

Barbados Banking Industry 2001 Performance Highlights



Introduction

These performance highlights are produced annually by PricewaterhouseCoopers East Caribbean as part of our continuing service to the financial services industry. A listing of our financial services specialists, who would be pleased to respond to your inquiries, is included below.

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Basis of Preparation

The intent of this publication is to provide a quick reference guide and summary analysis of the 2001 financial results of the 7 commercial banks operating in Barbados. The publication does not deal with the results of offshore banking operations and all information is, or is derived from, publicly available information. Reasons for variances are not provided, so readers may draw their own conclusions.

The financial information for each banking institution includes the results of related trust and mortgage companies where applicable. Details of the entities included are shown in Appendix V. It should be noted that the year ends of the Canadian banks are October 31 and December 31 for other banks. This year sees the return in Appendix V of comparative income statement and balance sheet information for Barbados Finance Companies.

All banks follow International Accounting Standards and as a result, accounting policies, whilst there may be slight variations, are expected to be comparable. The degree of parent bank support, where applicable, differs amongst the banks and could significantly affect analysis and interpretation of the financial information published. We have adjusted the balance sheets to provide consistent disclosure of acceptances, guarantees and letters of credit. Readers must therefore consider the implications of these matters carefully before drawing any conclusions.

PricewaterhouseCoopers believes the information included in this analysis to be reliable, but accepts no responsibility for actions taken on the basis of information displayed in the publication.

The Economic Environment

Following eight consecutive years of real economic growth, the Barbados economy contracted in 2001. Some sectors, especially manufacturing and agriculture, continued to struggle as they tried to adjust to the trade liberalisation process while others suffered from the spill over effects of a slowing world economy. Real output in 2001 is estimated to have declined by 2.8%, in contrast to an expansion of 3% in 2000 and an average annual rise of 2.9% since 1993, reflecting contractions in both the traded and non-traded sectors.

Banking

At the end of December 2001, the Net International Reserves of the Central Bank were \$1.4 billion, representing a rise of \$439.7 million above the figure at the end of 2000. This increase, the largest on record, resulted primarily from an international bond issue of \$300 million and a strong first quarter reserves outturn.

Low levels of consumer and business demand for bank credit resulted in the slowest expansion in private sector lending since 1993. This, along with relatively strong deposit growth, led to a build-up in excess funds in the banking system and the excess liquidity ratio rose by 2.7 percentage points, to 10.4% at year-end. The increased level of liquidity led to a steady contraction in the treasury bill rate to 1.97% at the end of December 2001, from 3.85% at the end of December 2000.

In an attempt to stimulate economic activity, the Central Bank cut interest rates on four occasions during the year. By year-end, the minimum deposit rate was 3%, down from 4.5% at the start of the year, the cash reserve requirement was lowered by one percentage point to 5% and the discount rate was reduced from 10% to 7.5%.

In 2001, Government operations resulted in a fiscal deficit of \$183.6 million or 3.5% of GDP, more than double that of a year earlier. Weak economic activity constrained revenue growth, while Government's current spending was higher than in 2000 because of increased outlays on goods and services, transfers and subsidies and foreign interest payments.

Tourism

Real value-added in tourism declined by an estimated 5.9% (after an increase of 7.7% in 2000). Reduced arrivals were recorded for both long-stay and cruise ship passengers. The number of cruise ship passengers fell by 1.1% during 2001; contrasting 2000's 23.2% increase.

Arrivals from the USA and Canada were especially hard hit, with the number of visitors from that market falling for the year by 4.9% and 12.6% respectively. UK tourist arrivals were 4.1% down from the prior year. Nevertheless, the UK remained Barbados' main market for long-stay tourists, accounting for roughly 43% of total visitors, compared with 41% in 2000. Arrivals from other European countries also declined (25.2%), during the post September 11 period to register an overall fall of 15.7% for the year. This follows an annual rate of contraction of 12% over the last five years.

Agriculture

There was an overall decline in agricultural production in 2001 following two successive years of growth. Sugar output is estimated to have fallen by just over 14% to 50,000 tonnes. The non-sugar agricultural sector contracted by an estimated 1.9%, in contrast to a marginal rise in 2000. Milk production expanded by about 4.1% compared to a 1.8% increase in 2000. However, losses were recorded in the other major sub-sectors, with fish landings and chicken production falling by 4.9% and 7.2%, respectively.

Manufacturing and Construction

During 2001, the manufacturing industry continued to be affected by increased competition brought on by trade liberalisation. Real output fell by an estimated 8.2%, representing the third consecutive year of decline. All the major sub-sectors registered decreases, with value-added contracting in the food processing sub-sector by 2.6%, in beverages by 6.1%, in electronics by 27.6% and in chemicals by 4.3%. Output in the construction sector fell by an estimated 6.3% in 2001, in contrast to the 4% increase in 2000.

Projections for 2002

The outcome for 2002 will be significantly determined by the speed of recovery in the economies of Barbados' trading partners, especially the US and UK. Projections suggest that real output in Barbados should remain relatively flat, but if the anticipated pickup in the US is strong enough to stimulate global demand, then a small rise is likely. With real economic output forecasted to remain at roughly last year's level, no major gains in employment are likely during 2002, while inflation is anticipated to be in the region of 3.5%.

Real value-added in the tourism sub-sector is projected to fall by less than half that of 2001. Sugar production is forecasted to contract by 15%-20%, on account of a reduction in the acreage planted and lower yields. The non-traded sectors are expected to record marginal, but broad-based growth. Construction should benefit from the robust public investment programme and other proposed private sector ventures. However, the wholesale and retail sector is projected to be constrained by the fall in tourism output. Although a faster expansion in private sector credit is anticipated in 2002, liquidity should still remain relatively high. The fiscal deficit is projected to be in the region of 3.5% - 4% of GDP, primarily on account of a reduction in corporation tax revenue and a less than robust level of economic activity.

(The above summary is based on the Central Bank of Barbados's review of the economy)

Industry Challenges and Growth Opportunities

The following comments are not intended to be an exhaustive list of all the challenges and opportunities facing local banks. Instead, what follows is an analysis of some of the more significant matters facing the Barbados banking industry in the medium to long term. This includes both the views of bank management and those of our own.

During this year we have seen developments along the lines reported upon in our last two publications. The OECD, FSF and FATF initiatives that were of concern last year have largely subsided. Banks have weathered the storm on this front as well as the effects of the US Patriot Act, on their ability to maintain correspondent banking relationships. Credit unions have also come under the regulatory umbrella of the Central Bank, a move which has been anticipated for some time. Overall there are no significant new challenges and growth opportunities, but we have seen events which provide evidence that trends are as anticipated.

Industry consolidation

Perhaps the most significant event in the financial services arena this year is the proposed merger of CIBC West Indies Holdings Limited with the Caribbean operations of Barclays Bank PLC. This has received considerable media attention as it heralds the birth of what will be the largest banking institution in the Caribbean region with gross assets of US\$10 billion, and branches stretching from The Bahamas in the North to Grenada in the South. It seems inevitable that such transactions will continue in all areas of the financial services industry, as the pace of globalisation and competition increases. The acquisition of Life of Barbados by the Barbados Mutual Life Assurance Society and the bidding by Guardian Life Holdings is testimony to this. Large, trans-regional financial institutions will place increasing demands on banking regulators in the Caribbean, and will require increased coordination and cooperation with regulators in other countries. The growth of such institutions should also increase the Caribbean region's reputation and access to global capital markets. It will facilitate the development of the capital markets in the region as world class financial institutions are established attracting not only potential investors but by possibly providing an avenue to new financial products and services such as international loan syndications.

Liquidity concerns

This year has seen customer deposits expand at a significantly greater rate than loan portfolios. This has generated continued excess liquidity in the local banking sector and again rekindles the arguments for liberalisation of capital markets in Barbados with a view to relieving this situation. The windfall expected to be received by Life of Barbados shareholders (see above) is expected to further increase the level of liquidity. Foreign exchange controls limit the ability of commercial banks to invest their surplus funds offshore and earn a better return. Returns on Barbados Government treasury bills have fallen significantly in 2001. Higher levels of return could be available from investing surplus funds in, say, US dollars or bond markets as opposed to investing in

Liquidity concerns (continued)

treasury bills. Some local bankers maintain that if banks were allowed to manage their surplus liquidity without these foreign exchange restrictions (as is partially allowed for certain other financial institutions) the resulting increased return on investment could be passed on to borrowers and depositors and this may be beneficial to the economy as a whole. Banks, for example, could invest excess funds for say 90 days, at the end of which the funds would be brought back into Barbados, so as not to affect foreign currency reserves.

