

Barbados Banking Industry 2002 Performance Highlights



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Foreword

It is an exciting time for the financial services industry in the Caribbean. The competitive environment is changing, and 2002 witnessed the continued growth of truly regional financial institutions, with a size and scope of operations which only a few years ago were the preserve of institutions in other jurisdictions, particularly Europe and North America.

The 2002 Barbados Banking Industry Performance Highlights is set in the context of these changes in the industry landscape, and this year's *Challenges and Opportunities* section deals not only with issues specific to Barbados, but also to those affecting financial institutions across the Caribbean as the financial services industry continues to consolidate in the face of common challenges.

These challenges and opportunities will arise both for the institutions themselves and for the authorities who regulate them. Challenges will come through increased cross border competition, and the imperative to embrace and adapt to changes in the macroeconomic environment. Opportunities will emerge through new markets, new products and higher investment returns. It is those institutions that have the appetite for taking on well managed risk that will perhaps begin to differentiate themselves in this respect.

We hope that you find this year's publication interesting and informative, and I encourage you to let us have your comments and feedback. Please do not hesitate to contact me or any other members of the banking group if you would like further information on our contribution to the financial services industry throughout the Caribbean.

A list of our banking industry specialists located throughout our East Caribbean Firm can be found in Appendix VII.

Yours truly,



Maurice Franklin
Banking Leader
June 2003

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Basis of Preparation

The intent of this publication is to provide a quick reference guide and summary analysis of the 2002 financial results of the six 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, or in any way commented upon, 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 VI. Appendix V provides comparative income statement and balance sheet information for Barbados Finance Companies.

All banks follow International Accounting Standards and as a result, whilst there may be slight variations in accounting polices, they 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.

FirstCaribbean International Bank was formed during 2002. As a result we have individually disclosed the 2001 results of Barclays Bank Plc and CIBC Caribbean in arriving at the comparative numbers, as disclosed in the Balance Sheet and Income Statement highlights in Appendix I and II.

Readers should note that the published financial statements for FirstCaribbean have been prepared as at October 31, 2002, and include the results of the previous Barclays business from January 1, 2002 to October 31, 2002, together with the results of the CIBC business subsequent to October 11, 2002 (the date of the combination). This means that although the FirstCaribbean balance sheet at October 31, 2002 reflects the combined assets and liabilities of Barclays and CIBC, the income statement for the reporting period does not reflect the financial performance of both banks for the full reporting period. This must be borne in mind when comparing FirstCaribbean's 2002 results to the comparative 2001 income statements of the legacy banks.

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

The downturn in the Barbadian economy was virtually arrested during 2002, although real economic activity dipped slightly below the level in 2001. The overall economy declined by an estimated 0.6%. A slight improvement was recorded in non-traded output, while output in traded sector activities continued to slide. The tourism sector showed an improved performance in the last six months of the year. Manufacturing output remained sluggish and both sugar and non-sugar output declined. The modest rise in non-traded output was driven largely by increased output in public utilities and government services.

Banking

The net international reserves declined by \$83.1 million, in contrast to the underlying expansions of \$156.0 million and \$145.5 million in 2000 and 2001, respectively. The fall in the net international reserves reflected a worsening current account deficit and significantly lower net public and private sector capital and financial inflows. Net long-term private sector capital and financial inflows were less than one half of those in 2001.

Liquidity in the banking system continued to rise during 2002. The drawdown of Government funds on deposit at the Central Bank and sluggish private sector credit, among other things, drove the excess liquidity ratio up to nearly 19% during the year. In light of this, the Central Bank continued to ease monetary policy by lowering the reserve requirements and the minimum deposit rate further, while continuing its policy of setting indicative targets for the average lending rate.

With signs of weakness persisting in the economy, Government increased its spending significantly in 2002, channelling funds to key economic sectors in order to mitigate the effects of international economic uncertainty and trade liberalisation. At the same time, Government revenue declined moderately, as the economic downturn in 2001 and fiscal reforms impinged on corporate tax revenues in particular. As a result, the fiscal deficit in 2002 was around 5.4% of GDP, up from 3.6% in 2001.

Tourism

The tourism decline in 2001 continued into the first half of 2002. A rebound in the latter half of the year, was insufficient to prevent an overall fall of 2.8% for 2002, following the downturn of 5.9% one year ago.

Long-stay arrivals fell by around 1.8% compared with 6.9% in 2001. The only traditional markets to record positive growth were the USA and the Caribbean. Arrivals out of the USA were higher by 15.7%, the most impressive performance since the 1980s, primarily due to successful promotion in this market and the introduction of an additional US airline carrier to the island. With respect to the United Kingdom, Canada and Germany, the number of visitors decreased by 11.6%, 12.7% and 6.6%, respectively. Barbados attracted an additional 21.3% of visitors from Trinidad and Tobago, and arrivals from other CARICOM destinations were up by 5.3%. These improvements were due to the intensified promotion of Barbados' Crop-Over festival in other Caribbean islands and the hosting of two major regional sporting events. Cruise ship arrivals, despite an improvement in the third quarter, were down by 0.8%.

Agriculture

The output in the agricultural sector continued to be poor during 2002. The sugar crop yielded only 44,818 tonnes, 10% below the previous year's total, as drought conditions and protracted wage negotiations adversely affected the crop. Consequently, Barbados was unable to satisfy its contractual obligation of supplying 54,000 tonnes of raw sugar to the European Union. Non-sugar agriculture declined for the second consecutive year by 3.2%, due to reduced levels of milk production and fish landings.

Manufacturing and construction

The manufacturing sector benefited, in part, from the continuation of the "Buy-Local" initiative and the imposition of a 60% tariff on specific items. As a result, real activity was almost flat in contrast to the steep decline of 8.1% in 2001.

Construction activities improved during the last six months of the review year as a number of new public sector projects came on stream, but these were insufficient to prevent a decline of 3.1% for 2002, following on the decrease of 3.9% in 2001. A reduction in residential building activity was the main reason for this outcome.

2003 Update and Projections

During the first quarter of 2003, the Government reduced both its domestic and foreign financing. Excess liquidity in the banking system expanded during the first 3 months of 2003. The average tender rate on Treasury Bills rose from 1.5% at the end of 2002 to 2.5% at the end of March, after falling as low as 0.8% during the period.

The Central Bank's projections of growth in the Barbadian economy are within the range of 0% and 1% for 2003. Overall, the traded sector is predicted to decrease by around 1% compared with a decline of almost 2% in 2002. The non-traded sectors are projected to register broad-based gains, with construction activity expected to provide the main impetus for growth. Any continuation in 2003 of the robust growth in the tourism sector observed during the latter half of 2002, will be adversely influenced both by the impact of the war in Iraq and the SARS virus.

Sugar production and manufacturing are expected to have a positive impact on growth. Non-sugar agriculture is projected to contract, although the decline should not be as steep as in 2002.

Net international reserves may contract during 2003, primarily reflecting a worsening external current account. Domestic liquidity is likely to remain high, although some decrease should occur in the excess liquidity ratio with the anticipated pick-up in credit demand. The fiscal deficit is projected to improve to approximately 3.9% of GDP, as the resumption of economic activity should lead to a higher intake from indirect taxes.

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

The Changing Financial Services Landscape - Challenges & Opportunities

The following comments reflect both our views and those of bank executives. They are not intended to be an exhaustive list, but rather a synopsis of the more significant matters currently facing Barbados' banking institutions.

Since our 2001 report, we have seen the removal of the asset tax and the weighted average commercial lending rate as well as limited relaxation in foreign exchange controls as they relate to banking institutions. The proposed introduction of a deposit insurance scheme was also a significant new development. Finally, banks have had their second year of experience with International Accounting Standard 39 (dealing with financial instruments), and the impact that it has had on their reported results.

The continuing trend towards regionalisation

Recent years have seen much change in the financial services landscape in the Caribbean, and the pace of this change is accelerating. Historically, large branch networks and integrated cross border operations in the region have been those of large international banks, operating generally under the control of an overseas head office; for example Bank of Nova Scotia and Royal Bank of Canada have historically had branch networks spread across the Caribbean. Indigenous competition, while it existed, was not considered a significant threat to these organisations.

However, a change in this paradigm was anticipated for some time. Now, whilst the international banks continue to operate very effectively in the region, the scale and scope of their operations is starting to be matched by large indigenous organisations.

