,223
Segment result	(466,919)	448,050	540,821	521,952
Taxation	—	—	—	(163,288)
Net income for the period				358,664
Segment assets	13,094,372	18,337,398	19,693,401	51,125,171
Unallocated assets	—	—	—	139,171
Total assets				51,264,342
Segment liabilities	24,114,633	6,497,324	12,715,338	43,327,295
Unallocated liabilities	—	—	—	306,693
Total liabilities				43,633,988
Other segment items:				
Interest and similar income	2,014,858	1,262,798	1,413,442	4,691,098
Interest and similar expenses	845,965	216,512	249,735	1,312,212
Hedging gains (net)	—	—	13,618	13,618
Capital expenditure	77,484	1,382	121,951	200,817
Depreciation	69,759	791	69,592	140,142
Loan loss impairment	66,921	274,400	—	341,321

Notes:

1) The Group's operations are organised into two business segments, Retail Banking and Corporate Investment Banking (CIB) which are supported by the functional units within the Administration segment (which includes Finance, HR, Technology and Operations, Treasury, Risk and Other).

2) Transactions between segments are on normal commercial terms and conditions.

Note 2 Subsequent Event

Delisting of the Ordinary Shares of FirstCaribbean International Bank (Jamaica) Limited from the Jamaica Stock Exchange

The Jamaica Stock Exchange (JSE) requires a proportion of not less than 20% of the Bank's shares to be publicly held in order to maintain a listing on the Exchange. The Board of the Bank has determined that, given the size of the market, it will not be feasible for the proportion of non-majority held shares to be raised to the minimum required by the JSE rules in the foreseeable future. As a consequence, the Board of the Bank has decided to accept the delisting of its ordinary shares by the JSE. The Bank has been advised that the Board of the Jamaica Stock Exchange has exercised its discretion under Rule 411A of the JSE Rules, and determined that the ordinary shares of the Bank shall be delisted from the Exchange with effect from the close of business on Friday, December 30, 2011.

In order to enable minority holders of the ordinary shares to dispose of their shares before the delisting if they wish to do so, the Bank intends, in accordance with section 58 of the Companies Act and Rule 413 of the JSE Rules, to buy back ordinary shares for cancellation at the fixed price of \$13.25 each from minority holders who wish to sell their shares to the Bank up to December 23, 2011. Conditional on the decision to delist and based on the approval of the Board of the JSE under rule 412A of the JSE rules, the Bank will issue to its parent bank, FirstCaribbean International Bank Limited, for cash ordinary shares equivalent in value to the shares purchased by the Bank from the minority shareholders. The purpose of the issue of ordinary shares to the parent bank for cash would be to avoid any diminution in the Bank's stated capital value as a result of the Bank's purchases of shares from the minority shareholders.

The Group's operations are located solely in Jamaica.