NB: As we go to press we understand that the Central Bank has recently approved some initiatives in this direction.

Regulation of lending rates

The newly introduced policy of the Central Bank of setting indicative minimum weighted average lending rates on certain commercial loans and advances to customers has provided a challenge to banks in being able to adjust their rates to the required level on a timely basis and manage their interest rate spreads. The purpose of this directive was to stimulate economic activity, and it has had significant implications for local banks. Banks charge higher rates of interest for exposure to increased levels of risk. In order to reduce its average lending rate to the level required by the Central Bank, a bank may reduce the proportion of loans made to higher risk customers, such as small businesses or start-up operations. This may slow expansion of the bank's loan portfolio, and exacerbate excess liquidity. Moreover, the current experience is that in spite of the lower rates being imposed, the demand for loan finance is still low. Many bankers indicate that lower rates are not the primary factor in a customer's decision to acquire loan financing.

Regulation of minimum deposit rate

The minimum deposit rate requirement has existed for a number of years and the rate is usually higher than that which currently pertains in international markets. It is also greater than the yield on Barbados Government treasury bills. It therefore has become increasingly challenging for banks to maintain interest margins under conditions of excess liquidity and rising deposits. Some members of the banking industry consider that it would be beneficial to the economy if interest rates were liberalised, and market forces were allowed to determine both loan and deposit rates. Under these circumstances, effective competition between commercial banks may provide an incentive for the introduction of innovative savings products with the benefits accruing to the customer.

Asset tax

The tax on bank assets computed as a percentage of gross domestic assets is considered a disincentive for growing these assets. In addition those indigenous banks with few foreign assets bear a relatively larger burden. The tax is not related to the profitability of a bank and therefore is not considered equitable or efficient. It affects the cost of doing business and is invariably passed on to customers.

Internet banking

In the internet banking space we have seen signs that this is becoming more of a reality as one bank and perhaps a second move to pilot such software. We expect that this must sooner or later be introduced.

Financial reporting

Local banks report their financial results using International Accounting Standards and we expect that as these standards become more complicated (as is occurring), banks will need to ensure that their financial accounting staff are well trained and up to date. The introduction of International Accounting Standard (IAS) 39- Financial Instruments: Recognition and Measurement, presented challenges for local banks in 2001. The standard required many changes to the established norms and had detailed implementation rules and guidance notes. This trend could be expected for future standards. Indeed banks will also have to look out in the near future for revisions to IAS 30: Disclosures in the Financial Statements of Banks and Similar Financial Institutions, as well as revisions to other non-financial institution specific standards.

Credit risk

With excess liquidity, there might be the inclination to increase the loan book at every opportunity. Credit risk concerns should be carefully considered as experience shows there is generally a lag between times of economic contraction and the resulting negative effect on loan loss provisions.

Analysis of 2001 Results

This is an overview of the 2001 results of all the banks and is intended to be read in conjunction with the detailed information in Appendices I to III.

Income Statement

Net income for the Year

Aggregate net income remained relatively flat at \$98 million. Royal Bank of Canada once again recorded the highest net income for the year, at \$22.7 million, but also the highest decline of 15% compared to 2000. Bank of Nova Scotia (\$22.3 million) and Barbados National Bank Inc (\$18.7 million) followed Royal Bank as they did in 2000. The only banks to record increases in net income were CIBC Caribbean and Caribbean Commercial Bank. CIBC Caribbean published the largest increase; from \$7.5 million to \$14.4 million.

Interest Income

Total interest income decreased from \$442 million in 2000 to \$430 million in 2001. The principal reason for this was the decline of \$7 million or 8% in interest income on securities. Barclays Bank once again recorded the highest interest income, of \$84 million for the year, although this was lower than the \$89 million earned in 2000. It is noteworthy that all banks experience declines in securities income, except Barbados National Bank Inc and Mutual Bank. Loan income declined 1% to \$341 million.

Interest Expense

Total interest expense decreased from \$191 million in 2000 to \$171 million in 2001. Barclays Bank recorded the highest interest expense for the year of \$34 million, a reduction of \$6 million (15%) compared to 2000. The only bank to record an increase in interest expense was Caribbean Commercial Bank, with an 11% rise. Royal Bank of Canada registered the largest decline in interest expense at 20%.

Other Income

Other income rose 3% to \$119 million. Fees and commissions were the largest component of other income, and rose by 13% (2000-13%) to \$58 million. This was partially offset by a decrease in foreign exchange income to \$53.7 million (4%). Only two banks experienced reduced fee and commission income; Barclays Bank 5% and Mutual Bank 6%. CIBC Caribbean and Barbados National Bank Inc experienced increases of 44% and 25% respectively. Fees and commissions for the first time in the last three years comprised the most significant part of aggregate other income at 49% (2000-44%). Foreign exchange income now comprises 45% (2000-48%).

Provision for Credit Losses

Provision for credit losses increased by 27%, from \$19.9 million in 2000 to \$25.3 million in 2001. Barbados National Bank Inc recorded the largest charge of \$11.8 million, which represents a significant increase compared to the \$0.8 million charged in 2000. Conversely, CIBC Caribbean showed no charge for credit losses during the year, compared to an expense of \$11.3 million in 2000. In addition Caribbean Commercial Bank, Mutual Bank and Royal Bank of Canada, had positive loan loss experience during the year.

Other Non-Interest Expenses

Other non-interest expenses (i.e: net of the provision for credit losses) showed no significant change at \$224 million (2000-\$222 million). Salaries and staff benefits were once again the largest component of other non-interest expenses at 43%, and increased by 3% to \$95.6 million. Barbados National Bank Inc recorded the most significant increase in staff benefits, a rise of \$2.2 million or 13% with Royal Bank of Canada following closely at 12%. Other expenses remained relatively consistent with the previous period.

Taxation

Total tax expenses rose from \$26 million to \$29.6 million. Aggregate effective tax charges rose from 21% in 2000 to 23% in 2001. Barbados National Bank showed the lowest effective tax rate of 4.85% and Bank of Nova Scotia the highest at 32.78%. It should be appreciated however that tax charges comprise current and deferred tax amounts and can vary based on the nature of income and tax allowable items.

Balance Sheet

Cash Resources

These include deposits with the Central Bank and other banks as well as cash on hand. Cash resources rose significantly in 2001, from \$853 million to \$1 billion. Royal Bank of Canada recorded the largest increase in cash resources; from \$333 million to \$509 million, which surpassed by far any of the other six banks. CIBC Caribbean was the only bank recording a reduction in cash resources (10%).

Securities

Aggregate holdings of securities in 2001 were \$1 billion, an increase of 5% compared to 2000. Once again, Barbados National Bank held the highest level of securities at \$294 million, an increase of 8%. Barclays Bank had the highest increase in securities at 48%. Royal Bank of Canada on the other hand experienced a 48% reduction, and along with CIBC Caribbean (8% reduction) were the only banks recording declines.

Loans

Loans increased 4% from \$3.1 billion to \$3.2 billion in 2001. The largest increases were recorded by Barbados National Bank, (\$80.6 million or 14%), and Caribbean Commercial Bank, (\$34.3 million or 19%). All other banks recorded an expansion in their loan portfolios, with the exception of Barclays Bank and the Mutual Bank, which showed decreases of \$56 million (8%) and \$1 million (1%) respectively.

Deposits

Deposits increased faster than loan portfolios; from \$4.4 billion to \$4.7 billion. All banks with the exception of CIBC Caribbean (1% decline) recorded a rise in deposits, with Royal Bank of Canada showing the largest absolute increase, at \$130 million or 16%. Caribbean Commercial Bank recorded the largest proportional increase at 23% from \$219 million in 2000 to \$268 million in 2001.