The advent of these cross-border Caribbean financial institutions moved forward with the completion of the combination of Barclays Bank PLC and CIBC West Indies Holdings to create FirstCaribbean International Bank. Although both Barclays and CIBC continue to hold the majority of the bank's equity, neither entity exercises control, and a considerable portion of the remaining equity is owned by individual investors in the Caribbean.

This characteristic is important, because FirstCaribbean is now an independent Caribbean bank. Following FirstCaribbean we have seen Sagicor's acquisition of Life of Barbados and Life of Jamaica, as well as Republic Bank's indication of its intention to acquire a controlling stake in the Barbados National Bank. We must also remember that the Caribbean Association of Indigenous Banks exists as a strong and vibrant umbrella body, responsive to the needs of the indigenous banks.

No doubt the pace of change will gain momentum as other institutions seek to expand their asset base and enhance their returns. This relates both to the domestic and offshore market.

The Economic Landscape

There is a steady movement towards reduced regulation in the Caribbean with regards to cross border investment, interest rates and exchange controls. The advent of the Caribbean Single Market and Economy (CSME) framework will accelerate this process in a global economy where barriers to trade in services keep coming down. Market liberalisation will mean that service industries will become even more crucial to the economy. The growth and development of the regional capital markets is also continuing, although not at as fast a pace as desired.

As a small economy, influenced heavily by external factors, Barbados continues to be stable with good country risk ratings and has created a reputation for strong banking regulatory practices that meet Basle principles. This has been recently validated by the report of the Financial System Stability Assessment Program conducted by the International Monetary Fund. However, according to that report the establishment of the CSME will, in the medium term, "necessitate adaptations in domestic policies, prudential regulations and monetary policy instruments."

Challenges

As Caribbean financial institutions become larger the industry will face new challenges, both internally and externally.

Internal challenges

To be competitive across numerous territories, and to leverage effectively the benefits of their size, growing financial institutions must develop sophisticated information and control frameworks to ensure that resources are appropriately allocated. The demands placed on managers will change, and important new skill-sets must be developed. Recruitment and training of high quality staff should be of increased focus.

As shareholder numbers increase, and as these shareholders become more geographically diverse, inevitably there will be more emphasis placed on the much talked about concept of corporate governance. To compete effectively in capital markets in different countries, and to ensure that shareholder interests are adequately protected, growing public companies will need to demonstrate that they have effective internal control and reporting mechanisms in place. In the post Enron era, the Sarbanes-Oxley Act has set new standards for governance and reporting in the United States. Corporate governance is under the spotlight worldwide, and Caribbean institutions are recognizing the need to fall in line with recommended practices. The efforts by accounting regulators towards the implementation of global accounting standards will also drive this requirement forward.

External challenges

In the short term, the competitive environment in Barbados is being intensified by excess liquidity and weak demand for consumer loans. Strong competition is manifesting itself in the mortgage market, with banks currently offering historically low interest rates and, in some instances, introducing variations to the mortgage product.

Competition is likely to increase as financial institutions become more acquisitive regionally. This may be challenging to the banks. However, it should be beneficial to the consumer, and it will act as an incentive for participants to remove excess costs and inefficiencies, as well as offering improved services, new products, and lower prices.

The continuing removal of cross border currency and interest rate controls will inevitably result in challenges to banking regulators. Whereas the branch operations of internationally regulated overseas banks may not have warranted a high level of scrutiny in the past, this may change as banks become regionalised and no longer have the comfort of knowing they have access to head office capital. Moreover, international perceptions of the regulatory effectiveness of the region will become crucially important as regional institutions begin to compete on global capital markets. There will be increased need for cooperation between regulators in different countries, and an increased awareness of foreign exchange and interest rate risks. If the banking and insurance sectors start to converge, regulation will need to do likewise.

The proposed establishment of the CSME, although an opportunity, is also a challenge to domestic financial institutions as they will face new and varied competition for business within their home markets.

Opportunities

In spite of the challenges, this is an exciting time for the banking industry as many opportunities abound.

As financial institutions develop a larger capital base, and as market controls are relaxed, significant opportunities arise in terms of new products and new markets. Their established branch networks and relatively stable customer base gives banks an excellent opportunity to bring such products to market.

There is currently over \$5 billion of deposits in Barbados alone, and it seems likely that with such a high level of liquidity in the banking sector low interest rates are set to continue. Depositors will seek other investment opportunities to generate the returns they require, and banks will be well placed to offer their assistance; for example, through the delivery of private wealth management services to their customers. Whilst products such as mutual funds, index linked deposits, registered retirement savings plans and loyalty programs already exist, they have potential for further development.

Derivative products are rarely seen in the Barbados domestic market, but they do exist in the offshore market. These instruments are used widely for hedging and cost minimization in many international markets. There are risks (which can be managed), but derivatives may have received an unfair share of negative publicity in the past. In summary, these types of products may reduce the cost of funds to banks and may allow them to offer a better return to customers. The onshore industry cannot ignore derivative financial instruments forever.

Opportunities are also likely to arise in the area of investment banking as corporations look to raise capital via bond or debenture issues. This may even mean that issuers seek S&P or Moody's ratings, following the acquisition of sovereign debt ratings by some countries including Barbados. This type of investment banking activity has been more prevalent on other regional markets.

The provision of development type finance to small and medium sized entities, although considered somewhat risky, is also an area where there is currently some demand.

With the current high demand for mortgage loans, there may be the opportunity for growing a secondary mortgage market in Barbados. Asset backed-securitisations could allow financial institutions to remove assets from their balance sheets if certain conditions are met, boosting their capital ratios and allowing them to make further loans.

There is still scope for demand for internet banking as only one local financial institution has formally introduced a product. We consider that this must be an area that banks monitor and not ignore, because of the significant cost savings in branch overheads through reduced service channel delivery costs. The effective implementation of these services requires significant investment in systems. Larger institutions, with a larger customer base across the Caribbean, will be particularly well positioned to develop such products and generate attractive economies of scale from their use.

Summary

We are in an era of change in the financial services industry in Barbados and the region, and those institutions that face up to the risks and challenges, and institute visionary policies to deal with them, will have the best chance of success. Effective leadership will also be vital if our financial institutions are to cope successfully in this environment of rapid change. More change demands more leadership.

Analysis of 2002 Results

This is an overview of the 2002 results of all the banks. It is intended to be read in conjunction with the detailed information in Appendices I to III.

Readers are reminded that it may be inappropriate this year to draw conclusions from the aggregate change in performance between 2001 and 2002, since the 2002 results include the results of FirstCaribbean International Bank while 2001 includes Barclays Bank Plc and CIBC Caribbean combined.

Income Statement

Net Income for the Year

Total aggregate net income decreased to \$83 million from \$98 million in 2001. Royal Bank of Canada recorded the highest net income for the year at \$26.9 million, closely followed by Barbados National Bank with \$26.1 million. Barbados National Bank showed the highest percentage increase in net income of 40% over the prior year. Bank of Nova Scotia showed an increase of 6% to \$23.7 million from 2001. Caribbean Commercial Bank and the Mutual Bank showed income for the year of \$4.2 million and \$2.5 million respectively, or 7% and 35% increases over the prior year. FirstCaribbean International Bank recorded a small loss for the year.

Interest Income

Total interest income decreased from \$430 million in 2001 to \$334 million in 2002. Barbados National Bank recorded the highest interest income for the year of \$80.5 million, although this was lower than the \$83.7 million earned in 2001. All of the banks showed decreases in interest income, with the exception of Caribbean Commercial Bank which recorded an increase of 5% to \$30.7 million.

Interest Expense

Total interest expense decreased from \$171 million in 2001 to \$107 million in 2002. FirstCaribbean International Bank recorded the highest interest expense for the year of \$27.6 million. All of the banks recorded decreases in interest expense, with Royal Bank of Canada registering the largest decline of 36%, followed by Bank of Nova Scotia with 31%.

Other Income

Other income decreased by 20% to \$94 million. Fees and commissions were again the largest component of other income at 48%. FirstCaribbean International Bank recorded the largest other income for the year of \$22.1 million. Four banks experienced increased fee and commission income: Mutual Bank 59%, Royal Bank of Canada 13%, Bank of Nova Scotia 4% and Caribbean Commercial Bank 3%.

