FirstCaribbean International Bank Limited

Financial Statements 2003

PricewaterhouseCoopers
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December 11, 2003

AUDITORS' REPORT

To the Shareholders of
FirstCaribbean International Bank Limited

We have audited the accompanying consolidated balance sheet of **FirstCaribbean International Bank Limited** ("the bank") as of October 31, 2003 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the bank as of October 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

Antigua Charles W.A. Walwyn Robert J.Wilkinson
Barbados J. Andrew Marryshow Philip St. E. Atkinson Michael R. Boyce (Principal) R. Michael Bynoe Joyce E. Dear Gloria R. Eduardo Wayne I. Fields Maurice A. Franklin Geoffrey R. Gregory Marcus A. Hatch Stephen A. Jardine Dodell E. Nurse Brian D. Robinson Christopher S. Sambrano R. Charles D. Tibbits Ann M. Wallace-Elcock Michelle J. White-Ying
Grenada Philip St. E. Atkinson (resident in Barbados)
St. Lucia Anthony D. Atkinson Richard N.C. Peterkin

Consolidated Balance Sheet

as at October 31, 2003
(expressed in thousands of Barbados dollars)

	Notes	2003 $	2002 $
Assets			
Cash resources	3	**4,108,837**	5,007,767
Due from banks	4	**2,860,349**	1,737,973
Trading securities	5	**339,492**	432,081
Other assets	6	**353,764**	270,885
Investment securities	7	**1,548,259**	1,882,171
Loans and advances	8	**7,120,515**	7,453,146
Goodwill	9	**602,549**	635,001
Property, plant and equipment	10	**274,395**	239,848
Total assets		**17,208,160**	17,658,872
Liabilities			
Deposits	11	**14,512,188**	15,140,879
Other liabilities	12	**438,988**	495,378
Total liabilities		**14,951,176**	15,636,257
Minority interest	13	**34,070**	33,889
Shareholders' equity			
Share capital and reserves	14	**1,898,079**	1,767,426
Retained earnings		**324,835**	221,300
		2,222,914	1,988,726
Total shareholders' equity and liabilities		**17,208,160**	17,658,872

Approved by the Board of Directors on December 11, 2003

Michael Mansoor
Chairman

John Riviere
Chief Financial Officer

Charles Pink
Chief Executive Officer

Consolidated Statement of Changes in Shareholders' Equity

For the year ended October 31, 2003
(expressed in thousands of Barbados dollars)

	Notes	Share/ assigned capital $	Reserves $	Retained earnings $	Due to head office $	Total $
Balance at December 31, 2001		17,034	20,694	75,892	127,148	240,768
Shares of CIBC West Indies issued and outstanding, beginning of period	15	316,380	–	–	–	316,380
Issuance of common shares	15	1,808,603	–	–	–	1,808,603
Issuance of non-voting Class A shares	15	51,839	–	–	–	51,839
Issuance of preference shares	15	360,000	–	–	–	360,000
Remittance to head office		–	–	–	(5,554)	(5,554)
Transfers (to)/from head office		–	–	(5,954)	22,233	16,279
Cancellation of opening share/ assigned capital	15	(17,034)	–	–	11,186	(5,848)
Transfer to retained earnings		–	–	155,013	(155,013)	–
General banking reserve from entities acquired	14	–	40,846	–	–	40,846
Statutory reserve from entities acquired	14	–	53,547	–	–	53,547
Reverse acquisition reserve	14	–	(927,255)	–	–	(927,255)
Net income for the period		–	–	10,662	–	10,662
Available-for-sale investment securities — net fair value gains	14	–	28,459	–	–	28,459
Share gift to employees	15	12,702	–	(12,702)	–	–
Transfer to reserves	14	–	1,611	(1,611)	–	–
Balance at October 31, 2002		2,549,524	(782,098)	221,300	–	1,988,726
Net income for the year		–	–	142,200	–	142,200
Dividends	23	–	–	(38,665)	–	(38,665)
Rights issue	15	88,922	–	–	–	88,922
Issue of shares in exchange for shares in Jamaica subsidiary	15	8,091	–	–	–	8,091
Foreign currency translation	14	–	(11,912)	–	–	(11,912)
Available-for-sale investment securities — net fair value gains	14	–	45,552	–	–	45,552
Balance at October 31, 2003		**2,646,537**	**(748,458)**	**324,835**	**–**	**2,222,914**

Consolidated Statement of Income

For the year ended October 31, 2003
(expressed in thousands of Barbados dollars)

	Notes	2003 $	10 months to October 31, 2002 $
Interest income	16	**770,871**	394,779
Interest expense		**260,435**	150,785
Net interest income		**510,436**	243,994
Non-interest income	17	**229,187**	104,973
		739,623	348,967
Non-interest expenses	18	**454,704**	249,696
Provision for credit losses	8	**39,915**	33,841
Integration/restructuring charges	19	**37,760**	51,739
Goodwill amortisation	9	**31,712**	1,982
		564,091	337,258
Income before taxation and minority interest		**175,532**	11,709
Taxation	20	**25,631**	507
Income before minority interest		**149,901**	11,202
Minority interest	13	**7,701**	540
Net income for the year/period		**142,200**	10,662
Earnings per share in cents	21		
— basic		**9.21**	1.43
— diluted		**8.29**	1.16

Consolidated Statement of Cash Flows

For the year ended October 31, 2003
(expressed in thousands of Barbados dollars)

	2003 $	10 months to October 31, 2002 $
Cash flows from operating activities		
Income before taxation and minority interest	**175,532**	11,709
Provision for credit losses	**39,915**	33,841
Depreciation	**26,116**	20,316
Goodwill amortisation	**31,712**	1,982
	273,275	67,848
Increase in due from banks	**(1,065,933)**	(315,312)
Decrease in loans and advances	**292,715**	60,232
Decrease in other assets/liabilities, net	**13,573**	53,223
Decrease in deposits	**(628,690)**	(698,106)
Cash used in operating activities	**(1,115,060)**	(832,115)
Corporate taxes paid	**(31,141)**	(68)
Net cash used in operating activities	**(1,146,201)**	(832,183)
Cash flows from investing activities		
Increase in property, plant and equipment, net of disposals	**(60,663)**	(6,521)
Decrease/(increase) in securities, net of disposals	**472,053**	(145,731)
Net cash from/(used in) investing activities	**411,390**	(152,252)
Cash flows from financing activities		
Dividends paid	**(182,448)**	–
Proceeds from rights issue	**88,922**	–
Remittance to head office	**–**	(5,554)
Net cash used in financing activities	**(93,526)**	(5,554)
Net decrease in cash and cash equivalents for the year/period	**(828,337)**	(989,989)
Effect of exchange rate changes on cash and cash equivalents	**(14,151)**	–
Cash and cash equivalents acquired as a result of business combination	**–**	1,579,851
Cash and cash equivalents, beginning of year/period	**4,669,697**	4,079,835
Cash and cash equivalents, end of year/period (note 3)	**3,827,209**	4,669,697

October 31, 2003
(expressed in thousands of Barbados dollars)

1. General information

FirstCaribbean International Bank Limited and its subsidiaries ("the Group") are registered under the relevant financial and corporate legislations of 15 countries in the Caribbean to carry on banking and other related activities. The registered office of the Group is located at Warrens, St. Michael in Barbados. At October 31, 2003 the Group had 3,219 employees (2002 – 3,562).

The Company, which was formerly named CIBC West Indies Holdings Limited (CIBC West Indies) and controlled by Canadian Imperial Bank of Commerce (CIBC), changed its name to FirstCaribbean International Bank Limited on October 11, 2002, following the combination of the retail, corporate and offshore banking operations of Barclays Bank PLC in the Caribbean and the Bahamas ("Barclays") and CIBC West Indies.