Income Statement Highlights
(In thousands of Barbados dollars)

	Bank of Nova Scotia			Barbados National Bank, Inc			Barclays Bank			Caribbean Commercial Bank			CIBC Caribbean Limited			Mutual Bank			Royal Bank of Canada			Total		
	2001	2000	Change	2001	2000	Change	2001	2000	Change	2001	2000	Change	2001	2000	Change	2001	2000	Change	2001	2000	Change	2001	2000	Change
Interest income																								
Loans	74,059	73,129	1%	64,270	58,519	10%	67,018	70,801	-5%	23,790	21,180	12%	56,604	61,275	-8%	13,265	13,903	-5%	42,117	44,664	-6%	341,123	343,471	-1%
Securities	7,196	8,123	-11%	19,074	17,541	9%	10,772	11,890	-9%	4,842	5,369	-10%	8,832	9,423	-6%	2,803	2,504	12%	23,457	29,178	-20%	76,976	84,028	-8%
Other	80	3,704	-98%	312	383	-19%	6,101	6,190	-1%	564	321	-76%	4,343	3,103	40%	116	484	-76%	0	0	-	11,516	14,185	-19%
Total interest income	81,335	84,956	-4%	83,656	76,443	9%	83,891	88,881	-6%	29,196	26,870	9%	69,779	73,801	-5%	16,184	16,891	-4%	65,574	73,842	-11%	429,615	441,684	-3%
Interest expense																								
Deposits	20,335	21,751	-7%	23,999	25,433	-6%	32,758	38,508	-15%	11,220	9,861	14%	30,636	33,166	-8%	6,561	6,987	-6%	25,163	31,440	-20%	150,672	167,146	-10%
Other	9,001	12,063	-25%	7,593	7,289	4%	1,360	1,583	-14%	2,302	2,328	-1%	0	75	-100%	293	349	-16%	0	0	-	20,549	23,687	-13%
Total interest expense	29,336	33,814	-13%	31,592	32,722	-3%	34,118	40,091	-15%	13,522	12,189	11%	30,636	33,241	-8%	6,854	7,336	-7%	25,163	31,440	-20%	171,221	190,833	-10%
Net interest income	51,999	51,142	2%	52,064	43,721	19%	49,773	48,790	2%	15,674	14,681	7%	39,143	40,560	-3%	9,330	9,555	-2%	40,411	42,402	-5%	258,394	250,851	3%
Other income																								
Fees and commissions	10,210	9,207	11%	11,181	8,975	25%	11,502	12,139	-5%	3,879	3,878	0%	12,541	8,724	44%	3,893	4,128	-6%	4,801	4,496	7%	58,007	51,547	13%
Foreign exchange	8,730	9,052	-4%	4,531	3,648	24%	17,850	18,620	-4%	1,917	2,083	-8%	7,296	9,087	-20%	2,509	2,513	0%	10,878	10,756	1%	53,711	55,759	-4%
Dividend and other	449	676	-34%	2,741	2,114	30%	137	234	-44%	568	394	44%	0	0	0%	0	0	-	3,016	4,844	-38%	6,911	8,271	-16%
Total other income	19,389	18,935	2%	18,453	14,737	25%	29,489	31,002	-5%	6,364	6,355	0%	19,837	17,811	11%	6,402	6,641	-4%	18,695	20,096	-7%	118,629	115,577	3%
Other non-interest expenses																								
Salaries and staff benefits	16,554	15,346	8%	18,829	16,601	13%	20,398	20,910	-2%	6,184	6,167	0%	17,190	18,238	-6%	4,341	4,503	-4%	12,142	10,837	12%	95,638	92,602	3%
Provision for credit losses	5,193	2,333	123%	11,822	801	1376%	7,982	3,698	116%	367	1,232	-70%	0	11,279	-100%	(87)	(165)	-47%	0	746	-100%	25,277	19,924	27%
Other expenses	5,390	5,672	-5%	12,978	11,415	14%	22,047	25,275	-13%	9,050	8,188	11%	4,908	4,103	20%	5,034	5,415	-7%	12,936	12,362	5%	72,343	72,430	0%
Premises and equipment expenses	8,731	7,984	9%	2,474	3,978	-38%	7,486	7,482	0%	0	-	-	12,118	13,236	-8%	1,524	1,710	-11%	0	0	-	32,333	34,390	-6%
Depreciation	2,237	2,152	4%	4,790	4,768	0%	3,866	3,908	-1%	1,668	2,015	-17%	6,096	5,013	22%	2,337	2,197	6%	3,059	3,024	1%	24,053	23,077	4%
Total non interest expenses	38,105	33,487	14%	50,893	37,563	35%	61,779	61,273	1%	17,269	17,602	-2%	40,312	51,869	-22%	13,149	13,660	-4%	28,137	26,969	4%	249,644	242,423	3%
Income before taxation	33,283	36,590	-9%	19,624	20,895	-6%	17,483	18,519	-6%	4,769	3,434	39%	18,668	6,502	187%	2,583	2,536	2%	30,969	35,529	-13%	127,379	124,005	3%
Taxation	(10,910)	(12,022)	-9%	(951)	(988)	-4%	(3,673)	(4,069)	-10%	(808)	(767)	5%	(4,278)	985	534%	(723)	(466)	-55%	(8,251)	(8,661)	-5%	(29,594)	(25,988)	14%
Net income for the year	22,373	24,568	-9%	18,673	19,907	-6%	13,810	14,450	-4%	3,961	2,667	49%	14,390	7,487	92%	1,860	2,070	-10%	22,718	26,868	-15%	97,785	98,017	0%
Statement of changes in retained earnings *																								
Retained earnings (deficit), beginning of year	70,577	46,058	53%	42,631	33,298	32%	4,647	29,375	-84%	7,315	4,159	76%	658	(520)	-227%	(2,220)	(3,773)	-41%	43,601	39,364	11%	167,209	146,868	14%
Prior year adjustments	4,938	-	-	0	(1,093)	-	0	31,150	-100%	1,115	1,035	8%	0	0	-	0	0	-	0	(1,780)	-100%	6,053	30,405	-80%
Net income for the year	22,373	24,568	-9%	18,673	19,907	-6%	13,810	14,450	-4%	3,961	2,667	49%	14,390	7,487	92%	1,860	2,070	-10%	22,718	26,868	-15%	97,785	98,017	0%
Transfer to reserve fund	(31)	(49)	-37%	(3,906)	(4,659)	-16%	0	-	-	(858)	(546)	57%	(3,260)	(1,772)	84%	(465)	(517)	-10%	0	0	-	(8,520)	(7,513)	13%
Earnings remitted during the year/dividends	(10,445)	-	-	(7,680)	(4,320)	78%	(9,821)	(70,328)	-86%	(3,138)	-	-	(8,266)	(4,537)	82%	0	0	-	(22,509)	(20,851)	8%	(61,859)	(100,553)	-38%
Transfer to(from) retained earnings	0	-	-	0	(532)	-100%	-	-	-	0	-	-	0	0	-	0	0	-	0	0	-	0	(532)	-100%
Retained earnings (deficit), end of year	87,412	70,577	24%	49,718	42,631	17%	8,636	4,647	86%	8,395	7,315	15%	3,522	658	435%	(825)	(2,220)	-63%	43,810	43,601	0%	200,668	167,209	20%

* Only a statement of changes in retained earnings has been presented as there are no significant changes in other equity items on the balance sheet except for the transfer to reserve fund shown above.

Balance Sheet Highlights
(In thousands of Barbados dollars)