Provision for Credit Losses

Provision for credit losses decreased by 61% from \$25.2 million in 2001 to \$9.8 million in 2002. FirstCaribbean International Bank recorded the largest charge for the year of \$3.5million, followed by the Bank of Nova Scotia with \$3.2 million. Barbados National Bank showed the largest decrease of 90% in provision for credit losses to \$1.2 million (2001-\$11.8 million). As in 2001 the Mutual Bank had loan loss recoveries during the year.

Other Non-Interest Expenses

Other non-interest expenses (i.e., net of the provision for credit losses) showed a decrease of 6.9% to \$209 million (2001-\$224 million). This decrease is attributed to FirstCaribbean International Bank with all the other banks actually recording increases in non-interest expenses from 2001. Salaries and staff benefits were once again the largest component of other non-interest expenses at 40% (2001- 43%). FirstCaribbean International Bank had the largest non-interest expense for the year of \$73 million, \$16 million of which related to restructuring charges.

Taxation

Total tax charges decreased from \$29.6 million in 2001 to \$19.2 million in 2002. Aggregate effective tax charges decreased to 19% (2001 - 23%). Barbados National Bank again showed the lowest effective tax rate of 5.24% (2001 - 4.85%) and Bank of Nova Scotia the highest at 30.59% (2001 - 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, to \$1.5 billion (2001 - \$1.1 billion) an increase of 28%. FirstCaribbean International Bank held the largest balance of cash resources at the year end of \$570 million, followed by Royal Bank of Canada with \$529 million. Barbados National Bank was the only bank recording a significant reduction in cash resources to \$120 million (2001 - \$145 million).

Securities

Aggregate holdings of securities in 2002 were \$1.2 billion, an increase of 19% compared to 2001. As in 2001 Barbados National Bank held the highest level of securities at \$396 million, followed by FirstCaribbean International Bank with \$388 million. Royal Bank of Canada had the largest proportional increase in securities of 54% to \$135 million, whilst Barbados National Bank had the largest absolute increase of \$102 million.

Loans

Loans increased 6% (2001-4%) from \$3.2 billion to \$3.4 billion in 2002. All of the banks recorded expansion in their loan portfolios. FirstCaribbean International Bank held the largest loan portfolio at the year end of \$1.3 billion, representing 38% of the aggregate loan portfolios of the six banks. The Bank of Nova Scotia followed with \$728 million. The Bank of Nova Scotia also showed the largest absolute increase of \$63 million from 2001. Mutual Bank recorded the largest proportional increase at 15% from \$119 million in 2001 to \$137 million in 2002.

Deposits

Deposits increased by 12% (2001-9%) from \$4.8 billion in 2001 to \$5.3 billion in 2002. As in 2001, deposits increased at a faster rate than did loan portfolios. All banks recorded a rise in deposits, with Royal Bank of Canada showing the largest absolute increase of \$99 million or 10%. Caribbean Commercial Bank recorded the largest proportional increase of 16% from \$268 million in 2001 to \$312 million in 2002. FirstCaribbean International Bank held by far the largest deposit base of \$2.1 billion or 39% of the aggregate deposits held by the six banks. Royal Bank of Canada followed with \$1 billion in deposits.

Barbados Banking Industry 2002
Performance Highlights

Income Statement Highlights
(In thousands of Barbados dollars)

	Bank Of Nova Scotia			Barbados National Bank			Caribbean Commercial Bank		
	2002	2001	Change	2002	2001	Change	2002	2001	Change
Interest income									
Loans	65,777	74,059	-11%	60,905	64,270	-5%	23,509	23,790	-1%
Securities	6,395	7,196	-11%	19,474	19,074	2%	6,847	4,842	41%
Other	417	80	421%	141	312	-55%	384	564	-32%
Total interest income	72,589	81,335	-11%	80,520	83,656	-4%	30,740	29,196	5%
Interest expense									
Deposits	16,424	20,335	-19%	18,449	23,999	-23%	9,803	11,220	-13%
Other	3,903	9,001	-57%	7,655	7,593	1%	1,433	2,302	-38%
Total interest expense	20,327	29,336	-31%	26,104	31,592	-17%	11,236	13,522	-17%
Net interest income	52,262	51,999	1%	54,416	52,064	5%	19,504	15,674	24%
Other income									
Fees and commissions	10,647	10,210	4%	10,354	11,181	-7%	4,006	3,879	3%
Foreign exchange	8,234	8,730	-6%	3,868	4,531	-15%	2,227	1,917	16%
Dividend and other	410	449	-9%	2,703	2,741	-1%	791	568	39%
Total other income	19,291	19,389	-1%	16,925	18,453	-8%	7,024	6,364	10%
Other non-interest expenses									
Salaries and staff benefits	16,982	16,554	3%	20,415	18,829	8%	7,047	6,184	14%
Provision for credit losses	3,151	5,193	-39%	1,167	11,822	-90%	1,875	367	411%
Other expenses	7,757	5,390	44%	14,501	12,978	12%	10,508	9,050	16%
Restructuring charges	-	-	-	-	-	-	-	-	-
Premises and equipment expenses	7,660	8,731	-12%	3,169	2,474	28%	-	-	-
Depreciation	1,904	2,237	-15%	4,479	4,790	-6%	1,616	1,668	-3%
Total non interest expenses	37,454	38,105	-2%	43,731	50,893	-14%	21,046	17,269	22%
Income (loss) before taxation	34,099	33,283	2%	27,610	19,624	41%	5,482	4,769	15%
Taxation	(10,431)	(10,910)	-4%	(1,447)	(951)	52%	(1,246)	(808)	54%
Net income (loss) for the year	23,668	22,373	6%	26,163	18,673	40%	4,236	3,961	7%
Statement of changes in retained earnings*									
Retained earnings (deficit) beginning of year	87,412	70,577	24%	49,718	42,631	17%	8,395	7,315	15%
Prior year adjustments	-	4,938	-100%	-	-	-	-	1,115	-100%
Net income for the year	23,668	22,373	6%	26,163	18,673	40%	4,236	3,961	7%
Transfer to reserve fund	(3,021)	(31)	-	(5,713)	(3,906)	46%	(863)	(858)	1%
Earnings remitted during the year/dividends	(10,392)	(10,445)	-1%	(10,560)	(7,680)	38%	(1,759)	(3,138)	-44%
Transfer to(from) retained earnings	-	-	-	-	-	-	-	-	-
Fair value adjustment on adoption of IAS 40 - Investment property	-	-	-	2,831	-	100%	-	-	-
Retained earnings (deficit) end of year	97,667	87,412	12%	62,439	49,718	26%	10,009	8,395	19%

* 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.

Appendix I

FirstCaribbean International Bank			Mutual Bank			Royal Bank of Canada			Total		
2002	2001	2001	2002	2001	Change	2002	2001	Change	2002	2001	Change
	Barclays	CIBC									
59,441	67,018	56,604	12,094	13,265	-9%	44,746	42,117	6%	266,472	341,123	-22%
9,721	10,772	8,832	2,779	2,803	-1%	7,450	7,669	-3%	52,666	61,188	-14%
5,802	6,101	4,343	108	116	-7%	8,310	15,788	-47%	15,162	27,304	-41%
74,964	83,891	69,779	14,981	16,184	-7%	60,506	65,574	-8%	334,300	429,615	-22%
27,608	32,758	30,636	5,885	6,561	-10%	15,185	25,163	-40%	93,354	150,672	-38%
-	1,360	-	247	293	-16%	835	-	-	14,073	20,549	-32%
27,608	34,118	30,636	6,132	6,854	-11%	16,020	25,163	-36%	107,427	171,221	-37%
47,356	49,773	39,143	8,849	9,330	-5%	44,486	40,411	10%	226,873	258,394	-12%
8,935	11,502	12,541	6,187	3,893	59%	5,441	4,801	13%	45,570	58,007	-21%
13,097	17,850	7,296	2,869	2,509	14%	11,397	10,878	5%	41,692	53,711	-22%
36	137	-	-	-	0%	3,126	3,016	4%	7,066	6,911	2%
22,068	29,489	19,837	9,056	6,402	41%	19,964	18,695	7%	94,328	118,629	-20%
22,509	20,398	17,190	4,791	4,341	10%	12,661	12,142	4%	84,405	95,638	-12%
3,542	7,982	-	(678)	(87)	679%	761	-	-	9,818	25,277	-61%
19,508	22,047	4,908	6,733	5,034	34%	11,334	12,936	-12%	70,341	72,343	-3%
16,064	-	-	-	-	-	-	-	-	16,064	-	100%
7,335	7,486	12,118	1,238	1,524	-19%	-	-	-	19,402	32,333	-40%
4,261	3,866	6,096	3,007	2,337	29%	3,300	3,059	8%	18,567	24,053	-23%
73,219	61,779	40,312	15,091	13,149	15%	28,056	28,137	0%	218,597	249,644	-12%
(3,795)	17,483	18,668	2,814	2,583	9%	36,394	30,969	18%	102,604	127,379	-19%
3,741	(3,673)	(4,278)	(308)	(723)	-57%	(9,476)	(8,251)	15%	(19,167)	(29,594)	-35%
(54)	13,810	14,390	2,506	1,860	35%	26,918	22,718	18%	83,437	97,785	-15%
8,636	4,647	658	(825)	(2,220)	-63%	43,810	43,601	0%	197,146	167,209	18%
-	-	-	-	-	-	-	-	-	-	6,053	-100%
(54)	13,810	14,390	2,506	1,860	35%	26,918	22,718	18%	83,437	97,785	-15%
-	-	(3,260)	(627)	(465)	35%	-	-	-	(10,224)	(8,520)	20%
(1,544)	(9,821)	(8,266)	-	-	-	(32,451)	(22,509)	44%	(56,706)	(61,859)	-8%
12,487	-	-	-	-	-	(4,604)	-	100%	7,883	-	100%
-	-	-	-	-	-	-	-	-	2,831	-	100%
19,525	8,636	3,522	1,054	(825)	-228%	33,673	43,810	-23%	224,367	200,668	12%