Under the combination, CIBC West Indies became licensed as a Bank Holding Company with Barclays transferring its retail, corporate and offshore banking operations to subsidiaries of CIBC West Indies in exchange, ultimately, for common shares and newly created classes of non-voting and preference shares of CIBC West Indies. Following the combination and subsequent rights offer, Barclays Bank PLC and CIBC each own 43.6% of the voting shares of the Company. Neither Barclays Bank PLC nor CIBC control the Company, but International Financial Reporting Standards (IFRS) requires that one of the combining entities be identified as the acquirer for accounting purposes. The fair value of the Barclays' business prior to the combination was significantly greater than the fair value of CIBC West Indies' business and, as a result, Barclays Bank PLC has the greater economic interest in the Company. Barclays has therefore been identified as the acquirer. This situation is described by IFRS as a reverse acquisition.

The consolidated income statement for the ten month period ended October 31, 2002 includes the results of Barclays for the period from January 1, 2002 to October 31, 2002, together with results of CIBC West Indies subsequent to the combination. The consolidated balance sheet as at October 31, 2002 reflects the assets and liabilities of Barclays at book value and the assets and liabilities of CIBC West Indies based on their fair value at October 11, 2002 as adjusted to reflect movements in the period to October 31, 2002.

2. Summary of significant accounting policies

a) Basis of presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards under the historical cost convention as modified by the revaluation of available-for-sale investment securities, financial assets and financial liabilities held for trading and all derivative contracts.

b) Consolidation

Subsidiary undertakings, which are those companies in which the Company directly or indirectly has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been fully consolidated. The principal subsidiary undertakings are disclosed in note 30.

Subsidiaries are consolidated from the date on which the effective control is transferred to the Group. All inter-company transactions, balances and unrealised surpluses and deficits on transactions and balances have been eliminated. Where necessary, the accounting policies used by subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

c) Estimates

Preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

d) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash balances, deposits with Central Banks (excluding mandatory reserve deposits), and other money market placements.

October 31, 2003
(expressed in thousands of Barbados dollars)

2. Summary of significant accounting policies ... *continued*

e) Trading securities

Trading securities are securities which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at cost (which includes transaction costs) and subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in net income. Interest earned whilst holding trading securities is reported as interest income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs.

f) Sale and repurchase agreements

Securities purchased under agreements to resell are recorded as loans and advances to other banks or customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repurchase agreements using the effective yield method.

g) Investment securities

Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities and purchased loans and receivables intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities and purchased loans and receivables are initially recognised at cost (which includes transaction costs). Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Unquoted equity instruments for which fair values cannot be measured reliably are recognized at cost less impairment. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the statement of income as gains and losses from investment securities.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's current effective interest rate. The recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Interest earned whilst holding investment securities is reported as interest income. Dividends are recorded on the accrual basis and included in income.

All regular way purchases and sales of investment securities are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward transactions until settlement.

2. Summary of significant accounting policies ... *continued*

h) Originated loans and provisions for loan impairment

Loans and advances originated by the Group by providing money directly to the borrower are categorised as originated loans and are carried at amortised cost. Third party expenses, such as legal fees, incurred in securing a loan are expensed as incurred. Interest income is accounted for on the accrual basis for all loans and advances using the effective yield method.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the estimated present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the current effective interest rate of the loan.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflect the current economic climate in which the borrowers operate and are classified as a provision for inherent risk. When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the provision for credit losses in the statement of income.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for credit losses in the statement of income.

i) Goodwill

Goodwill represents the excess of the purchase price of an acquisition over the fair value of the net assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill on acquisition of entities is reported in the balance sheet as an intangible asset and is amortised using the straight-line method over its estimated useful life of 20 years.

At each balance sheet date, a review is done to determine whether there is any indication that the goodwill may be impaired. If any such indication exists, the recoverability of the carrying amount of goodwill would be estimated using discounted cash flow techniques. If the net present value of the forecast future cash flows of the business is insufficient to support the carrying value, then the goodwill would be written down for impairment.

j) Computer software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over a five year period.

k) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation.

Depreciation is computed on the straight line method at rates considered adequate to write-off the cost of depreciable assets, less salvage, over their useful lives.

The annual rates used are:

Buildings	$2^1/_2$%
Leasehold improvements	10% or over the life of the lease
Equipment, furniture and vehicles	20 – 50%

2. Summary of significant accounting policies ... *continued*

k) Property, plant and equipment ... *continued*

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by reference to its recoverable amount and are taken into account in determining net income.

l) Interest rate swaps and hedging

Interest rate swaps are initially recognised in the balance sheet at cost and subsequently are measured at their fair value. Fair values are obtained from discounted cash flow models, using quoted market interest rates. All interest rate swaps are carried as assets when fair value is positive and as liabilities when fair value is negative.

Interest rate swaps have been designated as highly effective hedges of the fair value of certain loans, and hedge accounting has been used for these derivative instruments. Changes in the fair value of the swaps are recorded in the statement of income and are matched with the corresponding change in the fair values of the hedged loans that are attributable to market interest rate movements.

m) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from depreciation on property, plant and equipment, revaluation of certain financial assets and liabilities, provisions for pensions and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. Currently enacted tax rates are used to determine deferred taxes.

Deferred tax assets relating to the carryforward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale investments, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statement of income together with the deferred gain or loss.

n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

o) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Barbados dollars at rates prevailing at the date of the financial statements and non-monetary assets and liabilities are translated at historic rates. Revenue and expenses denominated in foreign currencies are translated into Barbados dollars using prevailing average monthly exchange rates. Realised and unrealised gains and losses on foreign currency positions are reported in income of the current period. Translation adjustments of investment positions in foreign entities are reported in shareholders' equity.

p) Employee benefit obligations

Pension obligations

The Group operates a number of defined benefit plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from the relevant Group companies, taking account of the recommendations of independent qualified actuaries.

2. Summary of significant accounting policies ... *continued*

p) Employee benefit obligations ... *continued*

Pension obligations ... *continued*

For defined benefit plans, accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of income so as to spread the regular cost over the lives of the employees in accordance with the advice of qualified actuaries who value the plans once every three years. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are spread forward over the average remaining service lives of the employees.

The Group's contributions to defined contribution pension plans are charged to the statement of income in the year to which they relate.

Other post retirement obligations

Some Group companies provide post retirement healthcare benefits to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. Valuations of these obligations are carried out by independent qualified actuaries annually.

q) Share capital

Shares issued for cash are accounted for at the issue price less any transaction costs associated with the issue. Shares issued as consideration for the purchase of assets or a business are recorded at the market price on the date of the issue.

r) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

s) Preferred shares

Preferred shares, which are redeemable at the option of the Company, are classified as equity.

t) Interest income and expense

Interest income and expense are recognised in the statement of income for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price or estimated recoverable amount. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

u) Fee and commission income

Fees and commissions are recognised on the accrual basis.

v) Foreign exchange income

Foreign exchange income relates to income earned from exchanging foreign currencies and is recognised on the transaction date.

w) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from external customers and whose revenue, results or assets are 10% or more of all the segments are reported separately.

October 31, 2003
(expressed in thousands of Barbados dollars)

3. Cash resources

	2003 $	2002 $
Cash	**122,339**	136,423
Deposits with Central Banks - interest bearing	**586,671**	295,147
Deposits with Central Banks - non-interest bearing	**195,112**	376,107
Other money market placements	**3,204,715**	4,200,090
Cash resources	**4,108,837**	5,007,767
Mandatory reserve deposits with Central Banks	**(281,628)**	(338,070)
Cash and cash equivalents	**3,827,209**	4,669,697

Mandatory reserve deposits with Central Banks represent the Group's regulatory requirement to maintain a percentage of deposit liabilities as cash or deposits with Central Banks. These funds are not available to finance the Group's day-to-day operations and as such, are excluded from cash resources to arrive at cash and cash equivalents.