	Bank of Nova Scotia			Barbados National Bank, Inc			Barclays Bank			Caribbean Commercial Bank			CIBC Caribbean Limited			Mutual Bank			Royal Bank of Canada			Total		
	2001	2000	Change	2001	2000	Change	2001	2000	Change	2001	2000	Change	2001	2000	Change	2001	2000	Change	2001	2000	Change	2001	2000	Change
Assets																								
Cash resources	81,926	67,774	21%	145,026	116,014	25%	170,182	162,118	5%	54,688	28,282	93%	111,180	123,104	-10%	24,325	22,830	7%	509,119	332,704	53%	1,096,446	852,826	29%
Securities	150,408	140,592	7%	294,139	272,902	8%	258,616	174,247	48%	51,127	43,836	17%	122,060	132,088	-8%	70,394	51,245	37%	87,413	169,031	-48%	1,034,157	983,941	5%
Loans	665,317	631,966	5%	639,640	558,968	14%	653,712	709,920	-8%	217,398	183,058	19%	567,732	558,170	2%	118,890	119,829	-1%	365,193	345,701	6%	3,227,882	3,107,612	4%
Other assets																								
Customers' liability under acceptances, guarantees and LCs	36,968	43,537	-15%	10,561	5,918	78%	57,330	53,480	7%	3,969	4,140	-4%	39,352	37,757	4%	1,415	1,140	24%	19,669	18,659	5%	169,264	164,631	3%
Property, plant and equipment	26,639	27,499	-3%	66,331	67,520	-2%	26,905	26,431	2%	18,036	17,967	0%	30,224	30,442	-1%	9,828	7,564	30%	39,088	25,307	54%	217,051	202,730	7%
Other	17,191	7,762	121%	14,981	18,334	-18%	61,215	66,207	-8%	13,851	17,574	-21%	105,758	90,895	16%	5,638	5,565	1%	6,680	5,317	26%	225,314	211,654	6%
Total assets	978,449	919,130	6%	1,170,678	1,039,656	13%	1,227,960	1,192,403	3%	359,069	294,857	22%	976,306	972,456	0%	230,490	208,173	11%	1,027,162	896,719	15%	5,970,114	5,523,394	8%
Liabilities and equity																								
Deposits	647,338	601,685	8%	864,138	770,109	12%	1,071,907	1,019,272	5%	268,374	218,600	23%	789,924	801,384	-1%	190,870	173,545	10%	948,152	818,053	16%	4,780,703	4,402,648	9%
Other liabilities																								
Acceptances, guarantees and LCs	36,968	43,537	-15%	10,561	5,918	78%	57,330	53,480	7%	3,969	4,140	-4%	39,352	37,757	4%	1,415	1,140	0%	19,669	18,659	5%	169,264	164,631	3%
Other	46,041	37,185	24%	159,605	138,248	15%	72,882	97,799	-25%	44,902	31,967	40%	20,746	28,156	-26%	13,924	11,067	26%	10,927	11,802	-7%	369,027	356,224	4%
Total liabilities	730,347	682,407	7%	1,034,304	914,275	13%	1,202,119	1,170,551	3%	317,245	254,707	25%	850,022	867,297	-2%	206,209	185,752	11%	978,748	848,514	15%	5,318,994	4,923,503	8%
Equity/ Head Office account																								
Share capital	2,108	2,108	0%	48,000	48,000	0%	2,005	2,005	0%	27,797	27,797	0%	0	0	-	22,799	22,799	0%	0	0	0%	102,709	102,709	0%
Assigned capital	4,000	4,000	0%	0	0	0%	4,000	4,000	0%	0	0	0%	0	0	-	0	0	-	4,604	4,604	0%	12,604	12,604	0%
Loans from Head Office	150,095	155,582	-4%	0	0	0%	0	0	0%	0	0	0%	98,883	83,881	18%	0	0	-	0	0	0%	248,978	239,463	4%
Reserve fund	313	282	11%	38,656	34,750	11%	10,335	10,335	0%	5,896	5,038	17%	23,879	20,620	16%	2,307	1,842	25%	0	0	-	81,386	72,867	12%
Revaluation surplus (deficit)	4,174	4,174	0%	0	0	0%	865	865	0%	(264)	0	0%	0	0	0%	0	0	0%	0	0	0%	4,775	5,039	-5%
Retained earnings (deficit)	87,412	70,577	24%	49,718	42,631	17%	8,636	4,647	86%	8,395	7,315	15%	3,522	658	435%	(825)	(2,220)	-63%	43,810	43,601	0%	200,668	167,209	20%
Total equity	248,102	236,723	5%	136,374	125,381	9%	25,841	21,852	18%	41,824	40,150	4%	126,284	105,159	20%	24,281	22,421	8%	48,414	48,205	0%	651,120	599,891	9%
	978,449	919,130	6%	1,170,678	1,039,656	13%	1,227,960	1,192,403	3%	359,069	294,857	22%	976,306	972,456	0%	230,490	208,173	11%	1,027,162	896,719	15%	5,970,114	5,523,394	8%

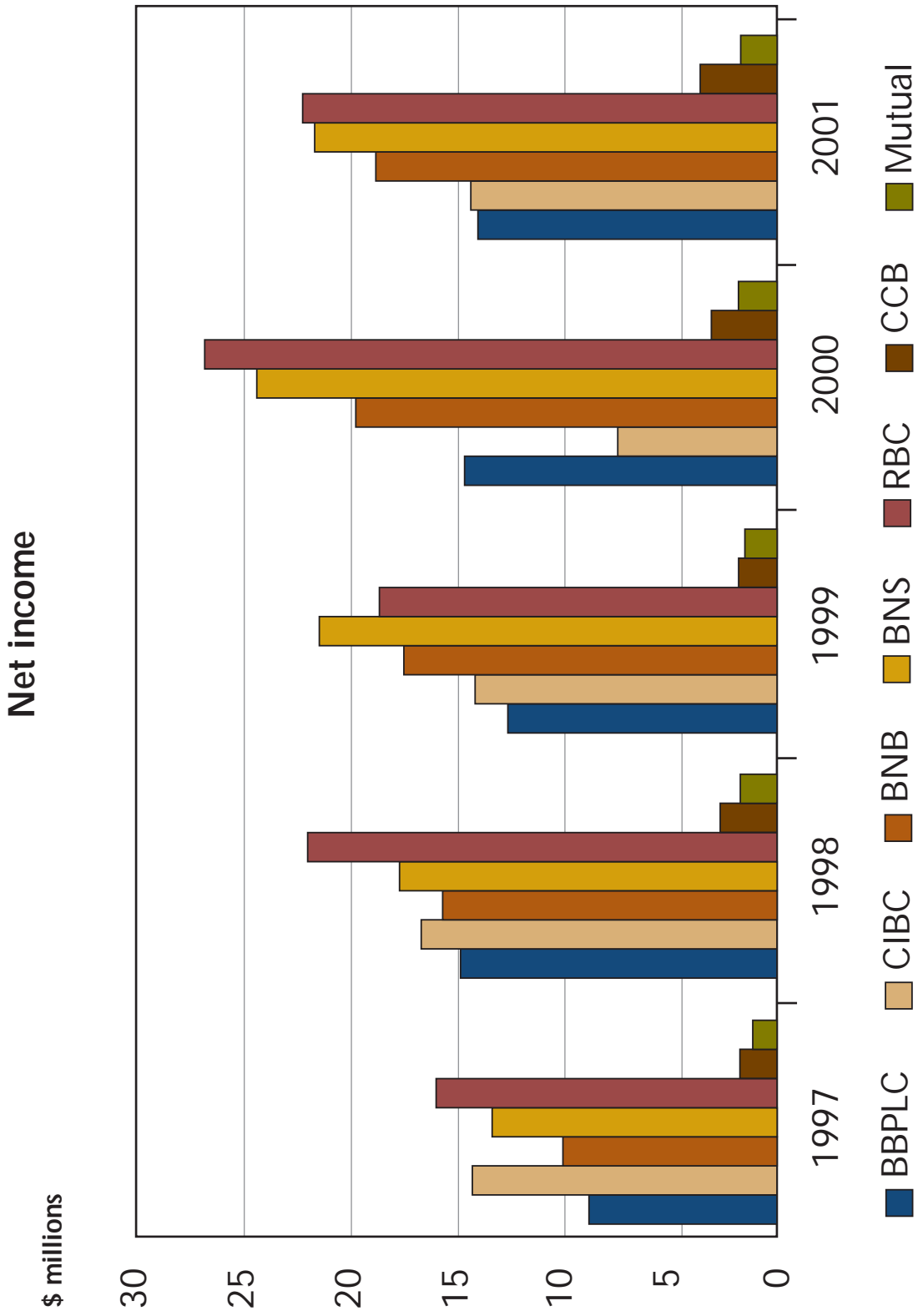
Ratios	Bank of Nova Scotia		Barbados National Bank, Inc		Barclays Bank		Caribbean Commercial Bank		CIBC Caribbean Limited		Mutual Bank		Royal Bank of Canada	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Note														
1. Return on average total assets	2.36%	2.81%	1.69%	2.07%	1.14%	1.27%	1.21%	0.95%	1.48%	0.70%	0.85%	1.03%	2.36%	2.87%
2. Interest earned on average interest bearing assets	9.36%	10.64%	8.26%	8.72%	7.88%	8.86%	10.10%	11.14%	8.64%	9.09%	7.94%	8.96%	7.25%	8.30%
3. Net interest margin	5.98%	6.40%	5.14%	4.99%	4.68%	4.86%	5.42%	6.09%	4.85%	5.00%	4.58%	5.07%	4.47%	4.77%
4. Interest paid on average interest bearing liabilities	4.70%	5.90%	3.87%	4.29%	3.26%	4.09%	5.55%	5.88%	3.85%	4.20%	3.76%	4.32%	2.85%	3.67%
5. Interest rate spread	4.66%	4.74%	4.39%	4.43%	4.62%	4.77%	4.55%	5.26%	4.79%	4.89%	4.18%	4.64%	4.40%	4.63%
6. Effective tax rate	32.78%	32.86%	4.85%	4.73%	21.01%	21.97%	16.95%	22.34%	22.92%	-15.14%	28.00%	18.37%	26.64%	24.38%
7. Productivity ratio	53.38%	47.79%	72.17%	64.26%	77.94%	76.79%	78.37%	83.68%	68.35%	88.86%	83.58%	84.34%	47.60%	43.15%
Allowance for loan losses as a percentage of total loans	1.01%	0.55%	4.13%	3.48%	3.16%	2.01%	1.77%	2.40%	0.78%	1.00%	0.89%	1.27%	0.44%	0.51%
Loans to deposits ratio	102.78%	105.03%	74.02%	72.58%	60.99%	69.65%	81.01%	83.74%	71.87%	69.65%	62.29%	69.05%	38.52%	42.26%
Components of total assets														
Cash resources	8.37%	7.37%	12.39%	11.16%	13.86%	13.60%	15.23%	9.59%	11.39%	11.32%	10.55%	10.97%	49.57%	37.10%
Loans	68.00%	68.76%	54.64%	53.76%	53.24%	59.54%	60.55%	62.08%	58.15%	51.33%	51.58%	57.56%	35.55%	38.55%
Securities	15.37%	15.30%	25.13%	26.25%	21.06%	14.61%	14.24%	14.87%	12.50%	12.15%	30.54%	24.62%	8.51%	18.85%
Other	8.26%	8.57%	7.84%	8.83%	11.84%	12.25%	9.98%	13.46%	17.96%	25.20%	7.33%	6.85%	6.37%	5.50%
Components of total interest income														
Loans	91.05%	86.08%	76.83%	76.55%	79.89%	79.66%	81.48%	78.83%	81.12%	83.03%	81.96%	82.32%	64.23%	60.49%
Securities	8.85%	9.56%	22.80%	22.95%	12.84%	13.38%	16.59%	19.98%	12.66%	12.77%	17.32%	14.83%	35.77%	39.51%
Other	0.10%	4.36%	0.37%	0.50%	7.27%	6.96%	1.93%	1.19%	6.22%	4.20%	0.72%	2.85%	0.00%	0.00%