Barbados Banking Industry 2002
Performance Highlights

Balance Sheet Highlights
(In thousands of Barbados dollars)

	Bank Of Nova Scotia			Barbados National Bank			Caribbean Commercial Bank		
	2002	2001	Change	2002	2001	Change	2002	2001	Change
Assets									
Cash resources	88,782	81,926	8%	120,015	145,026	-17%	81,546	54,688	49%
Securities	165,381	150,408	10%	396,322	294,139	35%	61,849	51,127	21%
Loans	728,052	665,317	9%	667,582	639,640	4%	220,612	217,398	1%
Other assets									
Customer liability under acceptances, guarantees and LCs	41,990	36,968	14%	10,400	10,561	-2%	2,891	3,969	-27%
Property, plant and equipment	26,255	26,639	-1%	59,510	66,331	-10%	18,390	18,036	2%
Other	20,686	17,191	20%	16,434	14,981	10%	9,305	13,851	-33%
Total assets	1,071,146	978,449	9%	1,270,263	1,170,678	9%	394,593	359,069	10%
Liabilities and equity									
Deposits	709,287	647,338	10%	940,719	864,138	9%	312,034	268,374	16%
Other liabilities									
Acceptances, guarantees and LCs	41,990	36,968	14%	10,400	10,561	-2%	2,891	3,969	-27%
Other	64,449	46,041	40%	161,504	159,605	1%	34,713	44,902	-23%
Total liabilities	815,726	730,347	12%	1,112,623	1,034,304	8%	349,638	317,245	10%
Equity/head office account									
Share capital	2,108	2,108	0%	48,000	48,000	0%	27,797	27,797	0%
Assigned capital	4,000	4,000	0%	-	-	-	-	-	-
Loans from Head Office	144,137	150,095	-4%	-	-	-	-	-	-
Revaluation surplus (deficit)	4,174	4,174	0%	-	-	-	391	(264)	-248%
Other reserves	3,334	313	965%	47,201	38,656	22%	6,758	5,896	15%
Retained earnings (deficit)	97,667	87,412	12%	62,439	49,718	26%	10,009	8,395	19%
Total equity	255,420	248,102	3%	157,640	136,374	16%	44,955	41,824	7%
	1,071,146	978,449	9%	1,270,263	1,170,678	9%	394,593	359,069	10%

Appendix II

FirstCaribbean International Bank			Mutual Bank			Royal Bank of Canada			Total		
2002	2001 Barclays	2001 CIBC	2002	2001	Change	2002	2001	Change	2002	2001	Change
570,327	170,182	111,180	68,847	69,052	0%	529,323	509,119	4%	1,458,840	1,141,173	28%
387,620	258,616	122,060	33,984	25,667	32%	134,772	87,413	54%	1,179,928	989,430	19%
1,293,812	653,712	567,732	136,591	118,890	15%	389,699	365,193	7%	3,436,348	3,227,882	6%
82,573	57,330	39,352	845	1,415	-40%	15,574	19,669	-21%	154,273	169,264	-9%
55,317	26,905	30,224	8,144	9,828	-17%	36,320	39,088	-7%	203,936	217,051	-6%
147,846	61,215	105,758	4,988	5,638	-12%	7,771	6,680	16%	207,030	225,314	-8%
2,537,495	1,227,960	976,306	253,399	230,490	10%	1,113,459	1,027,162	8%	6,640,355	5,970,114	11%
2,107,358	1,071,907	789,924	215,219	190,870	13%	1,046,662	948,152	10%	5,331,279	4,780,703	12%
82,573	57,330	39,352	845	1,415	-40%	15,574	19,669	-21%	154,273	169,264	-9%
186,768	72,882	20,746	10,548	13,924	-24%	11,231	10,927	3%	469,213	369,027	27%
2,376,699	1,202,119	850,022	226,612	206,209	10%	1,073,467	978,748	10%	5,954,765	5,318,994	12%
4,004	2,005	-	22,799	22,799	0%	-	-	-	104,708	102,709	2%
4,000	4,000	-	-	-	-	4,604	4,604	0%	12,604	12,604	0%
-	-	98,883	-	-	-	-	-	-	144,137	248,978	-42%
-	865	-	-	-	-	1,715	-	-	6,280	4,775	32%
133,267	10,335	23,879	2,934	2,307	27%	-	-	-	193,494	81,386	138%
19,525	8,636	3,522	1,054	(825)	-228%	33,673	43,810	-23%	224,367	200,668	12%
160,796	25,841	126,284	26,787	24,281	10%	39,992	48,414	-17%	685,590	651,120	5%
2,537,495	1,227,960	976,306	253,399	230,490	10%	1,113,459	1,027,162	8%	6,640,355	5,970,114	11%

Barbados Banking Industry 2002
Performance Highlights

Ratios	Bank Of Nova Scotia		Barbados National Bank		Caribbean Commercial Bank	
	2002	2001	2002	2001	2002	2001
Note						
1. Return on average total assets	2.31%	2.36%	2.14%	1.69%	1.12%	1.21%
2. Interest earned on average interest bearing assets	7.72%	9.36%	7.12%	8.26%	8.95%	10.10%
3. Net interest margin	5.56%	5.98%	4.81%	5.14%	5.68%	5.42%
4. Interest paid on average interest bearing liabilities	3.00%	4.70%	2.89%	3.87%	3.87%	5.55%
5. Interest rate spread	4.73%	4.66%	4.22%	4.39%	5.07%	4.55%
6. Effective tax rate	30.59%	32.78%	5.24%	4.85%	22.73%	16.95%
7. Productivity ratio	52.35%	53.38%	61.30%	72.17%	79.33%	78.37%
Provision(recovery) for credit losses as a percentage of average gross loans	0.45%	0.79%	0.17%	1.90%	0.82%	0.17%
Allowance for loan losses as a percentage of loans	1.00%	1.01%	2.82%	4.13%	2.28%	1.77%
Loans to deposits ratio	102.65%	102.78%	70.97%	74.02%	70.70%	81.01%
Components of total assets						
Cash resources	8.29%	8.37%	9.45%	12.39%	20.65%	15.23%
Securities	15.44%	15.37%	31.20%	25.13%	15.67%	14.24%
Loans	67.97%	68.00%	52.55%	54.64%	55.93%	60.55%
Other	8.30%	8.26%	6.80%	7.85%	7.75%	9.98%
Components of total interest income						
Loans	90.62%	91.05%	75.64%	76.83%	76.48%	81.48%
Securities	8.81%	8.85%	24.19%	22.80%	22.27%	16.59%
Other	0.57%	0.10%	0.17%	0.37%	1.25%	1.93%

NOTES

- 1. Return on average total assets** represents net income divided by the mean of opening and closing total assets
- 2. 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.
- 3. Net interest margin** represents net interest income expressed as a percentage of average interest bearing assets