The effective yield on cash resources during the year was 1.6% (2002 - 2.1%) per annum.

Included in other money market placements are deposits with CIBC and Barclays Bank PLC of $1,424,211 (2002 – $2,780,000).

4. Due from banks

Due from banks represents deposits with CIBC and Barclays Bank PLC entities. The effective yield on these amounts during the year was 1.6% (2002 – 2.1%) per annum.

5. Trading securities

	2003 $	2002 $
Government treasury bills	**–**	34,300
Other debt securities	**339,492**	397,781
	339,492	432,081

The effective yield on trading securities during the year was 2.3% (2002 – 2.6%) per annum.

6. Other assets

	2003 $	2002 $
Accrued interest receivable	**78,679**	56,941
Taxation recoverable	**22,585**	18,277
Deferred taxation (note 20)	**20,000**	15,628
Due from related parties	**28,494**	24,758
Other accounts receivable	**95,989**	52,700
Prepayments and deferred items	**13,744**	10,676
Pension asset (note 22)	**94,273**	91,905
	353,764	270,885

The amount due from related parties is due from CIBC and is interest-free with no fixed terms of repayment.

(expressed in thousands of Barbados dollars)

7. Investment securities

	2003 $	2002 $
Originated debt		
Issued or guaranteed by Governments		
Treasury bills	**479,944**	567,019
Debt securities	**817,444**	1,126,324
	1,297,388	1,693,343
Available-for-sale		
Equity — quoted	**229,699**	180,976
— unquoted	**21,172**	7,852
	250,871	188,828
	1,548,259	1,882,171

The effective interest rates earned during the year on debt securities and treasury bills was 9.5% (2002 – 8.3%). The Group has a regulatory reserve requirement to maintain a percentage of deposit liabilities as cash or in the form of Government securities. At October 31, 2003 the reserve requirement amounted to $646,115 (2002 – $420,070) of which $281,628 (2002 – $338,070) is included within cash resources (note 3).

8. Loans and advances

	2003 $	2002 $
Mortgages	**2,611,679**	2,322,080
Personal loans	**1,171,266**	1,260,076
Business loans	**3,549,564**	4,020,687
Government securities purchased under resale agreements	**13,794**	56,765
	7,346,303	7,659,608
Less: Provisions for impairment		
— specific credit risk provisions	**(177,373)**	(151,955)
— inherent risk provisions	**(48,415)**	(54,507)
	7,120,515	7,453,146

The effective interest rate earned during the year on loans and advances was 8.1% (2002 – 8.5%).

October 31, 2003
(expressed in thousands of Barbados dollars)

8. Loans and advances ... *continued*

Movement in provisions for impairment are as follows:

	Specific credit risk provisions $	Inherent risk provisions $
Balance, December 31, 2001	**(105,045)**	(39,427)
Doubtful debts expense	**(73,052)**	–
Provisions from subsidiaries acquired	**(24,747)**	(21,961)
Recoveries of bad and doubtful debts	**32,330**	–
Net movement in inherent risk provisions	**–**	6,881
Bad debts written-off	**18,559**	–
Balance, October 31, 2002	**(151,955)**	(54,507)
Doubtful debts expense	**(40,313)**	–
Recoveries of bad and doubtful debts	**2,092**	–
Net movement in inherent risk provisions	**–**	(1,694)
Transfer to specific provisions	**(7,786)**	7,786
Bad debts written-off	**20,589**	–
Balance, October 31, 2003	**(177,373)**	(48,415)

The aggregate impaired loans amounted to $642,114 as at October 31, 2003 (2002 – $600,331). Uncollected interest accrued on impaired loans amounted to $6,386 at October 31, 2003.

9. Goodwill

	$
Gross amount	
Balance, beginning of year	636,983
Adjustments (Note I)	(50)
Adjustments (Note II)	(1,603)
Adjustments (Note III)	913
Balance, end of year	636,243
Accumulated amortisation	
Balance, beginning of year	1,982
Amortisation	31,712
Balance, end of year	33,694
Net book amount	
End of year	602,549
Beginning of year	635,001

Note I

In June 2003, the Group acquired 23,965,827 shares in FirstCaribbean International Bank (Jamaica) Limited in exchange for 3,195,326 shares in FirstCaribbean International Bank Limited. The market value of the FirstCaribbean International Bank Limited shares issued at that date was $2.532 per share and the net book value of the shares acquired was $8,141, resulting in a reduction in goodwill to the Group of $50.

Note II

In May 2003, FirstCaribbean International Bank (Bahamas) Limited issued 752,604 shares to the Public at a price of $12.1 per share. This resulted in a dilution of the Group's ownership from 95.8% to 95.2%. The net effect of this transaction was a dilution gain of $4.8 million, of which $3 million is included in other income in the statement of income and the remainder represents an adjustment to goodwill.

Note III

In October 2002, acquisition provisions in the amount of $16,968 were recorded in relation to employee termination and other costs. Expenditures in the amount of $913, net of deferred tax, that have not occurred or are no longer expected to occur have been adjusted to goodwill.

October 31, 2003
(expressed in thousands of Barbados dollars)

10. Property, plant and equipment

	Land and buildings $	Equipment, furniture and vehicles $	Leasehold improvements $	Total $
Cost				
Balance, beginning of year	184,483	138,019	46,534	369,036
Additions	6,249	19,786	39,216	65,251
Disposals	(4,392)	(10)	(4,120)	(8,522)
Assets written off	–	–	(5,545)	(5,545)
Balance, end of year	186,340	157,795	76,085	420,220
Accumulated depreciation				
Balance, beginning of year	28,778	81,228	19,182	129,188
Depreciation	6,116	2,488	17,512	26,116
Disposals	(180)	(2)	(3,752)	(3,934)
Assets written off	–	–	(5,545)	(5,545)
Balance, end of year	34,714	83,714	27,397	145,825
Net book values				
End of year	151,626	74,081	48,688	274,395
Beginning of year	155,705	56,791	27,352	239,848

Additions to equipment, furniture and vehicles include $17,464 relating to systems development costs. No depreciation has been charged in relation to these additions as the related systems are not yet in operation.

11. Deposits

	Payable on demand $	Payable after notice $	Payable at a fixed date $	2003 Total $	2002 Total $
Individuals	621,862	2,474,381	3,114,294	6,210,537	6,902,541
Business and Governments	2,426,692	446,278	5,184,063	8,057,033	8,049,628
Banks	97,237	–	147,381	244,618	188,710
	3,145,791	2,920,659	8,445,738	14,512,188	15,140,879

Included in deposits with banks are deposits from Barclays Bank PLC of $193,845 (2002 – $182,125).

The effective rate of interest on deposits during the year was 2.2% (2002 – 1.8%) per annum.

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12. Other liabilities

	2003 $	2002 $
Accounts payable and accruals	**174,305**	83,043
Accrued interest payable	**45,167**	61,429
Bills payable	**26,837**	20,562
Deferred tax liability (note 20)	**9,440**	5,782
Taxes payable	**8,423**	10,339
Interest rate swaps at fair value (note 29 (d))	**1,448**	8,030
Dividends payable	**–**	141,940
Restructuring provision (note 19)	**41,908**	68,707
Pension liability (note 22)	**6,260**	5,100
Other post retirement medical benefits (note 22)	**37,200**	33,246
Due to related parties	**88,000**	57,200
	438,988	495,378

The amount due to related parties relates to CIBC and Barclays Bank PLC, and includes $44,000 (2002 – $44,000), which is repayable on April 4, 2004 and carries interest at the 3 month Libor rate plus 0.75% and $34,000 (2002 – $0) which carries interest at 1 year Libor rate plus 0.75% repayable in 2005. The remaining $10,000 (2002 – $13,200) is interest free with no fixed terms of repayment.