NOTES

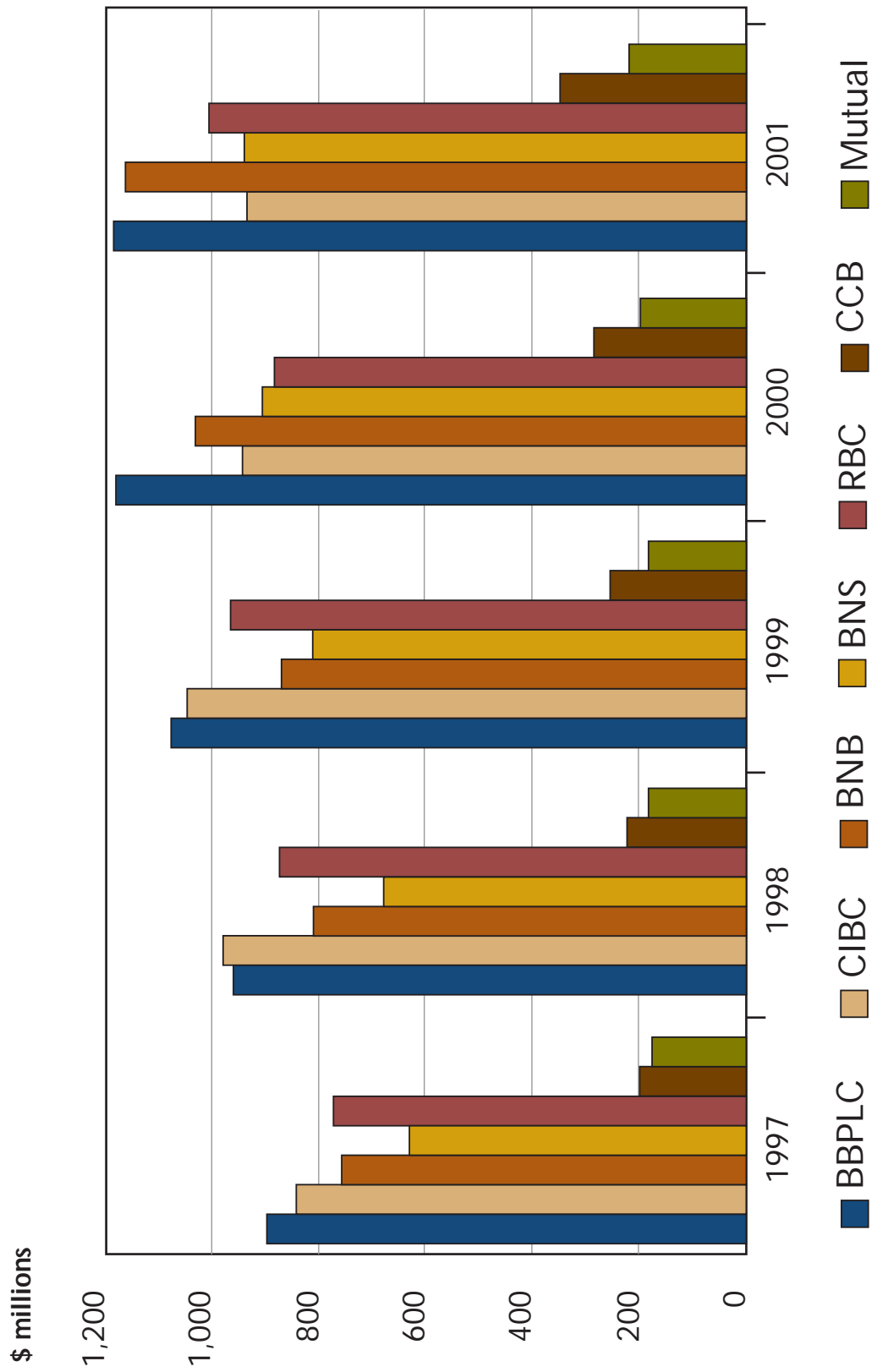
- Return on average total assets** represents net income divided by the mean of opening and closing total assets
- Interest earned on average interest bearing assets** represents total interest income divided by average interest bearing assets. Average interest bearing assets comprise the mean of opening and closing cash resources, securities and loan balances. Note however that some cash resources are non-interest bearing and these can vary significantly by bank.
- Net interest margin** represents net interest income expressed as a percentage of average interest bearing assets
- Interest paid on average interest bearing liabilities** represents total interest expense divided by the mean of opening and closing deposit balances. Note that this calculation may not take account of some interest bearing liabilities included in "other liabilities" on the balance sheet and that some deposit balances may be non-interest bearing.
- Interest rate spread** represents interest earned on average interest bearing assets less interest paid on average interest bearing liabilities.
- Effective tax rate** represents the tax charge for the year divided by income before taxation.
- Productivity ratio** represents non interest expenses as a percentage of the sum of net interest income and other income.