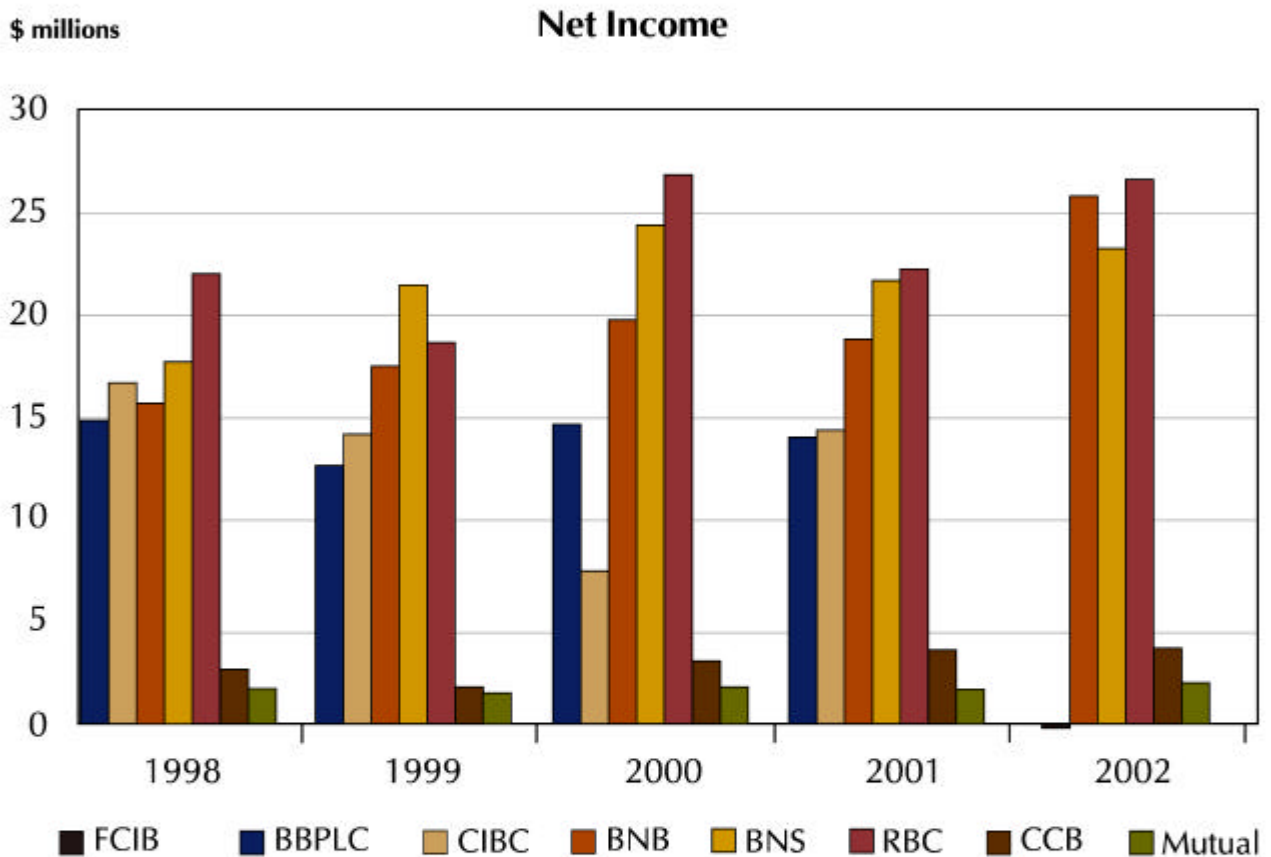
Appendix III

FirstCaribbean International Bank			Mutual Bank		Royal Bank of Canada	
2002	2001 Barclays	2001 CIBC	2002	2001	2002	2001
0.00%	1.14%	1.48%	1.04%	0.85%	2.51%	2.36%
3.63%	7.88%	8.64%	6.61%	7.94%	6.00%	7.25%
2.29%	4.68%	4.85%	3.91%	4.58%	4.41%	4.47%
1.39%	3.26%	3.85%	3.02%	3.76%	1.61%	2.85%
2.24%	4.62%	4.79%	3.59%	4.18%	4.40%	4.40%
0.00%	21.01%	22.92%	10.94%	28.00%	26.04%	26.64%
105.47%	77.94%	68.35%	84.28%	83.58%	43.53%	47.60%
0.27%	1.13%	0.00%	(0.53%)	(0.07%)	0.2%	0.00%
2.55%	3.16%	0.78%	4.21%	5.23%	0.43%	0.44%
61.39%	60.99%	71.87%	63.47%	62.29%	37.23%	38.52%
22.47%	13.86%	11.39%	27.17%	29.96%	47.54%	49.57%
15.28%	21.06%	12.50%	13.41%	11.13%	12.10%	8.51%
50.99%	53.24%	58.15%	53.90%	51.58%	35.00%	35.55%
11.26%	11.84%	17.96%	5.52%	7.33%	5.36%	6.37%
79.29%	79.89%	81.12%	80.73%	81.96%	73.95%	64.23%
12.97%	12.84%	12.66%	18.55%	17.32%	12.31%	11.70%
7.74%	7.27%	6.22%	0.72%	0.72%	13.74%	24.07%

- 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.