13. Minority interest

	2003 $	2002 $
Balance, beginning of year/period	**33,889**	–
Arising on acquisition of CIBC West Indies	**–**	33,349
Share of net income of subsidiaries	**7,701**	540
Dividends	**(1,842)**	–
Increase due to Bahamas rights issue (Note I)	**4,501**	–
Decrease due to acquisition of Jamaica shares (Note II)	**(10,179)**	–
Balance, end of year/period	**34,070**	33,889

Note I
In June 2003, FirstCaribbean International Bank (Bahamas) Limited issued 752,604 shares to the Public, which resulted in the Group's ownership being diluted from 95.8% to 95.2%. The shares were issued at $12.1 per share and resulted in an increase in minority interest in the Bahamas subsidiary of $4,501.

Note II
During the year, the Group acquired an additional 12.4% of the shareholding in FirstCaribbean International Bank (Jamaica) Limited resulting in a reduction to minority interest of $10,179.

14. Share capital and reserves

	2003 $	2002 $
Share capital		
Common shares (Note 15)	**2,234,698**	2,137,685
Non-Voting Class A shares	**51,839**	51,839
Preference shares (Note 15)	**360,000**	360,000
	2,646,537	2,549,524
Reserves		
General banking reserve	**40,846**	40,846
Statutory reserve	**75,852**	75,852
Revaluation reserve — available-for-sale investment securities	**74,011**	28,459
Translation reserve	**(11,912)**	–
Reverse acquisition reserve	**(927,255)**	(927,255)
	(748,458)	(782,098)
Total share capital and reserves at end of year/period	**1,898,079**	1,767,426

(expressed in thousands of Barbados dollars)

14. Share capital and reserves ... *continued*

Movements in reserves were as follows:

	2003 $	2002 $
General banking reserve		
Balance, beginning of year/period	**40,846**	–
From entities acquired	–	**40,846**
Balance, end of year/period	**40,846**	40,846

The general banking reserve represents transfers from retained earnings to meet qualifying capital requirements under revelant local banking legislation. These reserves are not distributable.

	2003 $	2002 $
Statutory reserve		
Balance, beginning of year/period	**75,852**	20,694
From entities acquired	**–**	53,547
Transfers from retained earnings	**–**	1,611
Balance, end of year/period	**75,852**	75,852

Statutory reserves represent accumulated transfers from retained earnings in accordance with relevant local banking legislation.

	2003 $	2002 $
Revaluation reserve – available-for-sale investment securities		
Balance, beginning of year/period	**28,459**	–
Net gains from changes in fair value	**45,552**	28,459
Balance, end of year/period	**74,011**	28,459

	2003 $	2002 $
Translation reserve		
Balance, beginning of year/period	**–**	–
Currency translation differences arising during the year	**(11,912)**	–
Balance, end of year/period	**(11,912)**	–

	2003 $	2002 $
Reverse acquisition reserve		
Balance, beginning of year/period	**(927,255)**	–
Arising from the reverse acquisition accounting	**–**	(927,255)
Balance, end of year/period	**(927,255)**	(927,255)

Under the combination (note 1), Barclays was identified as the acquirer and as such, the equity of the Company at October 11, 2002 comprised the equity of Barclays together with the fair value of the consideration given to acquire CIBC West Indies. However, legally the share capital and statutory reserves of the Company comprise the issued share capital and statutory reserves of CIBC West Indies plus the shares issued to effect the combination, recorded at fair value. The reverse acquisition reserve is therefore the difference between the legally required share capital and statutory reserves together with the retained earnings of Barclays, and the equity of the Company presented in accordance with IFRS.

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15. Share capital

	Number of shares	$
Common Shares – Voting:		
Barclays shares in issue at January 1 and December 31, 2001	**753,000**	5,848
Cancellation of Barclays shares on reverse acquisition	**(753,000)**	(5,848)
CIBC West Indies shares in issue at October 31, 2001 and brought into account on reverse acquisition	**611,809,563**	316,380
Shares issued during period:		
Issued for cash	**195,010,625**	410,000
Issued as part consideration for Barclays operations	**666,001,367**	1,398,603
Issued to employees – share gift	**6,048,757**	12,702
Common Shares – Voting, beginning of year	**1,478,870,312**	2,137,685
Shares issued during the year:		
Issued for cash (d)	**43,066,296**	88,922
Issued in exchange for shares in Jamaican subsidiary	**3,195,326**	8,091
Common Shares – Voting, end of year	**1,525,131,934**	2,234,698
Non-Voting Class A shares	**24,685,024**	51,839
Preferred shares	**180,000,000**	360,000
October 31, 2003		2,646,537
October 31, 2002		2,549,524

a) Common Shares

The Company is entitled to issue an unlimited number of Common Shares. Common Shareholders are entitled to attend and vote at all meetings of shareholders. Common Shareholders have one vote for each share owned.

Common Shareholders are entitled to receive dividends declared by the Board of Directors, on the same basis as dividends declared for Non-Voting Class A Shareholders, but subsequent to dividends declared for Preference Shareholders. In liquidation, Common Shareholders rank equally with Non-Voting Class A Shareholders, but subsequent to Preference Shareholders.

b) Non-Voting Class A Shares

The Company is entitled to issue an unlimited number of Non-Voting Class A Shares. Non-Voting Class A Shareholders are not entitled to attend or vote at General Meetings of Shareholders, except for a General Meeting called to dissolve the Company or sell, lease or exchange substantially all its property. Non-Voting Class A Shareholders will also have the right to attend and vote as a class on any proposal that would change the rights and privileges of their class of shares. Non-Voting Shareholders have one vote for each share owned at those meetings.

Non-Voting Class A Shareholders are entitled to receive dividends declared by the Board of Directors, on the same basis as dividends declared for Common Shareholders, but subsequent to dividends declared for Preference Shareholders. In liquidation, Non-Voting Class A Shareholders rank equally with Common Shareholders, but subsequent to Preference Shareholders.

Subject to regulatory approval, the Company may redeem any or all of the Non-Voting Class A Shares at U.S. $1.05 per share, plus any declared and unpaid dividends. If the current holder of the Non-Voting Class A Shares, Barclays Bank PLC, ceases to own these shares, the new owner has the right to have each Non-Voting Class A Share converted to a Common Share.

(expressed in thousands of Barbados dollars)

c) Preference Shares

The Company may issue a maximum of 180 million Preference Shares. Preference Shareholders are not entitled to attend or vote at General Meetings of Shareholders, except for a General Meeting called to dissolve the Company or sell, lease or exchange substantially all its property. Preference Shareholders will also have the right to attend and vote as a class on any proposal that would change the rights and privileges of their class of shares. Preference Shareholders have one vote for each share owned at those meetings.

Preference Shareholders are entitled to receive non-cumulative dividends declared by the Board of Directors, which if declared, would be paid on a semi-annual basis. The Preference Shares carry an interest rate of Libor plus 2.65% per annum. In liquidation, Preference Shareholders rank ahead of Common and Non-Voting Class A Shareholders.