Appendix IV

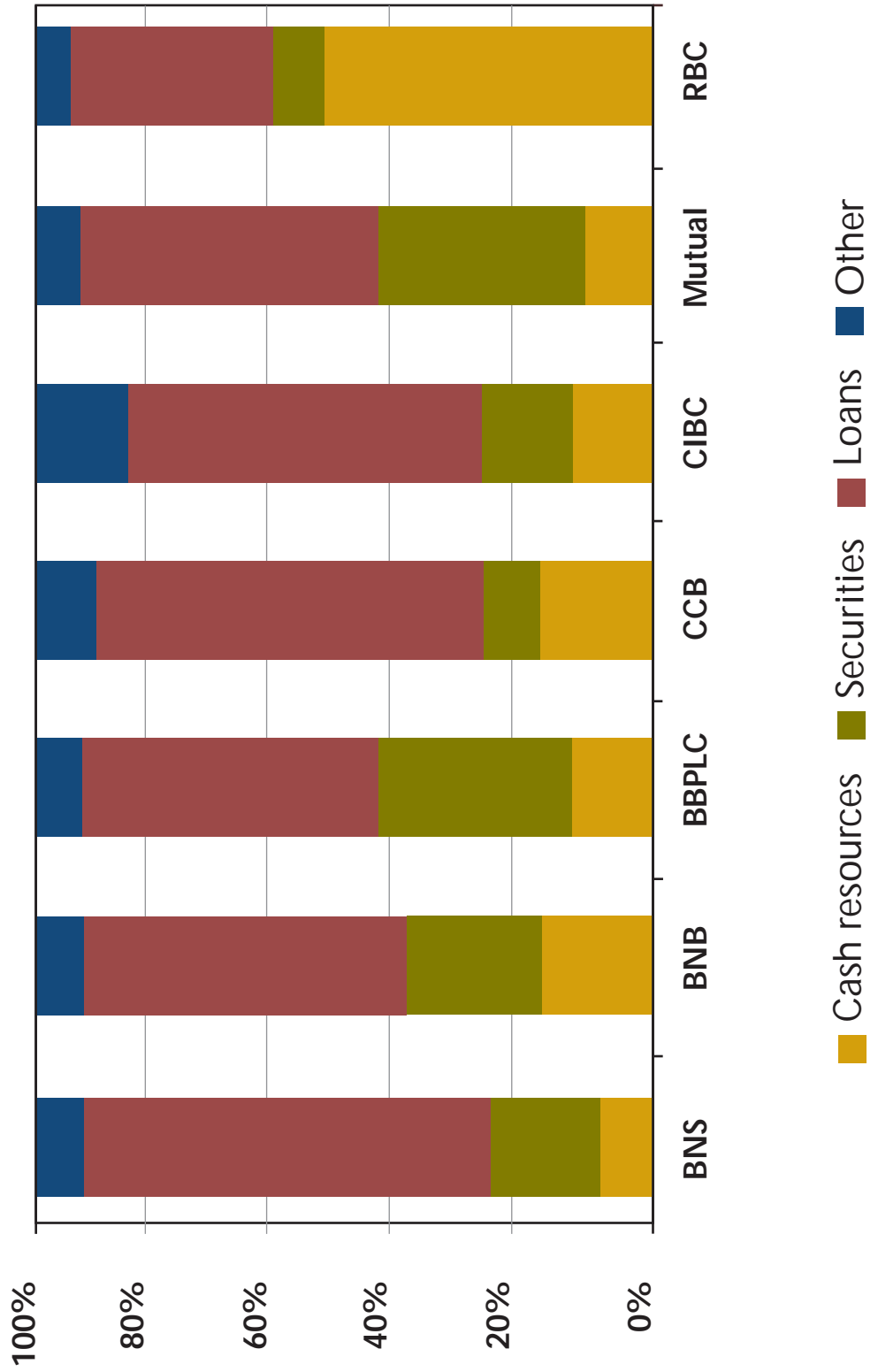
The following performance charts and graphs are intended to highlight primarily the information included in Appendix III.