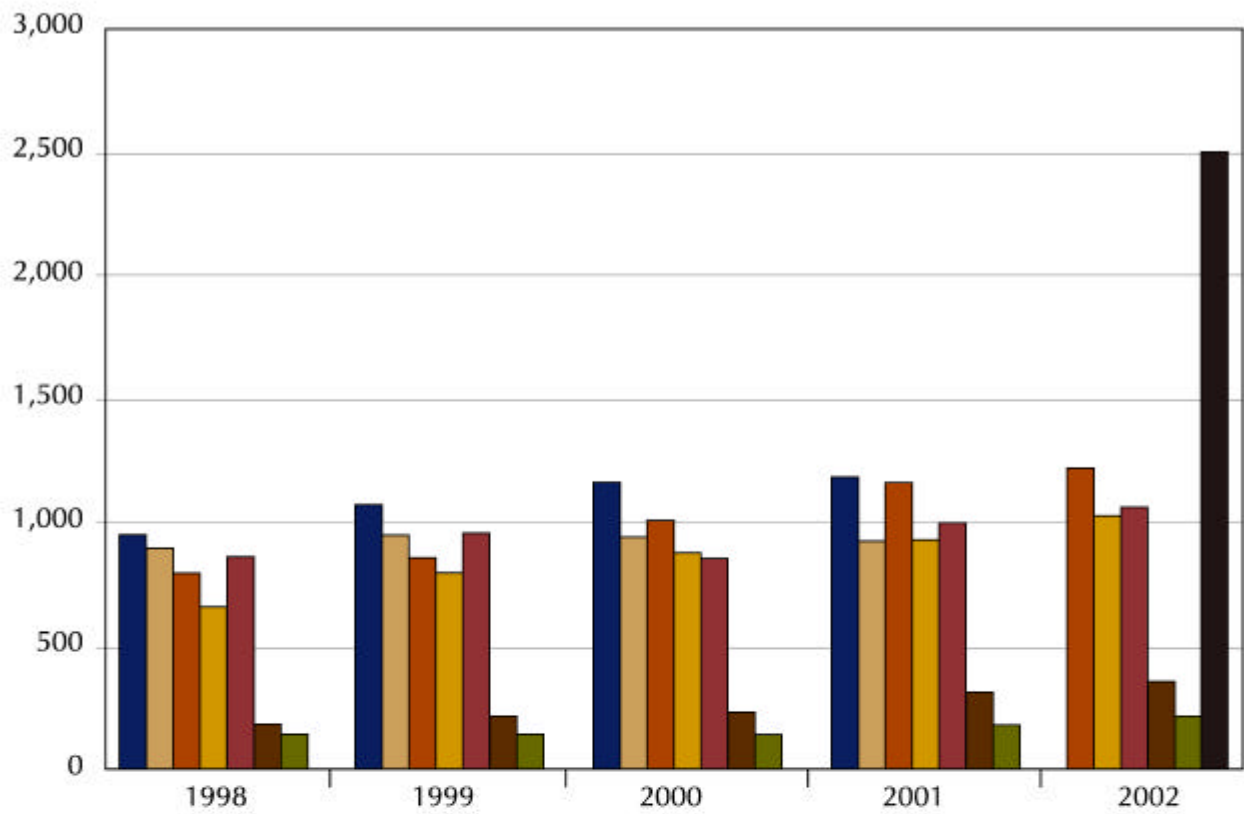
Appendix IV

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

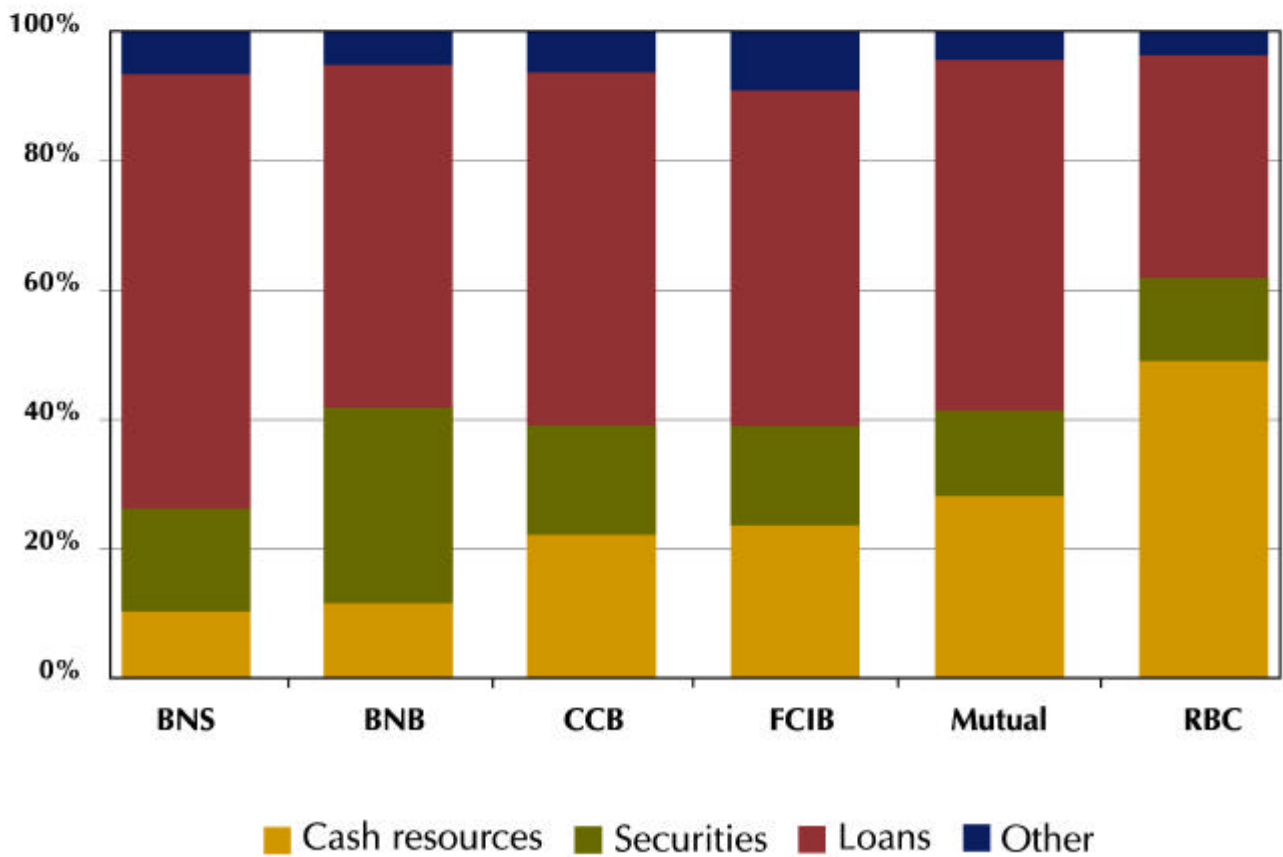


\$ millions

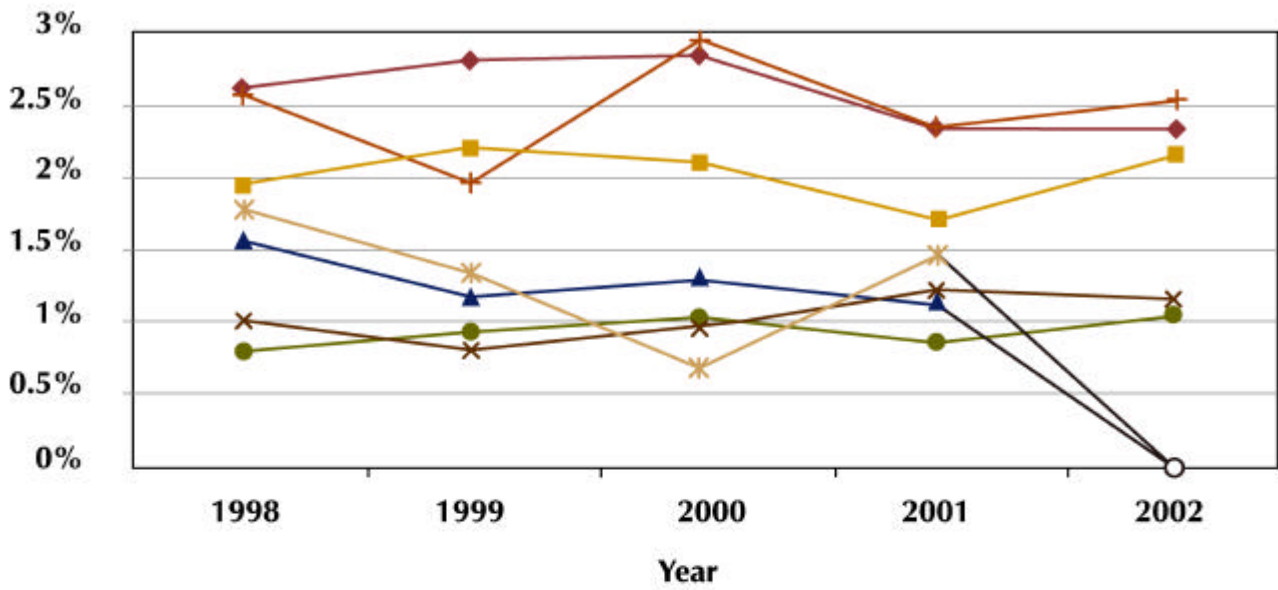
Total assets



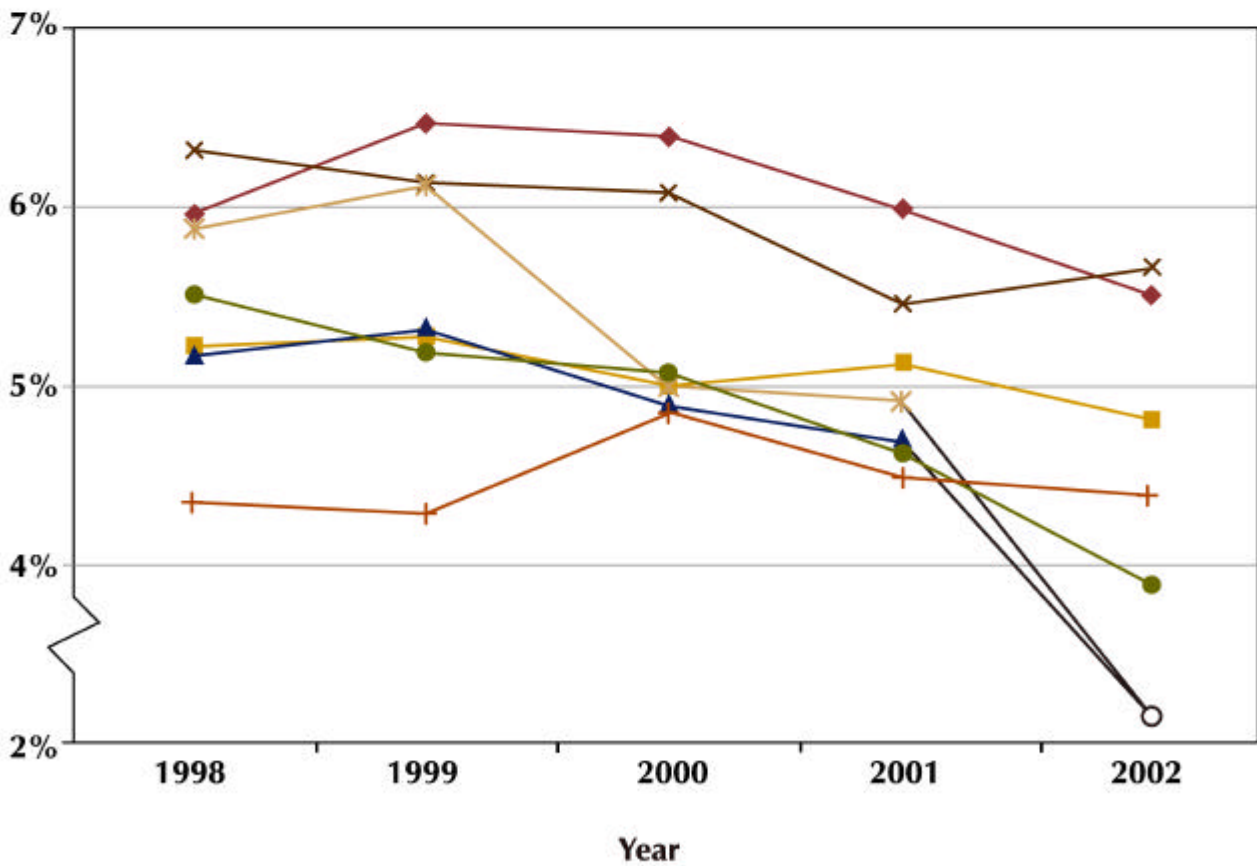
Analysis of assets



Return on average total assets

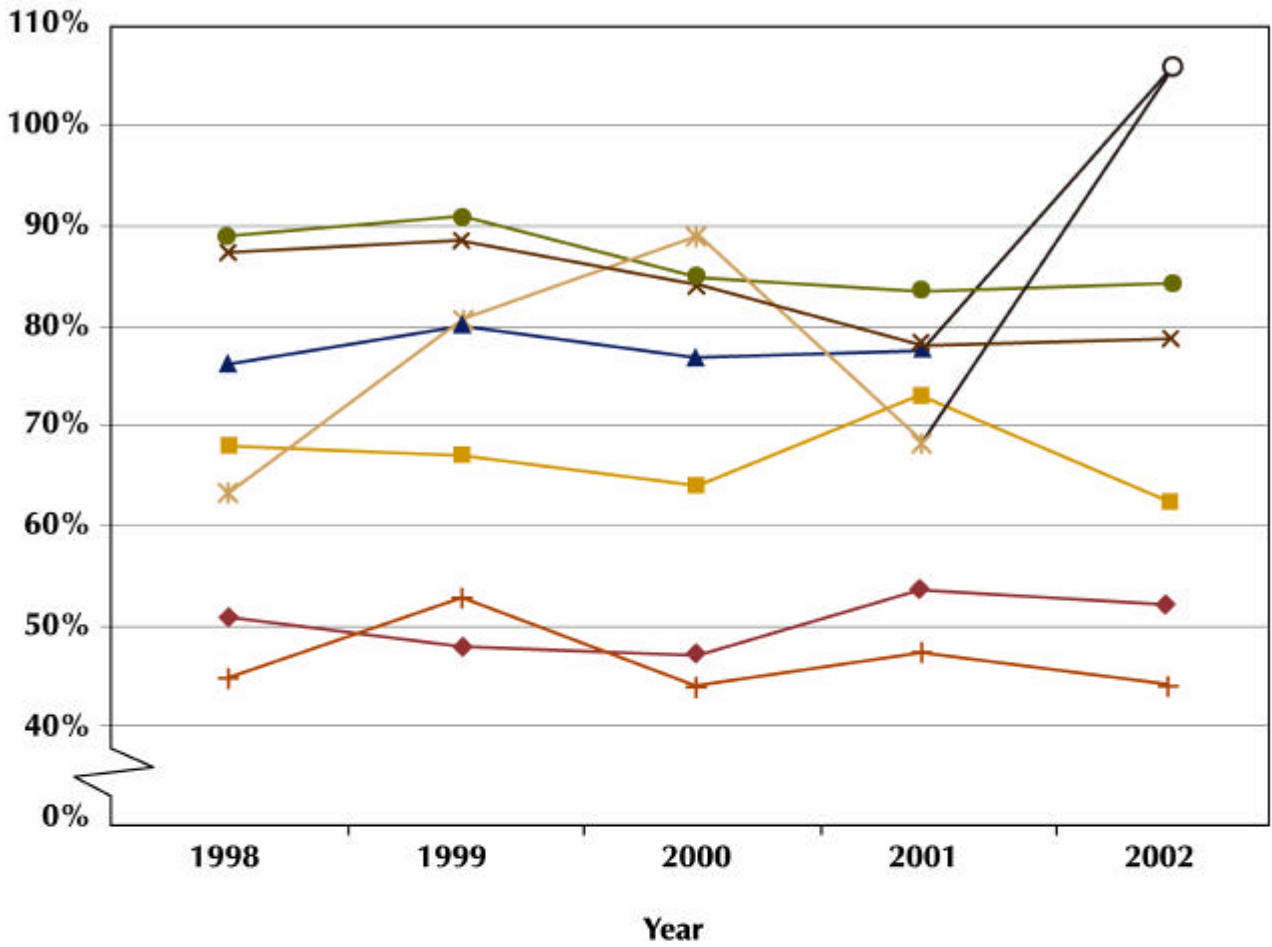