Subject to regulatory approval, the Company may redeem any or all of the Preference Shares at U.S. $1.00 per share, plus any declared and unpaid dividends. If during the first two years after their issue, a third party makes an offer to purchase all of the Company's Common and Non-Voting Class A Shares, and Barclays Bank PLC agrees to sell its Common and Non-Voting Class A Shares, there is a right to convert each Preference Share to a Non-Voting Class A Share at the rate of 0.95 Non-Voting Class A Share for each Preference Share.

d) Rights Issue

As part of the combination, and to mitigate against the dilution of interest of minority shareholders of CIBC West Indies, the Company undertook a 5 for 12 rights issue to all qualifying shareholders to subscribe for new common shares at the same price as that at which shares were issued to CIBC and Barclays Bank PLC, being $2.10 per share. On December 9, 2002, the Company concluded the rights issue with a total subscription of 43,066,296 common shares from a maximum of 58,674,509 shares. Costs associated with the issuance of the shares amounted to $1,517.

16. Interest income

	2003 $	**10 months to October 31, 2002 $**
Loans and advances	**565,765**	256,206
Securities	**73,825**	43,924
Other	**131,281**	94,649
	770,871	394,779

Other interest income includes income earned from CIBC and Barclays Bank PLC on other money market placements (note 3) and due from banks (Note 4).

October 31, 2003
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17. Non-interest income

	2003 $	10 months to October 31, 2002 $
Fees and commissions	**127,126**	69,615
Foreign exchange	**76,419**	34,018
Other	**25,642**	1,340
	229,187	104,973

18. Non-interest expenses

	2003 $	10 months to October 31, 2002 $
Staff costs	**252,583**	130,066
Other operating expenses	**122,507**	70,726
Property and equipment expenses	**53,498**	34,713
Depreciation	**26,116**	20,316
Foreign exchange gain on translation of pension asset	**–**	(6,125)
	454,704	249,696

19. Restructuring provision

	2003 $	2002 $
Balance, beginning of year/period	**68,707**	–
(Credited)/charged to statement of income during year/period	**(906)**	51,739
Net asset adjustment	**2,571**	16,968
Utilised during year/period	**(28,464)**	–
Balance, end of year/period	**41,908**	68,707

As a result of the combination, restructuring accruals were made in 2002 for employee termination costs of $61,649 and other third party costs of $7,058. Restructuring expenditures of $2,571 that have not occurred or are no longer expected to occur have been adjusted to goodwill during the year.

The write back of $906 to the statement of income is included in the amount of $37,760 representing integration/restructuring charges for the year.

20. Taxation

	2003 $	10 months to October 31, 2002 $
Taxation charge for the year/period:		
Current tax	**24,917**	11,892
Deferred tax	**714**	(11,385)
	25,631	507

(expressed in thousands of Barbados dollars)

20. Taxation ... *continued*

Tax on the Group's income before tax differs from the theoretical amount that would arise using the Barbados statutory tax rate as follows:

	2003 $	2002 $
Income before taxation	**175,532**	11,709
Tax calculated at the statutory tax rate of 36% (2002 – 37.5%)	**63,191**	4,391
Effect of different tax rates in other countries	**(57,503)**	(18,907)
Effect of change in tax rate	**570**	(464)
Effect of income not subject to tax	**(7,199)**	(4,309)
Effect of income subject to tax at 12.5%	**(4,178)**	(909)
Effect of income subject to tax at 15%	**(2,423)**	(64)
Prior year tax reassessments	**1,386**	–
Over provision of prior and current year tax liability	**(1,910)**	(71)
Over provision of prior year deferred tax liability	**(3,337)**	(236)
Deferred tax asset not recognised	**28,470**	3,973
Effect of expenses not deductible for tax purposes	**8,564**	17,103
	25,631	507

Movement in deferred tax account for the year/period:

	2003 $	2002 $
Deferred tax position, beginning of year/period	**9,846**	(8,940)
Balance from subsidiaries acquired	**–**	7,401
Deferred tax credit for the year/ period	**714**	11,385
Deferred tax position, end of year/period	**10,560**	9,846
Represented by:		
Deferred tax asset	**20,000**	15,628
Deferred tax liability	**(9,440)**	(5,782)
	10,560	9,846

The deferred tax comprises of tax losses of $37,064 (2002 – $26,502) which will expire between 2007 and 2011.

The Group has tax losses of $142,707 (2002 – $46,384) for which no deferred tax assets have been recognised. These losses will expire between 2006 and 2011.

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21. Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of Common and Non-Voting Class A Shares in issue during the year/period.

	2003 $	10 months to October 31, 2002 $
Net income attributable to shareholders	**142,200**	10,662
Weighted average number of Common and Non-Voting Class A Shares in issue (expressed in thousands)	**1,544,097**	744,065
Basic earnings per share (expressed in cents per share)	**9.21**	1.43

For the diluted earnings per share, the weighted average number of Common and Non-Voting Class A Shares in issue is adjusted to assume conversion of all dilutive potential shares. The Preference Shares are the only dilutive potential shares as at year end. The Preference Shares are assumed to have been converted into Common Shares with no adjustment to net income for dividends as these have been waived. For the rights issue, the number of shares that could have been acquired at market price (determined as the average share price of the company's shares) based on the monetary value of the rights subscribed for is determined; the residual bonus shares are added to the Common Shares outstanding, but no adjustment is made to net income.

	2003 $	10 months to October 31, 2002 $
Net income attributable to shareholders	**142,200**	10,662
(Shares in thousands)		
Weighted average number of Common and Non-Voting Class A Shares in issue	**1,544,097**	744,065
Adjustments for:		
Assumed conversion of Preference Shares	**171,000**	171,000
Rights issue	**–**	3,214
Weighted average number of Common and Non-Voting Class A Shares for diluted earnings per share	**1,715,097**	918,279
Diluted earnings per share (expressed in cents per share)	**8.29**	1.16

(expressed in thousands of Barbados dollars)

22. Employee benefit obligations

The Group has insured group health plans and a number of pension schemes. Most pension plans are non-contributory, allow for additional voluntary contributions and are final salary defined benefit plans. The insured health plans allow for retirees to remain in the plans until death. The retiree is entitled to the benefit on early or normal retirement with 10 years service. The plans are valued by independent actuaries every three years using the projected unit credit method.

The amounts recognised in the balance sheet are determined as follows:

	Post retirement medical benefits		**Defined benefit pension plans**	
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
Fair value of plan assets	**–**	–	**466,300**	431,092
Present value of funded obligations	**(38,327)**	(33,246)	**(335,338)**	(301,615)
	(38,327)	(33,246)	**130,962**	129,477
Unrecognised actuarial loss/(gain)	**1,127**	–	**(42,949)**	(42,672)
Net (liability)/asset in the balance sheet	**(37,200)**	(33,246)	**88,013**	86,805

Unrecognised actuarial gains and losses result from differences between actuarial assumptions and the actual performance of the plan in the year under review. Actuarial gains and losses are recognised only if they exceed 10% of the present value of the defined benefit obligation and 10% of the fair value of any plan asset at the end of the previous reporting period.