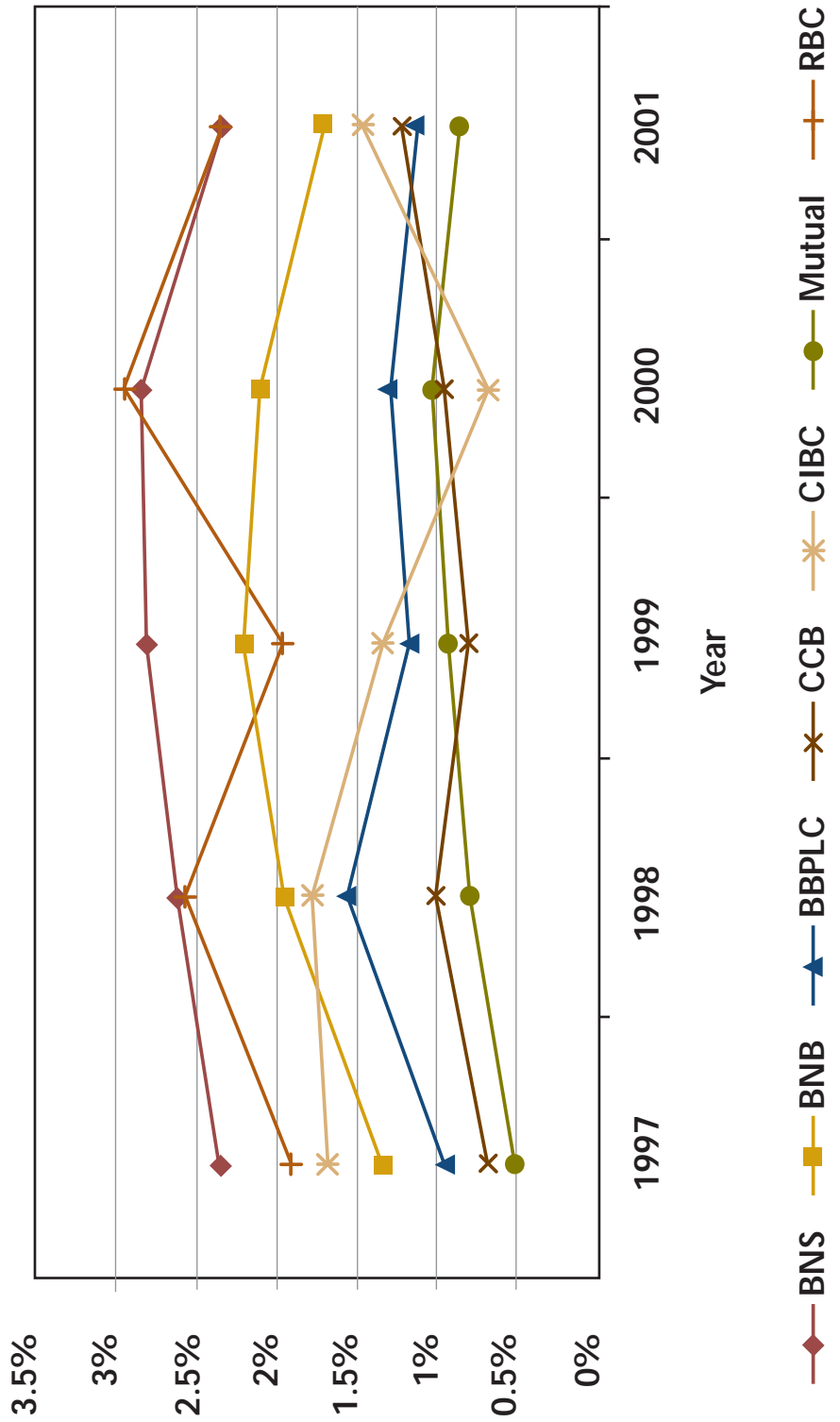
Total assets



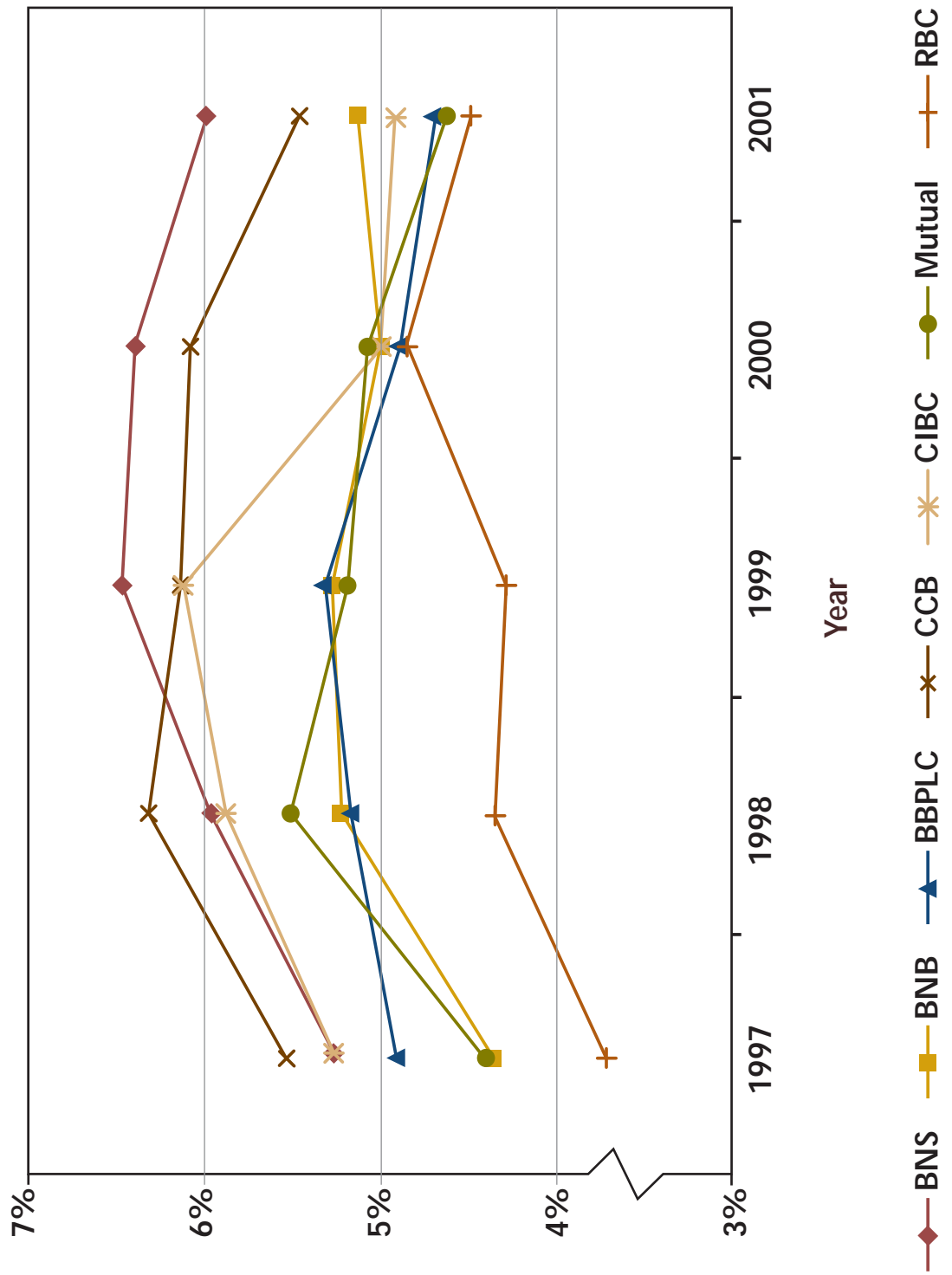
Analysis of assets



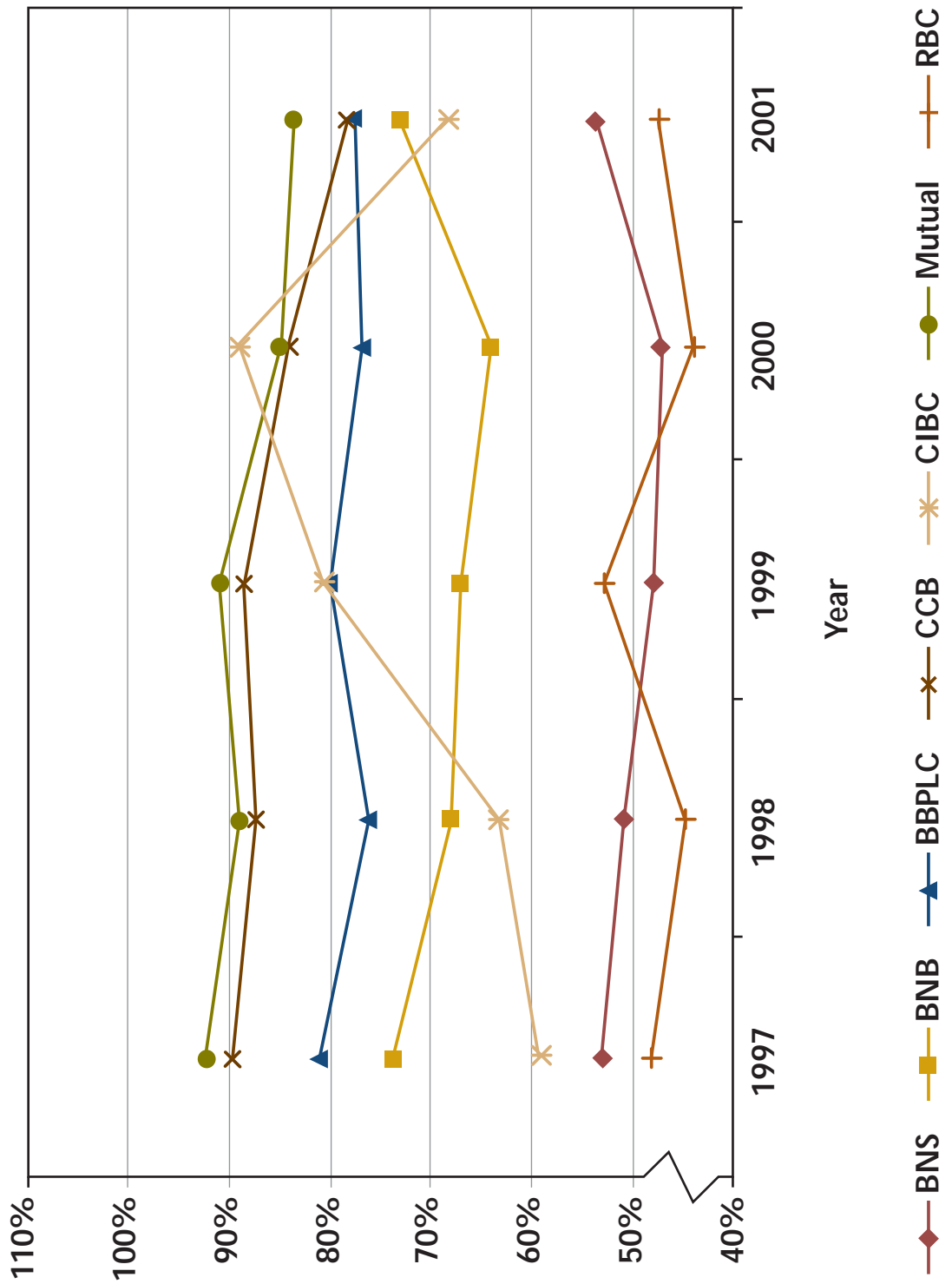
Return on average total assets



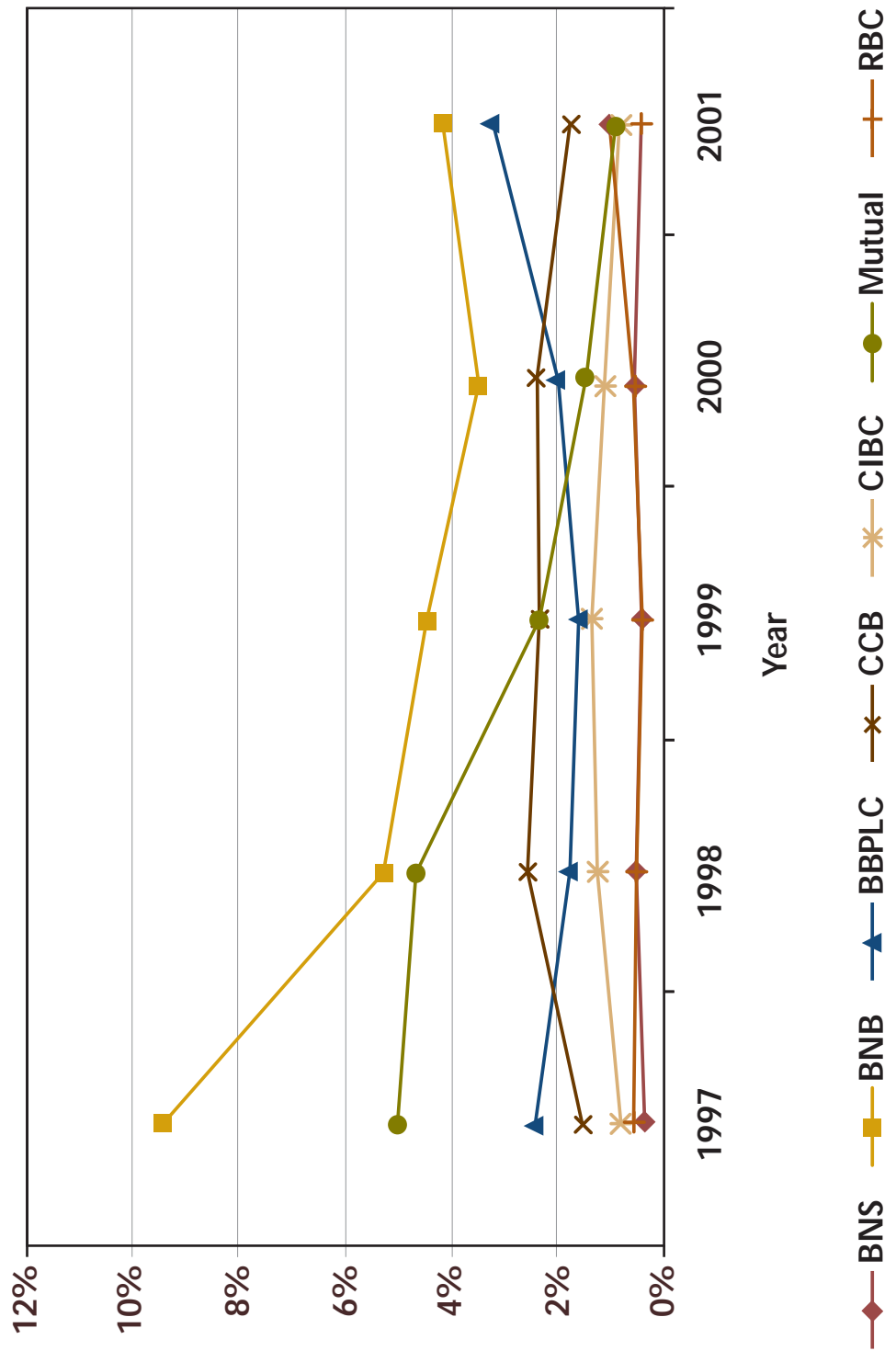
Net interest margin



Productivity ratio



Allowance for loan losses as a percentage of total loans



Appendix V

Barbados Banking Industry 2001
Performance Highlights
Barbados Finance Companies

Income Statement Highlights (In thousands of Barbados dollars)

Income

	Consolidated Finance Company			General Finance Corporation			Globe Finance Inc.			Total		
	2001	2000	Change	2001	2000	Change	2001	2000	Change	2001	2000	Change
Finance charges	10,050	9,149	10%	-	-	-	3,010	2,576	17%	13,060	11,725	11%
Rental income	8,692	7,177	21%	1,465	1,078	36%	1,207	980	23%	11,364	9,235	23%
Interest	1,417	1,088	30%	3,402	3,870	-12%	2,473	1,825	36%	7,292	6,783	8%
Other	244	261	-7%	177	238	-26%	111	90	23%	532	589	-10%
Gain on disposal of fixed assets	499	205	143%	-	-	-	-	-	-	499	205	143%

Total income

20,902	17,880	17%	5,044	5,186	-3%	6,801	5,471	24%	32,747	28,537	15%
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Expenditure

Provision for credit losses	945	694	36%	1,090	1,109	-2%	218	250	-13%	2,253	2,053	10%
Management fees	723	477	52%	-	-	-	-	-	-	723	477	52%
Finance costs	7,367	6,293	17%	1,871	1,951	-4%	3,466	2,594	34%	12,704	10,838	17%
Depreciation and amortisation	6,733	5,448	24%	1,135	849	34%	1,039	863	20%	8,907	7,160	24%
General, administrative and other expenses	1,645	1,396	18%	724	775	-7%	1,055	875	21%	3,424	3,046	12%

Total expenses

17,413	14,308	22%	4,820	4,684	3%	5,778	4,582	26%	28,011	23,574	19%
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Income before taxation

3,489	3,572	-2%	224	502	-55%	1,023	889	15%	4,736	4,963	-5%
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Taxation

(1,218)	(1,427)	-15%	(99)	(190)	-48%	(466)	(387)	20%	(1,783)	(2,004)	-11%
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Net income for the year

2,271	2,145	6%	125	312	-60%	557	502	11%	2,953	2,959	0%
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Statement of changes in retained earnings *

Retained earnings (deficit), beginning of year	1,834	1,759	4%	934	1,061	-12%	393	(34)	-1256%	3,161	2,786	13%
Prior year adjustment	-	(12)	-100%	-	-	-	-	-	-	0	(12)	-100%
Net income (loss) for the year	2,271	2,145	6%	125	312	-60%	557	502	11%	2,953	2,959	0%
Transfer to reserve fund	-	(1,428)	-100%	(28)	(119)	-76%	(84)	(75)	12%	(112)	(1,622)	-93%
Dividends	(350)	(630)	-44%	-	(320)	-100%	-	-	0%	(350)	(950)	-63%
Retained earnings, end of year	3,755	1,834	105%	1,031	934	10%	866	393	120%	5,652	3,161	79%

* Only a statement of changes in retained earnings has been presented as there are no significant changes in other equity items on the balance sheet.

Appendix V (cont'd)

Balance Sheet Highlights (In thousands of Barbados dollars)

	Consolidated Finance Company			General Finance Corporation			Globe Finance Inc.			Total		
	2001	2000	Change	2001	2000	Change	2001	2000	Change	2001	2000	Change