Net interest margin

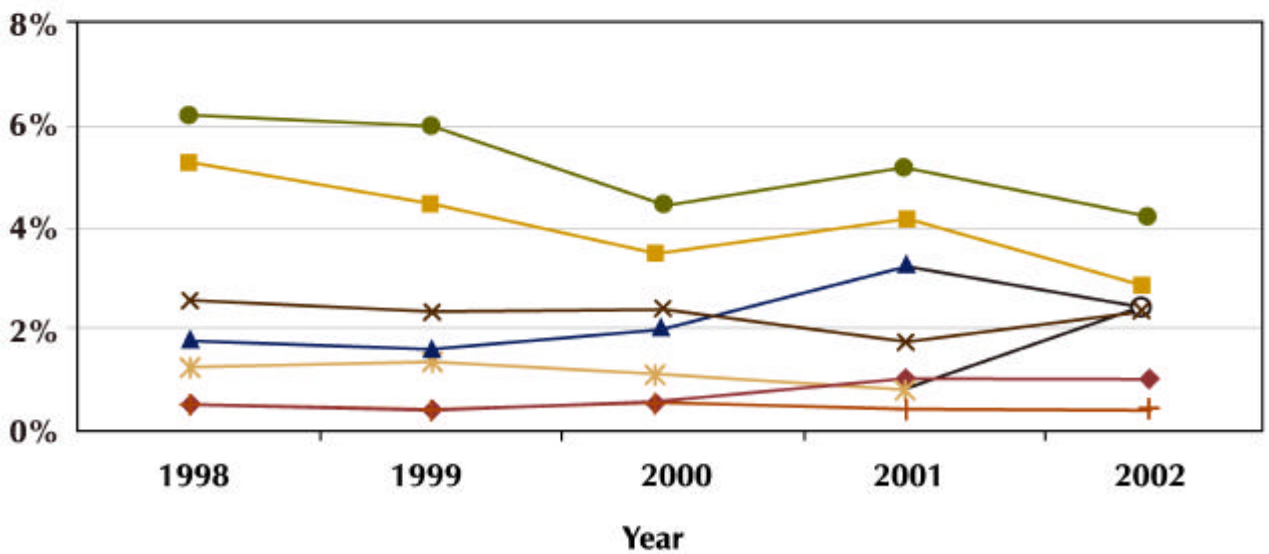


—○— FCIB —◆— BNS —■— BNB —▲— BBPLC —×— CCB —*— CIBC —●— Mutual —+— RBC

Productivity ratio



Allowances for loan losses as a percentage of total loans



◆ BNS ■ BNB ▲ BBPLC × CCB * CIBC ● Mutual + RBC

Income Statement Highlights
(In thousands of Barbados dollars)