	Post retirement medical benefits		**Defined benefit pension plans**	
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
Amounts in the balance sheet:				
Assets	**–**	–	**94,273**	91,905
Liabilities	**(37,200)**	(33,246)	**(6,260)**	(5,100)
Net (liability)/asset in the balance sheet	**(37,200)**	(33,246)	**88,013**	86,805

The amounts recognised in the statement of income are as follows:

	Post retirement medical benefits		**Defined benefit pension plans**	
		10 months to October 31,		**10 months to October 31,**
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
Current service costs	**2,342**	1,754	**18,644**	9,460
Curtailment and settlement costs	**–**	–	**–**	9,767
Interest costs	**2,245**	1,916	**21,567**	15,329
Expected return on plan assets	**–**	–	**(38,833)**	(21,740)
Total amount included in staff costs	**4,587**	3,670	**1,378**	12,816
Actual return on plan assets	**–**	–	**23,603**	14,294

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22. Employee benefit obligations ... *continued*

The movements in the net (liability)/asset recognised in the balance sheet are as follows:

	Post retirement medical benefits		Defined benefit pension plans	
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
Balance, beginning of year/period	**(33,246)**	(14,370)	**86,805**	80,674
From entities acquired	**–**	(15,832)	**–**	12,665
Pension charge for the year/period	**(4,587)**	(3,670)	**(1,378)**	(12,816)
Contributions paid	**–**	–	**2,586**	157
Employer premiums for existing retirees	**633**	626	**–**	–
Foreign exchange translation gain	**–**	–	**–**	6,125
Balance, end of year/period	**(37,200)**	(33,246)	**88,013**	86,805

The principal actuarial assumptions used were:

	Post retirement medical benefits	
	2003	**2002**
Discount rate	**6.4 – 10.0%**	6.4 – 10.0%
Premium escalation rate	**5.4 – 9.0%**	5.4 – 9.0%
Existing retirement age	**64 – 69**	63 – 67

	Defined benefit pension plans	
	2003	**2002**
Discount rate	**6.0 – 10.0%**	6.0 – 10.0%
Expected return on plan assets	**7.5 – 12.0%**	7.5 – 12.0%
Future salary increases	**4.5 – 8.0%**	4.5 – 8.0%
Future pension increases	**0.0 – 5.5%**	0.0 – 4.5%

The Group operates the following pension plans:

a) FirstCaribbean International Bank (Jamaica) Limited

The last actuarial valuation was conducted as at November 1, 2001 and revealed a fund surplus of $8,000.

b) FirstCaribbean International Bank Limited

The last actuarial valuation was conducted as at November 1, 2001 and revealed a fund surplus of $800.

c) FirstCaribbean International Bank (Bahamas) Limited

The last actuarial valuation was conducted as at November 1, 2001 and revealed a fund surplus of $8,000.

d) FirstCaribbean International Bank (Cayman) Limited

Up to May 31, 1998 the majority of the employees of the former CIBC Bank and Trust Company (Cayman) Limited participated in either a contributory or non-contributory defined benefit pension plan. The company's contribution to these plans was borne entirely by CIBC and, consequently, the company recorded no expense or liability in respect of these plans. The latest actuarial valuation for both plans was performed on October 31, 1994, which indicated that both plans were fully funded.

22. Employee benefit obligations ... *continued*

d) FirstCaribbean International Bank (Cayman) Limited ... *continued*

As a result of the introduction of new pension legislation in The Cayman Islands, the interests of the Company's employees in these defined benefit pension plans were frozen as at May 31, 1998. An actuarial valuation was performed to determine the funding status of the plans as a result of which, the Company was required to fund $1,400 which was expensed in the year ended October 31, 2000.

The Company has established a defined contribution pension plan that complies with the requirements of The Cayman Islands National Pension Law. The Company collects the required statutory contributions from its employees. Contributions for the year amounted to $530 (for the period October 11 – October 31, 2002 the Company contributed $27) on behalf of its employees to this pension plan.

e) Barclays Bank (1951) Pension Plan

The employees of the former Barclays bank participate in the defined benefit scheme of the Barclays Bank (1951) pension plan (“the Barclays plan”). The plan is operated under the segregated fund policy. Annual valuations of the Barclays plan covering the West Indies based staff of the bank are performed by an independent actuary.

Following completion of the combination, active members of the Barclays plan may elect to transfer into a defined benefit pension scheme in the new entity (“the FirstCaribbean plan”). Barclays Bank PLC has agreed to transfer to the FirstCaribbean plan assets sufficient to fully fund a ten year contribution holiday for the Group. Existing pension obligations for those members who do not transfer will continue to be funded by the Barclays plan. The fair value of the plan assets included in these financial statements is the amount that Barclays Bank PLC expects to transfer to the FirstCaribbean plan in accordance with this agreement. The actual amount transferred will be determined on the basis of an actuarial valuation and may differ from the amount included in these financial statements.

The present value of funded obligations has been calculated on the basis that non-active members will elect to remain in the Barclays plan, which will continue to fund all pension payments for these members. The pension obligation to non active members will not be transferred into FirstCaribbean International Bank Limited so this obligation is not reflected in these financial statements.

The Group also participates in the Barclays Bank Cayman Islands Retirement Plan (the “BBCIRP”) established specifically for Barclays Group staff in the Cayman Islands. BBCIRP is a defined contribution pension plan and is subject to the provisions of The National Pensions Law of the Cayman Islands. The normal contribution rate under the law is 10% of the employee’s salary, borne equally by the employee and employer. The bank generally contributes 6% for each employee, and will match up to 4% of extra contributions from employees. The amount charged to staff costs during the year for the plan was $502 (2002 – $259).

23. Dividends

As at October 31, 2003 the Directors recommended a final dividend, which is not reflected in these financial statements, of two point five cents ($0.025) per common share, bringing the total dividend payout for 2003 to five cents ($0.050) per common share (2002 – $0.052 cents per common share).

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24. Related party transactions and balances

Interest and other income includes $100,011 (2002 – $130,500) and interest expense $11,128 (2002 - $15,400) earned from and charged by CIBC and Barclays Bank PLC.

In the normal course of business the Group provides banking and support services to related parties, for which $3,726 (2002 - $3,600) was charged during the year.

Under agreement with Barclays Bank PLC, the Company receives an annual payment from Barclays Bank PLC of US$10,000 effective January 1, 2002, as an incentive for the Company to retain its deposit placements with Barclays Capital. Included in income for the year is US$10 million (2002 – US$8,333).

Other transactions and balances with related parties are disclosed separately in the individual notes.

25. Contingent liabilities and commitments

The bank conducts business involving guarantees, performance bonds and indemnities, which are not reflected in the balance sheet.

	2003 $	2002 $
Letters of credit	**176,363**	169,760
Loan commitments	**1,077,891**	1,450,356
Guarantees and indemnities	**183,862**	190,331
	1,438,116	1,810,447

The Group is the subject of legal actions arising in the normal course of business. Based on legal advice, management considers that the liability, if any, of these actions would not be material.

26. Future rental commitments under operating leases

As at October 31, 2003 the Group held leases on buildings for extended periods. The future rental commitments under these leases were as follows:

	2003 $	2002 $
Not later than 1 year	**18,670**	15,072
Later than 1 year and less than 5 years	**26,064**	38,573
Later than 5 years	**3,652**	21,904
	48,386	75,549

27. Assets held in trust by subsidiaries

The Group provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date the bank had investment assets under administration on behalf of third parties amounting to $270,193 (2002 – $273,000).

(expressed in thousands of Barbados dollars)

28. Segmented information

The Group operates in one industry - the financial services industry. Transactions between business segments are on normal business terms and conditions. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet but excluding items such as taxation, goodwill and certain other items. The geographic distribution of operating income, operating expenses and operating profit/(loss) at October 31 was as follows:

	2003			10 months to October 31, 2002		
	Operating Income $	Operating Expenses $	Operating Profit/ (Loss) $	Operating Income $	Operating Expenses $	Operating Profit/ (Loss) $
Bahamas	**232,006**	**(121,858)**	**110,148**	92,468	(64,172)	28,296
Barbados	**167,792**	**(159,986)**	**7,806**	67,710	(55,260)	12,450
Belize	**14,999**	**(12,924)**	**2,075**	13,976	(9,968)	4,008
BVI	**27,429**	**(15,421)**	**12,008**	24,842	(18,720)	6,122
Cayman	**91,958**	**(45,026)**	**46,932**	47,772	(23,892)	23,880
Eastern Caribbean	**104,567**	**(71,491)**	**33,076**	67,640	(51,249)	16,391
Jamaica	**69,673**	**(47,926)**	**21,747**	4,232	(3,389)	843
Other	**31,199**	**(19,987)**	**11,212**	30,327	(56,887)	(26,560)
	739,623	**(494,619)**	**245,004**	348,967	(283,537)	65,430

	2003 $	10 months to October 31, 2002 $
Total operating profit	**245,004**	65,430
Integration/restructuring charges	**(37,760)**	(51,739)
Goodwill amortisation	**(31,712)**	(1,982)
Taxation	**(25,631)**	(507)
Minority interest	**(7,701)**	(540)
Net income	**142,200**	10,662

Operating income comprises net interest income and non-interest income.