Assets												
Cash resources	10,049	8,976	12%	111	922	-88%	4,860	4,119	18%	15,020	14,017	7%
Installment credit debtors	-	-	-	21,337	25,707	-17%	-	-	-	21,337	25,707	-17%
Loans receivable	-	-	-	-	-	-	21,016	16,302	29%	21,016	16,302	29%
Finance lease receivables	-	-	-	-	-	-	21,162	20,284	4%	21,162	20,284	4%
Accounts receivable	73,908	72,864	1%	-	-	-	-	-	-	73,908	72,864	1%
Other receivables, prepaid expenses and deferred charges	290	111	161%	227	103	120%	1,425	693	106%	1,942	907	114%
Repossessed stock	1,022	469	118%	89	416	-79%	-	-	0%	1,111	885	26%
Investments	2,015	1,015	99%	5,306	1,123	372%	-	-	0%	7,321	2,138	242%
Group company debtors	1,108	3,680	-70%	600	350	71%	-	-	0%	1,708	4,030	-58%
Pension plan surplus	-	-	-	-	-	-	5	-	100%	5	-	-
Property, plant and equipment	29,815	24,377	22%	3,674	3602	2%	3,927	3,478	13%	37,416	31,457	19%
Total assets	118,207	111,492	6%	31,344	32,223	-3%	52,395	44,876	17%	201,946	188,591	7%
Liabilities and equity												
Accounts payable and accrued liabilities	1,285	471	173%	65	141	-54%	211	244	-14%	1,561	856	82%
Fixed deposits and accrued interest	100,765	96,973	4%	26,291	26,967	-3%	47,291	41,229	15%	174,347	165,169	6%
Deferred tax	3,456	2,737	26%	554	529	5%	708	403	76%	4,718	3,669	29%
Corporation tax	-	489	-100%	-	-	-	138	-	100%	138	489	-72%
Dividend payable	-	230	-100%	-	320	-100%	-	-	-	-	550	-100%
Pension plan deficit	17	25	-32%	-	-	-	-	9	-100%	17	34	-50%
Group company creditors	929	733	27%	68	25	172%	-	-	-	997	758	32%
Total liabilities	106,452	101,658	5%	26,978	27,982	-4%	48,348	41,885	15%	181,778	171,525	6%
Shareholders' equity												
Share capital	4,000	4,000	0%	3,000	3,000	0%	3,000	2,500	20%	10,000	9,500	5%
Capital reserve	4,000	4,000	0%	335	307	9%	181	98	85%	4,516	4,405	3%
Retained earnings	3,755	1,834	105%	1,031	934	10%	866	393	120%	5,652	3,161	79%
Total equity	11,755	9,834	20%	4,366	4,241	3%	4,047	2,991	35%	20,168	17,066	18%
Total liabilities and shareholders' equity	118,207	111,492	6%	31,344	32,223	-3%	52,395	44,876	17%	201,946	188,591	7%

Appendix VI

Detailed below are the financial year ends for the various institutions whose financial information has been used in this publication.

The Bank of Nova Scotia	
The Bank of Nova Scotia, Barbados Branches	October 31, 2001
The Bank of Nova Scotia Trust Company (Caribbean) Limited	October 31, 2001
The Barbados National Bank, Inc	December 31, 2001
Barbados Mortgage Finance Corporation	December 31, 2001
Barclays Bank Plc	
Barclays Bank Plc, Barbados Branches	December 31, 2001
Barclays Finance Corporation of Barbados Limited	December 31, 2001
Caribbean Commercial Bank Limited	
Caribbean Commercial Bank Limited	December 31, 2001
Clico Mortgage and Finance Corporation	December 31, 2001
CIBC Caribbean Limited	
CIBC Caribbean Limited, Barbados Branches	October 31, 2001
CIBC Trust and Merchant Bank (Barbados) Limited	October 31, 2001
The Mutual Bank of The Caribbean Inc.	December 31, 2001
Royal Bank of Canada	
Royal Bank of Canada, Barbados Branches	October 31, 2001