	Consolidated Finance Company			General Finance Corporation			Globe Finance Inc.			Total		
	2002	2001	Change	2002	2001	Change	2002	2001	Change	2002	2001	Change
Income												
Finance charges	9,514	10,050	-5%	-	-	-	3,038	3,010	1%	12,552	13,060	-4%
Rental income	10,447	8,692	20%	1,276	1,465	-13%	1,746	1,207	45%	13,469	11,364	19%
Interest	901	1,417	-36%	2,211	3,402	-35%	3,335	2,473	35%	6,447	7,292	-12%
Other	264	244	8%	340	177	92%	148	111	33%	752	532	41%
Gain on disposal of fixed assets	524	499	5%	-	-	-	-	-	-	524	499	5%
Total income	21,650	20,902	4%	3,827	5,044	-24%	8,267	6,801	22%	33,744	32,747	3%
Expenditure												
Provision for credit losses	990	945	5%	970	1,090	-11%	516	218	137%	2,145	2,253	-5%
Management fees	660	723	-9%	-	-	-	-	-	-	660	723	-9%
Finance costs	6,524	7,367	-11%	1,424	1,871	-24%	3,769	3,466	9%	11,717	12,704	-8%
Depreciation and amortisation	8,053	6,733	20%	973	1,135	-14%	1,548	1,039	49%	10,574	8,907	19%
General, administrative and other expenses	1,790	1,645	9%	753	724	4%	1,414	1,055	34%	4,288	3,424	25%
Total expenses	18,017	17,413	3%	4,120	4,820	-15%	7,247	5,778	25%	29,384	28,011	5%
Income (loss) before taxation	3,633	3,489	4%	(293)	224	-231%	1,020	1,023	0%	4,360	4,736	-8%
Taxation	(1,129)	(1,218)	-7%	75	(99)	-176%	(375)	(466)	-20%	(1,429)	(1,783)	-20%
Net income (loss) for the year	2,504	2,271	10%	(218)	125	-274%	645	557	16%	2,931	2,953	-1%
Statement of changes in retained earnings*												
Retained earnings, beginning of year	3,755	1,834	105%	1,031	934	10%	866	393	120%	5,652	3,161	79%
Net income (loss) for the year	2,504	2,271	10%	(218)	125	-274%	645	557	16%	2,931	2,953	-1%
Transfer to reserve fund	-	-	-	-	(28)	-100%	(97)	(84)	15%	(97)	(112)	-13%
Dividends	(470)	(350)	34%	-	-	-	-	-	-	(470)	(350)	34%
Retained earnings, end of year	5,789	3,755	54%	813	1,031	-21%	1,414	866	63%	8,016	5,652	42%

* 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

Barbados Banking Industry 2002
Performance Highlights
Barbados Finance Companies

Balance Sheet Highlights (In thousands of Barbados dollars)

	Consolidated Finance Company			General Finance Corporation			Globe Finance Inc.			Total		
	2002	2001	Change	2002	2001	Change	2002	2001	Change	2002	2001	Change
Assets												
Cash resources	5,899	10,049	-41%	2,261	111	1937%	6,657	4,860	37%	14,817	15,020	-1%
Installment credit debtors	-	-	-	11,532	21,337	-46%	-	-	-	11,532	21,337	-46%
Loans receivable	-	-	-	-	-	-	25,516	21,016	21%	25,516	21,016	21%
Finance lease receivables	-	-	-	-	-	-	16,058	21,162	-24%	16,058	21,162	-24%
Accounts receivable	72,616	73,908	-2%	-	-	-	-	-	-	72,616	73,908	-2%
Other receivables, prepaid expenses and deferred charges	1,089	290	276%	-	227	-	1,192	1,425	-16%	2,281	1,942	17%
Repossessed stock	733	1,022	-28%	70	89	-21%	-	-	-	803	1,111	-28%
Investments	3,035	2,015	51%	5,298	5,306	0%	-	-	-	8,333	7,321	14%
Group company debtors	3,239	1,108	192%	822	600	37%	-	-	-	4,061	1,708	138%
Pension plan surplus	-	-	-	-	-	-	-	5	-100%	-	5	-100%
Property, plant and equipment	35,271	29,815	18%	2,268	3,674	-38%	4,943	3,927	26%	42,482	37,416	14%
Total assets	121,882	118,207	3%	22,251	31,344	-29%	54,366	52,395	4%	198,499	201,946	-2%
Liabilities and equity												
Accounts payable and accrued liabilities	1,025	1,285	-20%	91	65	40%	177	211	-16%	1,293	1,561	-17%
Fixed deposits and accrued interest	101,616	100,765	1%	17,760	26,291	-32%	48,487	47,291	3%	167,863	174,347	-4%
Deferred tax	4,976	3,456	44%	252	554	-55%	759	708	7%	5,987	4,718	27%
Corporation tax	271	-	-	-	-	-	245	138	78%	516	138	274%
Pension plan deficit	34	17	100%	-	-	-	6	-	-	40	17	135%
Group company creditors	171	929	-82%	-	68	-100%	-	-	-	171	997	-83%
Total liabilities	108,093	106,452	2%	18,103	26,978	-33%	49,674	48,348	3%	175,870	181,778	-3%
Shareholders' Equity												
Share capital	4,000	4,000	0%	3,000	3,000	0%	3,000	3,000	0%	10,000	10,000	0%
Capital reserve	4,000	4,000	0%	335	335	0%	278	181	54%	4,613	4,516	2%
Retained earnings	5,789	3,755	54%	813	1,031	-21%	1,414	866	63%	8,016	5,652	42%
Total equity	13,789	11,755	17%	4,148	4,366	-5%	4,692	4,047	16%	22,629	20,168	12%
Total liabilities and shareholders' equity	121,882	118,207	3%	22,251	31,344	-29%	54,366	52,395	4%	198,499	201,946	-2%

Appendix VI

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

Banks

The Bank of Nova Scotia	
The Bank of Nova Scotia, Barbados Branches	October 31, 2002
The Bank of Nova Scotia Trust Company (Caribbean) Limited	October 31, 2002
Barbados National Bank Inc	December 31, 2002
Barbados Mortgage Finance Company Ltd.	December 31, 2002
BNB Finance & Trust Corporation	December 31, 2002
Caribbean Commercial Bank	
Caribbean Commercial Bank Limited	December 31, 2002
Clico Mortgage & Finance Corporation	December 31, 2002
FirstCaribbean International Bank	
FirstCaribbean International Bank (Barbados) Limited, Barbados Branches	October 31, 2002
FirstCaribbean International Finance Corporation (Barbados) Limited	October 31, 2002
FirstCaribbean International Trust and Merchant Bank (Barbados) Limited	October 31, 2002
The Mutual Bank of The Caribbean Inc.	December 31, 2002
Royal Bank of Canada	
Royal Bank of Canada, Barbados Branches	October 31, 2002

Finance Companies

Consolidated Finance Company Limited	December 31, 2002
General Finance Corporation (Barbados) Limited	September 30, 2002
Globe Finance Inc.	December 31, 2002

Appendix VII

A listing of our key banking industry specialists, who would be pleased to respond to your inquiries, is included below.

Barbados Office

The Financial Services Centre
Bishop's Court Hill
P.O. Box 111, St. Michael, Barbados

Tel: (246) 436 7000
Fax: (246) 436 1275

Assurance Services

Maurice Franklin

Tel: (246) 467-6803
Email: maurice.franklin@bb.pwc.com

Lindell Nurse

Tel: (246) 467-6808
Email: lindell.nurse@bb.pwc.com

Ann Wallace-Elcock

Tel: (246) 467-6809
Email: ann.wallace-elcock@bb.pwc.com

Business Advisory Services

Christopher Sambrano

Tel: (246) 467-6701
Email: christopher.sambrano@bb.pwc.com

Tax and Legal Services

Charles Tibbits

Tel: (246) 467-6754
Email: charles.tibbits@bb.pwc.com

Antigua Office

11 Old Parham Road
P.O. Box 1531, St. John's, Antigua
Tel: (268) 462 3000
Fax: (268) 462 1902

Robert Wilkinson

Tel: (268) 462 3000
Email: robert.wilkinson@ag.pwc.com

Grenada Office

The Carenage
P.O. Box 124, St. George's, Grenada
Tel: (473) 440 2127
Fax: (473) 440 4131

Lindell Nurse

Tel: (246) 467 6808
Email: lindell.nurse@bb.pwc.com

Yvonne Gellineau (resident contact)

Tel: (473) 440 2127
Email: yvonne.gellineau@bb.pwc.com

St. Lucia Office

Point Seraphine
P.O. Box 195, Castries, St. Lucia
Tel: (758) 452 2511
Fax: (758) 452 1061

Anthony Atkinson

Tel: (758) 452 2511
Email: anthony.atkinson@lc.pwc.com

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