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28. Segmented information ... *continued*

	2003			2002		
	Operating Assets $	Operating Liabilities $	Capital Expenditure $	Operating Assets $	Operating Liabilities $	Capital Expenditure $
Bahamas	**5,864,592**	**5,256,176**	**7,332**	5,986,036	5,485,164	38,724
Barbados	**3,417,995**	**3,278,941**	**24,179**	3,450,251	3,040,600	10,981
Belize	**129,503**	**112,112**	**2,178**	146,278	124,364	1,265
BVI	**985,755**	**991,576**	**2,900**	846,516	825,918	244
Cayman	**4,525,611**	**3,972,864**	**1,985**	4,892,903	4,560,842	45,409
Eastern Caribbean	**1,688,129**	**1,633,601**	**18,122**	1,711,228	1,575,043	29,291
Jamaica	**640,791**	**578,207**	**4,185**	682,940	646,402	9,863
Other	**765,792**	**700,240**	**4,370**	799,596	782,794	8,621
	18,018,168	**16,523,717**	**65,251**	18,515,748	17,041,127	144,398
Eliminations	**1,782,057**	**1,782,057**	**–**	1,728,386	1,728,386	–
	16,236,111	**14,741,660**	**65,251**	16,787,362	15,312,741	144,398
Non-operating assets/liabilities	**99,140**	**209,516**	**–**	22,452	323,516	–
Investments	**250,871**	**–**	**–**	188,828	–	–
Goodwill	**602,549**	**–**	**–**	635,001	–	–
Property, plant & equipment	**19,489**	**–**	**–**	25,229	–	21,975
Minority interest	**–**	**34,070**	**–**	–	33,889	–
Equity	**–**	**2,222,914**	**–**	–	1,988,726	–
	17,208,160	**17,208,160**	**65,251**	17,658,872	17,658,872	166,373

Off-balance sheet financial instruments:

	2003 $	2002 $
Bahamas	**488,404**	703,360
Barbados	**316,996**	393,952
Belize	**36,352**	41,842
BVI	**30,363**	69,270
Cayman	**279,580**	290,410
Eastern Caribbean	**215,651**	217,808
Jamaica	**32,838**	37,434
Other	**37,932**	56,371
	1,438,116	1,810,447

29. Use of financial instruments

A. Strategy in using financial instruments

By its nature the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The group seeks to both increase these margins and more closely match the behavioural maturity characteristics of these deposits by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

29. Use of financial instruments ... *continued*

A. Strategy in using financial instruments ... *continued*

The Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances but the Group also enters into guarantees and other commitments such as letters of credit and performance and other bonds.

B. Credit risk

The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

Cash resources and due from banks include $4,284,560 (2002 – $4,517,973) placed with CIBC and Barclays Bank PLC. Other than these amounts there are no other significant concentrations of credit risk.

Derivatives

The Group maintains strict control limits on net open derivative positions, that is, the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets), which in relation to derivatives is only a small fraction of the contractor or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the group requires margin deposits from counterparties.

Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period since it is affected by each transaction subject to the arrangement.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

October 31, 2003
(expressed in thousands of Barbados dollars)

29. Use of financial instruments ... *continued*

B. Credit risk ... *continued*

Credit-related commitments ... *continued*

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

C. Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at October 31. The off-balance sheet net notional position represents the difference between the notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements, and their fair values.

Concentrations of assets, liabilities and credit commitments:

As at October 31, 2003	EC	BDS	CAY	BAH	US	JA	Other	Total
Assets								
Cash resources	219,998	358,862	6,199	135,523	2,707,057	120,579	560,619	4,108,837
Due from banks	12,050	–	–	3,634	2,453,405	–	391,260	2,860,349
Trading securities	–	–	–	–	339,492	–	–	339,492
Other assets	59,526	153,986	10,406	65,614	18,556	28,372	17,304	353,764
Investment securities	51,397	334,206	7	258,286	540,503	78,113	285,747	1,548,259
Loans and advances to customers	1,046,399	1,050,755	581,296	2,069,480	2,086,688	157,974	127,923	7,120,515
Goodwill	-	602,549	–	–	–	–	–	602,549
Property, plant and equipment	47,589	99,538	36,127	42,344	28,275	9,568	10,954	274,395
Total assets	1,436,959	2,599,896	634,035	2,574,881	8,173,976	394,606	1,393,807	17,208,160
Liabilities								
Deposits	1,348,495	1,851,584	254,452	2,079,546	7,635,683	320,157	1,022,271	14,512,188
Other liabilities	33,993	181,105	12,913	69,468	108,128	17,743	15,638	438,988
Total liabilities	1,382,488	2,032,689	267,365	2,149,014	7,743,811	337,900	1,037,909	14,951,176
Net on balance sheet position	54,471	567,207	366,670	425,867	430,165	56,706	355,898	2,256,984
Credit commitments	198,340	324,775	19,380	433,158	371,455	19,599	71,409	1,438,116

October 31, 2003
(expressed in thousands of Barbados dollars)

29. Use of financial instruments ... *continued*

C. Currency risk ... *continued*

Concentrations of assets, liabilities and credit commitments:

As at October 31, 2002	EC	BDS	CAY	BAH	US	JA	Other	Total
Total assets	1,360,557	2,054,600	879,935	2,695,283	8,896,431	495,407	1,276,659	17,658,872
Total liabilities	1,354,649	2,048,777	408,073	2,418,428	7,846,322	441,806	1,118,202	15,636,257
Net on balance sheet position	5,908	5,823	471,862	276,855	1,050,109	53,601	158,457	2,022,615
Credit commitments	199,524	377,712	48,101	406,784	684,521	37,434	56,371	1,810,447

D. Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which are monitored on an ongoing basis.

Expected repricing and maturity dates do not differ significantly from the contract dates, except for the maturity of deposits up to 1 month, which represent balances on current accounts considered by the Group as a relatively stable core source of funding of its operations. As such, these balances (where they are material to the balance sheet) are effectively invested to match the behavioural adjusted maturity profile of consumer deposits.

The Group uses interest rate swaps as hedges to reduce the exposure to fluctuations in market interest rates resulting from fixed rate binding to customers. The notional amounts outstanding under these contracts at October 31, 2003 amounted to $81,104 (2002 – $147,331) and the fair value of the contracts was $1,448 (2002 – $8,030) and is included in other liabilities.

E. Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

October 31, 2003
(expressed in thousands of Barbados dollars)

29. Use of financial instruments ... *continued*

E. Liquidity risk ... *continued*

The table below analyses assets, liabilities and credit commitments of the Group into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

Maturities of assets and liabilities

As at October 31, 2003	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Assets					
Cash resources	4,108,837	–	–	–	4,108,837
Due from banks	1,990,456	408,062	461,831	–	2,860,349
Trading securities	317,808	21,684	–	–	339,492
Other assets	187,761	50,659	27,816	87,528	353,764
Investment securities	622,296	93,461	158,335	674,167	1,548,259
Loans and advances to customers	1,298,532	648,506	2,082,054	3,091,423	7,120,515
Goodwill	4,926	14,778	78,816	504,029	602,549
Property, plant and equipment	–	–	9,568	264,827	274,395
Total assets	8,530,616	1,237,150	2,818,420	4,621,974	17,208,160
Liabilities					
Deposits	13,198,126	1,138,444	173,979	1,639	14,512,188
Other liabilities	103,899	179,566	125,334	30,189	438,988
Total liabilities	13,302,025	1,318,010	299,313	31,828	14,951,176
Net liquidity gap	(4,771,409)	(80,860)	2,519,107	4,590,146	2,256,984
Credit commitments	1,279,942	145,016	9,110	4,048	1,438,116

As at October 31, 2002	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Total assets	8,948,633	1,768,719	2,217,331	4,724,189	17,658,872
Total liabilities	14,326,161	1,126,857	147,173	36,066	15,636,257
Net liquidity gap	(5,377,528)	641,862	2,070,158	4,688,123	2,022,615
Credit commitments	1,114,997	681,045	11,825	2,580	1,810,447

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

29. Use of financial instruments ... *continued*

F. Fair values of financial assets and liabilities

Cash resources and due from banks

Cash resources and due from banks include inter-bank placements and items in the course of collection.

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity. Their carrying values approximate their fair values.

Loans and advances and originated debt investment securities

The estimated fair value of loans and advances and originated debt investment securities represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. The balances are net of specific and other provisions for impairment and their net carrying amounts reflect their fair values.

Available-for-sale investment securities

Available-for-sale securities are measured at fair value based on quoted market prices. Where this information is not available and where fair values cannot be measured reliably, these securities are carried at cost less impairment.

Other assets and other liabilities

The fair values of other assets and other liabilities are assumed to approximate the carrying values due to their short-term nature.

Deposits and other borrowings

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

The carrying values of deposits and other borrowings reflect their fair values.

October 31, 2003
(expressed in thousands of Barbados dollars)

30. Principal subsidiary undertakings

Name	Country of incorporation
FirstCaribbean International Bank Limited	Barbados
FirstCaribbean International Bank (Offshore) Limited	Barbados
FirstCaribbean International Bank (Bahamas) Limited (95.2%)	Bahamas
FirstCaribbean International Finance Corporation (Bahamas) Limited	Bahamas
FirstCaribbean International (Bahamas) Nominees Company Limited	Bahamas
FirstCaribbean International Land Holdings (TCI) Limited	Turks & Caicos Islands
FirstCaribbean International Bank (Barbados) Limited	Barbados
FirstCaribbean International Trust And Merchant Bank (Barbados) Limited	Barbados
FirstCaribbean International Finance Corporation (Barbados) Limited	Barbados
FirstCaribbean International Finance Corporation (Leeward & Windward) Limited	St. Lucia
FirstCaribbean International Land Holdings (Barbados) Limited	Barbados
FirstCaribbean International Bank (Jamaica) Limited (94.6%)	Jamaica
FirstCaribbean International Securities Limited	Jamaica
FirstCaribbean International Building Society	Jamaica
FirstCaribbean International Bank (Cayman) Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Cayman) Limited	Cayman Islands
FirstCaribbean International Finance Corporation (Netherlands Antilles) Limited	Curacao, Netherlands Antilles
FirstCaribbean International (Cayman) Nominees Company Limited	Cayman Islands

All subsidiaries are wholly owned unless otherwise stated.

31. Post balance sheet event

Subsequent to the year end, the Group repurchased the outstanding Non-Voting Class A Shares (24,685,024 shares) at $2.10 per share.

32. Comparatives

Where necessary, comparative figures have been reclassed to comply with changes in presentation in the current year.

Barbados
The Companies Act, Chapter 308
[Section 140]

1. Name of Company:

FirstCaribbean International Bank Limited — Company No. 8521

2. Particulars of Meeting:

Tenth Annual Meeting of the Shareholders of the Company to be held in the Golden Shell Room, at the Grand Barbados Beach Resort, Aquatic Centre, Bay Street, St. Michael, on Friday, March 26, 2004, at 5 p.m.

3. Solicitation:

It is intended to vote the Proxy hereby solicited by the Management of the Company (unless the Shareholder directs otherwise) in favour of all resolutions specified on the Proxy Form sent to the Shareholders with this Circular and in the absence of a specific direction, in the discretion of the Proxy Holder in respect of any other resolution.

4. Any Director's Statement Submitted Pursuant to Section 71 (2):

No statement has been received from any Director of the Company pursuant to Section 71 (2) of the Companies Act, Chapter 308.

5. Any Auditor's Statement Submitted to Pursuant to Section 163 (1):

No statement has been received from the Auditors of the Company pursuant to Section 163 (1) of the Companies Act, Chapter 308.

6. Any Shareholder's Proposal Submitted Pursuant to Section 112:

No proposal has been received from any Shareholder pursuant to Section 112 of the Companies Act, Chapter 308.

Date	Name and Title	Signature
January 31, 2004	Natalie S. Holder Corporate Secretary FirstCaribbean International Bank Limited	

I/We, the undersigned shareholder/shareholders of FirstCaribbean International Bank Limited hereby appoint Mr. Michael Mansoor or failing him, Mr. Charles Pink, or any Director of the Company or ________________ as my/our proxy to vote for me/us on my/our behalf as indicated below on the Resolutions to be proposed at the Annual Meeting of the shareholders of the Company to be held on Friday, March 26, 2004.

Dated this ________ day of _________________ 2004.

Name of shareholder(s) of the Company ____

Signature ____

Name(s) of signatory in block capitals ____

Please indicate with an "X" in the spaces below how you wish your proxy to vote on the Resolutions referred to. If no indication is given the proxy will exercise his or her discretion as to how he or she votes or whether he or she abstains from voting.

	FOR	AGAINST
Resolution 1 To approve the adoption of the audited consolidated financial statements and balance sheet of the Company for the year November 1, 2002 to October 31, 2003.		
Resolution 2 To approve the election of the following people as Directors for the term hereinafter set forth: (i) John Eaton for a period of one year. (ii) Teresa Butler for a period of three years. (iii) David Ritch for a period of three years. (iv) David Roberts for a period of three years. (v) Chester Feldberg as Permanent Alternate Director for a period of two years. To re-elect the following persons as Directors: (vi) Kyffin Simpson for a period of two years. (vii) Richard Venn for a period of three years.		
Resolution 3 To approve the appointment of the Auditors, and to authorise the Directors to fix their remuneration.		

Notes:

1. If it is desired to appoint a proxy other than the named Directors, the necessary deletion must be made and initialled and the name inserted in the space provided.
2. In the case of joint holders, the signature of any holder is sufficient, but the names of all joint holders should be stated.
3. If the appointer is a Corporation, this form must be under its Common Seal or under the name of an officer of the Corporation duly authorised in this behalf.
4. To be valid, this form must be completed and deposited with the Registrar & Transfer Agent, FirstCaribbean International Trust and Merchant (Barbados) Limited, c/o Capital Markets Department, Rendezvous, Christ Church at least 48 hours before the time appointed for holding the Meeting or adjourned Meeting.

www.firstcaribbeanbank.com

FIRSTCARIBBEAN
INTERNATIONAL BANK

Caribbean Pride. International Strength. Your Financial Partner.

FirstCaribbean International Bank is an Associated Company of Barclays Bank PLC and CIBC

Anguilla • Antigua & Barbuda • The Bahamas • Barbados • Belize • British Virgin Islands • The Cayman Islands • Dominica
Grenada & Carriacou • Jamaica • St. Kitts & Nevis • St. Lucia • St. Maarten • St. Vincent & the Grenadines • Turks&Caicos Islands